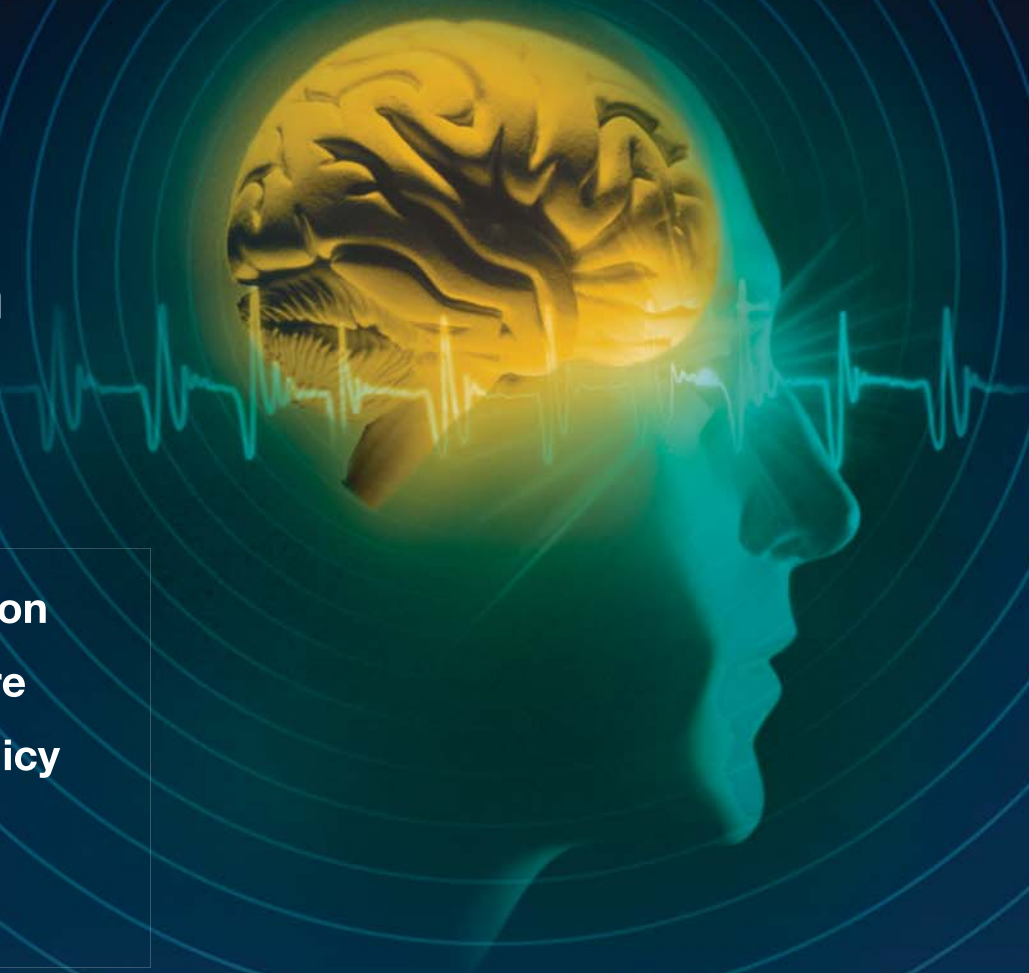




# 2007 Distribution Policy and Procedures

**General Information**  
**Discount Structure**  
**Return Goods Policy**  
**Cancellations**  
**Blanket Orders**



## Tiered Distribution Discount Program

LMT-Fette Inc. offers our distributors a tiered discount program. This program will put in place five different discount levels based on accumulated annual sales volume, and will be reviewed, and adjusted two weeks before the first business day of each quarter. Discount adjustments are based upon volume and average days paid. Terms of payments are based on 1%-10, net 30 days. If average days to pay exceeds 45 days, the distributor's discount level drops 5%.

<b>Product Group</b>	<b>Discount Level</b>				
	<b>LEVEL-A</b>	<b>LEVEL-B</b>	<b>LEVEL-C</b>	<b>LEVEL-D</b>	<b>LEVEL-E</b>
<b>Thread Rolling</b>					
Thread Heads and Attachments	30	25	20	10	5
Thread Rolls	30	25	20	10	5
Thread Roll Spare Parts	25	20	15	10	5
<b>Precision Turning Heads</b>	<b>LEVEL-A</b>	<b>LEVEL-B</b>	<b>LEVEL-C</b>	<b>LEVEL-D</b>	<b>LEVEL-E</b>
Precision Turning Heads	30	25	20	10	5
Turning Head Inserts	40	35	30	20	15
<b>Milling Products</b>	<b>LEVEL-A</b>	<b>LEVEL-B</b>	<b>LEVEL-C</b>	<b>LEVEL-D</b>	<b>LEVEL-E</b>
Standard Milling Inserts	40	35	30	20	15
Standard Fette Bodies	30	25	20	10	5
Standard Kieninger Bodies	40	35	30	20	15
Kieninger Milling Spare Parts	40	35	30	20	15
Fette Milling Spare Parts	30	25	20	10	5
<b>Turning Products</b>	<b>LEVEL-A</b>	<b>LEVEL-B</b>	<b>LEVEL-C</b>	<b>LEVEL-D</b>	<b>LEVEL-E</b>
Turning Holders and Boring Bars	40	35	30	20	15
Standard Turning Inserts	55	50	45	35	25
<b>PCD/CBN Style Inserts</b>	<b>LEVEL-A</b>	<b>LEVEL-B</b>	<b>LEVEL-C</b>	<b>LEVEL-D</b>	<b>LEVEL-E</b>
PCD/CBN Inserts	40	35	30	20	15
<b>Solid End Mills</b>	<b>LEVEL-A</b>	<b>LEVEL-B</b>	<b>LEVEL-C</b>	<b>LEVEL-D</b>	<b>LEVEL-E</b>
Solid End Mills	40	35	30	20	15
<b>Tapping Products</b>	<b>LEVEL-A</b>	<b>LEVEL-B</b>	<b>LEVEL-C</b>	<b>LEVEL-D</b>	<b>LEVEL-E</b>
Powdered Metal Taps	40	35	30	20	15
HPF Insertable Tap Bodies	30	25	20	10	5
HPF Insertable Tap Inserts	40	35	30	20	15



## Distribution/End User Contract

A contract program is in place at LMT-Fette Inc. to help establish longer-term relationships with our Distributors. Using the contract program helps to guarantee product with specific pricing is in place for a given period of time. This program creates a legal contract that has certain pre-established criteria and obligations on the part of LMT-Fette Inc., the Distributor, and the End User.

- No contract will be established with a term longer than 12 months.
- A contract provides guaranteed pricing or increased discount for single or multiple items between LMT-Fette Inc. and the Distributor, based on a specific competitive pricing situation.
- A copy of competitor's quote or invoice reflecting a comparable product is required in order to qualify for the contract program.
- The Director of Operations must receive a contract request form from the field sales representative providing information, including, but not limited to the competitor's name, competitive price offered, and the source of that data along with the sales representative's signature.
- The Director of Operations must then review the request and authorize the price concession, formalize the Terms and Conditions of the contract, and send the formal copy to the Distributor.
- A separate account number may be assigned to the Distributor to ensure correct pricing, to meet legal requirements, and must be referenced on all purchase orders.

## Blanket Order Contracts

LMT-Fette Inc. offers a Blanket Order program that addresses Distributor requirements for large quantity purchases with guaranteed inventory and pricing.

- The Director of Operations must receive a written request via the Blanket Contract Form that includes all items requested for Blanket and the pre-determined release schedule for each item.
- LMT-Fette Inc. will review the requested release dates. Stock availability and delivery schedule from manufacturing must be taken into consideration.
- The Distributor will assume full financial responsibility for both standard and special manufactured items entered on the blanket.
- Maximum term of a blanket order is twelve months.
- All products will be shipped and invoiced no later than 1 year from the date of the original release.
- Scheduled release dates are required for each line item on each blanket order.
- Minimum total value of blanket orders is \$5,000.
- **ALL BLANKET ORDERS ARE NON-CANCELABLE.**
- Standard and special products manufactured and held per the Blanket Order program cannot be cancelled or returned.

## LMT-Fette Inc. Test Tool Policy

LMT-Fette Inc. understands the importance of product testing in the purchasing process. It is for this reason that we have established a fair and liberal test tool policy.

- It is very important that criteria as to what constitutes success or failure, are agreed to in advance of the test.
- All Distributors must submit a formal purchase order for all test orders.
- All test orders must clearly state "**For Test Purposes Only**" on a stand-alone purchase order.
- All test orders must be paid within the terms stated on the Test Order Invoice.
- LMT-Fette Inc. **will** break standard package quantities for test purposes.
- Items considered standard and normally stocked are available for test. Special, modified and non-stocked items require pre-approval from the Director of Operations.
- All returned test tools must be in original packages. Any spare parts sent out with the original test tool order must be returned accordingly. LMT-Fette Inc. will invoice accordingly for any missing spare parts.
- All tests must be run and returned within a 60-day period to be eligible for credit.
- Freight charges are billed to the distributor for all guaranteed tests.
- A completed test report must accompany all credit requests.

\*Note: For Test Report Forms, please contact LMT-Fette Inc. Customer Service.

## General Information

LMT-Fette Inc. is open for business from 7:00 a.m. to 5:00 p.m. CST. The Customer Service team is available during these hours to assist you. The toll free number is 800-225-0852 and fax number is 630-969-5492.

- LMT-Fette's company web page is [www.lmtfette.com](http://www.lmtfette.com).
- Our goal for quotations is to respond within 24–48 hours with price and availability, and unless otherwise requested, quotes are valid for 90 days.
- Customer orders shipped from our stock will be shipped same day via UPS if received before 3:00 p.m. CST.
- Items shipped from European suppliers generally take 7–10 days to arrive in the US and are immediately shipped out.
- Domestic freight charges will be included on the invoice.
- Payment terms to LMT-Fette Inc. are 1%-10, net 30.
- Any late payment exceeding 60 days will result in a distributor being placed on a formal credit hold, and possibly subject to termination.
- LMT-Fette's minimum for all orders is \$25.00.
- Optional express freight is available from Europe on stock products. Freight charges on any such orders requesting shipment from Europe via DHL are the responsibility of the distributor.

## Order Cancellation

- Standard items are considered products shipped from LMT's US stock. These items can be cancelled without additional costs. An assigned part number is not an indication that the item is a standard item.
- Special or Non-Stock standard items are non-cancellable.

## Order Entry, Short Shipments, Damages, Etc.

- LMT-Fette Inc. must receive notification within 30 days of invoice on any claims related to order entry, short shipments, and damages. Upon receipt and verification of the claim, credit will be issued. Credit will be issued at current list price, less normal discount. After 30 days from the original invoice date, LMT-Fette will not issue any return authorizations on damaged product.

## Return Goods Authorization (RGA)

- Standard Items are returnable within 30 days of invoice without incurring the restocking fee. All standard items returned after 30 days are subject to a 15% restocking fee. Non-Standard, modified standard, and special items may not be returned for credit. **All distributors may return up to 5% of the total of the prior twelve-month's purchases over the course of the year without a restocking fee.**
- Products purchased over 1 year ago are not returnable.
- Returned goods must be in the original packages. Any spare parts sent out with the original order must be returned. Only full package quantities are acceptable. Discounted, obsolete, rusted, special, or used products are not returnable.
- LMT-Fette will invoice accordingly for any missing spare parts, or damaged products.
- Customers are required to make payment of all invoices within terms. This also applies to product returned for credit. Upon receipt of tooling, LMT-Fette Inc. will issue credit.



# LMT-Fette, Inc. Contract Pricing Request Form

Distributor Name: \_\_\_\_\_ Ship To: \_\_\_\_\_

Distributor No.: \_\_\_\_\_ Ship To PO No.: \_\_\_\_\_

Distributor PO No.: \_\_\_\_\_ Shipment Method: \_\_\_\_\_

Order Date: \_\_\_\_\_ UPS Account No.: \_\_\_\_\_

## Contract Pricing Detail Information

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ List Price: \_\_\_\_\_ Discount Amount: \_\_\_\_\_ Contract Net Price: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ List Price: \_\_\_\_\_ Discount Amount: \_\_\_\_\_ Contract Net Price: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ List Price: \_\_\_\_\_ Discount Amount: \_\_\_\_\_ Contract Net Price: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ List Price: \_\_\_\_\_ Discount Amount: \_\_\_\_\_ Contract Net Price: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ List Price: \_\_\_\_\_ Discount Amount: \_\_\_\_\_ Contract Net Price: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ List Price: \_\_\_\_\_ Discount Amount: \_\_\_\_\_ Contract Net Price: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ List Price: \_\_\_\_\_ Discount Amount: \_\_\_\_\_ Contract Net Price: \_\_\_\_\_

## Management Approval Information

Quote Reference No.: \_\_\_\_\_ Competitors Name: \_\_\_\_\_

LMT Sales Rep Signature: \_\_\_\_\_ Source of Competitors Information: \_\_\_\_\_

Director of Operations Approval: \_\_\_\_\_

Contract Request Start Date: \_\_\_\_\_

Contract Request End Date: \_\_\_\_\_





# LMT-Fette, Inc. Blanket Order Request Form

Distributor Name: \_\_\_\_\_ Ship To: \_\_\_\_\_

Distributor No.: \_\_\_\_\_ Ship To PO No.: \_\_\_\_\_

Distributor PO No.: \_\_\_\_\_ Shipment Method: \_\_\_\_\_

Order Date: \_\_\_\_\_ UPS Account No.: \_\_\_\_\_

Requested By  
Contact Name: \_\_\_\_\_ Contact No.: \_\_\_\_\_

## Blanket Order Request Detail Information

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ Release Date: \_\_\_\_\_ Interval Release: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ Release Date: \_\_\_\_\_ Interval Release: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ Release Date: \_\_\_\_\_ Interval Release: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ Release Date: \_\_\_\_\_ Interval Release: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ Release Date: \_\_\_\_\_ Interval Release: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ Release Date: \_\_\_\_\_ Interval Release: \_\_\_\_\_

EDP No.: \_\_\_\_\_ Qty: \_\_\_\_\_ Release Date: \_\_\_\_\_ Interval Release: \_\_\_\_\_

Special Instructions or Details: \_\_\_\_\_

## Management Approval Information

Quote Reference No.: \_\_\_\_\_

LMT Sales Rep Signature: \_\_\_\_\_

Director of Operations  
Approval: \_\_\_\_\_

Total Blanket Order Value: \_\_\_\_\_ Note: Minimum Order Value to be \$5,000.00

Blanket Order Start Date: \_\_\_\_\_

Blanket Order End Date: \_\_\_\_\_





# LMT-Fette, Inc. Special Pricing Request Form

Distributor Name: \_\_\_\_\_ Ship To: \_\_\_\_\_

Distributor No.: \_\_\_\_\_ Ship To PO No.: \_\_\_\_\_

Distributor PO No.: \_\_\_\_\_ Shipment Method: \_\_\_\_\_

Order Date: \_\_\_\_\_ UPS Account No.: \_\_\_\_\_

## Special Pricing Detail Information

EDP No.: _____	Qty: _____	List Price: _____	Requested Discount Amount: _____	Requested Net Price: _____
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EDP No.: _____	Qty: _____	List Price: _____	Requested Discount Amount: _____	Requested Net Price: _____
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EDP No.: _____	Qty: _____	List Price: _____	Requested Discount Amount: _____	Requested Net Price: _____
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EDP No.: _____	Qty: _____	List Price: _____	Requested Discount Amount: _____	Requested Net Price: _____
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EDP No.: _____	Qty: _____	List Price: _____	Requested Discount Amount: _____	Requested Net Price: _____
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Reason for Special Price Request \_\_\_\_\_

\_\_\_\_\_

Quote Reference No.: \_\_\_\_\_

LMT Sales Rep Signature: \_\_\_\_\_

Director of Operations  
Approval: \_\_\_\_\_

Contract Request Start Date: \_\_\_\_\_

Contract Request End Date: \_\_\_\_\_

*Please note that all  
Special Pricing Requests  
must include a copy of a  
competitive quote.*

