

RETURNED GOODS POLICY AND PROCEDURE

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Madix, Inc.

Returned Goods Policy and Procedure

PURPOSE

The purpose of this policy is to establish uniform Company standards and procedures for the return of Madix product.

SCOPE

This policy and procedure will apply to all Madix employees who are in a position to have contact with Madix's customers and products related to product return matters.

GOAL

To timely issue credit for authorized returned product and properly adjust inventory accordingly.

RESPONSIBILITY:

Operating Committee:

The Operating Committee is responsible for enforcement of this policy and ensuring the cooperation of all operational and sales personnel in the pursuit of adherence to this policy. The Operating Committee has final decision regarding any returned product concerns between Sales and Operations. The Operating Committee is responsible for final approval of any deviation from Madix's Returned Product Policy. The Operating Committee is also responsible for approval of all returned goods authorizations in excess of \$4000. The Operating Committee is responsible for approval of waiving restocking, freight, or other miscellaneous charges in excess of \$200. The Executive Vice President shall be the lead member of the Operating Committee with regards to the Return Goods Policy and shall be the first member approached when the policy requires the involvement of the Operating Committee.

Vice President of Sales and Marketing (VPSM)

The VPSM is responsible for enforcement of this policy and ensuring the cooperation of all sales and customer service personnel in the pursuit of adherence to this policy and shall mediate any concerns between Sales and Operations prior to submitting a request to the Operating Committee. The VPSM is responsible for approval of all returned goods authorizations valued between \$3000 and \$4000, obtaining authorized approval of returned goods authorizations from the Operating Committee in excess of \$4000, and obtaining authorized approval for any deviation from this policy. The VPSM has authority to waive restocking, freight, or other miscellaneous charges up to \$200 at the VPSM's discretion.

Director of Sales (DS)

The DS is responsible for enforcement of this policy and ensuring the cooperation of all sales personnel in the pursuit of adherence to this policy. The DS is responsible for approval of all returned goods authorizations valued between \$2000 and \$3000. The DS has authority to waive restocking, freight, or other miscellaneous charges up to \$200 at the DS's discretion. The DS is responsible for obtaining authorized approval of returned goods authorizations from the VPSM in excess of \$3000 and authorized approval for any deviation from this policy.

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Director of Customer Service (DCS)

The DCS is responsible for enforcement of this policy and ensuring the cooperation of all customer service personnel in the pursuit of adherence to this policy. The DCS is responsible for approval of all returned goods authorizations up to a value of \$2000. The DCS is responsible for ensuring that all returned goods authorizations are complete and accurate in every regard. The DCS is responsible for obtaining authorized approval of all returned goods authorization in excess of \$2000 and authorized approval for any deviation from this policy. The DCS has authority to waive restocking, freight, and other miscellaneous charges up to a value of \$200. The DCS is responsible for ensuring that all customer service personnel are trained to properly and timely input Returned Goods Authorizations (RGA's) in Madix's SAP system and ensure that RGA's are timely followed up for either the return of the product or the cancellation of the RGA, whichever is applicable. The DCS is responsible for ensuring that all proper approvals have been provided prior to the release of the RGA to the customer.

Regional Sales Manager (RSM)

The RSM is responsible for enforcement of this policy and ensuring the cooperation of all sales personnel with the RSM's territory in the pursuit of adherence to this policy. The RSM is responsible for approval of all returned goods authorizations up to a value of \$500. The RSM is responsible for obtaining additional approvals as outlined in this policy. The RSM shall report any deviations to this policy to the Director of Customer Service and the Director of Sales.

Sales Representative

The Sales Representative is responsible for notifying the Customer Service Representative (CSR) for each customer's request to return product and for assisting the CSR in obtaining the necessary information to enter a RGA which can be approved. The Sales Representative is responsible for advising customers of Madix's Returned Goods Policy and the enforcement of said policy. The Sales Representative is responsible for advising the RSM of customers who habitually return product for credit and for customers which may be abusing Madix's return goods policy. Any deviation from this policy must be submitted to the RSM prior to Madix issuing an RGA to the customer.

Director of Operations/Manufacturing

The Director of Operations/Manufacturing is responsible for enforcement of this policy as well as ensuring the cooperation of all Operations personnel in the pursuit of adherence to this policy. The Director of Operations/Manufacturing is responsible for ensuring that all operations, receiving, and inventory control personnel are trained to properly and timely process the return of product to Madix. The Director of Operations/Manufacturing is responsible for reporting any deviation of this policy to the Director of Customer Service and the Director of Sales.

Traffic Manager

The Traffic Manager is responsible for enforcement of this policy as well as ensuring the cooperation of all traffic personnel in the pursuit of adherence to this policy. The Traffic Manager is responsible for

ensuring that all RGA's which are to be returned at Madix's expense are properly and timely processed to ensure that the product is returned to Madix as well as filing and collecting freight claims. The Traffic Manager is responsible for reporting any deviation of this policy to the Director of Customer Service and the Director of Sales.

Receiving Manager

The Receiving Manager is responsible for enforcement of this policy as well as ensuring the cooperation of all receiving personnel in the pursuit of adherence to this policy. The Receiving Manager is responsible for ensuring that quantities and descriptions of the items returned are the same items as listed on the RGA and all items are in resalable condition. The Receiving Manager is responsible for ensuring that post goods receipts are entered timely and properly in SAP as well as relocating the returned goods to the proper inventory location. The Receiving Manager is also responsible for ensuring that all return documentation is sent to the applicable Corporate Imaging Team at the appropriate Madix facility. The Receiving Manager shall report all deviations to this policy to the Director of Operations/Manufacturing, Director of Customer Service, and the Director of Sales.

Controller

The Controller is responsible for reporting any deviations of this policy to the Director of Customer Service, the Director of Sales, and the CFO. The Controller is responsible for ensuring that Return Credits are processed by the Billing Department in a timely and accurate manner.

AR Management

AR Management is responsible for ensuring that applicable freight charges are added to the return credit request and for timely releasing the requests to Billing.

Billing Personnel

Billing Personnel are responsible for invoicing credit requests as directed by AR Management in a timely manner in order to generate the Return Credit document. Billing Personnel are responsible for sending the Return Credit document to the appropriate Credit Representative for review.

Credit Representative

The Credit Representative is responsible for reviewing Return Credits for either zero postings or mailing to the customer. Return Credits are to either be released to mail to the customer or written to the Cash Application Clerk to zero post the same day the Credit Representative receives the Return Credit document.

POLICY

The Returned Goods Policy is designed to 1) to provide timely credit to our customers for the return of certain returnable and approved product, 2) reduce Madix's internal costs of handling returned product, 3) Identify the reasons why Madix's products are returned for improvement opportunities, and 4) provide an easy and efficient means to have product returned to Madix.

This policy establishes the requirements for the return of product to Madix. At all times, RGA's must be within the authority granted by Madix, Inc.

This policy will be maintained and administered by the Director of Customer Service and the Vice President of Sales and Marketing.

Sales personnel and Customer Service Reps are responsible for obtaining all information regarding who was in error to cause the request for returned goods, freight quotes (if return will be at Madix's expense), contact information from person who is requesting the return, contact information and address where product is located to be picked up, and entering documented texts in the return request that is relevant to the return.

Madix will accept the return of standard merchandise for credit in resalable condition for a restocking charge based on the following terms:

- a) A 25% restocking charge applies if product is returned due to customer's error.
- b) An RGA has been issued from the appropriate Customer Service Dept and proper approvals have been obtained.
- c) Product is returned to Madix within 30 days of the RGA date
- d) Product is shipped freight prepaid by the customer unless return is due to Madix's error. If freight is billed to Madix on a return due to customer error or customer convenience, the amount of credit issued will be less than amount of freight billed to Madix.
- e) Product returned is the same quantity and description as the RGA. Additional quantities or product that is not on the RGA will not be credited to the Customer. (Note: Additional quantities or product that is not on the RGA but is in resalable condition will be returned to inventory with no credit to the customer)
- f) Merchandise will not be accepted for return after 60 days of receipt of product.
- g) All returns must have the Customer Name and Madix RGA # prominently displayed on each package and the bill of lading.
- h) Product should be unused and in the original packaging. Credit will not be issued for merchandise that is returned in non-resalable condition unless prior approval was received prior to the issuance of the RGA.
- i) Madix will discard any non-Madix product received and will charge a handling fee equal to the cost of Madix disposing of the product. No credit will be issued to the customer for the return on non-Madix product.

Madix will accept the return of merchandise for credit without a restocking charge and pay for the freight charges for product to be returned if Madix made an error which facilitates the request for return. Certain conditions shall apply for returning merchandise due to Madix error as follows:

- a) Returns with a value of \$500.00 or less will not be returned as the cost for freight, handling, and administrative time outweighs the value of the product. Requests for returns \$500.00 or less shall be entered as a credit memo request, provided that Madix has not shipped a no charge for replacement items, by the customer service department with the specifics input in the text

notes as to why Madix made the error, be approved in accordance with the authorized approval guidelines established above, and the CSR or Sales Representative shall direct the customer to dispose of the product.

- b) Returns with a value of \$500.01 or more must document how the error was made, include freight costs, and obtain proper approval for the return authorization prior to sending the RGA to the Customer.

Regardless of the value of product, if the freight costs exceed the value of the product, the return request must be submitted to the DCS for a decision on whether or not Madix is going to have the product returned.

Within 48 hours of an approved return request being released by Customer Service, the Traffic Manager shall ensure that trucks are assigned to pick up goods for which Madix is arranging the freight and advise the Customer of the scheduled pick up date. Every effort shall be made to have all product picked up within 5 working days of the approved RGA being released to Traffic. Any delays in being able to pick up product shall be communicated, including the revised scheduled pick up date, by Traffic to the CSR, the Sales Rep, and the Customer.

Within one working day of product being returned to Madix, the Receiving Manager shall ensure that all product is inspected and Post Goods Returned (PGR) in the SAP system. Non-conforming product that does not meet the guidelines for being authorized to return as stated above will not be PGR'd or issued credit to the customer.

Within 8 hours of product being PGR'd, AR Management will review the return request, make any necessary adjustments, and release the Return Request to the Billing Department.

Within 2 hours of the Return Request being released by AR Management, the Billing Department shall invoice the Return Request to have a Credit Memo issued and email or deliver the Credit Memo to the appropriate Credit Representative.

Within 2 hours of receiving the credit memo, the Credit Representative shall determine whether the Credit Memo shall be zero posted or mailed to the customer and shall distribute accordingly. If the Credit Memo is to be zero posted, the Credit Representative shall give the Credit Memo and the instructions on how to apply the Credit Memo to the Cash Application clerk. If the Credit Memo is to be mailed, the Credit Representative shall place the Credit Memo in an envelope and placed in the outgoing mail to be mailed the same day.

Within 24 hours of the Cash Application Clerk receiving a zero posting request, the Cash Application Clerk shall post the items in SAP for clearing. All backup documentation shall be kept in accordance with Madix's Record Retention Policy.

PROCEDURE

When a Salesman or CSR is contacted by a customer requesting return of product, the Madix personnel shall obtain all information as outlined on the supplement "How to Enter a Return Request".

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The Madix personnel shall research the Customer's claim for why the product is being returned if Customer claims product was shipped in error or shipped damaged. Once it is determined if it is a Customer error or returning for Customer's convenience or if it is a Madix error, the CSR shall enter the credit return request in accordance with the "How to Enter a Return Request" instruction document.

All Return Requests must be entered in SAP referencing an original invoice number and must also specify the Customer's original purchase order number. A separate Return Request must be entered if product was originally shipped on more than one invoice or against more than one purchase order. The total combined value shall be considered as one total for authorized approval purposes.

If product is to be returned to more than one Madix facility, a separate Return Request must be entered by the CSR for each facility which will receive the returned product. The total combined value shall be considered as one total for authorized approval purposes.

The CSR shall enter a delivery block on the return request and the Director of Customer Service shall review all return requests on a daily basis, release the requests that are within the Director's approval authority, and forward requests that are above approval authority to the next level as described in the Responsibility Section of this Policy.

Once all required approvals are received, the Director of Customer Service (or assigned designee) shall release the return request and advise the CSR to forward a copy of the RGA to the Customer.

If the return is caused by a Madix error, the Traffic Manager shall ensure that transportation is arranged to pick up the product and return to the appropriate Madix facility.

Once product is returned to Madix, receiving shall inspect and PGR the goods and transport to the appropriate Madix department.

Billing shall timely issue Credit Memos for all returned product that has been PGR'd as described in this policy and forward the Credit Memo to the appropriate Credit Representative.

The Credit Representative shall timely review each credit memo and shall either put the Credit Memo in the outgoing mail or provide zero posting information to the Cash Application Clerk.

The Cash Application Clerk shall timely post all zero postings so that all credit memos reflected on a customer's account are legitimate credits which the Customer may take in future payments.

RGA Expirations

Return Goods Authorizations are approved for 30 days. Product must be returned within 30 days of the RGA date. All expired RGA's shall be rejected.

CSR's shall review all open Return Requests on a weekly basis and reject any outstanding request for which product has not been returned and for which the authorization period has expired. The CSR

shall document in the text notes the reason for rejection and the date when the Return Request was rejected.

If Madix receives product from an expired RGA, the Receiving Manager shall ensure that the CSR is informed of the product which can be returned to inventory. The CSR shall then delete all unreturned product, zero price the returned product, and advise the Receiving Manager to then PGR the product that will be returned to inventory. AR Management shall then release the zero priced return credit to the Billing Department. The Receiving Manager shall PGR the goods, then transfer the resalable product to the appropriate Madix department, and dispose of any non-salable or non authorized returned product.

Product Returned without an RGA

If product is returned to Madix without an RGA, the Receiving Manager shall ensure that the appropriate CSR is contacted and shall hold the product in the receiving area until a resolution is provided by the CSR. The CSR shall research to find out if the product was originally shipped to the wrong destination, if the product was originally shipped too early, or if the product was returned to the incorrect Madix facility. The CSR shall communicate with the Receiving Manager, Traffic Manager, and Shipping Manager and provide direction on what to do with the product.

Product returned in excess of quantity or description not listed on RGA

If product is returned to Madix that is not listed on the RGA but is in resalable condition, Madix will not issue credit to the customer but will restock the product. The Receiving Manager shall ensure that the quantities on the RGA that were received are PGR'd. The Receiving Manager shall then inform the appropriate Madix department's Planning Production Inventory Control (PPIC) personnel of the additional quantities of product or the additional product that was not PGR'd. PPIC personnel shall ensure that an inventory adjustment is made in SAP for the additional product.

Product Returned due to Shipping to Wrong Location

If product was originally shipped to the wrong destination due to Madix's error, the CSR is to contact the customer and obtain the correct shipping information. The CSR shall then enter a credit request AND a debit request with the correct ship to address and the correct freight charges, if applicable. The CSR shall advise the Receiving Department to enter a manual BOL and reship product to the correct location. The Receiving Department shall reference the original order, delivery, and shipment numbers on the manual BOL and have the manual BOL scanned to the original order. AR Management will be responsible for crediting the customer for the original freight shipment charges and the freight charges incurred for the product to be returned to Madix. The customer shall be debited for the freight charges, if transportation is not customer arranged or 3rd Party, for the transportation costs incurred in shipping product to the correct location.

If product was originally shipped to the wrong destination due to the Customer's error, the Customer is to advise the CSR of the correct shipping information. The CSR shall then enter a credit request AND a debit request with the correct ship to address and the correct freight charges, if applicable. The credit request shall include a 25% restocking charge and freight charges for the original outgoing shipment and

the charges to bring the shipment back to Madix. AR Management shall be responsible for ensuring that all freight charges are billed to the Customer.

Product Returned due to Early Delivery

If product was shipped early due to Madix's error and returned, the CSR shall advise the Receiving Manager and then Shipping Manager and Traffic Manager as to when product should be reshipped. The Receiving Manager shall ensure that product is taken to the shipping docks for reshipping in accordance with customer's delivery schedule. The CSR shall enter a credit memo request for the full amount of the Return/invoice including outgoing freight charges (Madix will be responsible for incurring the incoming freight charges on the return), obtain appropriate approvals, and release to billing. The CSR shall enter a debit memo request for the full amount of the reshipment including freight charges, if applicable. The Traffic/Shipping Department shall create a manual BOL and advise the CSR when the product has been reshipped and ensure that the manual BOL is scanned to the original order. The CSR shall immediately release the debit memo to billing.

If product was shipped but the Customer could not take delivery in accordance with the original delivery date, the CSR shall advise the Receiving Manager, the Shipping Manager, and the Traffic Manager as to when product should be reshipped. The Receiving Manager shall ensure that product is taken to the shipping docks for reshipping in accordance with Customer's revised delivery schedule. The CSR shall enter a credit memo request for the full amount of the return invoice less restocking charges. AR Management will add the outgoing freight charges on the original shipment, and incoming freight charges for bringing the product back. The CSR shall enter a debit memo request for the full amount of the reshipment including storage charges, if applicable. The Traffic/Shipping Department shall create a manual BOL and advise the CSR when the product has been reshipped and ensure that the manual BOL is scanned to the original order. The CSR shall then immediately release the debit memo to AR Management. AR Management will add freight charges to the debit memo and release to billing to generate documents.

Note: The Customer's Purchase Order number must appear on the debit memo whether or not it was a Customer error or a Madix error.

Product Returned to Wrong Madix Facility

If product was returned to the wrong Madix facility, the CSR shall refer to the Director of Customer Service. The DCS shall decide, depending upon the dollar value and other considerations, whether to have the product transferred to the correct Madix facility and issue credit less transfer costs, or keep the product at the Madix facility. The DCS shall communicate the decision to the CSR who shall enter a return request in accordance with the directions communicated to the CSR by the DCS.

Product Returned to be Repainted

If the product is being returned to Madix due to poor quality or Madix painted product the wrong color, the CSR must discuss the matter with the DCS prior to entering a return request. When proper authorizations are approved, the CSR shall enter a return credit request with a zero value and enter a no charge order in accordance with Madix's No Charge Order Policy. When the product is returned, the Receiving Manager shall ensure that the product is PGR'd and released to Billing.

If the product is being returned for repainting at the Customer's request, the CSR shall refer the request to the Sales Representative. The Sales Rep shall gather all information and associated costs, including the value of the returned product less a 25% restocking fee and obtain authorized approvals. Once approved, the Sales Rep shall provide the quote to the customer. If the Customer would like to proceed, the Sales Rep shall forward all information, including the approvals, to the CSR who will enter a return credit request. When product is returned, the Receiving Manager shall ensure that the parts are PGR'd and will notify the CSR that the parts have been returned. The CSR shall follow up with Production and Planning to ensure that the parts are converted to raw material inventory. Once parts have been converted, the CSR shall then proceed to enter a new order and will advise production and planning that this order is for painting purposes only.

Salesman or Madix Personnel Returns

Madix personnel may not return product to Madix without obtaining an approved, authorized RGA from the CSR. All products must be returned to the Receiving Department if the product is to be returned to inventory and/or credit is to be issued to the customer.

Damaged Product Returns

The following is general information as to how to handle damaged product claims and returns. The CSR should refer to the DCS for specifics on how best to handle individual damaged product claims.

CSR's and Sales Reps should encourage the customer to send pictures of damaged product claims for evaluation.

If a customer requests a return authorization claiming they received damaged product and the original shipment was sent collect, customer arranged, or 3rd party bill, the customer shall be responsible for filing a freight claim with their carrier. Product should not be returned to Madix and the Customer should discuss with their carrier the status of the damaged product. If the Customer would like product replaced, the Customer shall provide Madix with a new PO and the CSR shall enter a new order. Madix will process the order in the ordinary course of business and the customer will be charged for replacements.

If a customer requests a return authorization claiming they received damaged product and the original shipment was sent Prepaid, Madix shall be responsible for filing a freight claim with its carrier. The CSR shall determine the value of the damaged product and notify the Traffic Manager to file a freight claim with the carrier.

If the value is less than \$500, the CSR shall enter a no charge order in accordance with Madix's No Charge Order Policy to be shipped to the customer. No credit will be issued and Madix will be responsible for all freight costs incurred to ship the replacements.

If the value is \$500 or more, the CSR shall advise the Sales Rep. The Sales Rep is responsible for completing and submitting Field Quality Report. Once it is determined that the damage was caused by

a Madix error or a Madix carrier, the CSR shall enter a no charge quote, obtain proper approvals, change to a No Charge Order, and have the replacements shipped. Madix will be responsible for the freight costs.

The CSR must notify the Traffic Manager for all exterior damaged claims in excess of \$250 that are the responsibility of Madix to correct. The Traffic Manager is to ensure that a freight claim is filed and the CSR must advise the Customer to hold the damaged product for the freight carrier. Once the freight claim is settled, the Traffic Manager shall ensure that the Customer is advised of the disposition of the product (either discard the product or hold for carrier pick up).

If Madix receives damaged product on a return and the original reason for the return was not due to the Customer originally receiving damaged product or due to a Madix error, no credit will be issued to the Customer. The Receiving Manager shall change the quantity on the returns delivery to zero so that no credit is issued to the customer and dispose of the damaged product accordingly. Photos of damaged product should be taken prior to the disposal of the product as proof to the Customer that no credit is due and linked to the original order. The CSR shall be notified of the change in quantity, enter the changes to the return request, and shall notify the customer of the change in the credit value.

If Madix receives damaged product that was originally being returned due to a Madix error, the Customer will be credited the full value of the return. The Receiving Department will not PGR the damaged goods but will advise the Traffic Manager that a freight claim needs to be filed (if value is in excess of \$250) and will advise the CSR. The Traffic Manager shall advise the Receiving Department to either hold the product for carrier pickup or dispose of the damaged goods. The CSR shall then enter a credit memo request (so as not to affect inventory balances) for the items that were damaged.

On occasion, the Director or Operations/Manufacturing or other Madix Management personnel may desire to have the damaged product returned for analysis. The CSR or Sales Rep shall contact the Traffic Department to arrange for the return of product. No credit or return requests shall be entered in SAP. The product shall be returned directly to the Madix personnel requesting the return of goods.

All returns for claims of receipt of damaged product shall be assessed by Madix's Quality Assurance team for root cause analysis and preventative action.

Product Returned Freight Collect or 3rd Party Bill

Since Madix arranges its own transportation for product returns that are the result of a Madix error, no returns should be sent to Madix with freight terms of 3rd Party Bill or Collect. If a Customer returns product via either of these freight conditions, the Receiving Manager shall ensure that AR Management is notified. AR Management shall enter a line item for freight charges on the Return Request to deduct from the value of the Return Request.

Export Product to be Returned

If product is requested to be returned from another country, the CSR shall confer with the Export Specialist to examine the costs of returning. Madix must pay additional broker fees and import fees to

bring product back to the USA. Therefore, all costs must be evaluated against the value of the returned product prior to agreeing to bring back product from another country.

RELATED POLICIES and PROCEDURES

How to Enter a Return Request

Return Product Checklist

How to Enter a Credit Memo Request

How to Post Goods Return Product

No Charge Order Policy