



# Memorandum of Understanding

## For Vendors Serving Alliance Customers with Border States



### Our Goal

Constant improvements in supply chain performance are critical to our alliance customers' success. The application of quality measures and continuous improvement initiatives for service and cost reduction must occur across the entire supply chain. It is in our alliance customers' best interest that Border States only works with vendors who share this vision and will provide quality products and services that benefit our alliance customers.



### Our strategy is to reduce total cost and provide value by:

- Reducing waste and streamlining processes by integrating and automating customer requirements into our supply chain
- Improving product application, utilization, and standardization
- Aggregating volume and logistics
- Forecasting and level loading production
- Reducing the number of vendors and growing sales to achieve lower pricing
- Pooling resources to provide combined strength in service for our alliance customers
- Using qualified diverse vendors when possible



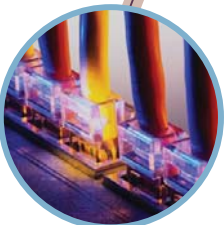
### Selection Process

Our vendor selection process is focused on ensuring the reliable supply of materials and bringing innovation that drives total cost improvement for our alliance customers. We seek collaborative relationships where there is openness, a commitment to work together on long-term strategies, and an agreement to proactively seek solutions and make recommendations that drive improvement.



### Alliance Vendors Must:

- Be willing to share expertise and resources aimed at helping us manage risk and create stability in supply. This requires continually adapting and responding to ongoing changes in technology, costs, and material availability.
- Provide the best pricing for services and products to establish alliance customer confidence
  - To accomplish this, we:*
    - ~ Secure extended pricing agreements
    - ~ Substantiate and document need for price increases
    - ~ Track market price indexes closely to ensure best available market costs and best value proposition
- Work collaboratively with Border States and alliance customers to provide cost reductions through aggregation, improved technology, and process improvements
- Provide documented results from improvements that impact alliance customer objectives



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## Measurements of Success

Alliance relationships develop over time and are based on mutual trust, discipline, and the ability to deliver on promises. Measurements used to determine if we are constantly raising the bar on ourselves to strengthen and improve our alliance to the benefit of our customers are:

- Regularly-scheduled communications to maintain our total cost reduction focus and agreed upon objectives
- Key Performance Indicators (KPIs) to measure total value. Our KPIs are Total Customer Cost Management, on-time delivery, price accuracy and trend, inventory performance, and date management
- Responsible business and environmental standards that advance social well-being and sustainability.

Application of quality and continuous improvement initiatives for service and cost reduction must occur across the entire supply chain. We must work together to be the most efficient network for our alliance customers, while bringing new improvement ideas to them. Utilization of technology is an essential component to streamlining processes and easing business transactions. Support of advanced e-commerce solutions in the following areas is fundamental in measuring success:

- Web-based catalogs and electronic content for detailed product information and availability
- Internet and EDI-based transfer of information relative to ordering, invoicing, order status, and special price negotiations
- Price and catalog maintenance through the Industry Data Exchange Association ([www.idea-inc.org](http://www.idea-inc.org)). This supports the maintenance of the transaction grade content necessary to conduct business electronically

## Reward

We are eager to work with you to develop a relationship where we resolve issues and serve our mutual customers together. For this level of commitment and investment, Border States will work to grow your customer share with these types of agreements. Together, we will reap the combined benefits we gain from these relationships and mutual commitments.



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