



MANUFACTURED HOUSING BUYERS GROUP
VENDOR COMMUNICATION PACKAGE
AND SUMMARY OPERATING RULES EDITION 1.3

How We Do Business

The Manufactured Housing Buyers Group (“MHBG” or the “Association”), is an unincorporated association formed by a group of independent Manufactured Housing and Modular Housing Producers. Our mission is to provide a conduit to negotiate separate supply agreements and purchasing arrangements for the highest quality materials, goods and services at prices and terms better than any one member could secure on its own, through the collective buying power of combining member volumes.

MHBG owns no assets and conducts no business except the collective negotiation of separate supply agreements and purchasing arrangements for its members. These negotiations are authorized by each member’s execution of a consulting and confidentiality agreement with RCG, Inc., a consulting firm specializing in designing and managing buyers groups (“RCG”), which performs the services of information gathering from members and communication and negotiation with vendors regarding their goods and services that may be purchased by members of the Association. RCG, in effect, collects information from the members of MHBG regarding their individual and collective purchase volume for a class of goods and prepares a bid solicitation or Request For Quote (“RFQ”) that is sent to Vendors interested in selling those goods to the members.

Once bid solicitations and proposals are complete they are subject to review and acceptance by the membership of the Association. Our goal is to try and find sole-source supply opportunities for the entire group. While this goal is not always practicable (and we will consider regional supply arrangements) our intention is to reward the best bidder with the business of the entire group.

The following sections summarize our operating structure and how we do business with vendors which choose to solicit membership business. The information included herein is otherwise referred to as our Vendor Communication Package and Summary of Association Operating Rules, Edition 1.3. If you would like further information regarding the Association please submit a request via the “Contact Us” tab on the MHBG Home Page or give us a call at the phone number listed on our website.



No Cross-Corporate Guarantees or Obligations – Separate Supply Agreements

While members will provide information to a consultant to permit the Association to solicit bids on goods and services, no member shall be liable for any other member's purchases, liabilities or actions. The vendor will provide a separate quotation and upon award execute a separate supply agreement with each member participating in the bid solicitation.

Vendors are allowed to evaluate the creditworthiness of each member individually and are not bound to extend credit to any member. However, if a vendor denies credit or chooses not to do business with one or more members after the solicitation, then MHBG will seek an agreement from the vendor that such decision will not affect the pricing or terms of the agreement for the other members. Finally, as vendors have the final decision on whether to extend credit to any or all bid participants, the vendor agrees that the failure, bankruptcy or insolvency of any member shall not affect the ongoing relationship, terms or pricing for the remaining members.

Transparency in Bids, Pricing and Terms

Our current structure is as an unincorporated association. For this reason MHBG does not have a bank account, pay bills or accept monies, rebates or otherwise at the association level. Rather, each member will execute separate, but equivalent, supply agreements with the winning bidder. While we do not discourage the use or proposal of volume rebate programs or otherwise, our rule is simple.

Any rebates, discounts or other benefits of the contract must inure and be paid directly to the contracting member. No monies, rebates or other benefits may be paid directly to MHBG. Additionally, no monies, rebates or benefits may be offered to RCG or its employees without the express written consent of the membership.

Anti-trust Policy

MHBG and its members have adopted an antitrust policy. The antitrust laws are intended to foster and protect competition. As such, the laws prohibit anticompetitive activities, and more generally those that are deemed to unreasonably restrain trade. While buyers groups and cooperative purchasing programs have generally been viewed as increasing competition rather than limiting competition, agreements among competitors can produce suspicion under the antitrust laws. The purpose of MHBG is to improve the buying prices and other terms for its members through collective purchasing, which should provide cost savings and other benefits for its members that will benefit competition.

However, because any conduct that entails coordination among competitors in matters of pricing may present potential antitrust concerns, MHBG and its membership have agreed to adopt and adhere to the following antitrust policy:



It is the express policy and intention of MHBG and its membership to comply at all times with all existing laws, including the antitrust laws. MHBG is not intended to, and may not play any role in the competitive decisions of its members regarding the prices of their output products or marketing or sale of those products. MHBG's role is merely to facilitate the collection of information that will facilitate the obtaining of a group purchasing price for materials by the members of MHBG, which is intended to enhance competition in the Manufactured Housing and Modular Housing industries.

Without limiting the generality of the prior statement of policy and intent, MHBG and its members agree that there shall be no discussion or agreements or concerted actions that may restrain competition, including, but not limited to, agreements among MHBG members on price (other than the price at which they will agree to purchase inputs), outputs, customers, territorial restrictions, or other agreements that may restrain trade. This prohibition includes the exchange of information related to individual selling prices, limitation of sales to particular customers or territories, industry pricing policies, or limiting or eliminating competition in any way.

Central Negotiator

The membership of MHBG has contracted with RCG to provide services for a central negotiator to administer the solicitation of bids by vendors to improve their purchasing power. Each member has executed an authorization document (copy available upon request) which empowers the central negotiator to act on their behalf to develop a purchasing and/or supply agreement that is advantageous to both the vendor and the member company. This authorization is limited and does not give RCG any right or authority to make any representation or bind a Member in any contract, supply or purchase agreement or otherwise.

Members have agreed to provide pertinent information to the central negotiator including parts usage, required specifications and similar information that will assist the central negotiator in informing bidding vendors on facts that will be pertinent to the bidding process. RCG has agreed with each member to perform these essential services and has furthermore executed a confidentiality agreement with each member to insure that such information remains confidential and is only used to provide vendors with information necessary for adequate and equivalent bids.

The central negotiator is further tasked with maintaining and building the relationship that each member may have with its current vendor and potential vendors, so as not to disturb the long-term relationship each member has with the supplier community. In other words, the central negotiator agrees to treat any and all information provided by both vendor and the members in a confidential manner. Additionally, the central negotiator will attempt to manage the relationship with each vendor in a manner that honors and protects the previous relationship the member has



established with the vendor and act strictly as a liaison for helping manage the bid process. The role of the central negotiator is not intended to replace the relationship that a vendor has or should have with each of its customers. The role of the central negotiator is to simply assist the member in gathering pertinent information and assist the vendor in preparing a cogent proposal for the group. No information will be disclosed among the members or to third parties, and prior relationships between vendors and the members will be respected and appreciated.

Opt Out Provisions

Each member is given a priority list of pending contract negotiations. Each member is given the option of whether to participate in a bid solicitation and, accordingly, may choose to opt out prior to the actual bid process. If any portion of the membership chooses not to participate the vendor will be notified as a part of the bid solicitation. In other words, vendors will be made aware of companies willing to participate in a bid solicitation prior to the actual bid process so that they may understand the customer base that is associated with each individual solicitation.

Bid Participants and Acceptance of Proposals

Once a solicitation has been established, the participating members will be enumerated in the information given to each bidding vendor. The bid participants agree to accept the best (generally lowest) bid proposal, and accordingly move their business, if necessary, along with the other membership, to the winning proposal. This commitment is made by the membership to insure that vendors have confidence that if they submit the lowest cost proposal and have a current book of business with some of the companies represented in the membership that they will benefit by gaining additional business instead of just lowering their prices to existing customers.

While this representation by participating members in a bid is important to instill confidence in bidding vendors, it is not meant to be an absolute commitment for changing vendors or executing supply agreements. Participating members reserve the right to qualify bids on factors other than price alone, including quality or equivalency or products, payment terms, lead times, price-time guarantees, field service commitments and other factors, although pricing will be given the greatest weight in the evaluation by the membership. Furthermore, while long-term contracts (contracts exceeding one year in duration) are not discouraged with vendors each member reserves the right to ratify and approve the contract period prior to acceptance of the proposal. Each member also reserves the right to decline to accept the winning bid, and execute a supply agreement, in the event that the proposed group pricing exceeds the pricing available from their

current vendor, or contains other material terms that are not as good as their current vendor program.



The membership also reserves the right to evaluate proposals on a national and/or regional basis, and may allow bidders to bid on a regional basis only at the same time that other bidders are competing on a national basis. Furthermore the membership reserves the right to determine, in its sole discretion, which bid is considered the best and whether national or regional bids serve the membership in the best manner.

In other words, members agree to execute a supply agreement with the winning bidder (based on the evaluation of the membership, including factors other than price and considering regional supply chain opportunities) so long as the winning proposal is better than the terms of their existing supply arrangement with their current supplier.

Terms for Bid Solicitations and Request For Quotation

Bid solicitations or RFQ's will be posted on the website for re-bidding of existing contracts and for initial proposals related to areas not currently under contract. Vendors interested in bidding on existing or future contracts will be added to the Interested Vendor List upon request by submitting requested information through the Contact Us tab on the MHBG Home Page.

MHBG is in the process of moving all bid solicitations to a more automated process wherein vendors would log-in and post bid information online. Until all RFQ's can be processed through on-line data entry MHBG will provide information on the MHBG website to vendors with the posting of each RFQ identifying each bid as an on-line or manual e-mail process. Vendors may apply for log-on credentials to access more complete information about pending RFQ's and to post their proposals on-line via the MHBG website. Vendors are hereby notified that proposals posted for on-line entry via the website will be given the highest priority and MHBG reserves the right to decline to accept any proposal sent through some other method, such as mail, e-mail or otherwise.

RFQ's will provide information to the vendor on whether the quote is for a Supply Agreement or a Committed Purchase. (Please see "Supply Agreements" and "Committed Purchase" below.) RFQ's contain a number of requested general requirements that affect all members such as minimum lead-times, price guarantee periods, program length and the like. Members are also allowed to qualify their participation or request special terms important to their individual participation, such as drop-trailers, special warehouse delivery or back-up or others issues necessary for the purchasing arrangement to work for them. These special requests by each member will be listed in the RFQ.

Once a RFQ has been posted, Interested Vendors will receive an automatic e-mail notification of the request along with the closure date. Vendors will be able to log on to the MHBG website for complete information related to the pending RFQ.



During the entry process vendors will be asked to accept the terms posted in the RFQ, including but not limited to, the acceptance of special terms included in the applicable Vendor Bid Acceptance Term Sheet (see discussion below). As stated in the on-line terms “Vendors agree to all the terms and conditions of the RFQ except as qualified in writing by data entry on the RFQ qualifications page of the bid”. In other words, the vendor agrees to all the terms and conditions as posted in the RFQ, except for specific requested changes or qualifications that must be entered on the RFQ qualifications page. For example: The RFQ may contain general terms request of maximum lead time of one week and the vendor may post on the RFQ qualifications page a lead time of two weeks. Vendors are hereby notified that any changes to terms or requirements of the RFQ could result in the disqualification and/or non-acceptance of the proposal.

Supply Agreements

Except in limited circumstances for short-term duration re-current bids (see “Committed Purchase” below) members are soliciting bids for the purchase of goods under the concept that they are willing to commit to a program of purchasing goods from the vendor based on their individual needs. In other words, members will commit to sole sourcing of goods or other similar agreed upon terms, but the agreements negotiated shall not include terms wherein the member guarantees any purchase volume or be required to purchase a specific amount of goods.

Members cannot be sure of their actual purchasing requirements or overall book of business. They can only commit to a program related to the actual volume of goods necessary to fulfill the production of the homes they build. The point is simple. Members to do not commit to a particular volume, but will commit to utilize the winning bidder for their purchase needs.

However, the membership reserves the right to utilize purchases from other vendors during the term of the supply agreement, without violating the terms of its agreement with the vendor for the following reasons:

1. Lack of availability of product from the winning bidder;
2. Problems related to supply or lead time from the winning bidder;
3. Unresolved service issues from the winning bidder;
4. Purchase of obsolete or discontinued items from other vendors for factory select products offered by the member; and
5. Special requirements of sales contracts (for example: a member is awarded a bid for an apartment complex that has an architectural requirement for certain brands of component parts).

Committed Purchase Agreements



A small portion of the goods MHBG negotiates programs for are contracts with various vendors for short term duration re-current contracts (normally 30 to 180 days) for goods where prices fluctuate based on underlying commodities and have relatively high usage and few sku's. These types of programs are generally for items such as electrical wire, fresh water pipe or drain pipe. In these quotes generally the vendor is making a specific purchase or downstream commitment for a fixed amount of goods for each customer to be delivered at a fixed price during a specified period of time. In effect, the acceptance of the quote by a member is equivalent to a purchase order for the amount of goods reflected in the RFQ for such member.

All bids shall be considered a "Supply Agreement" unless clearly identified as a "Committed Purchase" bid.

The Bid Process and Honoring Supply Agreements

We commit to vendors to maintain integrity in the bid process. Vendors will not be permitted to back-door bids by working with individual members as opposed to the central negotiator. Members have agreed to maintain the confidentiality of the process and will not share information with other members in the group, nor will they share information with existing or "favorite" vendors to give them an advantage.

Once a bid has been accepted by the membership as the winning proposal, each Member has committed to honor the bid with integrity. Existing or competing vendors will not be allowed to lower their price after the fact to keep the business. Vendors will not be allowed to re-quote early in an effort to shorten contract terms or get winning bidders to lower the prices mid-term of the contract. Bids will not be solicited in secret or only offered to just one vendor.

We also understand that changing vendors and making new relationships is not always a level playing field. Sometimes transitions bring new challenges. While our membership intends to be patient, we also reserve the right to allow a member to drop out of the supply agreement without penalty to the rest of the membership for the following reasons:

1. Lack of availability of product, including allocation by the vendor;
2. Problems related to supply or lead time;
3. Unresolved field service or warranty issues;
4. Product quality issues;
5. Failure to honor debits or issue credits for costs incurred by the member that are typical within the industry (i.e. special service reimbursements, etc.)
6. Failure to pay volume rebates; and
7. Changes imposed by the vendor covered under force majeure; and
8. Breach of the agreement by the vendor.



Finally, we understand that the “Proof is in the Pudding”. Bidders need to know that if they have the best bid they will not only get the business, they will keep it for the duration of the contract. This is the reputation we hope to build within the entire vendor community.

Additional Members

It is fully the intention of the membership in the Association to grow our organization of member companies. Our primary focus is on the independent small business in the Manufactured Housing and/or Modular Home industry. Accordingly, winning bidders will be required to agree to allow new members entrance into existing contracts (except for Committed Purchase programs) for their remaining duration, even if the vendor currently does business with the new member.

Guarantee of Available Goods

MHBG requests that bidding vendors consider carefully their ability to supply the operations of its members. The Manufactured Housing and Modular industries are poised for growth. Industry statistics for 2013 published by the Manufactured Housing Institute show thirteen consecutive months of industry growth, which has been officially characterized as a business trend. Industry growth for 2013 was over 13%. Additionally, MHBG has grown significantly since its inception and expects to continue on a growth path going forward. Accordingly, before the membership would accept proposals it is important that vendors demonstrate adequate capacity to handle demand from participating members in a supply agreement.

MHBG will seek to attain terms with Vendors to guarantee the supply and availability of goods during the term of any supply agreement, including any periods of allocation established by Vendor or its suppliers, for such goods as shown in the usage information provided with the Request for Quote, including any growth projections provided to Vendor by RCG for current and future Members. Vendor understands that relief shall be given during events of force majeure; provided however, Vendor acknowledges that force majeure shall not include the voluntary reduction of capacity by Vendor, its suppliers, or the industry, but rather is intended to provide relief only for events that happen beyond the reasonable control of Vendor, such as plants destroyed by natural disaster, by act of God, strike, insurrection, civil unrest or other similar events.

Furthermore, MHBG requests that in the event Vendor is an authorized distributor of goods supplied by other manufacturers, Vendor will inform the manufacturer of the MHBG Supply Agreement Special Terms and seek acceptance by the manufacturer of such terms for goods supplied by Vendor under a supply agreement with MHBG.



Delivery of Bid Proposals

MHBG has worked to design a system that protects the integrity of the bid process. While MHBG does not discourage communication with members related to understanding their special needs or usage of goods, Vendors are asked to maintain bid terms in a confidential manner and to provide such terms only to the central negotiator. The central negotiator will be responsible for delivery of the winning bid proposal to members upon MHBG's acceptance of the proposal. **Vendor Bid Acceptance Term Sheet**

Vendors who wish to participate in a bid-solicitation are obligated to incorporate language into their proposal and/or quote to include special terms for MHBG Members. These terms are specifically detailed in the Vendor Bid Acceptance Term Sheets, and are basically a re-cap of the information included in this document. The central negotiator will not be able to accept bids from Vendors who fail to incorporate these terms or other similar terms that are accepted by the membership. The Vendor Bid Acceptance Term Sheet Edition 1.1 applies to Supply Agreement proposals. To review or print a copy of the Vendor Bid Acceptance Term Sheet Edition 1.1 for supply agreements please click on the Supply Agreement Term Sheet on the MHBG Home Page. The Vendor Bid Acceptance Term Sheet Edition 2.1 applies to Committed Purchase proposals. To review or print a copy of the Vendor Bid Acceptance Term Sheet for Committed Purchase Agreements please click on the Committed Purchase Agreement Term Sheet on the MHBG Home Page.

Any Vendor seeking a deviation from the MHBG Special Terms requirements must first click on the acceptance of MHBG Terms and then enter requested deviations or qualifications on the RFQ qualifications page of the bid. Vendors are hereby notified that any changes to terms or requirements of the RFQ could result in the disqualification and/or non-acceptance of the proposal.