

Executive Summary 2010

Network Scrap Metal Corporation

THE SYSTEM OF PURCHASING

- NHI first learns of material available from the US Department of Commerce, and then sends its teams to verify the source along with the Government Officials of the hosting country.
- After Verification of the material existence, negotiations take place along with product testing, conformance with NIST, ISO3000, and many other standards to ensure consistent quality. A fixed price is extended under a term contract under FOB basis to the hosting country for the material paid on per order basis. Each country has its individual certifications and registrations under the holding yard name for import and export requirements of the purchasing countries such as SGS, CCIC, CIQ and AQSIC.
- After material has been purchased, NHI transfers the material rights to Network Scrap Metal Corporation (NSMC). There NSMC establishes the necessary product sorting and coordinates the movement of material for anticipated orders on real-time basis. Then NHI brings in Network Oceanlines (NOL) to arrange that material be placed at primary and secondary loading ports.
- All material is brought to the loading port where it is again checked for proper weight, material specification, and quantity by SGS or other third-party inspection company.
- The material is then loaded over the rail of the holding barges. If the port is shallow, flat barges are used and the material is transferred to deep ocean barges or converted tanker ships at deep moorage. Otherwise, the material is sorted into the specific covered cargo bays based upon the specific Loading Document.
- When an order is placed within NSMC's computer system, a loading document is assigned to the Ocean Bill of Lading and sent electronically to NHI for counter signature. This gives the vessel its "sailing orders" to proceed.
- The price is determined by the FOB price from the country of origin, the inspection fees, transportation fees, loading port fees, ship acquisition costs, and transportation operation costs over the term of the contract. NSMC and NHI do not make any money on the material, only on the shipping charges, and terms are fixed specifically for the material source and the type of financial situation the buyer is purchasing the material under. As such, there are no negotiations accepted as they are under the best price terms available at the time of presentation.
- All of NSMC's contracts are written to include a clause whereby if the material delivered is not of the quantity or quality expected by the buyer, that the entire shipment will be replaced without charge to the buyer. Further, the delivery made to the buyer is his to keep during the time it takes to replace the shipment. Naturally, should this occur more than once, NHI will investigate the claim made by the buyer to ensure that it was in fact discrepant resolving future problems that could occur.
- Network Oceanlines is a subsidiary of NHI, and as such has some of the world's most advanced communication equipment on each ship. NOI can track and identify any delays in shipping, and inform the client should there be any delay or early arrival of any shipment. This is done to coordinate unloading times and minimize the costs to the buyer in the unload process.
- We realize that from time to time the buyer may need additional material over and above their contract. This can be accommodated at the same contract price in increments of 30,000 MTW. This increment is necessary as the minimum load per deep ocean barge is 30,000 MTW.
- NHI and NSMC will never enter into a contract where it is believed that it would not be in all party's best interest. The hosting country must be ensured of the buyer's ability to pay for the materials they receive, Network Oceanlines must be ensured that it will be paid in a timely manner to provide shipping, and the buyer must be ensured that the material will arrive in a timely manner of the quality and quantity they are paying for. We never deviate from this process as it allows for only good business and a lifetime partner.
- NHI and NSMC do not allow onsite inspections by any potential buyers as the logistics do not facilitate this on any reasonable timeline. We do not control what or who any hosting country will allow within their borders or for what purpose. We do recognize that in the spirit of good business, paying customers should have the opportunity of site visits, and arrangements are made to give such visits over the term of the contract as a courtesy.