



## To get copies of Medline's Vendor Routing Guide and Instructions:

1. Go to [www.medline.com](http://www.medline.com)
2. Click on the **Resources** link at the top center of the page
3. Click on the **General Documents** link on the left side
4. Under **Shipping Instructions and Procedures**, select:
  - a. Vendor Routing Guide for carrier selection and contact.
  - b. Vendor Routing Guide Instructions for information pertaining to packing slips, procedures, weight guidelines

*(helpful hint – to save the file to your computer, RIGHT CLICK on the link and choose option “save target as”. These links require Microsoft Excel and Adobe Acrobat Reader)*

### **OR:**

- Use the direct link <http://www.medline.com/corporatepages/documentation.html> and choose the desired form as shown above in step #4.

NOTE: this document is titled Key Vendor Program and is available on the same General Documents page along with the Vendor Routing Guide and Instructions files.



## **MEDLINE INDUSTRIES, INC.**

One Medline Place Mundelein, Illinois 60060-4486  
1-847-949-5500 Toll Free 1-800-MEDLINE

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December 31, 2005

### **Dear Vendor Partner:**

Medline, like many companies in ours and other industries, is beginning to standardize our approach to handling our inbound activity. We have found that the variety of situations presenting themselves to our people on our receiving docks is making things more difficult and expensive than we can afford any more. Perhaps you have experienced some of our receiving pain in the form of late or short payments, and, if unjustified, we certainly apologize for those problems.

We have decided to attack this problem in an attempt to make it easier and faster to perform, and also to set the stage for better further processing as the goods move through our distribution centers. To that end, we have established the **Medline Key Vendor Performance Program**. Our goals and expectations with this program are to have the mutually beneficial outcome of taking costs out of both of our supply chains. In order for both of us to remain competitive in our market places we must plug the cost drains such as damaged goods, late/missed deliveries, extended driver waiting time, rework, late payments, missed deadlines and the many other issues that make our bottom lines suffer. Enclosed with this letter you find an outline and description of the program.

We believe that the adherence to these expectations will make the process run more smoothly for all, and **we expect all our vendors to comply with these standards beginning January 1, 2006.**

As you will see when you review the program materials this initiative will be ongoing for Medline and we will communicate results to you on a routine basis. We began to monitor the various categories and criteria in the fourth quarter of 2005.

Since we have received many requests like these from our customers, we understand the seriousness of what we are asking, and we also

understand the cost implications, particularly as they reflect themselves in transportation. Therefore, we want to remain practical, and if you feel that either you or Medline will bear increased transportation cost, not warranted by whatever labor efficiencies that may accrue, we'd like you to discuss it with us through your particular product manager. We will work with them to make sure we arrive at the best course of action for all of us.

Finally, as has happened to us, we will be instituting a series of charge-backs for serious and ongoing breaches of these requirements. You will be notified when the problem occurs, and then will automatically be debited upon payment of your invoice. Please take this seriously. We need and expect your cooperation. If you have any difficulties with any of what we are requesting, please discuss it with your product manager quickly. Please review the attached description of our program with your distribution staff.

Thanks in advance for your cooperation.

Sincerely,

Bill Abington  
President of Operations  
Medline Industries, Inc.  
1 Medline Place  
Mundelein, IL 60060

Cc:

Andy Stolarski  
Sr. Vice President  
Medline Operations

Steve Brody  
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### **Medline Key Vendor Performance Program**

#### **Introduction:**

We believe that for our mutual success going forward we must work together to identify opportunities to decrease costs and improve efficiencies in our supply chain. To that end, in our Key Vendor Performance Program, we plan to measure and communicate those opportunities.

We recognize that building and maintaining relationships with our key vendors is one of the most important factors to our success. We expect our partner vendors to help Medline by following our receiving, transportation, packaging and labeling policies and initiatives.

### **Medline Key Vendor Performance Program Criteria, Performance Goals & Reporting**

#### **Phase 1:**

We have developed initial criteria and performance goals for four major categories: Packing List, Individual Product Packaging, Receiving/Load Presentation and Transportation.

Listed below are the categories along with the respective criteria we will be monitoring over time.

#### **Packing List –**

- a. Must reference Medline Purchase Orders accurately
- b. Must indicate Quantity Ordered, Quantity shipped, and Balance Due for each item and each PO
- c. Must reference Medline Stock Keeping Numbers accurately

- d. Must indicate total pieces contained in the shipment
- e. Must indicate Date Shipped, Carrier, and Bill of Lading number

### **Individual Product Packaging –**

- a. Must be strong enough to support its own weight when stacked to 8 feet in height without buckling, crushing or caving. Medline sends and receives many products through UPS & FedEx and we require that the products you send us be consistent with their guidelines.
- b. Carton must be taped closed. Banding is not acceptable as method for sealing individual cartons or packages.
- c. Must be clearly labeled with Medline SKU #, Description, Lot #, Serial #, Expiration Date and Quantity; in Medline Label Format; on all four sides of the carton.
- d. If private labeled for Medline, carton must be free of all references to the manufacturer--
- e. If products are over-packed for transport, over-pack carton must be labeled with **“MASTER CARTON: MUST BE BROKEN DOWN BEFORE SHIPPING”**.

### **Receiving/Load Presentation –**

- a. Product must be delivered on standard 40 x 48 GMA wooden pallet, #2 grade or higher. Height should be 75" or less (including pallet) for LTL delivery. Upon prior agreement pallets in full truck loads may be taller to maximize trailer utilization.
- b. All pallets must be shrink wrapped for stability.
- c. Stacking pattern must provide for no overhang beyond the edges of the pallet.
- d. Like SKU's must be consolidated.
- e. Packing List must be clearly displayed in a prominent position in the load.
- f. Load bars or airbags must be used to stabilize any load likely to shift in transit
- g. Inbound ASN's (Inbound 856 Electronic Transmission) must be initiated when shipment is in route.

### **Transportation –**

- a. If Medline is responsible for the cost of freight, the product must move as directed on the Medline Routing Guide.
- b. A delivery appointment must be requested for all non-parcel deliveries. It is expected that all delivery appointments will

be kept and on time. We deem deliveries not to the receiving dock within one hour of the scheduled appointment time late.

- c. All full truckloads must be sealed and the seal number must be noted on the bill of lading and transferred to the delivery receipt

For Phase 1 of our initial monitoring program we have chosen only eight of these criteria in three categories; Receiving, Packaging and Transportation. These categories are:

1. Accuracy of Shipment – does it match the packing list?
2. Delivery Appointments Made and Kept
3. Packing list accompanying shipment
4. Product delivered on Medline sized pallet
5. Product in good condition
6. Product cartons sealed correctly
7. Product correctly labeled
8. Medline Routing Guide followed

Phase 1 monitoring will begin January 1, 2006; reports will be issued by April 30<sup>th</sup>.

Medline's intention is to initiate and maintain dialogue so we can achieve our goals.

### **Phase 2:**

Upon receipt and review of the Performance Report all non-compliant vendors will be asked to improve their performance to meet Medline's expectations. Non-compliance could result in the following penalties:

**Packing List – If the packing list is missing or omits of any information described earlier – The penalty will be \$50 per Occurrence**

**Individual Product Packaging – If we judge product to be unworthy of resale, the penalty will be the Cost of any Lost Product & Repackaging costs for any damaged product.**

**Receiving/Load Presentation – If the product is delivered without pallets and it has not been approved in advance, the penalty will be \$5.00/Pallet Medline provides plus the cost of the labor to stack that product. If the load is stacked poorly, the penalty will be the cost of Labor Associated with Restacking @\$5.00/Pallet or \$150.00/ Full Truck Load**

**Transportation –If delivery appointments are missed or late \$50 per Occurrence. If our Routing Guide is not followed and we are billed additional freight, we will recover that additional freight plus \$50.**

The penalties indicated above will be **CHARGED BACK TO YOU** directly in Medline's account payable process.

Any disputes on charge backs must be resolved within six months of the charge back date. Any charge back not questioned within six months will stand as filed with no further review.

### **Summary:**

Medline values our relationship with your company and our goal is to remove costs from both of our organizations' supply chains. As we work together we can save in areas such as reduced trailer unload times, reduced delivery driver waiting time, decreased paper work and reduced errors. Those are just a few examples that can benefit both our organizations.

It is imperative that we communicate to you we are initiating this program to change behavior and improve

operations; not to be vindictive or petty. Our goal is the same as yours, to get the correct product, to the correct customer, at the correct time in the condition expected when the order was placed.

We look forward to working with you.

All information concerning this program and any updates can be found on our Website in the **Resources – General Documents** section, along with the Medline Routing Guide: [www.medline.com/corporatepages/documentation.html](http://www.medline.com/corporatepages/documentation.html)

For further information please feel free to contact your Medline Product Manager. You may also e-mail comments & questions to:

[KeyVendorProgram@Medline.com](mailto:KeyVendorProgram@Medline.com)



