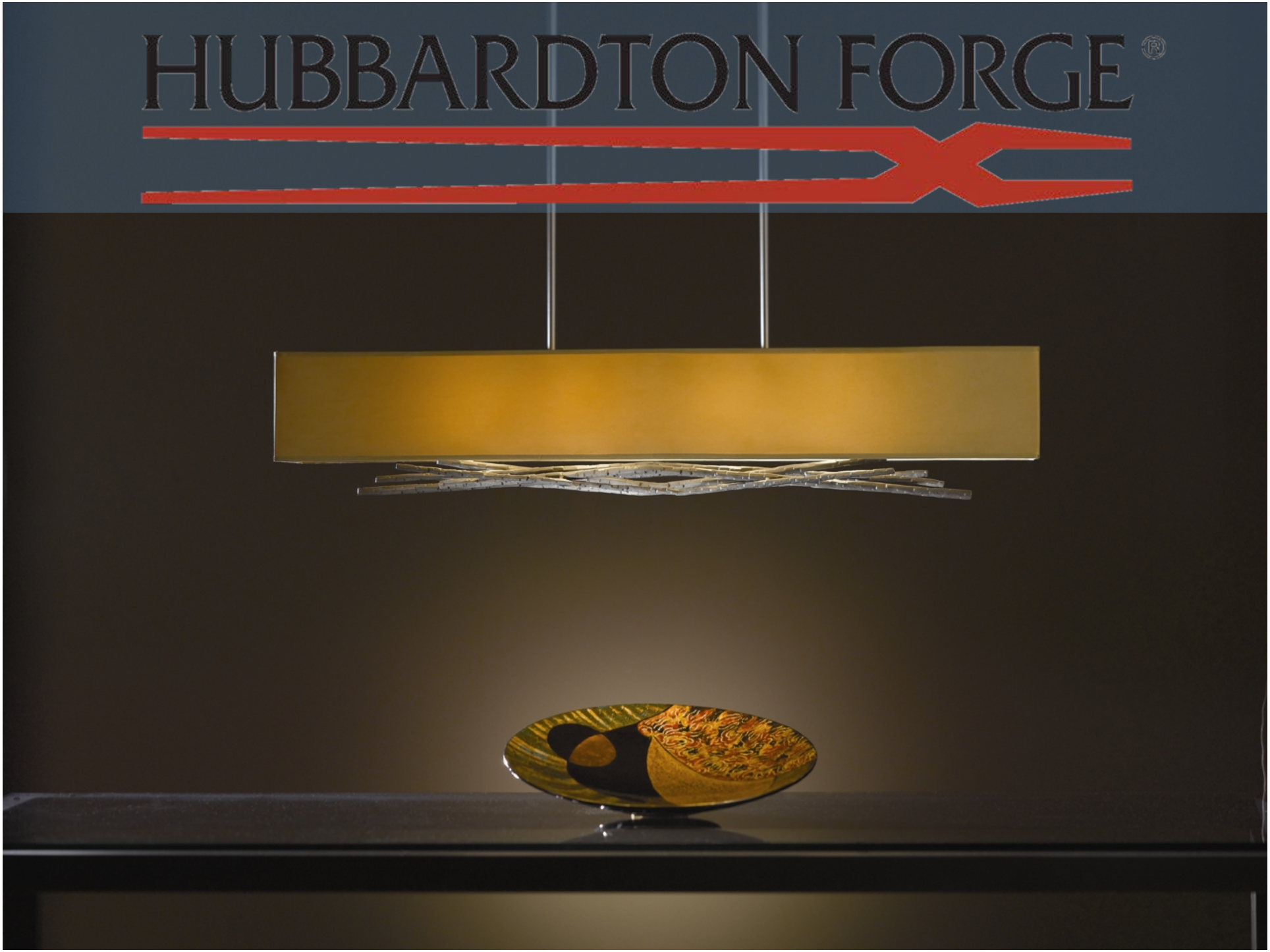
HUBBARDTON FORGE®



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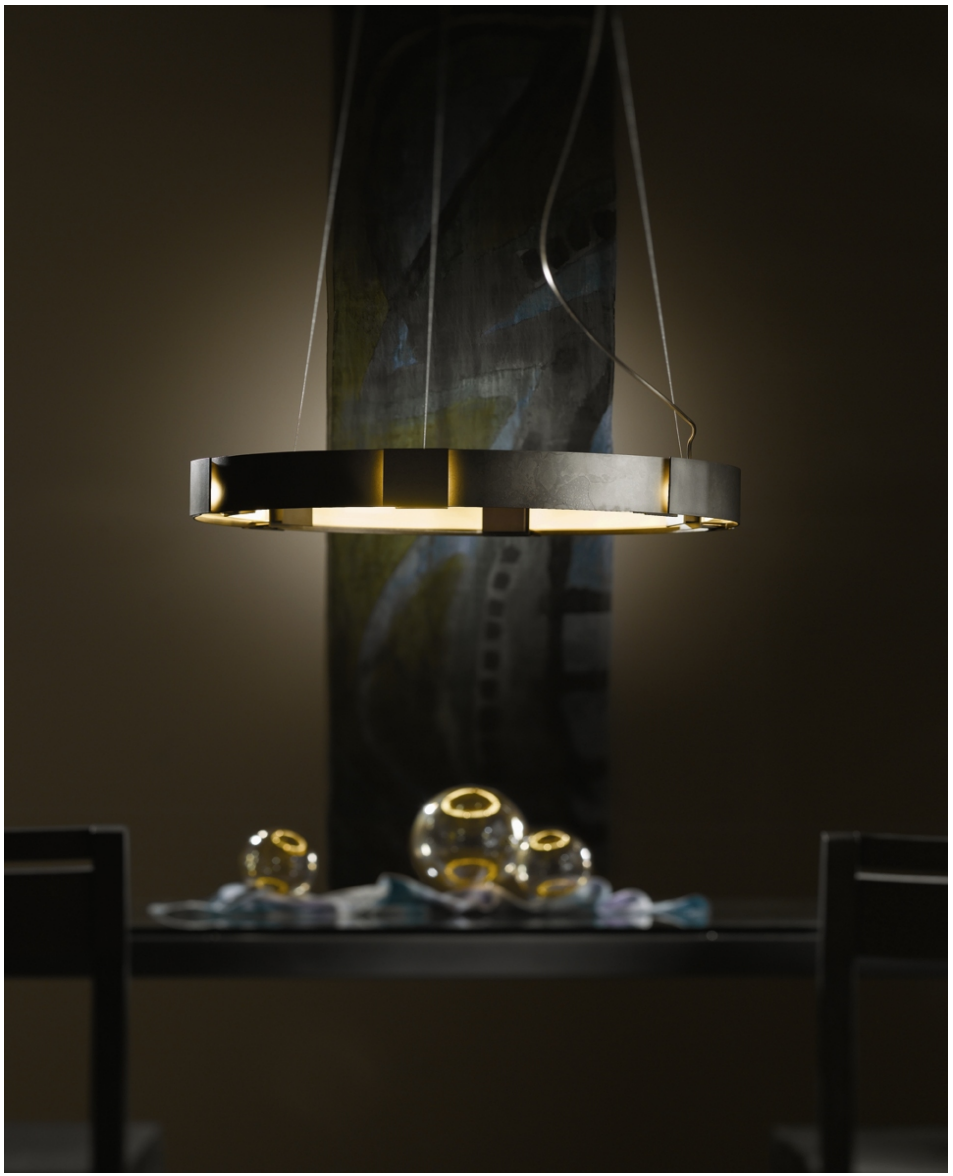
Who we are:

- Manufacturer of Handmade, Decorative Lighting Fixtures
- One of the premier brands and a design leader in the lighting industry.
- “Modern American Blacksmith”



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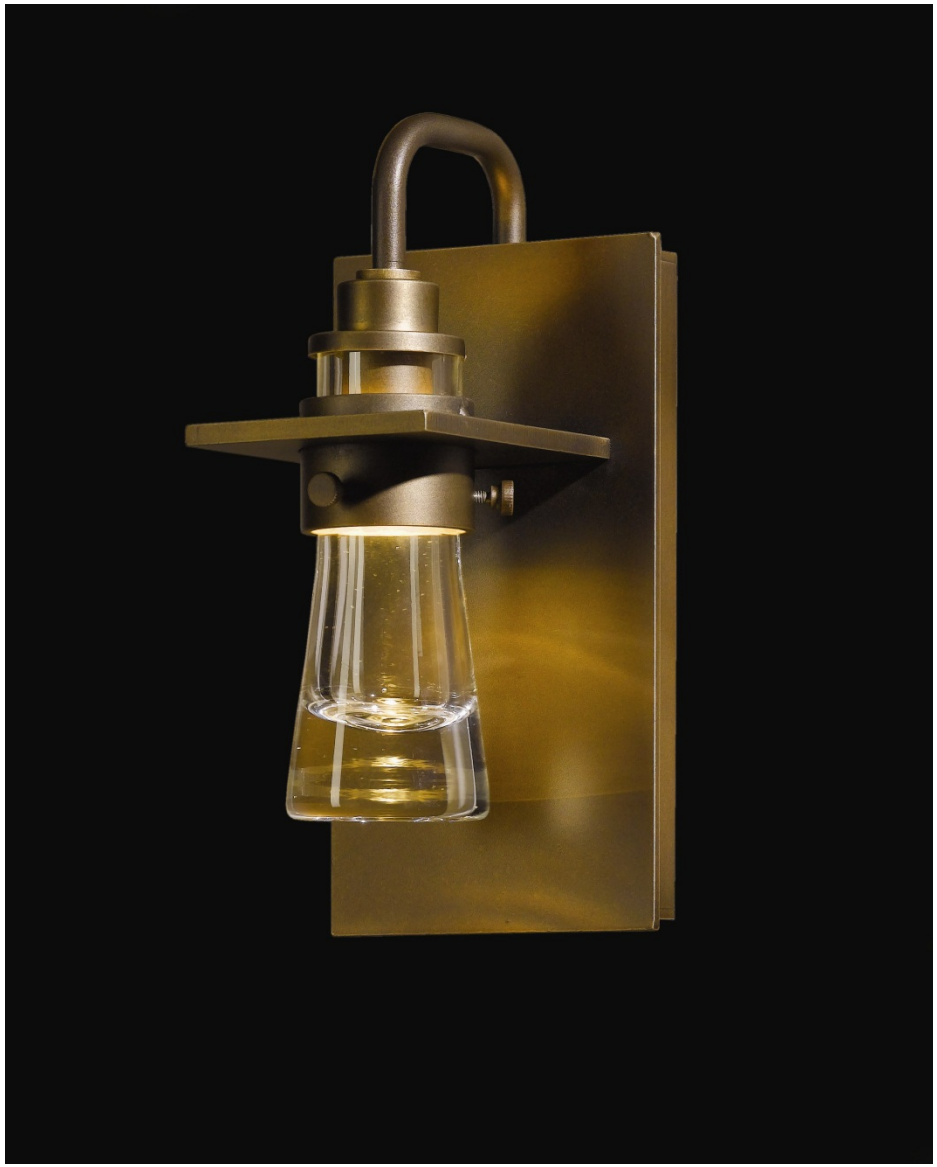
What we are:

- Growing, small to midsize manufacturer.
- High-Mix / Low Volume Business Model
  - 1000 different base products
  - 40,000 different configurations for ordering + customizations
  - 99% of SKU's are Made to Order
- Have a global supply chain for over 7000 active components.
  - 25% are sourced overseas
- In the past few years we have begun to understand the importance of TCO.



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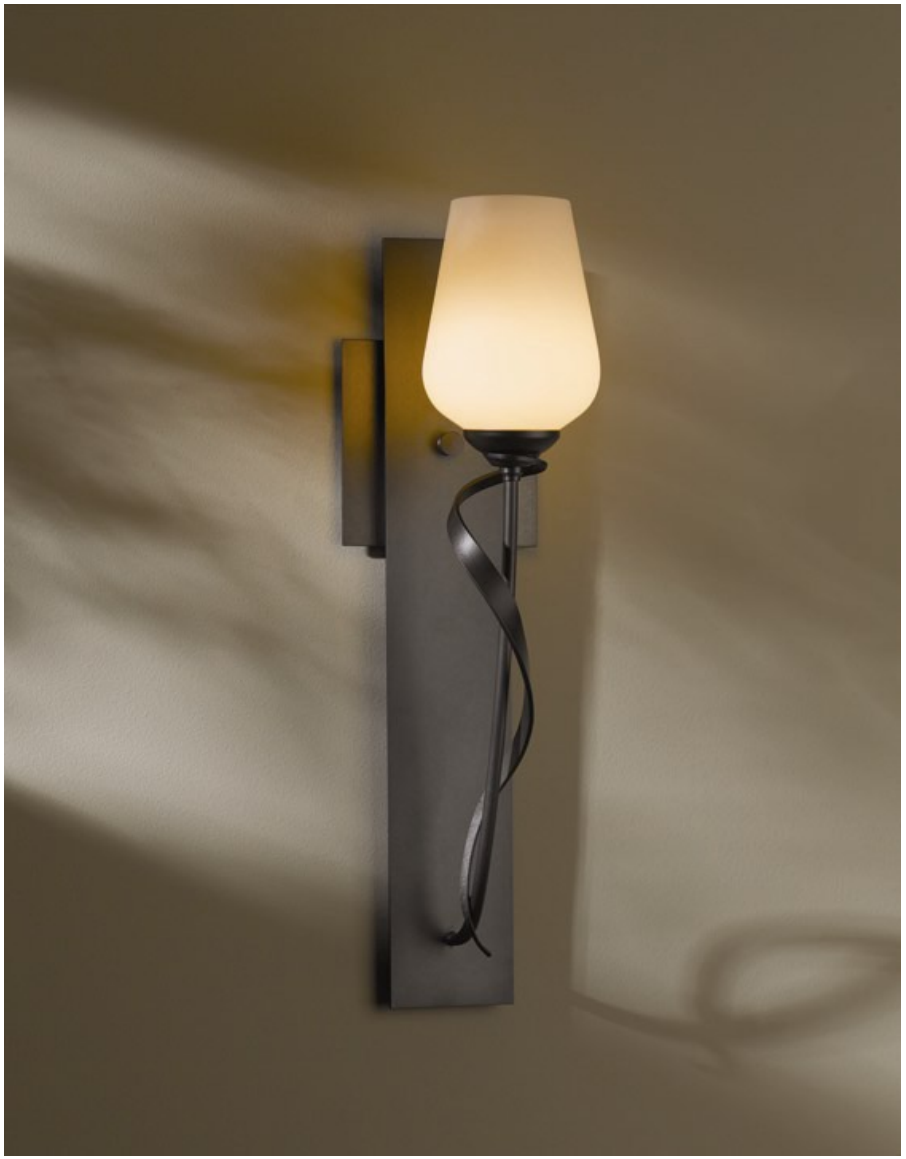
The Problem:

- Roughly 400 new components developed for new product each year.
- Realized that sourcing decisions for these components were too focused on unit price - not total cost.
- Needed more information in front of us in order to make good, objective decisions.
  - Lacked a simple, easy to use process or tool.



The Solution: TCO Calculator

- Connected with the Reshoring Initiative and Harry Moser.
- TCO Estimator helps identify all the elements that make up total cost.
- HF has worked through the tool to create a customized version that fits our business.
- Resulting in an easy to use desktop tool.

The Solution: TCO Calculator

- How It Is Used:
  - Mostly, fixed input variables – only updated once a year.
  - 8 user inputs that need to be filled for each analysis.
  - Results in a calculated total cost for both sources.
- When It is Used:
  - New product development & during evaluation of existing components.

The Solution: TCO Calculator

Part Number	#23576
Part Description	Aluminum Casting
Name	Steve Wiegers
Date	Tuesday, August 21, 2012
Domestic Vendor Name	Syca Industries
Offshore Vendor Name	Caletra - Extra Light
Additional Comments	Syca Industries will be producing a sand casting.

User Inputs	U.S.	Offshore	Common
Country of origin		China	
Unit Cost, $	$9.51	$7.72	
Minimum Order Quantity	100	250	
Annual Forecast Quantity			150
Product category			Non Glass
Unit Weight, pounds			0.50
Quality, rework, warranty, % of cost	0%	0%	
Tooling cost	$ 1,850	$ 4,690	

TCO analysis background information – for file.

8 user inputs filled in each time.

Key Variables to HF:

- MOQ (Minimum Order Qty)
- Supplier Lead-times
- Landed Cost – Including expedited freight costs
- Annual Forecast Qty. – for the component
- Product Life

The Results:

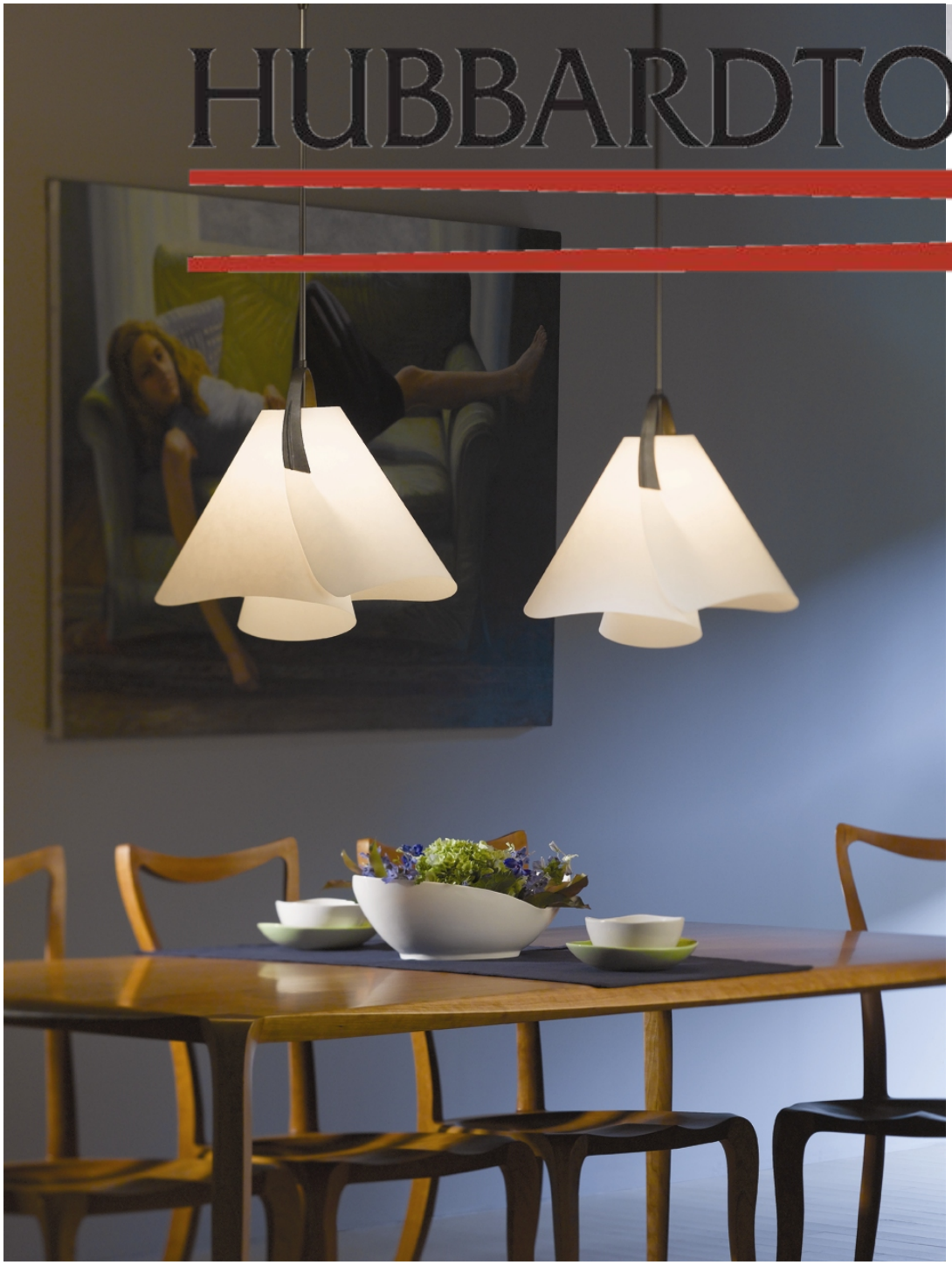
- We are making decisions on a component by component basis.
- Have seen components that would have been sourced overseas now sourced domestically.
- Trends:
  - Components that have had a unit price difference of 50% or less have been good candidates for keeping domestic.
  - Size/Weight of component and tooling costs make a big difference.
  - Beginning to see some trends among component types/commodities.

What we have learned:

- Not just a Supply Chain decision making process.
- Need to train Engineering and Product Development teams.
- Make the right decision when a component is first sourced.
- It is more difficult and costly to re-source.
    - Potentially reinvest in tooling and training.

Challenges:

- Need to change the mindset of the entire business.
- Product Costing
- Develop or find new domestic suppliers who compete well in the total cost model.
- Domestic suppliers to OEM's need to be educated.
- Difficulty locating domestic sources for some part types.
- New way of thinking!



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Wrap Up