**Mission**

**Our Focus**

Six Sigma, leading edge R&D and exceeding ISO 9000 standards define the attitude and abilities of Riordan Manufacturing.

We are industry leaders in using polymer materials to provide solutions to our customers challenges.

Our R&D is, and will remain, the industry leader in identifying industry trends.

**Our Customer Relationships**

We will strive to be a solution provider for our customers and not be a part of our customers challenges.

Long-term relationships will be sought by maintaining rigorous quality controls, innovative solutions, a responsive business attitude and reasonable pricing.

**Our Employees**

We will maintain an innovative and team oriented working environment.

By assuring that our employees are well informed and properly supported, we will provide a climate focused on the long term viability of our company.

**Our Future**

We must be focused in achieving and maintaining reasonable profitability to assure that the financial and human capital is available for sustained growth.

**Riordan Manufacturing**

Riordan Manufacturing is a global plastics manufacturer employing 550 people with projected annual earnings of $46 million. The company is wholly owned by Riordan Industries, a Fortune 1000 enterprise with revenues in excess of $1 billion.

Its products include plastic beverage containers produced at its plant in Albany, Georgia, custom plastic parts produced at its plant in Pontiac, Michigan, and plastic fan parts produced at its facilities in Hangzhou, China. The company's research and development is done at the corporate headquarters in San Jose. Riordan's major customers are automotive parts manufacturers, aircraft manufacturers, the Department of Defense, beverage makers and bottlers, and appliance manufacturers.

**History**

The company was founded by Dr. Riordan, a professor of chemistry, who had obtained several patents relative to processing polymers into high tensile strength plastic substrates. Sensing the commercial applications for his patents, Dr. Riordan started Riordan Plastics, Inc. in 1991.

Initially, the company's focus was on research and development and the licensing of its existing patents, but in 1992 Dr. Riordan obtained venture capital which he used to purchase a fan manufacturing plant in Pontiac, MI. At that time, the company's name was changed to "Riordan Manufacturing, Inc." In 1993, the company expanded into the production of plastic beverage containers when it acquired a manufacturing plant in Albany, GA.

The company's most recent expansion took place in 2000 when it opened its operations in China. At that time, the entire fan manufacturing operation was moved from Michigan to China and the Pontiac, MI facility was retooled for the manufacture of custom plastic parts.

**Overview**

Riordan Manufacturing has three operating entities…Georgia, Michigan and California…plus a joint venture in the People's Republic of China. Basically, the operating entities each have their own Finance & Accounting Systems and they provide input that is consolidated at Corporate…San Jose. The basic components of each system are as follows:

* General Ledger
* Accounts Payable
* Accounts Receivable
* Order Entry
* Procurement
* Sales and Purchasing History
* Invoicing and Shipping
* Payroll
* Financial Reporting
* EDI\*
* Bar Code Reading\*
* EDSS (Executive Decision Support System)\*

\*San Jose Only

**Background:**

During the due diligence process in which Riordan acquired the operating entities in Michigan and Georgia the matter of F & A System's compatibility was not addressed.

**Current Situation Regarding F & A Systems:**

* San Jose has a license for a fully integrated Windows based ERP manufacturing, distribution and financial management software application specifically designed for plastics processors and process and assembly manufacturers. The license does not include application source code.
* Michigan had purchased a vendor developed software application and the attendant source code for their Fd & A and process application. The vendor is no longer in business. The application runs on a pair of DEC Alpha's, using the VMS operating system, VAX4000 work stations and programmed in C.
* Georgia had purchased a vendor (different from Michigan) developed software application and the attendant source code for their F & A and manufacturing process applications. The systems run on a pair of AS400's, using UNIX operating system, use PC's (Windows) as workstations, and is programmed in RPG400.

**Challenge:**

The F & A Department has been unable to achieve anything remotely resembling "seamless compatibility". Some F & A data is provided to corporate via data files; some data is provided via hardcopy reports and must be re-entered; some data is provided via data files but must be converted (redirected) to the proper account codes and the list goes on. Subsequently, Riordan has the following situation regarding F & A system outputs at the consolidated level:

* Consolidated close of the General Ledger and subsequently the Income Statement and Balance Sheet is labor intensive and normally not completed until 15-20 days after month end.
* Audit (to include external auditors) is required each month and is costly and labor intensive.
* Compliance with new government required reporting requirements at the consolidated level is difficult at best.
* Riordan Enterprises finds the situation unacceptable and has mandated a solutions(s)/alternatives be recommended soonest.

NOTE: This situation is transparent to customers and suppliers as each operating entity has maintained invoicing, payments, etc., as was prior to acquisition.

| **Riordan Manufacturing, Inc. Consolidated Balance Sheet** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  | | | | | |
|  | | | Fiscal Year Ending September 30th | | |
|  | | | 2011 | | 2010 |
|  | | | | | |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash | | | $3,725,406 | | $2,807,029 |
| Accounts Receivable | | | 3,192,094 | | 2,695,342 |
| Current Portion of Notes Receivable | | | 84,255 | | 102,976 |
| Inventories | | | 9,709,611 | | 8,517,203 |
| Prepaid Expenses and Other Items | | | 666,591 | | 402,240 |
| Total Current Assets | | | $17,377,957 | | $14,524,790 |
|  | | | | | |
| Notes Receivable, less current portion | | | $842,551 | | $936,168 |
| Investment in Joint Venture | | | 1,734,004 | | 1,609,004 |
| Property, Plant and Equipment - net | | | 26,366,949 | | 16,658,218 |
| Intangible Assets - net | | | 904,473 | | 904,473 |
| Other Assets | | | 183,203 | | 192,845 |
| Total Assets | | | $47,409,137 | | $34,825,498 |
|  | | | | | |
| Liabilities and Stockholders' Equity | | | | | |
| Current Liabilities | | | | | |
| Current Portion of Long-Term Debt | | | $1,560,959 | | $474,032 |
| Accounts Payable | | | 1,141,561 | | 1,391,385 |
| Accrued Liabilities | | | 430,477 | | 524,685 |
| Income Taxes Payable | | | 552,155 | | 359,955 |
| Total Current Liabilities | | | $3,685,152 | | $2,750,057 |
|  | | | | | |
| Bank Line of Credit | | | $114,759 | | $295,865 |
| Long-Term Debt - less current portion | | | 9,500,741 | | 1,006,955 |
| Deferred Income Taxes - net | | | 660,503 | | 825,629 |
| Total Liabilities | | | $13,961,155 | | $4,878,506 |
|  | | | | | |
| Common Stock Stated par value is $.01. 20,000,000 shares authorized. Issued and Outstanding 15,801,332 net of treasury shares. | | | $29,055,488 | | $29,055,488 |
| Retained Earnings / (Accumulated Deficit) | | | 4,392,494 | | 891,504 |
| Total Stockholders' Equity | | | $33,447,982 | | $29,946,992 |
|  | | | | | |
| Total Liabilities and Stockholders' Equity | | | $47,409,137 | | $34,825,498 |
| **Riordan Manufacturing, Inc. Income Statement For the 12 months ending September 30th** | | | |
|  | | | |
|  | 2011 | 2010 | |
|  | | | |
| **Sales** | **$66,608,660** | **$56,534,254** | |
| Direct Cost of Goods Sold | 51,592,470 | 43,970,250 | |
| **Gross Margin** | **$15,016,190** | **$12,564,004** | |
|  | | | |
| Operating Expenses | | | |
| Sales, Marketing & Other | $1,328,615 | $1,265,348 | |
| Depreciation | 1,378,616 | 1,152,125 | |
| Quality Assurance | 1,151,176 | 1,112,247 | |
| Research & Development | 1,039,637 | 962,627 | |
| General & Administrative | 4,954,751 | 4,674,293 | |
| Machining & Systems | 143,808 | 125,050 | |
| **Total Operating Expenses** | **$9,996,603** | **$9,291,690** | |
| **Profit Before Interest & Taxes** | **$5,019,587** | **$3,272,314** | |
|  | | | |
| Non-Operating Expenses | | | |
| Interest Expense | $604,616 | $121,533 | |
| Taxes | 1,104,309 | 719,909 | |
| **Total Non-Operating Expenses** | **$1,708,925** | **$841,442** | |
| **Net Profit After Taxes** | **$3,310,662** | **$2,430,872** | |
|  |  |  | |
| **Marketing Information System**  The firm is attempting to consolidate customer information to deliver better value to the customer. The firm has historical records in many disparate databases, as well as in paper files and microfiche. Below is a listing of information the firm has available to consolidate into a CRM system.  **Historical Sales**  Riordan has a system to track historical sales. In the past, most sales data was recorded using paper and pencil. In the last few years, the firm has managed the information electronically. Information available includes the following:   * Dates including order, delivery, and payment dates by order. * Unit and dollar volume of each product including plastic bottles, fans, heart valves, medical stents, and custom plastic parts rolled up to be examined by product group and customer. * Sales by customer to include price paid, cost, margin, and discount given.   **Files of Past Marketing Research, Marketing Plans, and Design Awards**  The marketing organization wants to build on past knowledge. As a result, past marketing plans and results from past market research studies are stored in a file cabinet in the marketing department. The firm has a showcase in the lobby to display the various design awards earned. The firm is assessing the possibility of hiring a part-time college student to scan the documents electronically.  **Sales Database**  The company has 15 - 20 major customers, including a government contract for fans. The firm has 12 minor customers. Each member of the sales force maintains his/her own set of customer records using a variety of tools. Some sales team members use paper and pencil, others sales management software such as Act, and others a hybrid. In order to better understand and anticipate customer needs, the firm is evaluating a new integrated customer management system to accompany the new team selling approach that will be soon rolled out.  **Production Records**  The production plan maintains records of the number of units produced of each item by shift, which can be rolled up to the product group and year.  **Profit and Loss Statements by Item and Group**  The marketing department, with the support of the finance and production departments, maintains profit and loss statements, by item and by group.  **Marketing Budget**  The firm has historical and current annual budget allocations for marketing communications and marketing research.  Marketing Communications activities include:   * Sales force promotions * Price / volume discounts to key accounts * Public relations * Brand development * Tradeshows, events, and sponsorships * Customer user group underwriting * Literature and other collateral material   Marketing Research expenditures include:   * Market size / opportunity studies * Customer focus groups * Brand development research   **Marketing Budget Anticipated Results**  Two year plan to reach the $50 million revenue mark. This objective was developed collaboratively with Dr. Riordan along with the executive team. It incorporates the input of the line managers closest to the day-to-day operations. The objective will be achieved through:   * Increased sales to existing customers by increasing sales force promotions, price discounts, and customer user group services. * Expanded sales to new customers by implementing public relations activities, trade shows, brand development and sales force promotions.   **Sales Plan - Riordan Manufacturing - 2006**  The purpose of this sales plan is to help the sales organization prioritize activities and resources for 2006 in an effort to meet or exceed the stated sales objectives. Our two year plan to reach the $50 million revenue mark. This objective was developed collaboratively with Dr. Riordan along with the executive team. It incorporates the input of the line managers closest to the day-to-day operations. This means we need to be moving toward that objective this year, laying the groundwork and achieving results.  The $50 million goal will be achieved through:   * Increased sales to existing customers by increasing sales force promotions, price discounts, and customer user group services. * Expanded sales to new customers by implementing public relations activities, trade shows, brand development and sales force promotions.   **Riordan Manufacturing- Sales Plan 2006**  **Theme: Reaching the $50 Million Mark!**   * Increased Sales to Existing Customers * Expanded Sales to New Customers   **Part 1: Strategic sales objectives with corresponding financial goals and roll-out schedules**  **Increased Sales to Existing Customers**  Existing customers are expected to account for 60% of the incremental sales that will get us to our $50 million mark by the end of 2007. Therefore, we must take a consultative sales approach to understanding the current needs and anticipate and influence the future needs of our customers. Our plan is to work with customers before they release RFPs, so that they are developed around the products, services, and solutions we offer.   | **Quarter** | **Activity** | | --- | --- | | 1Q2006 | * Complete customer information system training. * Input customer information into new system and use it to document customer needs assessment. * Top 20 Large Accounts - complete needs assessment and develop sales growth plan. * Sponsor and coordinate industry specific user group meetings. | | 2Q2006 | * 12 Small to Mid-Size Accounts - complete needs assessment and develop sales growth plan. * Large Accounts - RFP updates. * All accounts - Profit margin reports and improvement plans. | | 3Q2006 | * Small and Mid-Size Accounts - RFP updates. * Active support of the new services solutions development. | | 4Q2006 | * Customer needs action plans due. |   **Increased Sales to Existing Customers**  We expect 40% of the incremental sales to help us to our $50 million mark will be through sales to new customers. We will reach new customers by attending tradeshows and leveraging market research reports. It is important to input all new information into the new system.   | **Quarter** | **Activity** | | --- | --- | | 1Q2006 | * Each sales team ember should attend 6 tradeshows in a new industry or segment. The firm should not have been previously represented in the segment. An expenditure justification report should be submitted before committing to the event. Scan key contacts in the new system. | | 2Q2006 | * Attend 3 - 6 tradeshows in a new industry or segment. Scan key contacts into the new system. * Complete 9 sales calls on new customers. * Sign 2 new customers with first orders over $50,000. | | 3Q2006 | * Attend 3 - 6 tradeshows in a new industry or segment. Scan key contacts into the new system. * Complete 9 sales calls on new customers. * Sign 2 new customers with first orders over $50,000. | | 4Q2006 | * Attend 3 - 6 tradeshows in a new industry or segment. Scan key contacts into the new system. * Complete 9 sales calls on new customers. * Sign 2 new customers with first orders over $50,000. |   **Part 2: Tactics by marketing mix, timing, and relationship to strategic sales objectives**  **Product**  Marketing and product development are committed to developing products and value added services to help us compete to win bids. If you find that you need a specific service or product to gain a new customer, bring it to the attention of your management. We will assess whether the new service is feasible and in line with our positioning and objectives and act accordingly.  **Pricing**  Our pricing strategy will remain the same as in previous years, a cost-plus method. However, sales managers now have more leverage when working with customers and can assign discounts to customers without approval of headquarters provided the sale still meets the minimum profit margins.  **Promotions**  *Sales Team Promotions:*  Employees reporting under the sales group are eligible for the sales bonus program if all goals and initiatives for existing customers are successfully completed in the given quarter. For every new customer added that spends $100,000 in their first order, the sales manager will receive a $5000 bonus, plus an additional $2000 to allocate to any supporting team members. There is no upper limit to the number of $7000 ($5000 + $2000) incentives that one can obtain.  *Customer Promotions:*  Customers will be excited about our promotion to buy 100 cases of the same item and get 5 cases for free. We encourage you to use this promotion, as it is outside of the minimum profit margin requirement and can help us reach our revenue targets.  **Place (expansion, emphasis on locations or customer regions)**  We are in the process of completing a comprehensive market study which will be available early 2Q2006. Based upon that plan, we will have better direction regarding with industries, segments, and geographies provide the best opportunities for growth.  **Part 3: Customer Relationship Management Strategies**  This year, we want to strengthen our relationship with our existing customers. The new sales information system will help us better understand our customers' needs so that we can shape products and solutions to respond to those needs. This can only work with your help. Part of your annual assessment will reflect the extent to which you support and use the new system.  In addition, we are shaping and nurturing relationships with new customers. We need every member of our team to get out there and connect with new customer segments. We are providing resources such as financial incentives, tradeshow funding, and market research reports to support your effort. |  |  | |

# Organizational Charts - Executive

* [Executive](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?exec)
* [Senior V.P. - R & D](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?svp)
  + [Staff Information](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?staff)
* [Chief Operating Officer](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?coo)
  + [V.P. Transportation](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?vptrans)
  + [V.P. Sales & Marketing](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?vpsales)
  + [Chief Financial Officer](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?cfo)
  + [Dir. of Acct. & Finance](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?diracct)
  + [Dir. of HR](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?dirhr)
  + [Chief Legal Counsel](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?clc)
  + [V.P. Product Support](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?vpprod)
  + [V.P. Operations](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?vpops)
  + [Dir. Plant Ops.: Pontiac](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?dirplantpontiac)
  + [Dir. Plant Ops.: Albany](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?dirplantalbany)
  + [V.P. International Operations](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?vpinternationalops)
  + [Chief Information Officer](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/?cio)
* [Compensation Philosophy](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/Policies.asp#comp)
* [Employee and Labor Relations](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/Policies.asp#elr)
* [Employee Recognition Programs](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/Policies.asp#erp)
* [Global Operations](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/Policies.asp#go)
* [Key Jobs](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/Policies.asp#ke)
* [Pay Grades](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/Policies.asp#paygrades)
* [Recruitment & Selection Practices](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/Policies.asp#rands)
* [Training & Development](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/Policies.asp#tandd)

**Annual Pay Adjustments**

The company has a process for annual performance evaluations and pay adjustments, which happens on a fiscal year basis, with all raises taking effect the first day of the new fiscal year.

Managers complete a performance appraisal with each employee using a behaviorally-anchored rating scale. At the end of the performance appraisal, each employee receives an overall rating of "does not meet expectations" "meets expectations," or "exceeds expectations." Managers receive a pool of merit increase dollars, which are divided among employees using the following matrix (where "x" is the average percentage of wage increase). Managers may not allocate more money for raises than they receive in their increase budget.

|  | **Does Not Meet** | **Meets** | **Exceeds** |
| --- | --- | --- | --- |
| Position in relation to the external market... Above market median | 0 | ½x | 1x |
| Position in relation to the external market... Near market median (+ or – 10%) | 0 | 1x | 1.5x |
| Position in relation to the external market... Below market median | 0 | 1.5x | 2x |

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**Compensation Philosophy and Rewards Practices**

**Our Employees**

* We will maintain an innovative and team-oriented working environment.
* By assuring that our employees are well informed and properly supported, we will provide a climate focused on the long term viability of our company.

**Other Factors**

* R & D is critical to the mission (industry leader in identifying industry trends).
* Exceeding ISO 9000 standards is important to the organization.

**Compensation Philosophy**

The purpose of the pay program at Riordan Manufacturing is to help the company achieve its mission and goals by attracting, motivating and retaining the most highly-qualified people, with a particular focus on attracting people in critical disciplines such as R & D and quality. Base pay opportunities will be competitive by targeting the median of the appropriate external comparative group for average or satisfactory performance. Because we are focused on creating a team oriented working environment, teams who perform in an above average manner will have the opportunity to earn variable pay to improve their competitive pay position. The company is closely held, therefore, stock options will be available only to officers of the corporation.

Our pay bands are broad ranges which allow for considerable flexibility in rewarding individual performers based on their specific skills and contributions. We expect managers to make base pay decisions based on market information, which is provided annually during the salary review process.

Incentive plans for teams are developed individually, based on the specific results that each team is expected to achieve.

Because we want to properly support our employees, we will offer the following benefits to all full-time, U.S. employees, in addition to those benefits required by law, such as social security and workers' compensation.

* Health insurance for employees and their dependents
* Dental insurance for employees and their dependents
* Life insurance for employees
* Flexible working schedules, when approved by individual managers or teams
* 401(k) savings program, with a company match
* Vacation (schedule varies with seniority)
* Paid holidays
* Educational assistance/tuition reimbursement

We also provide the following benefits through our flexible benefits program.

* Child care reimbursement account
* Medical reimbursement account (flexible spending account)

International pay and benefits are based on applicable laws in the country in which we operate.

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**Employee and Labor Relations**

Currently, all of Riordan’s facilities are non-union facilities. Employee relations are part of the Human Resources department.

Key employee relations policies include the following:

1. The company has an “open-door” policy, where employees are encouraged to share any concerns with higher-level supervisors if they are not satisfied with a supervisor’s decision. The process is loosely defined, and employees do not have a formal process for appealing supervisory decisions.
2. There is an employee handbook given to employees on their first day of employment. Employee policies, such as attendance, etc. are explained in the handbook. Employees are encouraged to read and understand the handbook.
3. Safety technicians are in place to encourage safe and healthy work practices.

The Pontiac facility is a provider of parts to the automotive industry. To date, there have been no attempts by any union to organize the facility; however, there are rumors that an organizing drive may be focused on the plant during the next 12 months. While the company has officially agreed to remain neutral if there is an organizing campaign (as required in its vendor agreement), unofficially, company officials are opposed to unionization and would prefer to stay union-free.

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**Employee Recognition Programs**

In addition to compensation and team-based incentives, the company has some programs for recognizing outstanding employees.

1. **Outstanding Employee Award** - One employee per year is named as the outstanding employee of the year. Employees are nominated by their peers, and a committee of executives and employees selects the winner. The criteria for this award are as follows:
   1. Performed above and beyond normal job duties
   2. Demonstrated a high level of teamwork and support for others
   3. Modeled respect for diversity
2. **Employee Suggestion Program** - Employees can make suggestions for improving products or the work process. When a suggestion is adopted, employees receive a $25 check for their contribution and their picture in the company newsletter.
3. **Seniority Awards** - These awards are given to employees upon their first, fifth, tenth, and 20th year of employment, as follows:
   1. One year - 1 day off with pay
   2. Fifth year - Silver company logo lapel pin
   3. Tenth year - Gold company logo lapel pin
   4. 20th year - Gold watch and induction into the "20-year club" - Annual dinner with Riordan president for the club.

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**Global Operations**

The company has a joint venture facility in Hangzhou, China, where plastic fan parts are produced. Riordan owns 60% of the joint venture, and the plant manager is an expatriate from the United States who is one year into a three-year assignment. All of the other employees are host-country nationals.

The plant manager is compensated on a home-country based method. His pay level is comparable to that of the plant managers in Pontiac and Albany. The plant manager also participates in a management incentive plan, which is based on overall corporate performance, not performance of the joint venture.

Specific allowances for expatriate duties include the following:

* Foreign service premium - 25% of base pay
* Home visit leave - One visit to the US per year with his family (not counted as part of regular vacation)
* Relocation benefits
* Educational assistance for two children (tuition at a school for English-speaking students)
* Housing allowance
* Cost of living adjustment based on international survey data

The company uses a balance sheet approach in calculating benefits, including equalization of taxes.

The manager has been asked to develop a host-country national who can assume the plant manager position at the end of his three year assignment and the manager will receive a one-time incentive payment if he does this successfully.

Engineering personnel may travel between the US and China for specific projects, but there are no expatriate engineers from the US in China, and no Chinese employees currently work in the US operations.

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**Key Jobs**

As a company that specializes in leading in R & D, engineering jobs, particularly in R & D are critical. In addition, those who work on patent and legal issues are very important to the organization.

Another group of employees that are very important to operations are the CAM support specialists-most of the products manufactured are produced by NC machinery. If this machinery is down, production schedules cannot be met.

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**Pay Grades**

| **Pay Grades** | **Jobs Included** | **FLSA Status** | **# of Incumbents** |
| --- | --- | --- | --- |
| Executive Band | All Officers, Vice Presidents and Directors | Exempt | 21 |
| Manager | All positions with supervisory responsibility | Exempt | 25 |
| Professional | All other exempt professional positions - no supervisory responsibility | Exempt | 76 |
| Sales 1 | Sales representative | Exempt | 12 |
| Technicians | All technicians | Nonexempt | 23 |
| Administration | All non-exempt, clerical or administrative positions | Nonexempt | 21 |
| Production | All production and shipping employees | Nonexempt | 127 |
|  | | | |
|  | Remaining employees are in China and on a home-country pay system. | |  |

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**Recruitment and Selection Practices**

Riordan Manufacturing currently recruits employees primarily from outside the organization for entry-level jobs, whether they are hourly or professional. The company also recruits most engineering staff from outside the organization. The organization uses the following methods for recruitment:

* Online advertisements at Monster.com
* Local newspaper advertisements
* Employee referrals
* Use of employees from temporary agencies
* Attendance at engineering conferences

There is a formal job-posting process in the company when there are openings. However, the company does not pay for relocation from one facility to another unless the position has budgeted for relocation as part of the hiring process. In the past two years, two managerial positions have been filled by internal candidates. There is currently no formal succession planning process.

The company uses contract workers for some engineering work, international sales and IT support in China. It has some part-time jobs, and there are two women who job-share in the corporate office. Benefits administration has been outsourced to a third-party provider.

Riordan is a small employer in both Pontiac and Albany and sometimes has trouble attracting the types of employees it would like. It also has had some difficulty attracting employees in San Jose although its reputation is somewhat better there.

Average turnover rates are low; most employees have been with the company for longer than two years.

The selection process uses the following tools:

* Application
* Résumé review
* Face-to-face interviews with the HR recruiter
* Face-to-face interviews with hiring managers (In the case of production teams, these are group interviews with team members.)

The company does not conduct reference checks and does not use any form of testing, other than testing all prospective employees for drugs using standard testing methods.

The company has no federal contracts and does not have any affirmative action plans or goals.

[Top](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/Policies.asp)

**Training & Development**

Riordan provides the following mandatory training for all employees within 90 days of hire:

* New employee orientation (1 day) - offered once per month
* Six Sigma - for all production, shipping and quality employees

Supervisors are also expected to attend the following workshops within 12 months of becoming a supervisor:

* Interviewing guidelines
* Preventing EEO claims and sexual harassment in the workplace
* Performance reviews

Self-directed teams operate throughout the plants in Pontiac, Albany and China. Team members cross-train on jobs within the team, as well as attend training sessions on goal setting, scheduling, selection processes and managing conflict. These are provided on an “as-needed” basis by the HR employee relations specialist at each site.

The company offers tuition reimbursement for work-related educational activities.

The company will also pay for professional organization fees for engineers in order to encourage them to stay current in their field.

[Top](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/HR/Policies.asp)

[Virtual Organizations Portal](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/). | ©2005, 2006, 2012 Apollo Group, Inc. All rights reserved.

# HRIS

The company's HRIS system was installed in 1992. It is a part of the financial systems package and keeps track of the following employee information:

* Personal information (such as name, address, marital status, birth date, etc.)
* Pay rate
* Personal exemptions for tax purposes
* Hire date
* Seniority date (which is sometimes different than the hire date)
* Organizational information (department for budget purposes, manager's name, etc.)
* Vacation hours (for non-exempt employees)

Changes to this information are submitted in writing (on special forms) by the employee's manager and are entered into the system by the payroll clerk.

Training and development records are kept in an Excel worksheet by the training and development specialist.

Each recruiter maintains applicant information for open positions. Résumés are filed in a central storage area, and an Excel spreadsheet is used to track the status of applicants.

Workers' compensation is managed by a third-party provider, which keeps its own records.

Employee files are kept by individual managers; there is no central employee file area. Managers are also responsible for tracking FMLA absences and any requests for accommodation under the ADA.

The compensation manager keeps an Excel spreadsheet with the results of job analyses, salary surveys and individual compensation decisions.

Employee relations specialists track information about complaints, grievances, harassment complaints, etc. in locked files in their offices.

***Mission***

**Our Focus**

• Six Sigma, leading edge R&D and exceeding ISO 9000 standards define the attitude and abilities of Riordan Manufacturing.

• We are industry leaders in using polymer materials to provide solutions to our customers challenges.

• Our R&D is, and will remain, the industry leader in identifying industry trends.

**Our Customer Relationships**

• We will strive to be a solution provider for our customers and not be a part of our customers’ challenges.

• Long-term relationships will be sought by maintaining rigorous quality controls, innovative solutions, a responsive business attitude and reasonable pricing.

**Our Employees**

• We will maintain an innovative and team-oriented working environment.

• By assuring that our employees are well informed and properly supported, we will provide a climate focused on the long term viability of our company.

**Our Future**

• We must be focused in achieving and maintaining reasonable profitability to assure that the financial and human capital is available for sustained growth.

***Company History***

The company was founded by Dr. Riordan, a professor of chemistry, who had obtained several patents relative to processing polymers into high tensile strength plastic substrates. Sensing the commercial applications for his patents, Dr. Riordan started Riordan Plastics, Inc. in 1991.

Initially, the company's focus was on research and development and the licensing of its existing patents, but in 1992 Dr. Riordan obtained venture capital that he used to purchase a fan manufacturing plant in Pontiac, MI. At that time, the company's name was changed to "Riordan Manufacturing, Inc." In 1993, the company expanded into the production of plastic beverage containers when it acquired a manufacturing plant in Albany, GA.

The company's most recent expansion took place in 2000 when it opened its operations in China. At that time, the entire fan manufacturing operation was moved from Michigan to China, and the Pontiac, MI, facility was retooled for the manufacturing of custom plastic parts.

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***Introductory Statement***

This handbook is designed to acquaint you with Riordan and provide you with information about working conditions, employee benefits and some of the policies affecting your employment.

You should read, understand and comply with all provisions of the handbook. The handbook describes many of your responsibilities as an employee and outlines the programs we have developed to benefit our employees. One of our objectives at Riordan is to provide a work environment that is conducive to both personal and professional growth.

No employee handbook can anticipate every circumstance or question about every one of our policies. Therefore, there may be situations where the need arises for us to revise, add or cancel policies. Further, Riordan reserves the right to add new policies and to change or cancel existing policies at any time. The only exception is that our employment-at-will policy will not be changed or cancelled. The employment-at-will policy permits you or Riordan to end the employment relationship at any time for any reason. We will notify you of any changes to the handbook as they occur.

***Employee Acknowledgement Form***

The employee handbook describes important information about Riordan, and I understand that I should consult the Human Resources Director regarding any questions not answered in the handbook.

I have entered into my employment relationship with Riordan voluntarily and acknowledge that there is no specified length of employment. Accordingly, either Riordan or I may terminate the employment relationship at will at any time, with or without cause, so long as there is no violation of applicable federal or state law.

Since the information, policies and benefits described in the handbook are subject to change as needed, I acknowledge that revisions to the handbook may occur, except to the employment-at-will policy of Riordan. All such changes will be communicated through official notices, and I understand that revised information may supersede, modify or eliminate existing policies. I also understand that only the chief executive officer of Riordan has the ability to adopt revisions to the policies in this handbook.

Furthermore, I acknowledge that this handbook is neither a contract of employment nor a legal document. I have received the handbook, and I understand that it is my responsibility to read and comply with the policies contained in this handbook and any revisions made to it.

EMPLOYEE'S NAME (printed): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

EMPLOYEE'S SIGNATURE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***Nature of Employment***

This handbook is intended to provide you with a general understanding of the personnel policies of Riordan and to answer many common questions. You are encouraged to review all the policies in the handbook and become familiar with them.

However, this handbook cannot anticipate every situation or answer every question about employment. This handbook is also not an employment contract and is not intended to create contractual obligations of any kind. Since employment at Riordan is based on mutual consent and is at will, either you or Riordan have the right to end the employment relationship at any time, with or without cause or advance notice.

In order to retain necessary flexibility in the administration of policies and procedures, we reserve the right to change, revise or eliminate any of the policies and/or benefits described in this handbook, except for the policy of employment-at-will. The only recognized deviations from the policies in this handbook must be authorized and signed by the chief executive officer of Riordan.

***Employee Relations***

We believe that the work conditions, wages and benefits we offer to Riordan employees are competitive with those offered by other employers in this area and in this industry. If you have concerns about work conditions or compensation, you are strongly encouraged to voice these concerns openly and directly to your supervisor.

Our experience has shown that when employees deal openly and directly with management, the work environment can be excellent, communications can be clear and attitudes can be positive. We believe that Riordan amply demonstrates its commitment to employees by responding effectively to employee concerns.

If employees want to investigate the option of union representation, we strongly encourage that you carefully consider all sides, including related issues such as regular deductions for union dues from your paycheck, the potential for outside interference with supervisory relationships, and the commitment for you to comply with union-initiated directions.

Because we want to maintain direct employer/employee communications, we will resist organization (within the limits of the law) and protect your right to speak for yourself.

***Equal Employment Opportunity***

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at Riordan will be based on merit, qualifications and abilities. Riordan does not discriminate in employment opportunities or practices on the basis of race, color, religion, sex, national origin, age, disability or any other characteristic protected by law.

We will make reasonable accommodations for qualified individuals with known disabilities unless doing so would result in an undue hardship. This policy covers all aspects of employment, including selection, job assignment, compensation, discipline, termination and access to benefits and training.

If you have a question or concern about any type of discrimination in the workplace, you are encouraged to bring the issue to the attention of your supervisor or the Human Resources Director. At Riordan, be assured that you can raise concerns and make reports without fear of reprisal. Further, anyone found to be engaging in any type of unlawful discrimination will be subject to disciplinary action, up to and including termination of employment.

***Business Ethics and Conduct***

The successful business operation and reputation of Riordan is built upon the principles of fair dealing and ethical conduct of our employees. Our reputation for integrity and excellence requires careful observance of the spirit and letter of all applicable laws and regulations as well as a scrupulous regard for the highest standards of conduct and personal integrity.

Our continued success is dependent upon our customers' trust, and we are dedicated to preserving that trust.

Employees owe a duty to Riordan, our customers and shareholders to act in ways that will merit the continued trust and confidence of the public.

As an organization, Riordan will comply with all applicable laws and regulations, and we expect our directors, officers and employees to conduct business in accordance with the letter, spirit and intent of all relevant laws and to refrain from any illegal, dishonest or unethical conduct.

In general, you should find that using good judgment, based on high ethical principles, will guide you to act appropriately. If you are unsure about the proper course of action, you should discuss the matter openly with your supervisor. If necessary, you may also contact the Human Resources Director for advice and consultation.

It is the responsibility of every Riordan employee to comply with our policy of business ethics and conduct. Disregarding or failing to comply with this standard of business ethics and conduct could lead to disciplinary action, up to and including possible termination of employment.

***Employee Medical Examinations***

To help us make sure that you are able to perform your duties, Riordan may require medical examinations of some employees.

After we make an offer to an applicant entering a designated job, a medical examination will be performed at our expense by a health professional of our choice. The offer of employment and assignment to duties is contingent upon satisfactorily completing the exam.

We consider information about medical conditions or history to be highly confidential and keep it separate from other personnel information. Access to this information is limited only to persons who have a legitimate need to know.

***Immigration Law Compliance***

Riordan is committed to employing only United States citizens and aliens who are legally authorized to work in the United States. We also do not unlawfully discriminate on the basis of citizenship or national origin.

In order for us to comply with the Immigration Reform and Control Act of 1986, all new employees, as a condition of employment, must complete the Employment Eligibility Verification Form I-9 and provide documentation that establishes their identity and eligibility for employment. Former employees who are subsequently rehired must also complete an I-9 and provide appropriate documentation if 1) they have not completed an I-9 with Riordan within the past three years, or 2) their previous I-9 is no longer valid or was not retained.

If you have questions or want more information on immigration law issues, you are encouraged to contact the Human Resources Director. At Riordan, you can raise questions or complaints about immigration law compliance without fear of reprisal.

***Non-Disclosure***

It is vital to the interests and success of Riordan that we protect our confidential business information and trade secrets. Confidential information includes, but is not limited to, the following examples:

• sales data

• compensation data

• customer lists

• financial information

• marketing strategies

• new materials research

• pending projects and proposals

• proprietary production processes

• research and development strategies

• scientific data

• scientific formulae

• scientific prototypes

• technological data

• technological prototypes

If you are exposed to confidential information, we may request that you sign a non-disclosure agreement as a condition of your employment.

Because we consider security breaches very serious, if you improperly use or disclose trade secrets or confidential business information, you will be subject to disciplinary action, up to and including termination of employment and legal action, even if you do not actually benefit from the disclosed information.

***Disability Accommodation***

Riordan is committed to complying fully with the Americans with Disabilities Act (ADA) and ensuring equal opportunity in employment for qualified persons with disabilities.

All employment practices and activities are conducted on a non-discriminatory basis. Our hiring procedures have been reviewed and provide persons with disabilities meaningful employment opportunities. Pre-employment inquiries are made only regarding an applicant's ability to perform the duties of the position.

We require post-offer medical examinations only for positions that have bona fide job-related physical requirements. An examination will be given to any person who enters the position but only after being given a conditional job offer. Medical records are kept separate and confidential.

Reasonable accommodation is available to an employee with a disability if the disability affects the performance of job functions. We make all employment decisions based on the merits of the situation in accordance with defined criteria, not the disability of the individual.

Qualified individuals with disabilities are entitled to equal pay and other forms of compensation (or changes in compensation) as well as job assignments, classifications, organizational structures, position descriptions, lines of progression and seniority lists. We provide vacation and medical leaves to all employees on an equal basis.

Riordan will not discriminate against any qualified employee or applicant because the person is related to or associated with a person with a disability. Riordan will follow any state or local law that provides individuals with disabilities greater protection than the ADA.

This policy is neither exhaustive nor exclusive. Riordan is committed to taking all other actions necessary to ensure equal employment opportunity for persons with disabilities in accordance with the ADA and all other applicable federal, state and local laws.

***Job Posting***

Our job posting program provides you with the opportunity to indicate your interest in open positions and advance within the organization according to your skills and experience. In general, we post all regular, full-time job openings although Riordan reserves its right to not post a particular opening.

Job openings will be posted on the employee bulletin board and in the email system, and normally remain open for 10 days. Each job posting notice will include the dates of the posting period, job title, department, location, grade level, job summary, essential duties and qualifications (required skills and abilities).

To be eligible to apply for a posted job, you must have performed competently for at least 180 calendar days in your current position. If you have a written warning on file or are on probation or suspension, you are not eligible to apply for posted jobs. You may only apply for posted jobs for which you possess the required skills, competencies and qualifications.

To apply for an open position, submit a job posting application to the Human Resources Department listing your job-related skills and accomplishments. You should also describe how your current experience with Riordan and prior work experience and/or education qualifies you for the position.

We recognize the benefit of developmental experiences and encourage you to talk with your supervisor about your career plans. We also encourage supervisors to support employees' efforts to gain experience and advance within Riordan.

After you apply for a job, your supervisor may be contacted to verify your performance, skills and attendance. Any staffing limitations or other circumstances that might affect a prospective transfer may also be discussed.

Job posting is a way to inform employees of openings and to identify qualified and interested applicants who might not otherwise be known to the hiring manager. We may also use other recruiting sources to fill open positions when it is in the best interest of the organization.

***Employment Categories***

Understanding the definitions of the employment classifications at Riordan is important because your classification is one of the factors that determine your employment status and benefit eligibility. These classifications do not guarantee employment for any specified period of time. Since employment with Riordan is based on mutual consent, either you or Riordan have the right to terminate the employment relationship at will at any time, with or without cause or advance notice.

Depending on your position, you are designated as either NONEXEMPT or EXEMPT from federal and state wage and hour laws. NONEXEMPT employees are entitled to overtime pay under the specific provisions of federal and state laws. EXEMPT employees are excluded from specific provisions of federal and state wage and hour laws. Your EXEMPT or NONEXEMPT classification may be changed only with written notification from Riordan management.

In addition to the Exempt and Nonexempt categories, you also belong to one of the following employment categories:

• REGULAR, FULL-TIME employees are employees who are regularly scheduled to work the full-time schedule at Riordan. Regular, full-time employees are eligible for all Riordan benefit programs, subject to the terms, conditions and limitations of each benefit program.

• PART-TIME employees are employees who are regularly scheduled to work less than 40 hours per week. While part-time employees receive all legally mandated benefits (such as Social Security and workers' compensation insurance), they are ineligible for the other Riordan benefit programs.

***Personnel Data Changes***

To help us keep records and benefit program information accurate, please notify Riordan of any changes to your personal information. The information we need includes your mailing address, telephone numbers, your marital status, changes to your dependents' information, who to contact in case of an emergency, educational accomplishments and other possibly relevant information. To make changes or if you have questions about what information is required, contact the Human Resources Department.

***Employment Applications***

Riordan relies on the accuracy of the information provided on the employment application as well as the accuracy of other data presented during the hiring process and employment. If there are any misrepresentations, falsifications or material omissions in any of this information, we may exclude that

applicant from further consideration. If the person was already hired, it could result in termination of employment.

***Performance Evaluation***

The best communications about job performance happen on an informal, day-to-day basis. You and your supervisor are strongly encouraged to talk about performance regularly. In addition, Riordan wants to ensure that you and your supervisor have regular, formal performance evaluations. These discussions give you both the opportunity to discuss job responsibilities and goals, encourage and recognize strengths, identify and correct any weaknesses, develop plans for dealing with any obstacles and plan for the future.

The performance of all employees is generally evaluated on an ongoing 12-month cycle, beginning at the end of the fiscal year.

Riordan awards merit-based pay adjustments in recognition of truly superior employee performance. These adjustments are based on numerous factors, including the information documented by the formal performance evaluation process.

***Job Descriptions***

Riordan makes every effort to create and maintain accurate job descriptions for all positions within the organization. We use the job descriptions to help new employees understand their job duties and to set standards for employee performance evaluations. Job descriptions are also used to identify the requirements of each position, establish hiring criteria and establish a basis for making reasonable accommodations for individuals with disabilities.

The Human Resources Department and the hiring manager prepare job descriptions when new positions are created. Existing job descriptions are also reviewed and revised in order to ensure that they are up to date. Job descriptions may also be rewritten periodically to reflect any changes in the position's duties and responsibilities. You can also be helpful by making sure that your job description accurately reflects the work you do.

We would like you to remember that job descriptions do not necessarily cover every task or duty that you might be assigned, and that additional responsibilities may be assigned as necessary. You can contact the Human Resources Department if you have any questions or concerns about your job description.

***Salary Administration***

The salary administration program at Riordan was created to achieve consistent pay practices, comply with federal and state laws, mirror our commitment to Equal Employment Opportunity and offer competitive salaries within our labor market. Because we believe that recruiting and retaining talented employees is critical to our success, we are committed to paying our employees equitable wages that reflect the requirements and responsibilities of their positions and are comparable to the pay received by similarly situated employees in other organizations in the area.

Compensation for every position is determined by several factors, including job analysis and evaluation, the essential duties and responsibilities of the job and salary survey data on pay practices of other employers. We periodically review our salary administration program and restructure it as necessary. We may award merit-based pay adjustments in conjunction with superior employee performance as documented by our performance evaluation process.

If you have a question about the pay practices for your department, you can talk with your supervisor. The Human Resources Department is also available to answer questions about Riordan's salary administration program.

***Employee Benefits***

Riordan provides a wide range of benefit programs to eligible employees. Certain legally required programs (such as Social Security, workers' compensation, state disability and unemployment insurance) cover all

employees in the manner required by the laws.

Your eligibility for each benefit program depends on a variety of factors, including your employee classification. To better understand exactly which benefit programs you are eligible for, talk to your supervisor. You will find details about many of these programs elsewhere in the employee handbook. In some cases, a policy may also refer you to other sources, such as the Summary Plan Document for that benefit.

The following benefit programs are available to regular, full-time employees, subject to terms and conditions of each program:

• Flexible Spending Accounts

• 401(k) Savings Plan

• Dental Insurance

• Educational Financial Assistance

• Flextime Scheduling

• Health Insurance

• Holidays

• Life Insurance

• Vacation Benefits

While some of the benefit programs we offer may require you to contribute to the cost, many programs are fully paid by Riordan.

***Vacation Benefits***

Riordan offers vacation time off with pay to regular, full-time employees for rest, relaxation, and personal pursuits. The amount of paid vacation time you receive each year increases with the length of your employment as shown in the following schedule:

• Upon initial eligibility, the employee is entitled to 5 vacation days each year.

• After 5 years of eligible service, the employee is entitled to 10 vacation days each year.

• After 10 years of eligible service, the employee is entitled to 15 vacation days each year.

• After 15 years of eligible service, the employee is entitled to 20 vacation days each year.

The length of eligible service is calculated on the basis of a "benefit year." A benefit year is defined as the 12-month period that begins when you start earning vacation time. Your benefit year may be extended for any significant leave of absence except military leave of absence. (Military leave has no effect on the benefit year calculation.) See the leave of absence policies in this handbook for more information.

Once you enter an eligible employment classification, you begin to earn paid vacation time according to the schedule in this policy. You can use earned vacation time in the year after it is accrued.

You may use vacation time in minimum increments of one-half day. To schedule vacation time, you should first request advance approval from your supervisor. Each request will be reviewed based on a number of factors, including our business needs and staffing requirements.

Vacation time off is paid at your base pay rate at the time of the vacation. It does not include overtime or any special forms of compensation such as incentives, commissions, bonuses or shift differentials.

We encourage you to use your available paid vacation time for rest, relaxation and personal pursuits. In the event that you do not use your available vacation by the end of the benefit year, you will forfeit the unused time.

If your employment terminates, you will be paid for any unused vacation time that has been earned through

your last day of work. However, if Riordan, in its sole discretion, terminates your employment for cause, your unused vacation time may be forfeited.

***Child Care Benefits***

To help parents who work at Riordan, we provide child care assistance to eligible employees. Regular, full-time and part-time employees are eligible to participate in the child care assistance programs, subject to the terms and conditions of each program.

The following brief descriptions list the child care assistance programs that are offered when feasible. To find out the details of a specific program, please contact the Human Resources Department.

• CAFETERIA PLAN/FLEXIBLE SPENDING ACCOUNT: Employees choose benefits (including child care) from a list of options and contribute a part of pretax salaries to a child care account. This option allows employees to minimize the federal tax they must pay on child care dollars.

• FLEXTIME SCHEDULING: Employees may request the opportunity to vary their work schedules (within employer-defined limits) to better accommodate child care responsibilities.

***Holidays***

Riordan gives holiday time off to all employees on the following holidays:

• New Year's Day (January 1)

• Memorial Day (last Monday in May)

• Independence Day (July 4)

• Labor Day (first Monday in September)

• Thanksgiving (fourth Thursday in November)

• Christmas (December 25)

We provide holiday time off with pay to regular, full-time employees immediately upon assignment to an eligible employment classification. If you are eligible for paid holidays, your holiday pay will be calculated on your straight-time pay rate as of that holiday multiplied by the number of hours you would normally have worked on that day. To be paid for a holiday, an eligible employee must work both the last scheduled work day immediately preceding the holiday and the first scheduled work day immediately following the holiday.

If a recognized holiday falls during an eligible employee's paid absence (e.g. vacation time or sick leave), the employee will be ineligible for holiday pay.

If eligible nonexempt employees work on a recognized holiday, the employees will receive holiday pay plus wages at one and one-half times their straight-time rate for the hours worked on the holiday.

Paid time off for holidays will be counted as hours worked for the purposes of determining overtime pay.

***Workers' Compensation Insurance***

Riordan provides a comprehensive workers' compensation insurance program to our employees. The workers' compensation program covers injuries or illnesses sustained in the course of employment that require medical, surgical or hospital treatment. Subject to the applicable legal requirements, this program provides benefits after a short waiting period or, in the event of hospitalization, immediately.

It is critical that you inform your supervisor immediately about any work-related injury or illness, regardless of how minor it might appear at the time. Immediate reporting ensures that, if eligible, you will qualify for workers' compensation benefits as quickly as possible and also lets us investigate the matter promptly.

Workers' compensation is intended to cover only work-related injuries and illnesses. Because of this, neither Riordan nor our insurance carrier will be liable for the payment of workers' compensation benefits for injuries

that might occur during employees' voluntary participation in off-duty recreational, social or athletic activities that we may sponsor.

***Benefits Continuation (COBRA)***

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) gives employees and their qualified beneficiaries the opportunity to continue health insurance coverage under our health plan when a "qualifying event" occurs that would normally result in the loss of eligibility. "Qualifying events" include:

• Resignation, termination of employment or death of an employee

• A reduction in an employee's hours

• Employee's leave of absence

• Employee's divorce or legal separation

• When a dependent child no longer meets the eligibility requirements

Under COBRA, the employee or beneficiary pays the full cost of coverage at Riordan's group rates plus an administration fee. When you become eligible for Riordan health insurance, we will also give you a written notice describing the rights granted under COBRA. Because the COBRA notice contains important information about your rights and your obligations, please read it carefully.

***Educational Assistance***

We recognize that our employees' skills and knowledge are critical to the success of Riordan. Therefore, we created our educational assistance program to encourage employees to maintain and improve their job-related skills through formal education. We also want to help employees enhance their potential to compete for reasonably attainable jobs at Riordan.

Our educational assistance program is available to all eligible employees who have completed one year of regular, full-time employment. To remain eligible once you begin receiving educational assistance, you must stay on the active payroll and perform your job satisfactorily as you complete each course.

To be eligible for educational assistance, individual courses or courses that are part of a degree, licensing or certification program must be related to your current job duties or to a position you might have at Riordan in the foreseeable future. Riordan management will determine if a course or program is related to your current job or one that you might hold in the foreseeable future.. The Human Resources Department can provide more information about educational assistance if you have questions.

While we expect educational assistance to enhance your performance and professional abilities, we do not promise or guarantee that additional education will result in advancement, new job assignments or pay increases.

We invest in employees' educational assistance with the expectation that the investment will benefit Riordan. However, if you voluntarily terminate employment within one year of the last educational assistance payment, we will consider educational assistance amounts to be loans to you. Accordingly, you will be required to repay up to 50 percent of the original educational assistance payment.

***Health Insurance***

The health insurance plan at Riordan offers regular, full-time employees and their dependents access to medical and dental insurance benefits, subject to the terms and conditions of the agreement between Riordan and the insurance carrier.

If you change to an employment classification that would cause you to lose your health insurance plan eligibility, you may qualify to continue your health care benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA). Refer to the Benefits Continuation (COBRA) Policy in this handbook for more information.

You will find details of the health insurance plan in the Summary Plan Description (SPD). When you become eligible, you will receive the SPD and rate information prior to the enrollment date. For questions about health insurance, contact the Human Resources Department.

***Life Insurance***

Life insurance offers you and your family important financial protection. Riordan provides a basic life insurance plan for regular, full-time employees.

Eligible employees may participate in the life insurance plan subject to the terms and conditions of the agreement between Riordan and its insurance carrier.

You will find details about the basic life insurance plan including benefit amounts in the Summary Plan Description. If you have questions, contact the Human Resources Department for more information.

***401(k) Savings Plan***

Riordan has established a 401(k) savings plan to provide employees with the potential for future financial security for their retirement.

To be eligible to join our 401(k) savings plan, you must complete 12 months of service and be 21 years of age or older. You may join the plan only during open enrollment periods. Eligible employees may participate in the 401(k) plan subject to all terms and conditions of the plan.

The 401(k) savings plan allows you to elect how much salary you want to contribute, so you can tailor your own retirement package to meet your individual needs. Riordan also contributes an additional matching amount to each employee's 401(k) contribution.

Because your contribution to a 401(k) plan is automatically deducted from your pay before federal and state tax withholdings are calculated, you save tax dollars now by having your current taxable amount reduced. While the amounts deducted generally will be taxed when they are finally distributed, favorable tax rules typically apply to 401(k) distributions.

Complete details of the 401(k) savings plan are described in the Summary Plan Description. You can contact the Human Resources Department for more information about the 401(k) plan.

***Flexible Spending Account (FSA)***

Riordan provides a Flexible Spending Account (FSA) program that allows regular, full-time employees to have pre-tax dollars deducted from their salaries to pay for eligible out-of-pocket expenses. The pre-tax contributions made to the FSA can be used to pay for predictable non-reimbursed health care expenses and dependent care expenses during the plan year. Through the FSA program, you can reduce your taxable income without reducing your real income, so that you can keep more of the money you earn.

Participation in the Health Care and/or Dependent Care FSA is optional and determined on an annual basis for the plan year. You must enroll for each plan year. You determine how much to contribute to the account, up to a specified maximum, based on anticipated expenses during the plan year. You may contribute up to a maximum of $1,000 each year for your Health Care FSA. The maximum contribution for your Dependent Care FSA is $ 5,000 per year. Contributions are directed to the FSA through salary reduction on a pre-tax basis. This tax-free money is then available to you for reimbursement of out-of-pocket expenses. Since the amounts that remain in the account at the end of the plan year are forfeited, you should take care not to over-fund your account.

Details of the Flexible Spending Account program are described in the Summary Plan Description. Contact the Human Resources Department for more information on the Flexible Spending Account program and to obtain enrollment and reimbursement forms and worksheets with examples of reimbursable and non-reimbursable expenses.

***Timekeeping***

Nonexempt employees are responsible for accurately recording the hours they work. This information also helps Riordan comply with the laws that require us to keep accurate records of "time worked" in order to correctly calculate employee pay and benefits. "Time worked" is defined as all the time nonexempt staff spend performing assigned duties.

If you are a nonexempt employee, you must accurately record the time you begin and end your work, including the beginning and ending time of any meal periods, split shifts or if you leave the workplace for personal reasons. Also, you always need to receive advance approval before working any overtime hours.

We consider attempts to falsify timekeeping records a very serious matter. Therefore, any of the following actions may result in disciplinary action, up to and including termination: altering, falsifying or tampering with time records or recording another employee's time record.

You are also responsible for signing your time records to certify their accuracy. Your supervisor will then review and initial the time records before submitting for payroll processing.

***Paydays***

All employees are paid weekly every Friday. Each paycheck includes earnings for all work performed through the end of the previous payroll period.

We also offer the option of having your pay directly deposited into your bank account once you provide us with the required authorization. When you select direct deposit, you receive an itemized statement of wages on paydays instead of a paycheck.

***Safety***

To assist in providing a safe and healthful work environment for employees, customers and visitors, Riordan has established a workplace safety program. This program is a top priority at Riordan. The Safety Manager is responsible for implementing, administering, monitoring and evaluating the safety program. The success of the program depends on the alertness and personal commitment of everyone.

We provide information to employees about workplace safety and health issues through regular internal communication channels. These may include supervisor-employee meetings, bulletin board postings, memos or other written communications.

Employees and supervisors receive periodic workplace safety training. The training covers potential safety and health hazards as well as safe work practices and procedures to eliminate or minimize hazards.

You are expected to obey all safety rules and use caution in your work activities. You must immediately report any unsafe condition to the appropriate supervisor. If you violate Riordan safety standards, cause a hazardous or dangerous situation or fail to report or remedy such situations, you may be subject to disciplinary action, up to and including termination of employment.

In the case of an accident that results in an injury, regardless of how insignificant the injury may appear, you should immediately notify the Safety Manager or the appropriate supervisor. Prompt reporting can ensure legal compliance and quick initiation of insurance and worker's compensation benefits procedures.

***Overtime***

There may be times when Riordan cannot meet its operating requirements or other needs during regular working hours. If this happens, we may schedule employees to work overtime hours. When possible, we will try to let you know in advance of a mandatory overtime assignment.

It is our policy that no overtime can be worked without the approval and authorization of the supervisor. We try to distribute overtime assignments fairly among all employees who are qualified to perform the required work.

All nonexempt employees will be paid overtime compensation in accordance with federal and state wage and hour restrictions. Overtime pay is based on actual hours worked. For this reason, time off for sick leave,

vacation and other paid or unpaid leaves of absence are not considered hours worked for the purpose of calculating overtime pay.

If you fail to work scheduled overtime or work overtime without receiving your supervisor's prior authorization, you may be subject to disciplinary action, up to and including possible termination of employment.

***Medical Leave***

Riordan provides unpaid medical leaves of absence to regular, full-time employees who become temporarily unable to work due to a serious health condition or disability. For medical leave purposes, a serious health condition or disability includes:

• Inpatient care in a hospital, hospice or residential medical care facility

• Continuing treatment by a health care provider

• Temporary disabilities associated with pregnancy, childbirth and related medical conditions

Eligible employees may request medical leave only after completing 180 calendar days of service; however, we may consider exceptions to the service requirement to accommodate disabilities. In order to receive medical leave, you must specifically request it. If you think you will need a medical leave, submit your request to your supervisor at least 30 days in advance of the date the leave would start. This will help us plan for your possible absence. If it is an unexpected situation, make your request as soon as possible.

We require a health care provider's statement verifying the need for medical leave and the start and expected end dates. You are responsible for telling us about any subsequent changes to that information. Before you can return to work, we will require verification from a health care provider stating that you are fit to return.

Unpaid medical leaves are normally for the period of the disability, up to a maximum of 12 weeks within any 12 month period. The 12 week maximum applies to any combination of both medical leave and family leave during any 12 month period. Before beginning an unpaid medical leave, you must first use any available accrued paid time off, such as vacation or sick benefits.

If you incur a work-related injury, you are eligible for a medical leave for the period of disability in accordance with the laws covering occupational disabilities.

Subject to the terms, conditions and limitations of the applicable plans, Riordan will continue to provide health insurance benefits for the full period of a medical leave.

Benefit accruals, such as vacation, sick leave or holiday benefits, will be suspended during a medical leave and will resume when you return to active employment.

To help us plan for your return from leave, we request at least two weeks notice before your expected return date. When you return from medical leave, you will be reinstated to your position unless that job is no longer available. If it is not available, you will be placed in an equivalent position for which you are qualified.

If you do not report back to work promptly at the end of a medical leave, we will assume that you have resigned.

***Employee Conduct and Work Rules***

To ensure orderly operations and provide the best possible work environment, we expect you to follow rules of conduct that will protect the interests and safety of all employees and Riordan.

Although it is not possible to list all the forms of behavior that are considered unacceptable at work, the following are some examples of conduct that may result in disciplinary action, up to and including termination of employment:

• Theft or inappropriate removal or possession of property

• Falsification of timekeeping records

• Working under the influence of alcohol or illegal drugs

• Possession, distribution, sale, transfer or use of alcohol or illegal drugs in the workplace, while on duty or while operating employer-owned vehicles or equipment

• Fighting or threatening violence in the workplace

• Insubordination or other disrespectful conduct

• Violation of safety or health rules

• Smoking in prohibited areas

• Sexual or other unlawful or unwelcome harassment

• Possession of dangerous or unauthorized materials, such as explosives or firearms, in the workplace

• Excessive absenteeism or any absence without notice

• Violation of personnel policies

• Unsatisfactory performance or conduct

Since employment with Riordan is based on mutual consent, either you or Riordan have the right to terminate the employment relationship at will, with or without cause or advance notice, at any time.

***Drug and Alcohol Use***

Riordan wants to provide a drug-free, healthful and safe workplace. To meet this goal, we expect you to report to work in a mental and physical condition that enables you to perform your job in a satisfactory manner.

While on Riordan premises or while conducting business-related activities off Riordan premises, you may not use, possess, distribute, sell or be under the influence of alcohol or illegal drugs. We permit the legal use of prescribed drugs on the job only if they do not impair your ability to perform the essential functions of your job effectively and safely without endangering others.

If you violate this policy, it may lead to disciplinary action, up to and including immediate termination of your employment. Additionally, we may require that you participate in a substance abuse rehabilitation or treatment program. If you violate this policy, there could also be legal consequences.

If you have questions about this policy or issues related to drug or alcohol use at work, you can raise your concerns with your supervisor or the Human Resources Director without fear of reprisal.

***Sexual and Other Unlawful Harassment***

Riordan is committed to providing a work environment that is free from all forms of discrimination and conduct that can be considered harassing, coercive or disruptive, including sexual harassment. Actions, words, jokes or comments based on an individual's sex, race, color, national origin, age, religion, disability, sexual orientation or any other legally protected characteristic will not be tolerated.

Sexual harassment is defined as unwanted sexual advances or visual, verbal or physical conduct of a sexual nature. This definition includes many forms of offensive behavior and includes gender-based harassment of a person of the same sex as the harasser. The following is a partial list of sexual harassment examples:

• Unwanted sexual advances

• Offering employment benefits in exchange for sexual favors

• Making or threatening reprisals after a negative response to sexual advances

• Visual conduct that includes leering, making sexual gestures or displaying of sexually suggestive objects or pictures, cartoons or posters

• Verbal conduct that includes making or using derogatory comments, epithets, slurs or jokes

• Verbal sexual advances or propositions

• Verbal abuse of a sexual nature, graphic verbal commentaries about an individual's body, sexually degrading words used to describe an individual or suggestive or obscene letters, notes or invitations

• Physical conduct that includes touching, assaulting or impeding or blocking movements.

Unwelcome sexual advances (either verbal or physical), requests for sexual favors and other verbal or physical conduct of a sexual nature constitute sexual harassment when: (1) submission to such conduct is made either explicitly or implicitly a term or condition of employment; (2) submission or rejection of the conduct is used as a basis for making employment decisions; or (3) the conduct has the purpose or effect of interfering with work performance or creating an intimidating, hostile or offensive work environment.

If you experience or witness sexual or other unlawful harassment in the workplace, report it immediately to your supervisor. If the supervisor is unavailable or you believe it would be inappropriate to contact that person, you should immediately contact the Human Resources Director or any other member of management. You can raise concerns and make reports without fear of reprisal or retaliation.

All allegations of sexual harassment will be quickly and discreetly investigated. To the extent possible, your confidentiality and that of any witnesses and the alleged harasser will be protected against unnecessary disclosure. When the investigation is completed, you will be informed of the outcome of the investigation.

Any supervisor or manager who becomes aware of possible sexual or other unlawful harassment must immediately advise the Human Resources Director or any member of management so it can be investigated in a timely and confidential manner. Any employee engaging in sexual or other unlawful harassment will be subject to disciplinary action, up to and including termination of employment.

***Attendance and Punctuality***

As an employee of Riordan, we expect you to be reliable and punctual by reporting for work on time and as scheduled. When you are absent or late, it places a burden on other employees and can impact productivity and service. In the rare instances when you cannot avoid being late or are unable to work as scheduled, be sure to notify your supervisor as soon as possible so that appropriate arrangements can be made.

Because unplanned absences can be disruptive to work, a poor attendance record or excessive lateness may lead to disciplinary action, up to and including termination of employment.

***Progressive Discipline***

This policy describes the policy for administering equitable and consistent discipline for unsatisfactory conduct at Riordan. We believe that the best disciplinary measure is the one that does not have to be enforced and comes from good leadership and fair supervision at all employment levels.

We also believe that it is in the best interests of Riordan to ensure fair treatment of all employees and make certain that disciplinary actions are prompt, uniform and impartial. The major purpose of any disciplinary action is to correct the problem, prevent recurrence and prepare the employee for satisfactory performance in the future.

Although your employment is based on mutual consent and both you and Riordan have the right to terminate employment at will, with or without cause or advance notice, Riordan may use progressive discipline at its discretion.

Disciplinary action may call for any of four steps -- verbal warning, written warning, suspension with or without pay or termination of employment -- depending on the severity of the problem and the number of occurrences. There may be circumstances when one or more steps are bypassed.

Progressive discipline means that, with respect to most disciplinary problems, these steps will normally be followed: a first offense may call for a verbal warning; a next offense may be followed by a written warning; another offense may lead to a suspension; and, still another offense may then lead to termination of employment. If more than 12 months have passed since the last disciplinary action, the process will normally start over.

Riordan recognizes that there are certain types of employee problems that are serious enough to justify either a suspension or, in extreme situations, termination of employment without going through the usual progressive discipline steps.

While it is impossible to list every type of behavior that may be considered a serious offense, the Employee Conduct and Work Rules policy includes examples of problems that may result in immediate suspension or termination of employment. However, the problems listed are not all necessarily serious offenses but may be examples of unsatisfactory conduct that will trigger progressive discipline.

By using progressive discipline, we hope that most employee problems can be corrected at an early stage, benefiting both employees and Riordan.

***Inventory Management and Control at Riordan Manufacturing***

In order to ensure consistency of operations and quality control at all Riordan plants, a

common set of procedures has been developed for the management of receiving raw

materials, tracking products during manufacturing, and accounting for the finished good

inventories.

***Raw Materials Receiving***

Raw materials are received at the receiving area for each plant. At the time of delivery,

the truck driver will pass the shipping documents to the Riordan shipping area supervisor

who will compare the shipping documents to a scheduled orders receiving report. This

report is provided to the receiving area on a weekly basis and is organized by date.

The following flow diagram describes the receiving of raw materials process at all plants.

Truck from Suppler with raw materials

arrives at Riordan receiving area Receiving area supervisor compares

shipping document against

scheduled incoming orders

Scheduled

Orders

Following

validation of the

materials to be

received, the

receiving area

team unloads the

truck and move

the raw materials

into the raw

materials area in

the factory.

Orders

Received

At the end of each day,

the Receiving Area

Supervisor, gives the log of

all raw materials received

during the day and the associated

shipping documents to the receiving clerk.

Inventory Office PC

The inventory clerk enters the information related to

the raw materials receipts into the inventory system.

The data entered includes the type of materials received

the vendor, and the quantity.

***Inventory Management and Control at Riordan Manufacturing***

***Manufacturing with Inventory***

The raw materials inventory is drawn upon during manufacturing operations. The

amount of raw materials used during each manufacturing run is indicated on a raw

materials usage form that is given to the inventory clerk. The inventory clerk enters the

raw materials usage into the inventory system as the forms are received.

At the end of each day, the manufacturing team submits a form to the inventory clerk

indicating the number of sub-assemblies and final products completed that day.

The following flow diagram describes the usage of raw materials and sub-assemblies

processing at all plants.

***Inventory Management and Control at Riordan Manufacturing***

***Final Product Shipping***

As the sales department completes orders, the sales orders are entered into the customer

shipping and billing system. The order shipping team draws finished products out of

inventory based on the shipping documents generated out of the customer shipping and

billing system.

After orders are fulfilled and loaded for shipment, the truck number, date and time of

shipment are updated into the customer shipping and billing system for tracking

purposes. At the end of each day, a copy of all orders shipped is given to the inventory

clerk so the inventory system can be updated.

At the end of December each year, a physical inventory is conducted in order to reconcile

the quantities of raw materials, sub-assemblies and finished products on hand with the

inventory system.

The following flow diagram describes the shipping process at all plants.

Orders from customers come into Riordan via phone or

fax. There is also a sales staff that can place orders for

customers.

Sales

Order

Form Customer Shipping and

Billing System

The sales orders are entered

into the customer shipping and

billing system.

Order

Shipping

Documents

Shipping document are given to the driver.

Based on the shipping document

generated each day, the shipping

department will load the trucks with

the products specified by each order.

Satisfied Cusomer

The inventory clerk updates the inventory system based

on the shipping documents. The R & D Department at Riordan's Corporate Headquarters consists of 5 product development personnel. Their job is to research and develop the next generation of heart valves, medical stents, and complementary medical devices. Since new product development efforts require only a small amount of raw materials and components to build proof-of-concept models or initial working models of potentially new products, their material and component requirements can be described as very minimal. Consequently, the R & D Department does not have the same supply chain problems as its other plants have.

Plastic bottles are produced at the Albany, GA facility. Contracts are negotiated with customers for yearly quantities of standard and customer-unique bottles.

Regardless of the contracts it receives for yearly quantities of bottles that each customer orders, the customers actually provide release orders for smaller quantities throughout the year against the yearly totals. These release orders are received at random since each customer's requirement for bottles varies as a function of the variability of the sales of the customer's final products that use the bottles.

As a consequence of receiving releases at varying times the Albany plant keeps a safety stock of the more popular standard containers for those of their customers that use them. Of necessity, the amount carried is small because of the amount of storage space available.

It also keeps a safety stock of the raw materials used to produce the bottles. Safety stock provides a degree of assurance that it won't have shortages that would preclude it from shipping orders on time. There is a trade-off between the cost of carrying the safety stock and the cost of running out of bottles however. Its management's decision on how much safety stock to carry because of the associated inventory carrying costs.

A related reason for carrying safety stock is contract penalty clauses. In this regard, while the company does not like to accept contracts that impose a penalty if the company misses a delivery date, it has accepted some in the past when the orders were very large and consequently had a potential for a larger-than-normal profit.

The company policy has always been to provide total customer satisfaction in terms of meeting committed ship dates. The company's average shipping metrics for the last three years indicated that the Plant shipped at an average 96% on-time level. Management felt that this level satisfied the objective of providing total customer satisfaction since some shipping delays, due to adverse weather conditions for example, were beyond its control.

As another example of providing excellent service, at one time in the past the plant decided to ship a small order by air freight to meet one of their major customer's emergency need dates rather than ship the order by normal means and having the shipment arrive late. The Plant decided that it was important to maintain its reputation of providing excellent customer service.

Riordan Manufacturing uses the Huffman Trucking Company to ship all of its products in the United States. Rates for shipping a full truckload of cargo to a single destination are lower than shipping partial loads. Higher rates for less-than-full truckload shipments are justified by Huffman for the following reasons:

* Huffman must try to find additional cargo to fill their truck to help pay for the fuel and truck driver labor required.
* Time on the road can be longer because of the different stops the truck must make to deliver cargo to different customers.
* Cargo is generally physically handled more frequently with partial shipments resulting in a greater chance for damage.

The Albany plant has a good record of supplying customer shipments on time that are relatively close to their plant but has had some problems meeting customer required due dates in the North and North-Eastern parts of the United States when winter conditions set in. To keep track of its performance the Plant maintains metrics on how many shipments are delivered late, the amount of time the shipments were late, and the reasons. The plant also ships large orders by train if delivery time is not a critical factor and if the customer has the means to pick up the cargo at the train depot at its destination.

Management is investigating whether to switch to a VMI supply chain system.

The Pontiac, MI facility handles the company's custom plastic fabrication. Customization areas include the part design and the color of the finished part.

Each custom project requires its own set of dies for the injection molding process. The Pontiac plant has the facilities to create new dies per customer specifications.

In general, custom parts are produced in small production runs. However, the Pontiac facility has to maintain sufficient stocks of a wide variety of raw materials in order to quickly respond to customer requests for new custom plastic parts.

Riordan Manufacturing's China plant operates as a decentralized unit of Riordan Manufacturing. It prepares its own forecast of electric fan sales throughout the world, which includes the United States. It schedules production of these fans to meet the forecasted sales.

The electric motors used in the fans are completely assembled units. They are purchased by buyers in the China Plant's purchasing department from a local Chinese company. While this company attempts to maintain adequate quantities of electric motors in stock to meet all its order requirements, its on-time deliveries over the past year have averaged only 93%.

The buyers also purchase the Plant's requirements for plastic polymers locally. The polymers, after being received, are melted at precisely controlled temperatures and injected into individual molds to create individual plastic parts required by the fans. This is accomplished by means of injection molding machines located in the production area. These capital expensive machines control the molding processes to the specifications of the plastic parts being produced, such as the fan blades and fan housings. The plastic fan blades, plastic fan housings, electric motors and other miscellaneous parts are then assembled to create finished models of electric fans. The assembled fans are individually packaged together with instructions on how to use the product and stored in a finished goods stockroom awaiting sale.

This part of the plant's business is a make-to-stock operation in which the future demand for fans is forecasted based on taking the average of sales for the last three years and extrapolating it into the next year. The assumption in using this forecasting method is that history will repeat itself within manageable limits.

Orders for electric fans can be picked up at the China plant by the customers themselves or else they can be shipped to the customers anywhere in China. The China Plant uses a Chinese shipping company that offers services comparable to FedEx, but is less expensive. Orders are also shipped internationally by either FedEx or a Chinese shipping company that competes with FedEx. Two shipping companies are used by the China Plant for international shipments to assure that timely delivery services will always be available. The services both shippers offer are very similar and their shipping charges are competitive.

The China plant also designs and develops customized electric fan products for customers world-wide under individual customer contracts. After the design and development of a new electric fan is completed for a particular customer, a small production lot of the fans is usually scheduled, but under a separate contract. A separate contract from the development contract is used since the final cost of the fan can only be determined after its development is completed. This final cost is used in estimating the cost of the production quantity. A small production quantity is produced to statistically validate both the design of the fan and the production process used to build and assemble the fan, if the fan's design represents a significant departure from the way typical fans had been designed and assembled. This initial production can be described as a production pilot run.

Estimates of follow-on orders for these new custom fans are not forecasted but are based on the customers indicating what their estimated yearly requirements will be. Since the fans are being produced to a particular customer's unique requirements, they are not available for sale to other customers; consequently no additional forecasts are required. The customer's indication of what its yearly requirements will be helps the China Plant to estimate what their yearly resources requirements will be in terms of production capacity, material requirements, and labor to satisfy the customer's requirements. Customers normally negotiate their yearly requirements for fans in order to obtain the lowest price. They then provide periodic release orders for smaller quantities against the yearly total throughout the year.

Periodic orders for quantities of fans against the contract's yearly total however are received from customers randomly throughout the year. This makes it difficult for the China Plant to estimate exact material requirements in the very short term since the orders are received randomly and are for varying quantities. To assure that it will be able to meet any delivery schedule its customers request, the China plant maintains a safety stock of polymer material even though the material is obtained locally and does not present an availability or a delivery problem, at least for the foreseeable future. It does not stock electric motors other than a small quantity of the more popular types for warranty repairs, but depends on the electric motor supplier to maintain motors in their stockroom. The China Plant, following good supply chain management practices, periodically provides the electric motor company with a list of the motors it forecasts it will need throughout the year to help the company plan which motors and how many it should carry in its stock.

Logistics requirements for the China plant to ship products internationally are similar to the requirements for shipping items from the United States to China. A logistics scenario for a shipment of items from the Riordan R & D facility, for example, to the China Plant would be as follows:

1. Riordan's R & D Department contacts FedEx, the shipping company they plan to use, on a shipment going to the China Plant.
2. FedEx picks up the shipment at the R & D facility.
3. The R & D Facility provides FedEx with information on the items being shipped including export license if required, item descriptions, item model or part numbers, quantities, total cargo weight, Product Duty Classification Codes, and destination name and address. The United States Bureau of Export Administration (BXA) under the U. S. Commerce Department oversees export control and licensing in the United States. It is mandatory that companies follow their requirements when shipping items internationally. Originals of all documentation are maintained by Riordan's R & D's shipping department. Copies of all the shipping documents are also faxed to the China Plant.
   1. To determine the Product Duty Classification Code, the R & D Facility compares the technical description of the items being shipped against a set of technical descriptions known as both Schedule B and as the Harmonized Tariff Schedule (HTS) codes. The HTS is maintained by the U.S. Government. Coding items with duty classifications can be tricky business, but it is essential to international supply chains to make sure that only the correct amount of duty is imposed.
   2. The code for a fractional horsepower AC motor for example is 8501.20.2000. The code for polycarbonate plastic material is 3920.61.0000. The first six digits in each code is the code classification. The last four digits is a country specific code.
4. FedEx delivers the cargo and documentation to a customs broker at a United States sea port and then faxes the details of the shipment, including shipment arrival time in China, to FedEx in China so they will be prepared to receive the cargo upon arrival.
5. The Broker takes possession of the cargo and the documentation from FedEx and presents the documentation to U.S. Customs for clearance. Dock fees or any other fees such as channel dredging fees, if imposed, are identified and paid by the broker. The broker collects for all such payments from the R & D Facility when his responsibilities have been fulfilled and he submits his bill.
6. The Broker also arranges transportation with a ship company and has the cargo moved to the dock area along side the ship. Note that this same procedure would be used to ship by air. The shipping documentation travels with the cargo although copies are usually faxed to the customs office at the destination port ahead of time by the broker to help expedite receipt and clearance of the cargo when it arrives. Shipping charges by the ship company are billed directly to the R & D Facility.
7. The ship reaches its destination.
8. Chinese Customs examines, or re-examines the paperwork if previous copies were received, accepts it if there are no problems and releases the cargo, which has been or is in the process of being unloaded, to a designated local Broker. This Broker might be a member of the same Broker Company hired originally in the United States or it might be a different company. The stateside broker determines which one to use. The Broker accepts the paperwork and cargo and submits everything to the local FedEx carrier after making copies of all the documents for its files. If any additional fees such as dock fees are imposed, the Broker pays these and submits a complete bill for his services, including any fees he pays, to the China Plant.
9. Fed Ex accepts the cargo and paperwork from the Broker, signs off on receiving the cargo, and delivers the cargo to the China Plant. FedEx makes copies of all documentation for its records.
10. Upon receiving the delivery, the China Plant verifies the contents of the shipment while checking for damage, then accepts the shipment and provides FedEx with a signed receipt.

[Virtual Organizations Portal](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/). | ©2005, 2006, 2012 Apollo Group, Inc. All rights reserved.

**Riordan Manufacturing - San Jose, CA**

**Process Overview**

The Research and Development department (R & D) is located at the Corporation’s headquarters in San Jose, California. The department designs and tests new products, designs and tests new production processes and evaluates new chemicals, polymers and dyes used in the manufacturing process.

**Receiving Department**

Small amounts of raw materials are shipped to the company by truck and are received at the main entrance. Once the received materials have been reconciled with the applicable invoices and purchase orders, the raw materials are moved to a large storage room adjacent to the R & D labs.

The raw materials, or inputs, are:

1. High-density polyethylene (HDPE) plastic pellets
2. Colorizing dyes
3. Ink
4. Solvent cleaners
5. Lubricating oils
6. Mold release agents
7. Electricity

The desired product is comprised of inputs sent to molding.

The possible byproducts, wastes, or outputs, from this department are:

1. Particulates from the handling of damaged bags of dyes that may cause air pollution
2. Off-spec raw materials managed as a waste
3. Spilled materials that may cause land and water pollution
4. Wasted energy from lighting, heating, and processing equipment

If possible, off-spec raw materials are returned to the vendor for credit. If not returned, the materials are delivered to a local recycling center or a local landfill.

**Molding**

If dyes are needed for the work being done during a particular test, the dye(s) are brought to the R & D lab where they are mixed and then added to the HDPE pellets. Solvent cleaners are used to clean the molds and prepare them for use. A mold release agent is applied to the mold to make it easier to extract the finished product at the end of the molding process.

The HDPE pellets are added to the machine where they are melted at a precise temperature and injected under pressure into the mold. The plastic product is removed from the mold and evaluated. The product is trimmed of any excess plastic and evaluated again. If the final product requires assembly, it would be done at this time.

Excess plastic is collected from the machines and the floor of the production area. Solvents are used to clean the machines and the molds. Preventative maintenance of the machines is performed and, if necessary, oil-based lubricants are applied to the machines’ moving joints.

All products molded are experimental and not for mass production. Therefore, the mixing, molding, trimming and assembly functions are included in molding and all tasks are performed in the R & D lab space.

The inputs are:

1. HDPE pellets
2. Dyes
3. Lubricating oils
4. Solvent cleaners
5. Mold release agents
6. Electricity

The desired products are prototypes or experimental molded parts and data on materials and processes.

The outputs from this department are:

1. Particulates from the mixing process that may create air pollution
2. Spent cleaners and mold release agents that may create air pollution from volatile organic compound emissions, managed as hazardous waste
3. Off-spec products, used purge material, and scrap plastic managed as solid waste
4. Spilled raw materials that may create land and water pollution
5. Used oils managed as industrial waste
6. Spent cleaners and mold release agents managed as hazardous waste
7. Wasted energy from lighting, heating, and processing equipment

If any dyes are mixed, after the mixing is complete, the work area is cleaned and any spilled dye is collected. The waste dye is stored in an airtight container. When a sufficient amount of waste dye has been collected, it is picked-up by a licensed and bonded hazardous waste disposal company.

2 3

After the molding process is complete, spilled and excess plastic is collected and analyzed to determine the amount of waste generated by the process and the design. The molds and machines are examined to determine if there are any ways to make the process more efficient in the use of the polymers. More excess plastic is collected following the trimming of the finished product and a similar analysis is conducted.

If the plastic being used is undyed, the collected excess plastic is cleaned and returned to the raw materials storage of the undyed HDPE pellets to be recycled. If the plastic being used is dyed, the excess plastic is collected and delivered to a local recycling center.

Floor drains and scuppers in the R & D lab are piped to a special waste liquid collection system. This system is not connected to the San Jose sewer system. The collection system allows the R & D lab to determine the total volume of waste liquid generated during the production and/or cleaning processes. Samples of the liquid can be taken and analyzed to determine concentrations of the waste chemicals. When analysis of the waste liquid is complete, the contents are pumped to a 1,000-gallon above-ground storage tank located outside the R & D building on the Riordan Manufacturing campus. The company contracts with a licensed and bonded hazardous waste disposal company, which empties the tank at regular intervals.

**Overview**

Lowell Bradford, Chief Legal Counsel, oversees all legal matters for Riordan Manufacturing. All contracts have to be approved by Mr. Bradford before they can be signed. Department heads forward all legal questions to Mr. Bradford who answers them from his personal knowledge and experience or after consulting with the attorneys at Litteral & Finkel, the law firm retained by Riordan Manufacturing.

Mr. Bradford and Rick Ethridge handle all the company’s patent applications. Litigation, tax issues and real estate matters are referred to Litteral & Finkel, but closely supervised by Mr. Bradford. Per Mr. Bradford’s instructions, all communications between Litteral & Finkel pass through Mr. Bradford’s office.

Litteral & Finkel have been representing Riordan Manufacturing since its inception. Dr. Riordan’s cousin was a partner in the firm and the close relationship between the two firms has continued even though Dr. Riordan’s cousin passed away eight years ago. Riordan Manufacturing pays Litteral & Finkel a monthly retainer to assure prompt response to any legal inquiries. If legal matters arise, legal fees are charged against the retainer. If the amount of the month’s legal fees exceeds the retainer, excess charges are billed to Riordan Manufacturing at the end of the month. Unused retainer amounts are not carried forward.

Litteral & Finkel is a large international law firm that practices in all areas of the law. The firm has offices in a number of cities including:

* San Jose, CA
* Los Angeles, CA
* New York, NY
* Chicago, IL
* Atlanta, GA
* Detroit, MI
* Washington, D.C.
* Cleveland, OH
* Mexico City, Mexico
* London, United Kingdom
* Paris, France
* Geneva, Switzerland
* George Town, Grand Cayman
* Sydney, Australia
* Perth, Australia
* Dublin, Ireland
* Tokyo, Japan
* Seoul, South Korea
* Kuwait, Kuwait
* Doha, Qatar
* Moscow, Russia

Litteral & Finkel has provided Riordan Manufacturing with legal services in the areas of tax law, real estate transactions, employment law, immigration matters, civil litigation, workers compensation, labor law, and customs regulations. With its vast resources, Litteral & Finkel can immediately provide a team of attorneys, paralegals and clerks to any legal issue that confronts Riordan Manufacturing. With its international network, it can send attorneys from its closest offices and within a few hours be on the scene to provide legal advice anywhere in the world.

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**Corporate Governance Plan**

* [Corporate Governance Policies](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp#CGP)
* [Selection of Board](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp#SOB)
* [Board Leadership Roles](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp#BLR)
* [Board Composition and Performance Criteria](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp#BCPC)
* [Board Meeting Etiquette and Proceedings](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp#BMEP)
* [Committee Matters and Membership](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp#CMM)
* [Board Responsibility to Operations and Financial Activities](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp#BROFA)
* [Download PDF copy of Governance Plan](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/docs/Legal/Corporate%20Governance%20Plan.pdf)

**Corporate Governance Policies**

The Riordan Manufacturing Board of Directors carries the responsibility of overall management of business affairs of the Company in accordance with state corporation requirements, the Articles of Incorporation, and its By-Laws. The encompassing role of the board is to govern and manage the affairs of the Company for the benefit of shareholders. The Board endeavors to faithfully fulfill its obligations through oversight of quality management personnel who carry out the daily activities on behalf of the Board of Directors of Riordan.

[Top](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp)

**Selection of Board**

1. Criteria for Board Membership  
   The Board shall maintain a Nominating Committee with responsibility to review the skills and characteristics of the members of the Board. Those attributes sought in retaining and adding members of the Board will include industry knowledge, financial literacy, availability to participate, and commitment to act in the capacity of a Board member of Riordan.
2. Director Independence  
   The Company shall engage a majority of Board members independent of current management of Riordan, as stipulated through standards set out by regulation. The Nominating Committee will review the relationship of each Director to the company on a regular basis.
3. The Board will have the responsibility to select new members to its body. The Board, under the supervision of the Nominating Committee, will be responsible to recommend new members. New Board members will be provided with information concerning the Company and be given access to senior management in an effort to orient them to their new position on the Board.

[Top](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp)

**Board Leadership Roles**

1. Selection of Board Chairman and CEO  
   The Board may designate as its Chief Executive Officer any current officer of the Company. The Chairman of the Board of Directors may be designated from any current seated member of the Board, including the Chief Executive Officer, if also a member of the Board of Directors.

[Top](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp)

**Board Composition and Performance Criteria**

1. Size of Board  
   The size of the Board shall be no larger than necessary to manage the operations of the Company. The Board shall, from time to time, assess the number of Directors and overall size in relationship to Company operations and size.
2. Assessing Board Performance  
   The Nominating Committee shall assist the Board in carrying out a self-assessment of performance. The Nominating Committee, along with the Auditing Committee, shall compile performance reviews to present to the full Board for the purpose of evaluating overall performance and effectiveness of Board activities.
3. Resignation or Removal  
   A Director may, for personal or other reasons, such as a conflict of interest, submit his or her resignation to the Chairman of the Board. The full Board may accept or reject the tendered resignation based on the best interests of the Company. For just cause, the Board, assisted by the Nominating Committee, may request and/or vote on an approved request for removal of a Board member.
4. Board Compensation  
   Company Human Resources staff will provide an annual review of Corporate Board compensation. The report will provide the basis for proposed compensation of Board members, based on the recommendation of the Chairman of the Board.

[Top](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp)

**Board Meeting Etiquette and Proceedings**

1. Board Member Attendance  
   All Board members are expected to be present at a minimum of three quarters of the regularly scheduled meetings in a calendar year. Absences should be reported to the Board Secretary in advance, when possible, to allow the Board to disseminate Board business to the absentee member.
2. Selection of Agenda Items  
   The Chairman of the Board will establish the agenda, based on advance submission of requested items from other Board members or the Chief Executive Officer of the Company.
3. Distribution of Board Materials  
   Information pertaining to the agenda items for the upcoming Board meeting will be distributed to Board members, when feasible, three days prior to the Board meeting date. All reports, financial or otherwise, and any presentations should be included in the Board Meeting Package and distributed on behalf of the Board Secretary.

[Top](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp)

**Committee Matters and Membership**

1. Committees will be established to support overall Board operations. A minimum of the following committees will be established and maintained during the life of the Company: Executive, Auditing, and Nominating. Other committees may be created by recommendation of the Chairman of the Board and approval by the full Board.
2. Committee Membership  
   All committee members will be appointed by the Chairman of the Board with approval of the full Board. The Nominating Committee shall solicit membership from the full Board, based on desired participation of individual Board members.
3. Committee Meeting Frequency and Participation  
   Frequency of committee meetings, length, and agenda will be the responsibility of the Committee Chairman, as elected by the seated Committee membership. Committee members are expected to participate in committee meetings as often as possible. The Committee Chairman is responsible for distributing materials to committee members prior to the meeting date and reporting committee findings and recommendations to the full Company Board through the Chairman of the Board.

[Top](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp)

**Board Responsibility to Operations and Financial Activities**

The Board of Directors designates its authority to operate the Company to senior management and Company staff, passing to them the responsibility to carry out Board policies and report back activity. The Board of Directors holds the ultimate fiduciary responsibility of managing affairs through its designated senior managers, with the right to remove senior management when it is in the best interests of the Company and its shareholders. The daily activity of operations shall by governed by departments through the development of a Departmental Governance Plan.

[Top](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/Business/Riordan/Legal/CorporateGovernance.asp)

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[Riordan Manufacturing's parent company, Riordan Industries, Inc., is a Fortune 1000 enterprise. The financial statements of Riordan Industries, Inc. are presented here for informational purposes only. These statements should not be relied upon for investment decisions. For investment information, please contact your broker and review the company prospectus.](https://ecampus.phoenix.edu/secure/aapd/CIST/VOP/)

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