

# Peerless Aerospace Fastener Corporation

## Material Purchase Order Requirements

### 1. SCOPE

1.1. This document establishes standard purchasing terms and conditions that shall apply to all purchase orders issued by Peerless Aerospace Fastener Corporation.

### 2. PURPOSE

2.1. The requirements specified in this document are designed to ensure that all materials procured by Peerless Aerospace Fastener Corporation, meet requirements relevant to quality, packaging, and delivery.

### 3. DEFINITIONS

- 3.1. The term "Order" shall mean the purchase order, contract or subcontract agreement and revisions thereto, incorporating by reference these conditions and instructions and all applicable data incorporated by reference thereto.
- 3.2. The term "Contract Products" shall mean the goods, technical data, drawings, services or other items constituting the subject matter of Purchase Orders, which are to be furnished by the Seller.
- 3.3. The term "Buyer" shall mean Peerless Aerospace Fastener Corporation or its duly authorized representative(s).
- 3.4. The term "Seller" shall mean the person, firm or corporation by whom the Contract Products described in Purchase Orders are to be furnished.

### 4. APPLICABILITY

- 4.1. These general terms and conditions apply to all issued purchase orders and contract agreements, unless specifically excluded or amended on the actual purchase order document. As appropriate, Seller shall flow PO clauses down to sub-tier suppliers.
- 4.2. Acceptance of this order indicates acceptance of the terms of this order and these terms and conditions. This order shall be deemed accepted upon the return of the acknowledgment copy of this order or the commencement of performance by Seller. Buyer rejects any additional or different terms and conditions offered by Seller at any time, unless specifically agreed to in writing, whether or not such terms or conditions materially alter the order and irrespective of Buyer's acceptance of or payment for Items. These terms and conditions constitute the entire agreement between the Buyer and Seller, superseding all prior agreements and all other understandings, communications or proposals between Buyer and Seller relating to items contained in this order. No change to or modification of this order or these terms and conditions shall be binding upon Buyer unless in writing and signed by an authorized representative of Buyer's procurement or purchasing office at Buyer's place of business issuing this order.
- 4.3. Buyer may cancel or change all or part of this Order for convenience, without penalty or liability, any time prior to the date Supplier ships this Order or as applicable a scheduled delivery

### 5. QUALITY SYSTEM

- 5.1. Seller shall provide and maintain a documented quality system, acceptable to the Buyer and Buyer's customers. The system shall assure that all supplies submitted to Buyer conform to PO requirements. The Seller shall perform or have performed the inspections and tests required to substantiate product conformance to drawing, specification, and PO requirements. At a minimum, the quality system shall be in compliance with the latest requirements of ISO 9000, AS 9100, AS9120 or other widely accepted industry standard and as specified in this document or as specifically cited on actual purchase order documents.
- 5.2. Seller shall ensure, as appropriate, that personnel are properly qualified to perform their job functions, are aware of their contribution to product/service conformity, product safety and act within appropriate ethical guidelines. Further, Seller warrants that neither it, nor its employees, agents and representatives have, or will offer gratuities to any officer or employee of Buyer for the purpose of securing favorable treatment under any current or future Contract or Order
- 5.3. Seller shall ensure, when outsourcing or procuring materials from sub-tier suppliers that appropriate controls are in place to monitor sub-tier supplier's performance to ensure that procured materials or services conform to Buyer material / PO requirements. In addition, Seller should implement appropriate controls to prevent acquisition of suspected unapproved /counterfeit parts from any sub-tier suppliers and should ensure that sub-tier suppliers implement similar programs, as appropriate.

### 6. MEASURING AND TEST EQUIPMENT

- 6.1. The Seller shall maintain a documented system for the calibration and maintenance of inspection equipment that meets the requirements of ISO 10012-1, or other widely accepted industry standard. In all cases calibrated equipment shall be traceable to NIST Standards.
- 6.2. Calibration records for all equipment shall be maintained on file for a period of not less than 10 years and shall be available for review by the Buyer or Buyers' customer upon request.

### 7. DRAWING CONTROL

7.1. The Seller shall control drawings, specifications and work instructions to the extent necessary to assure that only documents of the revision contractually specified are used. These controls shall assure removal or proper "superseded" annotation of obsolete documents from the manufacturing, inspection and test areas.

### 8. MANUFACTURING

8.1. The Seller shall utilize written instructions for all manufacturing and inspection operations. Instructions may be in the form of planning, manufacturing operation sheets, work orders, shop orders, travelers or any other identifying document.

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- 8.2. Such instructions shall specify, in sufficient detail, the controls and conditions of manufacture pertaining to the item being manufactured, assembled, inspected and tested. These controls shall include without limitation:
  - 8.2.1. sequence of manufacturing, test and inspection operations;
  - 8.2.2. identification of manufacturing and inspection tools and equipment to be used;
  - 8.2.3. special process instructions such as feeds and speeds of cutters, oven times and temperatures, etc;
  - 8.2.4. reference to applicable drawings, specifications of this PO, and supplemental instructions, including the revision;
  - 8.2.5. accept and reject criteria, including key characteristic verification, as appropriate;
  - 8.2.6. lot quantity accountability; and
  - 8.2.7. a provision to notify Peerless of any changes to their processes, products, or services including any changes to their external providers or change in the location of the manufacturer and to obtain PAF approval, as appropriate.
- 8.3. Seller may use sampling plans, provided the sampling plans are in accordance with existing military, government or commercially accepted standards or have been submitted to, and approved, in writing, by Buyer.
- 8.4. All Contract Products supplied to Buyer shall be manufactured to the latest engineering revisions, unless specified otherwise on the actual purchase order document for all referenced part numbers. Buyer reserves the right to request test specimens for inspection/verification, investigation or auditing as may be required by our customers.

#### **9. INSPECTION**

- 9.1. The Seller shall establish receiving inspection procedures with adequate instructions to assure materials received from outside sources are inspected to meet PO requirements and also to ensure authenticity. Verification of product conformance to drawing, specification, and PO requirements shall be per inspection sampling plans, audits, Certificates of Conformance, at Seller's or Manufacturer's facilities, as appropriate. In addition to verifying conformance to the PO, the supplies shall be verified against the latest applicable engineering changes.
- 9.2. The Seller shall segregate inspected acceptable material from un-inspected materials and shall maintain product identification and traceability at all processing stages through shipment.
- 9.3. The Seller shall perform final inspection on all purchase orders, to the extent necessary, to ensure that the requirements of this document and/or specified on purchase order documents have been adhered to. In addition, final inspection shall ensure that all packaged materials are correct in-terms of quantity, manufacture revision level, quality requirements, FOD absence (Note: FOD prevention program should be in place) and that required documentation is correct and included with the order.
- 9.4. All Contract Products entering into the performance of issued Orders may be inspected and tested at all times and places, either before, during, or after manufacture, by representatives of Buyer and/or Buyer's customer. If inspection and/or test is made on the premises of Seller or its supplier, Seller shall furnish without additional charge all reasonable facilities and assistance for the safety and convenience of the inspectors in the performance of their duties. All inspections and tests shall be performed in such a manner as to not unduly delay the work.
- 9.5. All inspection records shall be maintained on file for a period of not less than 10 years and shall be available for review upon request of Buyer or Buyers' customer.

#### **10. NON-CONFORMING MATERIAL CONTROL**

- 10.1. The Seller shall establish and maintain a system for: controlling nonconforming material, notifying Buyer of non-conforming materials supplied to them, and processing Buyer's requests for corrective action (responses due within 30 days).
- 10.2. In case any of the Contract Products are found to be defective in material or workmanship, or otherwise not in conformity with the requirements of the Order, Buyer shall have the right to reject the same or require that such Contract Products be corrected or replaced promptly. All costs associated with non-conforming material (including freight, handling, material replacement, inspection costs, rework, etc.) may be charged back to Supplier. Supplier authorization to return nonconforming product is required within 24 hours of notification. Nonconforming Contract Products shall be identified by the Seller and removed from normal production flow, until correction or replacement is complete.
- 10.3. Seller should have a documented program, procedure or plan in place to identify and prevent the acquisition of fraudulent/suspected unapproved or counterfeit materials including an appropriate action response should any be identified (e.g., quarantine, customer and regulatory authority notification). Seller should flow down/ request that sub-tier suppliers implement similar prevention programs.
  - 10.3.1. Should Buyer identify any fraudulent/counterfeit materials or documentation provided by Seller, said items shall be impounded. Seller shall be notified of any suspected fraud/counterfeit issues and shall be afforded the right to provide appropriate documentation supporting the authenticity of supplied materials. If sufficient cause still exists after review with the supplier, regulatory authorities will be contacted as appropriate to investigate the issue further (e.g., FAA, FBI, etc...) and buyer reserves right to withhold payment pending the results of the investigation.

#### **11. CORRECTIVE ACTIONS**

- 11.1. The Seller's quality system shall provide means for ready detection and prevention of discrepancies.
- 11.2. The Seller shall respond to Buyers request for material conformance inquires, for any supplied materials, for the purpose of determining acceptability of manufacturing to required specifications, that are initiated either by Buyer or Buyers' customers.

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- 11.3. Responses to corrective action requests on defective or potentially defective products shall be supplied by Seller within the specified days from receipt (typically 30 days), to the Buyer representative responsible for the disposition of non-conforming material issues.
- 11.4. The Seller shall undertake any necessary actions to correct and/or prevent the occurrence of non-conforming materials and shall be receptive to Buyer auditing to ensure that said actions have been enacted and are effective.

#### **12. PACKAGING AND DELIVERY INSTRUCTIONS**

- 12.1. Delivery of items in accordance with the scheduled delivery dates contained in this order is a material requirement of this order. Failure to adhere to delivery schedules could result in Buyer not being able to meet customer contractual delivery requirements, so TIME IS OF THE ESSENCE. Seller will, at its expense, ship by express or air shipment or by the most expeditious way if the delivery schedule is threatened OR missed for any reason other than Buyer's fault.
- 12.2. The Seller shall package and ship Contract Products in accordance with PO requirements. In the absence of specific shipping requirements, materials shall be packaged in accordance with accepted commercial packaging standards. Materials shall be packaged and preserved to prevent damage in shipment or introduction of FOD. Boxes, crates, and other shipping containers will be of sufficient strength to prevent breakage in transit.
- 12.3. The Seller shall provide adequate inspection control of the preservation, packaging, and shipping process to assure all products are complete and all required documentation has been provided.
- 12.4. Shipments must equal exact amounts ordered unless otherwise agreed upon in writing by Buyer. Invoices shall be honored and paid for only those quantities indicated on the Order or otherwise authorized in writing by Buyer.
- 12.5. Unless stipulated otherwise in this order, prices specified on this order shall include all taxes, duties, customs fees or other governmental charges imposed upon the manufacture, sale or transportation of the Items specified herein.

#### **13. FORCE MAJEURE**

- 13.1. A force majeure event means any event or circumstance which is at one and the same time compelling, unpredictable, unavoidable, and beyond the reasonable control of the party, and is not occasioned by its fault or negligence, such as Acts of God, fire, floods, earthquakes, terrorism, explosions, war, insurrection, riots, civil commotion, governmental actions, epidemics, quarantine restrictions, or other natural disasters which materially and adversely affects the performance by that party of its obligations under or pursuant to this purchase order. Any party who is delayed in or prevented from performing because of the occurrence of a Force Majeure Event shall promptly notify the other party of the occurrence of such Force Majeure Event and the length of the anticipated delay. Seller shall make every effort to fulfill accepted Buyer purchase orders as quickly as possible, as soon as the Force Majeure event has passed. Peerless Aerospace shall be entitled to delay shipments and/or cancel purchase orders as a result of Force Majeure circumstances, without penalty or obligation.

#### **14. SUPPLIED PAPERWORK**

- 14.1. All ordered products are to be supplied with full test reports including: manufacturers certificate of conformity, chemical and physical reports, raw material certifications (including melt source, if applicable) and any other relevant documentation necessary to ensure compliance to manufactured specifications and/or are necessary to ensure full unbroken traceability requirements to the OEM.
- 14.2. Copies of all supplied documentation shall be maintained on file with Supplier for a period of not less than 10 years from date of shipment to Buyer. Seller agrees to make the original and/or copies of each record available per Buyer or Buyer's customer request.
- 14.3. All supplied documentation MUST be legible and be in suitable condition to enable scanning. Failure to provide suitable copies shall be considered a non-conformance with order requirements and will result in rejection of any associated materials.

#### **15. INSPECTION RECORD RETENTION**

- 15.1. The Seller shall maintain records of all inspections and tests and such records shall contain, at a minimum, the following information (as applicable): material inspector, inspection specification/revision, sampling plan used, material batch/lot number, nature of observations; number of observations; number of discrepancies; type of discrepancies; quantity accepted; quantity rejected; and corrective actions taken. Records should be maintained for a minimum of 10 years or as may be specifically called out for on Buyer PO.

#### **16. RIGHT OF ACCESS**

- 16.1. The Seller shall allow a Buyer or Buyers' customer representative access to their facility and any relevant sub-contractor facility, for the purposes of verifying the Seller's quality system, inspection records and general operations. The Seller shall allow access to its facilities during normal business hours upon a minimum of 48 hours prior notice.
- 16.2. Seller shall provide, without additional charge, reasonable facilities and assistance for safe and convenient inspection and test to Buyer (or Buyer's customer). Buyer or Buyer's Customer may inspect 100% or a sample of all Items or any lot of Items at their option, and they shall have the right to reject all or any portion of the Items or lot of Items if any such inspection reveals them to be, in their sole opinion, defective or nonconforming.

#### **17. Warranties**

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- 17.1. Seller warrants to Buyer, its successors, assigns and customers that for a minimum period of 24 months after delivery to Buyer, that all goods furnished will be free from defects in material and workmanship, will conform to applicable drawings, designs, and/or specifications, adhere to all functional and performance requirements and, meet all requirements of the order the goods were procured under, will be in new unused condition and fit for sale.
- 17.2. Seller shall repair or replace any non-conforming products within ten (10) days of rejection by Buyer. The failure of Seller to timely repair or replace rejected products shall entitle Buyer at its option and in addition to any other rights or remedies it may have at law or in equity, to have such non-conforming products repaired or replaced at Seller's expense. In addition, Seller shall be responsible for the costs of removal, disassembly, failure analysis, fault isolation, reinstallation, re-inspection and retrofit required to deliver conforming products and/or services. Further, Seller shall be responsible for any additional costs that may be imposed on the Buyer by its customers as a result of Seller supplying Buyer with non-conforming products. A new warranty period shall commence upon return to Buyer of repaired or replaced non-conforming products

### **18. Payment Terms**

- 18.1. Unless otherwise stipulated in this order, Buyer will pay all Seller invoices within 90 days. Payment periods and cash discount periods will be computed from either the date of delivery or acceptance of the Items ordered or the date of receipt of correct and proper invoices prepared in accordance with the terms of the order, whichever is later. The payment date will be delayed on a day-for-day basis for any Item that is delivered later than called for by the schedule stipulated in this order.

### **19. Indemnification**

- 19.1. Seller shall indemnify, defend and hold harmless Buyer and its affiliates, shareholders, officers and employees from and against any and all claims, demands, actions, losses, damages, liabilities, costs and expenses, including but not limited to attorneys' fees, arising out of or in connection with: (i) the inaccuracy of any representation or warranty by Seller; (ii) the breach by Seller of any promises, covenants or conditions made by Seller to Buyer; or (iii) any Items supplied by Seller under this order. In the event Seller, its employees, agents, subcontractors, and/or lower tier subcontractors enter premises occupied by or under the control of Buyer or third parties in the performance of this order, Seller shall indemnify, hold harmless and defend Buyer and its affiliates, shareholders, officers and employees from any loss, cost, damage, expense or liability by reason of property damage, death or personal injury, including Seller's employees, of any nature or kind whatsoever arising out of, as a result of, or in connection with such performance occasioned in whole or in part by the actions or omissions of Seller, its employees, agents, subcontractors, and/or lower tier subcontractors.

### **20. Export Control and Import Compliance**

- 20.1. Seller shall comply with all applicable export control and import laws and regulations, including, but not limited to, the requirements of the U.S. Arms Export Control Act (22 USC 2751-2794), the U.S. International Traffic in Arms Regulations ("ITAR") (22 CFR Parts 120 - 130), the U.S. Export Administration Act (50 USC App 2401-2420), the U.S. Office of Foreign Assets Control regulations, the U.S. Foreign Trade Regulations and U.S. Customs and Border Protection regulations, as may be applicable.
- 20.2. Seller shall provide Buyer with export and import classification data, including, but not limited to: Export Control Classification Number ("ECCN"), Harmonized Tariff Schedule ("HTS") code or ITAR Category, as applicable. Seller shall include classification information in documentation provided with all shipments to Buyer. Seller shall complete, upon Buyer's request, an item part classification form to facilitate Item export classifications.

### **21. Compliance With Laws**

- 21.1. Seller warrants that in the performance of work under Buyer orders, it has complied with or will comply with all applicable International, federal, state, and local laws and ordinances and all lawful orders, rules and regulations thereunder, including but not limited to: the Fair Labor Standards Act of 1938 as amended (29 U.S.C. Sections 201-219), the Walsh-Healy Public Contracts Act as amended (41 U.S.C. Sections 35-45) or the Eight-Hour law of 1912 as amended (40 U.S.C. Sections 324-326) Copeland Anti Kickback Act (41 U.S.C. Sections 51-54), Service Contracts Act of 1965 (41 U.S.C Section 351), Davis Bacon Act (40 U.S.C. Section 276(a)), Contract Work Hours Standards Act of 1962 (40 U.S.C. 327-330), as amended, Occupational Safety and Health Act of 1970, as amended (29 U.S.C. Sections 651-678) and the Fastener Quality Act (15 U.S.C. 5401-5414). Supplier agrees to conform to all ITAR and EAR export regulations and related executive orders. Seller shall defend, with counsel of Buyer's choosing, indemnify and hold harmless Buyer from and against all claims, demands, causes of action, losses, costs, fees and damages arising directly or indirectly, from any actual or alleged failure by Seller to comply with any federal, state or local statutes or other legal obligations.

### **22. Disputes**

- 22.1. Venue and jurisdiction for all legal proceedings of any kind or nature brought to enforce any provisions of these terms and conditions or the order shall lie within the State and Federal courts of New York. Pending any prosecution, appeal, or final decision of any dispute, or the settlement of any dispute arising under this order or these terms and conditions, Seller shall proceed diligently, as directed by Buyer, with performance of this order. TO THE MAXIMUM EXTENT PERMITTED BY LAW, SELLER HEREBY WAIVES ITS RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING OR HEARING BROUGHT BY EITHER SELLER AGAINST BUYER OR BUYER AGAINST SELLER ON ANY MATTER WHATSOEVER ARISING

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UNDER, RELATING TO, OR IN ANY WAY CONNECTED WITH THIS ORDER, THE RELATIONSHIP OF SELLER AND BUYER OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE OR REGULATION NOW OR HEREAFTER IN EFFECT. In no event shall Seller commence any action arising out of this order or the contract between the parties later than one year after the cause of action has accrued

**23. Choice of Law**

23.1. This order and all matters arising out of or related thereto shall be interpreted, construed, and solely governed by and in accordance with the laws of the State of New York, disregarding any conflict of law provisions which may require the application of the laws of another jurisdiction. The United Nations Convention on Contracts for the International Sale of Goods, 1980, and any successor thereto, shall not apply.

**24. Severability**

24.1. In the event any Section of these terms and conditions is held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining Sections of these terms and conditions will not be affected and, in lieu of such invalid or unenforceable Section, there will be added automatically as part of these terms and conditions one or more Sections as similar in terms as may be valid and enforceable under applicable law

**25. FLOW DOWN**

25.1. When applicable customer requirements will be flowed down either directly with our PO or may be invoked by clause/customer reference. If/When applicable, Seller shall flow down Buyer requirements to sub-tier suppliers. When invoked by reference, the documents can be accessed by visiting the following location on our website:  
<http://www.pafcorp.com/quality/POTERMS/PurchaseOrderClauses.xls>.