

# JAMES TOOL MACHINE AND ENGINEERING

## PURCHASE ORDER TERMS, CONDITIONS AND QUALITY REQUIREMENTS

This document sets forth the terms and conditions which govern all purchases of goods and services by James Tool Machine & Engineering, Inc. (James Tool) Additional *Quality specifications will be noted on the Purchase Order as applicable.*

### GENERAL

#### 1.1 Acceptance

James Tool offers to purchase the goods and services described herein only upon the terms and conditions contained herein. James Tool reserves the right to revoke this order without notice. This order shall be deemed agreed to and accepted by the seller and become a binding contract on the terms and conditions contained herein when (A) signed and returned to seller, or (B) seller issues its oral or written acknowledgement, or (C) seller commences performance, or (D) seller otherwise accepts this order. By accepting this order, seller waives all terms and conditions contained in its quotation, acknowledgement, invoice, or other documents which are different from or additional to those contained herein, and all such different or additional terms and conditions shall be null and void. All special terms and conditions or supplemental attachments which are attached to or referenced in this Order are made a part of the contract between James Tool and the Seller as though fully set forth herein; provided that, to extent of any inconsistency, the terms and conditions of this Order shall govern.

#### 1.2 Delivery and Performance

Time is of the essence. Seller shall make deliveries in quantities and at times specified by James Tool. James Tool shall have the right to refuse shipments made in advance of the delivery schedule set forth in this order. If at any time, it appears that Seller will not make such schedule, Seller shall promptly notify James Tool of the reasons for and estimated duration of the delay. If James Tool agrees to accept deliveries after the date of delivery has passed, James Tool shall have the right to direct the Seller to make shipment to F.O.B. point set forth in the Order by the most expeditious means, and the total cost of all such expedited shipments and handling shall be incurred by the Seller. Acceptance of late deliveries shall not be deemed a waiver of James Tool's rights to hold the Seller liable for any loss or damage resulting there from, nor shall it act as a modification of the Seller's obligation to make shipments in accordance with the delivery schedules set forth in this Order. James Tool shall not be liable for shipment of goods delivered to James Tool in excess of quantities specified in the purchase order. James Tool may from time to time change delivery schedules or direct the temporary suspension of scheduled shipments.

Standard delivery expectations are 5/days early – 0/days late.

Standard quantity tolerances are 0%/over and 0%/under, unless agreed to or directed by authorized individuals at James Tool.

#### 1.3 Default and Delays in Shipment

Time and rate of delivery are of the essence. Purchaser may by written notice of default to Seller (a) terminate the whole or any part of this order in any one of the following circumstances: (i) if seller fails to make shipment of items or fails to perform the work within the time specified herein or any extension thereof, or (ii) if Seller fails to comply with the other terms and conditions of this order. Seller shall indemnify and hold harmless Purchaser for all costs, expenses, and damages whether direct, indirect, or consequential, arising from Seller's default described above in (i). Shipments shall be made to the location specified on the individual purchase orders. Each shipment shall be accompanied by a packing list specifying: P.O. number, quantity, description, and pertinent specification data.

#### 1.4 Warranty

In addition to the warranties provided by law, Seller expressly warrants that all goods and services supplied under this Order: (a) shall conform to specifications, drawings, samples, or other descriptions furnished by Seller or specified by James Tool; (b) shall be merchantable, of good material and workmanship and free from defects; and (c) shall be fit and sufficient for James Tool's purposes. Seller warrants further that the prices charged to James Tool hereunder are no higher than prices charged or placed by others for similar quantities under similar conditions, and if Seller breaches this warranty, the prices of the goods and services supplied hereunder shall be reduced accordingly. James Tool's approval of specifications, drawings, samples, and/or other descriptions furnished by Seller shall not relieve Seller of its obligations as described in the paragraph or otherwise under this order. These warranties shall survive any inspection, acceptance, or payment by James Tool, and shall be for the benefit of James Tool, its successors, assigns, customers, and the ultimate users of the goods or services supplied hereunder.

#### 1.5 Notice of Delay

Seller shall immediately notify James Tool and explain any circumstances, including labor dispute, which may delay the timely performance of the P.O.

#### 1.6 Risk of Loss

Title to all goods supplied hereunder shall remain with Seller until delivery and acceptance by James Tool at the F.O.B. point or destination. The risk of loss of or damage to the goods shall be upon Seller until they are accepted by James Tool.

#### 1.7 Force Majeure

Neither party shall be liable to the other for damages arising from delay in delivery or any other nonperformance under this contract arising out of causes beyond its control and without its fault or negligence, including but not limited to an act of God or of the public enemy, fires, floods, epidemics, quarantine restrictions, labor disputes, transportation embargoes, act of federal government, judicial action, and unusually severe weather. The affected party shall promptly notify the other party of the impossibility of performance, and should non-performance extend beyond ninety days, either party may terminate this agreement.

#### 1.8 Government Contracts

In the event that this Order is placed against a United States Government contract or purchase order, the clauses set forth in the Federal Acquisition Regulation (FAR) or similar federal procurement regulations which are included in James Tool's contract or purchase order are hereby incorporated by reference and made a part of this Order; provided, however, that appropriate revisions of these clauses shall be deemed to have been made so that, for example, references to "contracting officer" or "Government" shall apply to James Tool, and references to the "contractor" shall apply to the Seller as appropriate to the intent of each clause used in the government contract.

#### 1.9 Confidentiality, Drawings, Information, and Patents

Drawings, specifications, technical information, inventions, data, and designs supplied by buyer shall remain James Tool's property and shall be held in confidence by the seller. Such information shall not be reproduced, used, or disclosed to others by seller without James Tool's prior written consent and shall be returned to James Tool upon completion of the P.O. or upon request. All drawings, prints, samples, tests, and reports, if and as required, shall be supplied by Seller without charge. James Tool shall have the right to use for any purpose unpatented information supplied by Seller if such information is supplied without written restriction regarding the use or disclosure of the same. Seller shall not use or disclose any drawings, prints, samples, tests or reports or other confidential information supplied by James Tool, whether or not designated as such, except as reasonably required to fulfill this Order.

#### 1.10 Changes

James Tool shall have the right at all times to make changes to drawings or specifications regarding the goods and services supplied hereunder. Any difference in price or time resulting from such changes shall be equitably adjusted and this Order be modified in writing accordingly so long as claim for adjustment has been made in writing by Seller to James Tool within thirty (30) days of the date of receipt by Seller of such change. In the absence of such notice, James Tool shall not be obligated to consider Seller's claim for an equitable adjustment resulting from such change. James Tool shall have the right to

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examine any of Seller's pertinent books and records for the purpose of verifying Seller's claim. Nothing in this paragraph 1.10 shall excuse Seller from proceeding with this Order as changed, including but not limited to failure of James Tool and Seller to agree upon any adjustment to be made under this paragraph 1.10.

## **1.11 Indemnification**

Supplier will defend, indemnify, and hold harmless James Tool and its affiliates, and their officers, agents, employees, successors and assigns against any claims, loss, damage, or expense, including, without limitation, payment of direct, special, incidental, and consequential damages and expenses of defending claims including attorney's fees, arising out of, or relating to Supplier's breach of obligations or negligence or willful misconduct with respect to the order. This duty to defend, indemnify and hold harmless extends only to any suit, claims, judgment or demand which arises in connection with Supplier's performance or nonperformance of any purchase order placed by James Tool, out of or in connection with Supplier's breach of warranty, out of any defect in the goods or services whenever discovered, out of patent infringement or misappropriation of trade secrets by Supplier other than pursuant to specifications or instructions provided by James Tool, or failure of Supplier to pay royalties, or any other breach of Supplier's obligations hereunder whether such claim or suit is based upon contract, warranty, strict liability in tort negligence, or other legal theory, and also extends not only to "third party claims" but also to any loss suffered by James Tool.

## **1.12 Gifts**

Individual employees are prohibited from accepting gifts from current or prospective suppliers and vendors valued at over \$15. All gifts must be reported to the President, Chief Financial Officer, or the Plant Manager. Small items, including trade show giveaways such as key chains, notepads, etc., may be retained by the employee for personal use. It is recognized that some vendors such as caterers or printers might provide "samples" of their goods to give staff a better idea of their product. This practice is considered acceptable. Gifts of food items, such as Christmas gift baskets, are considered to be gifts to the entire staff and not just to one person. If a supplier is found to be providing gifts outside the scope of this policy that supplier will cease to be a supplier to James Tool and all its subsidiaries.

## **INVOICING AND PAYMENT TERMS**

### **2.1 Invoicing**

All invoices are to be sent to James Tool Machine & Engineering at the address stated in the purchase order. In order to be considered for payment, each invoice must:

- a. Show the relevant James Tool purchase order number
- b. Itemize any taxes to be paid by James Tool
- c. Contain line item numbers from James Tool purchase order, description, unit price, quantity, and extended price if any.
- d. Contain the name of the person requesting the material or service, if requested by James Tool
- e. If requested by James Tool, by written notification, contain Supplier's certification that all goods and services reflected therein were produced and supplied in compliance with the requirements of the purchase order.
- f. Shipping information (see section 2.7)

### **2.2 Delays for Non-Compliance**

Failure to comply with invoice requirements outlined herein may result in a delay in payment by James Tool until such a time that the supplier has remedied such non-compliance.

### **2.3 Offset; Withholdings**

James Tool may offset against any amounts due under Supplier's invoices: (a) any damages resulting from Supplier's default under breach of contract (including any purchase order and these terms and conditions);

(b) any amount owing from Supplier to James Tool; or (c) any adjustment for shortage or rejection and any costs occasioned thereby. In the event that James Tool becomes aware of potential violation of any governmental law, regulation, or order of contractual obligation by Supplier in relation to its performance hereunder, James Tool may withhold, without liability or interest, any payment due hereunder associated with matters relating to such potential violation, pending investigation, and resolution of such potential violation.

### **2.4 Payment Terms**

Unless otherwise provided under the applicable purchase order or written agreement between James Tool and Seller, payment terms shall be agreed upon during initial transaction. The term of any payment provided for in the purchase order, and all discounts related thereto, shall be calculated from

- (i) the date the terms are received,
- (ii) the date the items are scheduled to be received, or
- (iii) the date an acceptable invoice is received, whichever is later.

### **2.5 Payment Date; Discounts**

If in its discretion, a shipment is accepted ahead of schedule, James Tool may still choose to make payments therefore on the basis of the scheduled delivery date. The date for the calculation of James Tool's entitlement to take a discount under any Supplier invoice will be the date acceptable materials are delivered, or the date an acceptable invoice is received, whichever is the later.

### **2.6 Taxes**

All prices indicated in purchase orders include all applicable taxes, impositions including but not limited to import and export duties and other similar charges, unless specifically indicated otherwise in such purchase order.

### **2.7 Freight**

James Tool's purchase order related freight terms are "Freight Prepaid" which means that freight charges are prepaid by the Seller. Unless negotiated into the cost of products with contract suppliers, the freight charges are then added to the invoice as a separate charge. Authorized personnel will only consider alternate terms if deemed in the best interest of James Tool.

### **2.8 Miscellaneous Charges**

Unless expressly otherwise disclosed, James Tool shall not be liable for any shipping, handling, miscellaneous surcharges, or similar fees.

## **QUALITY ASSURANCE PURCHASE ORDER CLAUSES**

**NOTE: GENERAL (G) QUALITY ASSURANCE REQUIREMENTS ARE APPLICABLE TO ALL JAMES TOOL PURCHASE ORDERS:**

### **G – CLEANLINESS REQUIREMENTS**

Supplier shall assure cleanliness of products provided. Delivered product must be clean and free from any debris, such as machined chips, burrs, grinding dust, forming materials, corrosion, oil and other foreign material on surface.

### **G - QUALITY MANAGEMENT SYSTEM (QMS) REQUIREMENT FOR SUPPLIERS**

The supplier shall have a system for inspection and for prevention and detection of nonconforming products. James Tool recognizes that one QMS may not fit all Suppliers; therefore, consideration must be taken based on the type of product or service provided and in accordance with the specific requirements of this order. Supplier may be required based on the type of service provided, to develop and maintain a system that is at a minimum ISO 9001 compliant or in some cases registered. The objective of the Supplier is to assure the highest level of standard is provided for product or service.

### **G – CALIBRATION**

The supplier shall control the calibration of all measuring equipment utilized to accept product. It is the responsibility of the supplier to return any customer furnished equipment to James Tool prior to the calibration due date. Use of NIST-traceable test and measuring equipment is required. Records substantiating this shall be made available upon request.

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## **G – NOTIFICATION OF CHANGES BY THE SUPPLIER**

During performance of the contract, the supplier is required to give James Tool written notice when making any changes in the systems including name change and/or address change or procedures previously approved by James Tool or changes in management or personnel that have responsibility for quality of product or service furnished to James Tool. James Tool, at its option, may elect to conduct an on-site evaluation to determine the impact of such changes on previous approvals or potential effect on product or service quality levels.

## **G – FLOW DOWN TO SUB-TIERS**

All quality clauses in this purchase order/contract applies to the supplier whose name appears on the purchase order; as well as, all sub-tier suppliers. The supplier is responsible to flow these requirements to any machining or processing sub-tiers.

## **G – NONCONFORMING PRODUCTS**

All products or processes found nonconforming by the supplier or sub-tier to the engineering drawing, specifications, or purchase order, shall be identified, segregated and reworked or replaced with conforming products or processes prior to delivery to James Tool. In the event that the supplier needs to submit a request for approval, the supplier shall request in writing permission to send the product and document nonconforming dimensions on the inspection reports. The supplier is responsible to segregate parts by tagging or marking as nonconforming to insure proper disposition. A "use as is" or "Repair" disposition by James Tool does not relieve the supplier of the legal responsibility and liability for such products.

## **G – NOTIFICATION OF ESCAPES**

It is the responsibility of the supplier to notify James Tool immediately of any items that were provided and later discovered by the supplier to be defective. The notification of escapes shall include as a minimum purchase order number, part number, suspected quantity, and discrepancy noted. Immediately following the notification of escape, a complete Root Cause Analyzes including containment action, corrective action, and preventative action with effective dates are to be forwarded to James Tool.

## **G – RIGHT OF ENTRY**

It is agreed, that in the execution of this purchase order, James Tool and/or its prime contractor, including Regulatory Agencies, will be permitted on site to review supplier facilities and procedures, as deemed necessary.

## **G – RECORD RETENTION**

In addition to the requirements included in the James Tool Purchase Order, any additional records relating to work performed for James Tool maintained by the supplier must be kept complete and available to James Tool at the suppliers' facility; Including without limitation, all records, reports, data and other information necessary to assure compliance with purchase order requirements. The records maintained at the supplier's facility must be maintained for a **minimum** of 7 years, unless otherwise specified.

## **G – GOVERNMENT RATED CONTRACTS**

Rated orders are identified in the purchase order by priority rating consisting of the rating of either DX or DO. Rated orders take preferences over all unrated orders, DX rated orders take preference over DO rated orders. Suppliers are required to flow the rating to sub-tiers for the item they need to fill the orders. This provision ensures that suppliers will give priority treatment to rated orders from contractor to subcontractor to suppliers throughout the procurement chain.

### **ITAR Requirements**

The technical data provided by James Tool to suppliers is governed by the United State International Traffic in Arms Regulations (ITAR). Supplier hereby represents and agrees that all technical data provided to supplier by James Tool hereunder will be used in strict compliance with the ITAR and solely for the performance of the work hereunder. Supplier agrees to implement procedures for restricting access to said technical data to U.S. citizens only. If during the performance of the work, supplier is required to provide such technical data or part thereof to a sub-tier supplier, supplier may do so if such sub-tier supplier is located within the United States and further provided that supplier has imposed upon said sub-tier supplier the same ITAR obligations as contained herein. Disclosure and access to said technical data by a foreign national is subject to relevant approvals being obtained from the U.S. State Department. Supplier shall upon completion of the work hereunder, including any warranty period, ensure that supplier shall destroy or return to James Tool all said technical data.

## **G – PREVENT THE USE OF COUNTERFEIT PARTS**

To prevent the purchase of counterfeit or suspect / unapproved products and to ensure product identification and traceability (and for other reasons), Supplier will institute controls that include the requirement of Material Certificates, Certificates of Conformity, and/or other supporting documentation as is appropriate. Material and part substitutions are not allowed.

All items provided shall be new and unused unless otherwise specified in writing by the James Tool. The Supplier shall assure that suspect or counterfeit items are not provided to James Tool. Types of materials, parts and components known to have been misrepresented and considered counterfeit include but are not limited to: hoisting and rigging equipment, valves, piping, piping components, electrical devices, plate, bar, shapes, channel members, and flanges and other structural items. In addition, falsified or forged documentation of test information reflecting legitimate manufacturers logos and information has been identified. Items identified as suspect or counterfeit by the Supplier will not be accepted. Such items will be identified, segregated, and reported by James Tool for the purpose of investigation and payment to the Supplier for the identified items will not be authorized. Reference SAE Aerospace Standard(s) AS5553 and AS6174 for further guidance.

## **G – PREVENT FOREIGN OBJECT DEBRIS**

Supplier is required to establish and maintain a Foreign Object Debris (FOD) prevention program that employs appropriate housekeeping practices to assure timely detection and removal of residue/debris generated, during operations and normal daily tasks.

## **G – AWARENESS OF PRODUCT OR SERVICE CONFORMITY, PRODUCT SAFETY AND THE IMPORTANCE OF ETHICAL BEHAVIOR**

Supplier must be committed to the highest standards of ethics and business conduct. Supplier must comply with the law, honor commitments, act in good faith, and be accountable. Supplier must strive to maintain full compliance with all laws and regulations applicable to the operation of the business and customer relationships. Supplier must not offer, promise, authorize, or provide, directly or indirectly, anything of value (including business gifts or courtesies) with the intent or effect of inducing anyone to engage in unfair business practices. Supplier will avoid involvement in activities that may be perceived as a conflict-of-interest. Supplier will respect the legitimate proprietary rights and intellectual property rights of customers and Suppliers and take proper care to protect sensitive information, including confidential, proprietary and personal information.

Supplier will support product safety by ensuring robust management of special requirements, critical items and key characteristics. If there are concerns with respect to product safety, Supplier will communicate them to James Tool. If there is a concern at the Supplier's premises with respect to safety during the manufacture of the product, Supplier will notify its own employees of the concern and whenever possible, mitigate the concern.

Supplier will ensure that employees and people working on its behalf are aware of:

- Their contribution to product or service conformity
- Their contribution to product safety
- The importance of ethical behavior

### **QUALITY ASSURANCE CODES**

**NOTE:** QUALITY ASSURANCE CODES (QH) ARE ONLY APPLICABLE WHEN THEY ARE STATED ON JAMES TOOL PURCHASE ORDERS:

## **Q1 – MATERIAL TEST REPORTS (MTR's)**

Material Certification is required to accompany the parts at shipment.

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## Q2 - TRACEABILITY

The supplier shall maintain a system of traceability on all raw materials, purchase components, and manufactured parts used to supply items on the PO. Traceability can be in the form of batch or lot numbers and shall be listed on the product label or provided on the required documentation.

## Q3 – CERTIFICATE OF CONFORMANCE (Includes Plating, Heat Treatment and Special Processes)

Each shipment shall be accompanied by a legible and reproducible copy of a Certificate of Conformance. The certificate must include at a minimum of the following:

1. Suppliers name and address.
2. James Tool Purchase Order Number.
3. Quantity shipped.
4. Part number and vendor part number (if applicable) and revision number.
5. Serial Numbers, Batch Numbers, Cert Numbers, Heat Numbers or Cure Dates as applicable.
6. Signature and Title of Authorized Representatives.
7. The Certificate of Conformance must contain a statement that all inspections, processing, and test have been performed as required by the drawing requirements and/or purchase order requirements.
8. Products controlled by heat numbers, cert numbers, batch numbers or cure dates must be linked to the certificate of conformance by the controlling number.
9. **Legible and Reproducible** copies of all raw material, processing, test, and hardware certifications needed to produce the part in accordance with the engineering drawing and/or purchase order requirements may be required with each shipment.

## Q4 – DIMENSIONAL FIRST ARTICLE INSPECTION – AEROSPACE

James Tool requires full compliance to **SAE AS9102 using the latest revision**, “*Aerospace First Article Inspection Requirement*”. First Article Inspection (FAI) is required for the initial and periodic first article qualification and acceptance of production first articles manufactured by a supplier for the first time, produced to James Tool drawings or other drawings supplied by James Tool, and/or purchase orders. Any deviation to this plan must be submitted in writing to the purchasing department for approval by Quality Management at James Tool.

**AS9102 and its latest revision** are available on line from the SAE website ([www.sae.org](http://www.sae.org)). The supplier is responsible to supply the following with the parts. All forms shall be completed either electronically or in permanent ink:

- a. A completed FAI report using forms listed in the AS9102
- b. Copy of the Balloon Drawing with each characteristic or requirement clearly marked with unique identifier number. The number may be circled or boxed for easy visual identification.

**Note:** Supplier is not required to furnish First Article reports with each shipment providing that the First Article approval was established with the initial shipment.

## Q5 – PPAP REQUIREMENTS

James Tool requires full compliance to **AIAG PPAP using the latest revision**, “*Production Part Approval Process*”. The organization shall obtain Production Part Approval Process (PPAP) approval from James Tool for

- a) A new part or product (e.g. a specific part, material, or color not previously supplied to the specific customer).
- b) Correction of a discrepancy on a previously submitted part.
- c) Product modified by and engineering change to design records, specifications, or materials.
- d) Any situation required by section 3 of the latest AIAG PPAP manual.

**Note:** If there is any question concerning the need for production part approval, contact the authorized customer representative.

**PPAP and its latest revision** are available on line from the AIAG website ([www.aiag.org](http://www.aiag.org)).

## Q6 – KEY CHARACTERISTIC REQUIREMENTS

When Key Characteristics (KC<CC<KCC) are identified on the engineering drawing or on the purchase order, Supplier is required to meet the minimum required capability of Cpk> 1.33. Until the minimum Cpk has been achieved all key characteristics or process results shall be 100% inspected. Supplier is responsible to ensure that sub-tiers meet the same requirement. 100% inspection is not a substitute for Key Characteristic Control.

## Q7 – SAMPLING PLAN

Sampling inspection may be employed with a statistically valid sampling plan.

**Note:** Suppliers may use a sampling plan in accordance with ANSI/ASQ Z1.4 for attribute inspections and ANS/ASQ Z1.9 for variable inspections. The use of other sampling plans or schemes may be allowed as long as it is approved by James Tool.

## Q8 – SOURCE INSPECTION/TEST

James Tool source inspection is mandatory on this purchase order. Supplier shall Notify James Tool Quality Representative within 7 days prior to shipping.

## Q9 – GOVERNMENT SOURCE INSPECTION

Government inspection is required prior to shipment from your plant. Upon receipt of this order promptly notify the Government Representative who normally services your plant so that appropriate planning for government source inspection can be accomplished. In the event the representative or office cannot be located, notify VACCO Industries' buyer immediately.

## Q10 – PREFERENCE FOR DOMESTIC SPECIALTY METALS

The seller agrees to incorporate into any articles to be delivered under this purchase order specialty metals melted in the United States, its possessions, or qualifying country.

Specialty metals are defined in **Defense Federal Acquisition Regulation Supplement DFAR 252.225-7014 and its Alternate 1, restriction on Acquisition of Ball and Roller Bearings in DFAR 252.225-7016, and Qualifying Countries are listed in DFAR 225.872-1 (a)**. In addition to information related to this purchase order, and as a minimum, certification for specialty metals shall include the following:

### 1. Raw Material Suppliers/Machined Parts Suppliers:

- a. Material Specification
- b. Origin or name and location of melting facility
- c. Lot, Heat, or Batch Number

## REVISION HISTORY:

- 11/21/12 – Original Approval
- 02/27/13 – Revised to include section on PPAP's and to include General Quality requirements and Quality Codes
- 09/03/15 – Updated Quality codes: added code for MTR's
- 09/02/16 – Added Q11 – NIST traceable requirements, Added clarification to Q4 (Aerospace requirement)
- 01/12/17 – Moved Q11 (NIST Test Equipment) and added it to the general clause “G-Calibration”
- 11/17/17 – Added requirements for prevention of counterfeit parts, foreign object debris, awareness
- 12/01/18 – Added new requirements to G – PREVENT THE USE OF COUNTERFEIT PARTS