

General Terms and Conditions

1) **QUALITY REQUIREMENTS –**

A) Suppliers shall develop, document, implement and maintain a quality system which ensures compliance to all contract requirements. The quality system shall be patterned after or in accordance with ISO 9001:2008 or AS 9100 (latest version). Certification to ISO 9001/AS9100 by a registered third party is preferred.

B) Products and services supplied under this purchase order shall be produced in accordance with the latest revision / superseded status of the specifications and standards referenced unless otherwise noted on Purchase Order. Certification of Conformance required with shipments.

C) Suppliers must notify Production Engineering Corporation of any nonconforming products, and obtain Production Engineering approval for nonconformance product disposition. All products supplied to vendor must be returned to Production Engineering including all nonconforming product.

2) **ETHICAL BUSINESS PRINCIPLES** - Suppliers acknowledge and agree that PEC requires that Suppliers maintain a high standard of ethical conduct in all its dealings with PEC. PEC prohibits all employees from accepting gratuities, gifts, entertainment or other favors, as well as from engaging in any activities which create the perception of a conflict of interest, from any current or prospective Supplier. Supplier is encouraged to implement their own code of conduct and to flow down their principles to the entities that furnish them with goods and services. PEC expects its Supplier to maintain effective programs to encourage their employees to make ethical, value driven choices in their business dealings. The recording of false, fictitious or fraudulent statements or entries on any documentation may be punished as a felony under Federal Statutes including Federal Law Title 18, Chapter 47

3) **APPROVED SUPPLIERS** - Suppliers and special process suppliers must be on Production Engineering Corporations Approved Supplier List. Contact Production Engineering Corporation, Quality Department for current list.

4) **SPECIAL PROCESSES** - A special process is a method controlled by a contractually required specification where: a product undergoes a physical, chemical or metallurgical transformation, or inspection, where conformance to the specification cannot be readily verified by normal inspection methods; and the quality of the product depends on use of specific equipment operated in a specific manner, under controlled conditions, by trained personnel with instructions, procedures, or standards. A special process certification shall be provided with each shipment of product delivered on this purchase order and include the following: customer's order number, part number(s), serial and/or lot numbers (if applicable), material process specification and revision, certification stating the special process was performed per the applicable drawing/specification requirements, processing supplier's name and address, and each certification must be signed and dated by an authorized company representative.

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- 5) **EXPORT CONTROL** - Production Engineering Corp expects that all suppliers and their sub-tiered suppliers comply fully with all applicable laws and regulations of the United States pertaining to the export of any hardware, software, defense service, information or technical data provided by Production Engineering Corp. This order may involve information or items that are subject to International Traffic in Arms Regulations (ITAR) or Export Administration Regulations (EAR) and may not be released to foreign persons inside or outside the United States without proper export authority.
- 6) **F.O.D. CONTROL** - Production Engineering Corp. and their Customers take the matter of Foreign Object Debris (FOD) seriously and expects that all suppliers have a Foreign Object Detection program in place.
- 7) **FLOW DOWN OF CUSTOMER REQUIREMENTS** - Suppliers shall flow down to sub-tier suppliers the applicable requirements including Production Engineering's customer applicable requirements as noted on PEC's Purchase order.
- 8) **NOTIFICATION** - Suppliers must notify Production Engineering of any changes in product and/or process, changes of suppliers, changes of manufacturing facility location.
- 9) **RECORD RETENTION REQUIREMENT** - All records pertaining to the purchase order (examples include but are not limited to, spec's, test reports, certifications and all required documents.) must be retained for a minimum of 10 years.
- 10) **RIGHT OF ACCESS** - Production Engineering Corporation, their customers and regulatory authorities reserves the right to access applicable areas of all facilities, at any level of supply chain, involved in the order and to all applicable records.
- 11) **SHELF LIFE** - Products that are shelf life sensitive, must be supplied with a minimum of 2/3 shelf life remaining at time of order.
- 12) **MERCURY** – Mercury or mercury containing compounds shall not be intentionally added or come in direct contact with hardware or supplies furnished to Production Engineering.
- 13) **DELIVERY** – Delivery dates are critical to our customer needs. Suppliers to notify PEC in the event delivery date cannot be met at the soonest possible time.
- 14) **PACKAGING** - Suppliers are responsible for appropriately packaging items, to assure no product damage during shipping.

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15) SPECIALTY METALS –

A) Unless otherwise specified in purchase order, all steels (stainless, high alloy etc.) in bar, rod, angles, shapes etc. are to meet DFARS 252.225-7009 restriction on acquisition of certain articles containing specialty metals. Material (mill) certifications must state origin of melt and manufacture and must be sent with shipments.

B) All fasteners listed in Federal Supply Codes 5305, 5306, 5307, 5310, 5320, and 5325, purchased by Production Engineering Corporation, containing specialty metals as defined in DFARS 252.225-7009 (2014) must be compliant to said regulation. Certificates of Conformance must state compliance to DFARS 252.225-7009 and be sent with shipments.

16) **PAYMENT TERMS** - Standard payment terms are Net 30 days.

17) **SUPPLIERS CONTRIBUTION** - Suppliers contribute to product conformity and safety by ensuring they have the drawing/sketch that matches the revision noted on the purchase order and the product/service meets all drawing and purchase order requirements.

18) **COUNTERFEIT PARTS** - Supplier will procure required materials from ONLY OEMs and / or OEM approved Distributors. Supplier is expected to develop, implement, and maintain effective methods and processes appropriate to their products to minimize the risk of introducing counterfeit parts and materials into deliverable products.

19) **First Article Inspection:** Supplier shall perform a First Article Inspection (FAI) on Buyer controlled drawings and specifications in accordance with AS9102 latest revision or a PEC approved First Article Inspection Process, if one of the following conditions apply:

- First time submission (part or new supplier);
- Revision change affecting form, fit, or function.
- A process change used to manufacture the part.
- Change in manufacturing location (facility).
- 24 months or longer have passed since the supplier has last produced part.
- A special request by PEC and called out separately on the PO.

All of Supplier's actual inspection/test data for the specified item shall be submitted by the Supplier to PEC on a suitable form.

As applicable, the data shall include the following information:

- Part Number
- Serial Number
- Quantity of parts
- Identification of each characteristic inspected/tested.
- A ballooned drawing shall accompany the report to identify the notes/characteristics inspected/tested.
- Actual Inspection/test results

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- Date of inspection/test
- Inspector's signature, stamp or initials (electronic or digital signatures are acceptable)
- Indication of First Piece (when applicable)

If the purchase order line item specifies a buyer or seller designed product that has standard catalog commercial-off-the shelf hardware included at the subassembly levels, FAI is NOT required for the standard catalog or Commercial-Off-The-Shelf (COTS) parts/assemblies. All first article inspections performed by the seller will be accompanied with a First Article Inspection Report (FAIR) and all other approved documentation showing conformance to the contract, purchase order, drawing, or performance requirements specified by PEC.

Note: This clause does not apply to purchase order lines that specify COTS Items.

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