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TERMS AND CONDITIONS

1. STATEMENT OF PURPOSE AND INTENT

Commitment to customer satisfaction and continuous quality improvement must be shared by S.B.S Precision Sheet Metal and all of its suppliers. As a part of the supply chain, together we must maintain effective quality management systems if we are to remain competitive in the market place. The quality of SBS is complimented by the combined efforts of our suppliers.

It is the intent of SBS to purchase from suppliers who consistently meet the expectations for quality, delivery, value and service of SBS. The requirements set forth below apply to all suppliers including, but not limited to those providing production materials, production or service parts, heat treating, painting, plating and other special processing services provided to SBS.

2. DEFINITIONS

Buyer- The SBS authorized representative that originates the Purchase Order with the Supplier.

Supplier- The legal entity which is the contracting party with SBS with respect to the Purchase Order.

Special Process- A process that produces outputs which cannot be fully verified on a part by part basis prior to shipment to SBS.

Material- Materials used to create products typically raw metals, plastics, chemicals, etc.

Service- Services are manufacturing operations, skilled labor, and other commodities.

Product- Products are a combination of materials, services, and/or special processes.

Sub-tier - An entity that supplies services, products, or materials to the Supplier

3. REQUIREMENTS

Quality System – The supplier shall maintain a quality system aligned to the requirements of the ISO 9001 family of standards unless otherwise agreed to in writing by SBS Precision Sheet Metal. Performance of all inspections and tests necessary to substantiate product conformance to the provided drawings, specifications, and purchase order requirements shall be the responsibility of the supplier and sub-tier as applicable.

Right of Entry – The buyer, the buyer's customer and/or any applicable regulatory agency shall have right of access to supplier's facilities in order to independently validate supplier's process and quality controls. The supplier shall also flow down the substance of this clause to its sub-tier.

Notification of Change – The supplier shall notify SBS immediately in writing should there be any change in the following:

- Location of the supplier's facility or facilities
- Process and/or test methods used to produce, fabricate, finish, package or deliver any and all products, materials or services provided to SBS

Notification of Nonconforming Product – The supplier shall immediately notify SBS when it is suspected or known that nonconforming material, service or product has been delivered. The notification shall be provided promptly by phone and followed by a written description of the actual or suspected nonconformance.

Notification of Inability to Ship – The supplier shall notify SBS as soon as it has been determined that supplier is not able to ship as specified.

Packaging & Preservation – The supplier shall ensure that packaging and preservation is adequate to prevent damage or deterioration and deliverables are efficiently and economically packed for the method of transportation and type of handling involved. When specified, packaging shall be in accordance with the individual requirements of the purchase order.

Records – The supplier shall retain and maintain quality records associated with product shipped to SBS from deterioration for a minimum of seven years unless otherwise specified by purchase order.

Hazardous Material – The supplier shall furnish applicable Material Safety Data Sheets for products designated by industry, state, or federal agencies as hazardous materials.

Domestic Specialty Metals – Raw materials shall not be procured from foreign agencies or produced in non-domestic mills unless approved by SBS Precision Sheet Metal. Specialty metals identified in DFARS Clause 252.225-7014 which have been melted outside the United States, its possessions, or Puerto Rico are prohibited and must be approved by SBS Precision Sheet Metal prior to shipment. If approval is granted, an independent laboratory analysis may be required.

Certificate of Conformance – The supplier shall submit a legible and reproducible Certificate of Conformance (CofC) with each shipment. At a minimum, Purchase Order Number, Part Number, and details specified on the purchase order originated by SBS shall be identified with acknowledgement that conformance to the purchase order encompasses:

- Material/Product/Service provided are those which have been specified by the buyer and for which the supplier has on file reports of chemical or physical analysis and any other required evidence of conformance of such articles to applicable specifications.
- Processes used and products delivered comply with all provided specifications
- When products or services applicable to the purchase order are procured by the supplier from a sub-tier, the supplier shall flow these requirements and all other requirements, as necessary, to assure full compliance is achieved.

For Raw Materials and consumables where applicable CofC information is contained within deliverable material certifications, test reports, MSDS, etc.; delivery of these records is an acceptable alternative to providing all the information on one CofC document. Additional Certifications and/or Test Reports shall be made available to the buyer upon request.

OEM's Certificates of Analysis – Mill or product certificates denoting chemical and physical properties shall accompany each lot/shipment, with identifiable traceability characteristics. If the supplier is not the OEM (i.e., the supplier is a distributor), documentation shall be provided showing purchase order number between the supplier and OEM.

Special Processes are defined as those operations that impart characteristics related to the corrosion protection, durability, or long term product performance, and cannot be evaluated economically, or non-destructively on the final item.

Procedures shall be in place which provides, as applicable, control of: Equipment, Environment, Personnel skills, Process Materials, Process methods, Process sequence of events and Verification testing. The supplier shall provide data to SBS upon request which will attest to control and conformance of all special processes performed by the supplier and its sub-tiers. **Any review or approval by SBS shall not relieve the supplier from the responsibility to provide services which fully meet the requirements of the contract specifications.**

Key Characteristics & Control of Special Processes-Flow down of key characteristics and Special Processes must be to the latest pertinent specifications unless otherwise specified on purchase order.

Form 5.6 REVISION: B