



Shackelford Machine, Inc.

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TERMS AND CONDITIONS

Standard Purchase Order Quality Clauses

Right of Entry – Shackelford Machine Inc., the customers of Shackelford Machine Inc., the customers' customer and/or regulatory agencies shall be allowed the right of entry to determine and verify the quality of work, records and material at any place, including the plant of the subcontractor. Verification by Shackelford Machine Inc. and/or regulatory agencies shall not absolve the supplier of the responsibility to provide acceptable product nor preclude subsequent rejection.

Quality Standards Requirements Flowdown – Subcontractors shall have a quality and calibration systems meeting one of the following requirements as applicable: AS9100, D6/82479 Addendum 1, ISO 9000. A subcontractor and vendor evaluation audit form must be on file at Shackelford Machine Inc. prior to acceptance of product. Shackelford Machine Inc. reserves the right to approve subcontractors based on requirements and resources. All Subcontractors will notify Shackelford Machine Inc. of any nonconforming product, obtain Shackelford Machine Inc. approval of nonconforming product; notify Shackelford Machine Inc. of any changes in product and/or process; changes of suppliers, changes of manufacturing location and, where required, obtain Shackelford Machine Inc. approval, and flow down to the supply chain the applicable requirements including customer requirements

Quality Records – All quality records are readily available and must be maintained on file for a minimum of seven (7) years (unless otherwise specified).

Approved Processing Sources – Subcontractors shall use only end items customer approved processing source.

Material Suppliers – Material supplied against this contract must be purchased from approved sources of the end item users approved sources (see End Customer Approved Processor & Supplier Listing).

Material Receiving Inspection – Seller certifies that he has performed receiving inspection on purchased materials to ensure compliance with all drawings and Shackelford Machine Inc. specifications, and has test reports and/or raw material certifications on file available for review upon request.

Handling, Packaging, Preservation, and Delivery – The subcontractor shall use appropriate methods of handling, packaging, and preservation to prevent damage of product in process and during delivery.

Evidence of Inspection – A qualified representative of the suppliers quality department shall sign and document acceptance status for each shipment as evidence of 100% inspection. Sampling inspection shall not be performed without prior written approval from Shackelford Machine Inc.

Certificate of Compliance (C of C) – Each shipment shall contain a certificate of compliance that the product meets the requirements of the engineering and purchase order. An authorized representative of the supplier's quality organization must sign this certificate. The certificate must contain the revision level of all engineering documents or specifications that apply to the work performed by the supplier or the supplier's subcontractor. When the purchase order does not specify the revision level of the engineering or specification, the latest engineering or specification shall apply. All

documents must be 100% legible. Supplier shall provide a copy of all certificates of compliance from supplier's subcontractor. Certificate of Compliance with physical and chemical test reports must accompany each shipment where supplier furnished the raw material. Material must be identified by heat lot and heat treat load, (if applicable). Test reports must be traceable to the material lots supplied.

Where Shackelford Machine Inc., Inc. supplies the material for this order, the supplier shall certify on each shipment that the supplier has not made any unauthorized substitutions of the material. Shackelford Machine., Inc. Quality Assurance must approve any substitution of material.

Purchase Order Terms and Conditions

1. The seller by acceptance of this order accepts all of the terms and conditions hereof. Acceptance of this order shall take place either by execution and return of the signed acknowledgement copy accompanying this purchase order or by part performance of this order. Any modifications or alterations of or additions to the Shackelford Machine Inc. Terms and conditions of this order, to be binding, must be in writing, signed by an authorized representative of the purchaser and delivered by the purchaser to the seller. Any term, condition or reservation, inconsistent with the terms hereof that may be contained in any printed or standard acknowledgement, invoice form or other document issued by seller shall be of no effect (purchaser hereby objects to any such inconsistent terms, conditions, or reservations and notifies the seller that they are rejected) notwithstanding purchasers act of accepting or paying for any shipment or otherwise performing the obligations on its part to be observed or performed hereunder.
2. Unless otherwise stated in the purchase order, terms are Net Thirty (30) days after delivery of goods and receipt of invoices.
3. Seller represents that any price of prices specified in the purchase order do not

exceed seller's current selling prices for the sale of substantially similar goods.

Unless otherwise stipulated, all prices inserted on the face of this order shall represent the total cost to the purchaser at the point of delivery specified herein, including all sales taxes, excise taxes, custom duties and other government and municipal taxes, levies and charges of every description and charges for packing, crating, boxing, storage and shipping charges. If price is not stipulated on this order, it is not to be filled at higher prices than last previously quoted or charged without written authority of purchaser.

4. When the purchase order does not specify the revision level of the specification, the latest specification shall apply. All engineering documents and drawings are available upon request.

5. All goods shall be shipped F.O.B. as stated on the face of this order. If goods are shipped F.O.B. Destination or purchaser's plant, shipping charges must be prepaid or charged to the appropriate account number given by a Shackelford Machine Inc. representative. No insurance premium or shipping costs will be allowed unless otherwise authorized in writing. Goods must be packed and delivered to conform to Uniform Freight Classification to obtain lowest shipping rate. Packing slips must be enclosed with all shipments showing the order number, line number, release number, if any and quantity. Charges accrued through seller's failure to ship in accordance with the purchaser's shipping instructions will be charged to seller's account.

6. Time shall be of the essence in this order. The goods must be delivered strictly in accordance with the quantities, specifications and delivery schedule specified.

Otherwise, in addition to its other legal remedies, purchaser shall be at liberty to cancel this order, in whole or in part. Purchaser assumes no obligation for goods Shackelford Machine Inc. shipped in excess of quantities specified in this order or prior to delivery schedule specified.

7. Goods are subject to inspection by purchaser and purchaser shall be the final

judge of the goods. No payment will be made to seller for any goods, which are rejected on such inspection. Purchaser reserves the right to reject any portion of any shipment not strictly in accordance with specifications and in such case will pay to seller a reasonable price therefore, will be held for seller's instructions and at its risk and expense. If instructions are not received within fifteen (15) days after notice of rejection, goods will be returned at seller's expense. No goods returned as defective shall be replaced without purchasers' written permission. Where re-work is required to meet specification requirements, the seller, at no cost to purchaser, shall arrange for such re-work. Payment for goods shall not constitute acceptance thereof by purchaser nor shall purchaser's inspection or omission to inspect relieve seller of its obligation to furnish all goods in strict accordance with all terms and provisions of this order.

8. Supplier warrants the material furnished hereunder: (a) to be free from defects in title, labor, material, or workmanship, (b) to conform to applicable specifications, drawings, samples or other description given, (c) to be suitable for the purpose intended, (d) to be of merchantable quality and further warrants that material of Supplier's design will be free from defects in designs.

9. All work to be performed by supplier hereunder shall be performed entirely at the risk of the supplier and supplier shall defend, indemnify and hold harmless Shackelford Machine Inc., its agents, servants, representatives and employees from and against any and all loss (including without limitation, loss of use), liability, damage, claims, demands, actions and/or proceedings and all costs and expenses connected with any thereof (including, without limitation, attorney's fees) of whatsoever nature on account of any and all damage to or loss or destruction of any property (including, without limitation, property of Shackelford Machine., Inc.), or injury to death of any person (including, without limitation, employees of Shackelford Machine., Inc.) arising directly or indirectly out of or in connection with the performance of Supplier of such work. Without limiting the generality of the foregoing, Supplier agrees to indemnify and hold Shackelford Machine Inc. harmless from and against all claims

and liens of any and all persons based upon furnishing of labor and/or material in connections with the goods sold and/or services rendered by Supplier hereunder.

10. The remedies herein reserved shall be cumulative and additional to any other and further remedies provided in law or equity. No waiver of a breach of any provision of this contract shall constitute a waiver of any other breach, or of such provision.

11. Seller shall keep confidential all information, drawings, specifications or data furnished by purchaser, or prepared by seller specifically in connection with the performance of this order and shall not divulge or use such information, drawings, specifications or data to or for the benefit of any other party. Seller agrees that if the goods covered by this order are to be manufactured to design or technical data furnished by purchaser, the seller shall not without the prior written consent of purchaser, manufacture any such goods except for the upon order of the purchaser. Supplier shall not disclose to any person or entity, other than those employees of Supplier who have been a need to know, any information of Shackelford Machine Inc., whether written or oral, which Supplier may obtain from Shackelford Machine Inc. or otherwise in performance of this purchase order.

12. The obligations of the seller contained herein shall survive acceptance of the goods and payment therefore by purchaser.

13. In the event of supplier's breach of any of the provisions of this agreement, purchaser may terminate the whole or any part of this purchase order at any time without liability, except for items accepted. A written notice of termination shall be supplied by the purchaser specifying the effective date and the extent of any such termination.

14. This order shall be governed in all respects by the laws of the state of Kansas. In

the event that any court of competent jurisdiction or any regulatory agency having such jurisdiction determine that any provision herein contained is either unlawful or unenforceable and therefore invalid, such determination shall not affect any other term or condition herein set forth.

15. Shackelford Machine may, at any time and without stating any reason therefore, terminate any existing Purchase order issued hereunder, either in whole or in part by providing Supplier written notice of its intent to terminate a Purchase order.

COUNTERFEIT PARTS PROGRAM. Supplier is requested to protect Shackelford Machine Inc. from counterfeit parts from being shipped.

PERSONNEL COMPETENCY. Shackelford Machine Inc. may specify specific qualification for personnel performing

PERSONNEL COMMUNICATION. Supplier is required to communicate with their personnel regarding the following:

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

End Customer Approved Processor & Supplier Listing:

Beechcraft.

http://www.beechcraft.com/supply_chain/

Cessna:

<https://supplier.cessna.com/cgi-bin/index.pl>

Bombardier Aerospace

<http://www.bombardier.com/en/aerospace/suppliers>

Boeing:

<http://www.boeing.com/companyoffices/doingbiz/d14426>

Government:

U.S. Department of State - The International Traffic in Arms Regulations (ITAR)

http://www.pmddtc.state.gov/regulations_laws/itar.html

Clause DFARS 252.225-7014, "Preference for Domestic Specialty Metals,