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**TERMS AND CONDITIONS Standard
Purchase Order Quality Clauses**

Right of Entry – C.E. Machine Co., Inc., the customers of C.E. Machine Co., 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 C.E. Machine Co., 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 form must be on file at C.E. Machine Co., Inc. prior to acceptance of product. C.E. Machine Co., Inc. reserves the right to approve subcontractors based on requirements and resources.

Quality Records – All quality records are readily available and must be maintained on file for a minimum of fifteen (15) years (unless otherwise specified).

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 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 C.E. Machine Co., 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 C.E. Machine Co., 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. C.E. Machine Co., Inc. Quality Assurance must approve any substitution of material.

Approved Processing Sources - External Providers shall use only end item Customer approved processing sources. Certifications must include the specifications flowed down in the C.E. Machine's purchase order and the latest specification revisions. It shall be the External Provider's responsibility to flow down the specifications and latest revisions to their sub tier processing External Providers.

AS9103 Statistical Techniques - When included in the C.E Machine Co., Inc. Request for Quote (RFQ) and then required by the C.E Machine Co., Inc. purchase order, the External Provider shall perform statistical analysis for applicable key characteristics, and provide results upon C.E Machine's request or C.E Machine customer's request.

Configuration Management - All documents supplied by C.E Machine Co., Inc. shall be configuration managed by the C.E Machine purchase order. All documentation supplied by C.E Machine Co., Inc. and retained by the External Provider shall be controlled by the External Provider in accordance with AS9100 section 8.1.2. It shall be the responsibility of the External Provider to verify all documents supplied by C.E Machine Co., Inc., and retained beyond the expiration of the C.E Machine Co., Inc. purchase order, against the new purchase order or change order.

Control of Non-Conforming Outputs - External Provider shall not knowingly deliver non-conforming product to C.E Machine Co., Inc. Any product that does not meet P.O. requirements shall be returned to External Provider at External Provider's expense. Non-conforming Product can be submitted to C.E Machine Co., Inc. for review on an External Providers Nonconformance Report, which shall include a formal root cause and corrective action. C.E Machine Co., Inc. shall determine if the product will be submitted to the Customer for formal disposition. C.E Machine Co., Inc. will notify the External Provider in writing of the disposition. When applicable, the Customer's disposition shall be flowed down to the External Provider through C.E Machine Co., Inc.'s Purchasing Organization. External Provider shall assure that Customer dispositioned non-conforming product is/are properly identified with appropriate non-conforming identification documentation when shipped. Any deviation from the P.O. requirements must be approved in writing by C.E Machine Co., Inc.'s Purchasing Agent prior to product shipment. A copy of the written approved change shall accompany the delivered product. All costs incurred by C.E Machine Co., Inc. for any submittal, shall be flowed down to the responsible External Provider. C.E Machine Co., Inc. reserves the right to refuse a submittal to our Customer, if it affects our Quality Rating with our Customer.

First Article Requirements - A completed AS9102 First Article Inspection Report (FAIR) or equivalent shall be provided with the first shipment as evidence of 100% inspection of one each part from the first shipment and a corresponding bubble drawing to support the first article shall be provided with the FAI documents. Delta (supplemental) first articles shall be performed for all minor configuration changes. Gaps in production of 2 years or more shall require a new AS9102 First Article Inspection Report (FAIR). (Not applicable to hardware when purchased to a specification).

ITAR Requirements - When ITAR restriction documented information is/are flowed down in the C.E Machine Co., Inc. quote and purchase order, the External Provider shall maintain ITAR controls as specified on the Directorate of Defense Trade Controls (DDTC) website: http://www.pmdtcc.state.gov/regulations_laws/itar.html

Organization Change Notification - External Providers are required to notify C.E. Machine Co., Inc. of any intended or actual change to the organization (i.e. Management, Facility Location, Process Change, or Changes in Product) and when required, obtain written approval and/or acknowledgement from C.E Machine Co., Inc.

Product Configuration - All product delivered under this Purchase Order shall comply with the description as stated in the C.E. Machine Co., Inc. Purchase Order. The External Provider shall notify C.E. Machine Co., Inc.'s Purchasing Agent when:

- engineering data in External Provider's possession does not agree with the latest revisions data reflected on the C.E. Machine Co., Inc.'s Purchase Order
- additional specifications or drawings not listed on the C.E. Machine's Purchase Order, but required by controlling engineering data, are needed.

Shelf Life Requirements - When Shelf Life Requirements are applicable, External Provider shall control Shelf Life Sensitive Material Manufacture Date and Expiration Date in accordance with applicable specifications included in the C.E. Machine Co., Inc.'s purchase order. Certifications with shipment shall include the Shelf Life Sensitive Material Manufacture Date and Expiration Date.

Subcontracting - The External Provider must receive permission from C.E. Machine Co., Inc. in writing prior to subcontracting product to a machining External Provider. C.E. Machine's Purchase Orders shall not be assigned in whole or in part to any person or entity, including any subcontractor(s), without prior written consent of C.E. Machine Co., Inc.'s Purchasing Agent. Note: This Quality Clause does not apply to subcontracting of processing, or heat treating, etc., which were already included in the External Provider's quotation.

External Provider Disclosure Notification - External Providers are required to notify C.E. Machine Co., Inc. on all known non-conformances, which have already shipped to C.E. Machine Co., Inc. and/or C.E. Machine Co., Inc. customers. Notification shall be timely and in writing. If an C.E. Machine Co., Inc.'s customer contacts the External Provider directly on a non-conformance issue, the External Provider shall notify C.E. Machine Co., Inc. in a timely manner and supply C.E. Machine Co., Inc. with the same data/information supplied to C.E. Machine Co., Inc.'s Customer. The External Provider shall notify C.E. Machine Co., Inc. via email within 24 hours of a disclosure condition and then follow-up with 72 hours with the following information:

- affected part number
- description of the nonconforming condition with "should be" and "is" conditions
- quantities, dates, purchase order numbers, job numbers with dates and packing slip numbers
- formal root cause and corrective action

FOD Requirements - Seller shall maintain a program to control foreign object damage or contamination during manufacturing, assembly, inspection and shipment.

Counterfeit Prevention and Control Plan (CPCP) - External Provider shall establish and maintain a Counterfeit Prevention and Control Plan (CPCP) using AS-5553 and/or AS6174 as applicable to the product. External Providers eligible for utilization of the Government-Industry Data Exchange Program ("GIDEP") shall utilize the GIDEP process to alert the industry of encountered counterfeit parts.

Natural Disaster Occurrence - External Provider shall promptly notify the C.E. Machine Purchasing Agent of any occurrence of natural disaster that diminishes External Provider's ability to deliver conforming goods or services.

English Language - External Provider shall make specified quality data and/or approved design data available in the English language. External Provider shall maintain an English language translation of (1) its quality manual, (2) the operating instructions that implement the quality manual requirements, and (3) an index of External Provider's procedures that contain quality requirements. Purchasing Agent may require additional documented information to be translated, including but not limited to: shop orders, technical specifications, certificates, reports, and nonconformance documents.

Performance Monitoring - External Providers shall control and monitor their external providers' performance to be applied by the organization. (Ref AS9100 D, para 8.4.3e)

Employee Awareness - External Providers shall ensure that their employees are aware of their contribution to product or service conformity, their contribution to product safety and the importance of ethical behavior. (Ref AS9100 D, para 8.4.3m)

Customer Specific Flow Down Requirements:

Boeing:

Application of Acceptance Authority Media (AAM)

Seller shall comply with the AS/EN/JISQ 9100 requirements and 14CFR Part 21.2 regarding the application of the Acceptance Authority Media (AAM) requirements. Seller shall, within its organization and its supply chain, ensure that the use of AAM is clearly defined within its Quality Management System (QMS). Seller shall, upon Boeing request, be able to demonstrate evidence of communication to its employees and to its supply chain; use of AAM must be considered as a personal warranty of compliance and conformity. Seller shall maintain compliance to the AAM requirements by assessing its process and supply chain as part of its internal audit activities. The areas of focus of this assessment shall include but not limited to:

- Authority Media Application Errors (i.e. Omission, Typos, Legibility, etc.)
- Authority Media Application Untimely Use (i.e. Documentation is not completed as planned, "Stamp/Sign as you go" etc.
- Authority Media Application Misrepresentation (i.e., Uncertified personnel, Falsification of documentation, Work not performed as planned, etc.)
- Authority Media Application Training Deficiencies (i.e. Ethics, Culture awareness, Proper use of authority media, etc.)

Action Required: The Boeing X31764 form can be located in a search on Doing Business With Boeing website.

Boeing:

If the C.E. Machine Co., Inc. purchase order reflects Boeing as the end Customer, External Providers must maintain a Quality System in compliance with D6-82479.

Boeing Document D1-4426, "Approved Process Sources" - If the C.E. Machine Co., Inc's purchase order reflects Boeing as the end Customer, External Providers shall only use approved processing suppliers listed on the D1-4426 Approved Processing Sources website.

Boeing Document D6-51991, "Quality Assurance Standard for Digital Product Definition (DPD) - If the C.E. Machine Co., Inc. purchase order reflects Boeing as the end Customer, External Providers shall establish a DPD system in accordance with D6-51991.

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 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 same 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. When the purchase order is for the end customer Hawker Beechcraft Corporation, the purchase order will be stamped HBC and all requirements of the latest revision of BS25691 shall apply. All engineering documents and drawings are available upon request.

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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 C.E. Machine Co., 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 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 purchaser's 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 C.E. Machine Co., 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 C.E. Machine Co., Inc.), or injury to death of any person (including, without limitation, employees of C.E. Machine Co., 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 C.E. Machine Co., 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 C.E. Machine Co., Inc., whether written or oral, which Supplier may obtain from C.E. Machine Co., 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. CE 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.
16. CE Machine Inc. requires that (tin, tantalum, tungsten and gold, or “3TG”) that may be contained in our products shall not be derived from sources that finance or benefit armed groups in the Democratic Republic of then Congo or adjoining countries. CE Machine Inc. expects our suppliers to take the appropriate measures to manage the sourcing of minerals that are “DRC conflict free”

For more information please refer to the Dodd-Frank Wall Street Reform and Consumer Protection Act, Title XV – Miscellaneous Provisions, Sec. 1502. Conflict minerals.

End Customer Approved Processor & Supplier Listing

Boeing:

<http://www.boeing.com/companyoffices/doingbiz/d14426> Note:
Raw Material Approval – all domestic mills are

Cessna:

<https://www.supplier.cessna.com/cgi-bin/quality/view.pl>

Government:

Clause DFARS 252.225-7014, “Preference for Domestic Specialty Metals, Alternate 1” apply

Hawker Beechcraft Corporation: http://www.hawkerbeechcraft.com/supply_chain/qa/

Choose either the Raw Material Supplier List or Processor List