

Advanced CNC Technology Inc.

Standard Terms and Conditions

- 1. PRODUCT, PROCESS AND SERVICES REQUIREMENTS:** Each article delivered under a purchase order must be identified with a part number or other identification. All purchased materials, processes and services are subject to inspection for compliance to the purchase order and all applicable quality requirements. No material or process substitutions, quantity variations or splits from the purchase order may be made without prior written authorization from Advanced CNC Technology Inc. Information concerning the identification and revision status of specifications, drawings, process requirements, inspection/verification instructions and other relevant technical data will be communicated to suppliers on quotation, purchase order and/or on the supplementary documents from Advanced CNC Technology Inc.
- 2. PRODUCT, PROCEDURE, PROCESS, EQUIPMENT APPROVAL:** Advanced CNC Technology Inc. must approve the product, procedures and processes associated and the equipment used and release of products and services. If any changes occur after the initial approval the supplier shall notify Advanced CNC Technology Inc. of such changes.
- 3. RESOURCES:** Suppliers are expected to have the resources necessary (qualification of personnel, property, facilities, equipment and materials) to supply the products and/or services required to accommodate Advanced CNC Technology Inc.'s production schedule and/or PO requirements. The supplier should provide for fluctuations in requirements due to scheduling changes.
- 4. IDENTIFICATION AND TRACEABILITY:** All suppliers to Advanced CNC Technology Inc. must have a lot identification system that distinguishes one lot from another when shipping finished product. Each lot of material should be clearly identified on the product (where applicable) and/or on the product packaging. All material lots should be traceable to raw or component material lots as identified by the supplier's supplier.

5. **ON-TIME DELIVERY:** Advanced CNC Technology Inc. requires all suppliers to meet on-time delivery requirements. The quantity shipped per order cannot vary from specified quantity without prior written consent. In the event of anticipates difficulty in complying with the specified delivery date, suppliers shall promptly notify Advanced CNC Technology Inc. in writing.
6. **SUPPLIER EVALUATION:** Criteria for evaluation and selection of suppliers for placement on Advanced CNC Technology Inc.'s Approved Supplier List is based on the suppliers' abilities to consistently deliver defect free products and/or services, meet our delivery requirements, be cost competitive and be responsive to Advanced CNC Technology Inc.'s needs.
7. **SUPPLIER MONITORING:** Approved suppliers' performance will be measured monthly. Suppliers must score at least a minimum of 80% in their Performance Rating in the monthly Supplier Rating system. Failure to do so may require the supplier to submit a corrective action plan for improvement. Suppliers may be contacted to discuss development goals to assist in the improvement of their performance. Supplier performance shall be measured on their ability to meet Advanced CNC Technology Inc.'s expectations and requirements. To remain on the Approved Supplier List, suppliers must meet minimum requirements defined.
8. **PROBATION CRITERIA:** Approved suppliers whose ratings fall below 80% for a three-month period will be put on probationary status. A request will be issued to the probationary supplier to submit a written Action Plan with improvements, responsibilities and implementation dates to be returned to Advanced CNC Technology Inc. Quality Manager and Purchasing Manager to review the submitted action plans. Acceptable plans will be acknowledged and the supplier will submit progress reports. Suppliers who show minimal improvement in ratings in the following 12 months may be subject, but not limited to:
 - a) On-Site Survey
 - b) Limited access to new business
 - c) Removal from Approved Supplier Status

Unacceptable Action Plans will be critiqued, and reviewed with the Supplier until a satisfactory Action Plan can be developed or the supplier is removed from the Approved Supplier List. Suppliers shall not be awarded new orders if they have been removed from the Approved Supplier List. If a supplier is determined to be unacceptable, the Purchasing Manager will initiate the appropriate actions to find other qualified resources prior to the removal of the supplier from the Approved Supplier List. In the event a supplier is a mandated source by an Advanced CNC Technology Inc.'s customer, then the customer's approval will be required.

- 9. DESIGN AND DEVELOPMENT CONTROL:** The supplier must conduct a review of all the purchase order requirements to ensure their product or service conforms to those requirements. The supplier's Quality Management System must address the requirements contained in this document. Suppliers are required to flow down type-design data to sub-tier suppliers. The supplier must maintain and calibrate precision measuring and test equipment with a method that is traceable to a recognized standard. A First Article Inspection (FAI) may be required as well as a number of additional documents such as: material certifications for raw materials, calibration records for gages used, process flow, traveler or routing sheets, control plans, inspection sheets, test records for special processes, appearance samples, functional test results as specified in print and/or specifications, Part Submission Warrants, capability studies, run at rate documentation and certificate of conformance (C of C) documentation.
- 10. SPECIAL REQUIREMENT:** The supplier will complete a First Piece Inspection for items on the purchase order. First Article Inspections for AS9100 classified parts will be recorded on the AS9102 forms. Otherwise, utilize the supplier's form with Advanced CNC Technology Inc. approval.
- 11. TEST INSPECTION, AND VERIFICATION:** If any tests are required the purchase order and/or supplementary documents would state that information and requirements to the supplier including reference of test specimens.
- 12. STATISTICAL TECHNIQUES FOR PRODUCT ACCEPTANCE:**

- The sampling plan for Aerospace hardware/product characteristics will be divided into three categories; Critical, Major and Minor. The acceptance value will be “0” for all categories.
- The acceptance value of “0” means, if any characteristic is found defective, the lot must be 100% inspected for that characteristic. Any hardware with a defective characteristic would be processed as nonconforming product.
- Critical characteristics are those defined as key, material, special processes, etc. Critical characteristic will be 100% inspected.
- Major characteristics are those with a tolerance band of .010” or less. The sampling plan shown below is based on an AQL 1.0 of ISO 2859-2:2020

Lot size	Sample size
1 to 13	All
14 to 150	13
151 to 500	50
501 and over	80

- Minor characteristics are those with a tolerance band of .0101” or greater. The sampling plan shown below is based on an AQL 4.0 of ISO 2859-2:2020

Lot size	Sample size
1 to 13	All
14 to 150	13
151 to 500	50

13. QUALITY MANAGEMENT: Suppliers of Advanced CNC Technology Inc. are requested to be compliant to the AS9100/ ISO 9000 international quality standard. In addition, we encourage our suppliers to seek a third-party accreditation. Supplier quality systems shall be formally documented, implemented and maintained to ensure suppliers’ products and/or services conform to the identified purchase specifications, engineering or material specifications and/or contract requirements. The suppliers’ quality documentation shall be made available to Advanced CNC Technology Inc. upon request.

14. USE OF CUSTOMER-DESIGNATED OR APPROVED EXTERNAL PROVIDERS:

Suppliers of Advanced CNC Technology Inc. shall only use providers that are designated by Advanced CNC Technology Inc. or approved external providers.

- 15. NOTIFICATION OF NONCONFORMING PRODUCT, PROCESS OR SERVICES:** The supplier shall ensure that nonconforming product/materials/process or services are identified and controlled to prevent unintended use or delivery. The supplier shall notify and not ship nonconforming product/ materials without prior authorization by Advanced CNC Technology Inc.
- 16. PREVENTION OF COUNTERFEIT PARTS:** Suppliers must take appropriate action to ensure that Parts, Products or Material supplied are not counterfeit. Suppliers need to have a Prevention of Counterfeit Parts Plan in place to ensure conformance to AS9100D, Section 8.1.4.
- 17. CHANGES IN PRODUCT, PROCESS AND FACILITY LOCATION:** The supplier is responsible to notify Advanced CNC Technology Inc. of any changes in product and/or process, any changes of manufacturing facility location, including supplier change and receive approval of such change.
- 18. SUPPLIER/SUB-TIER FLOW DOWN:** Suppliers of Advanced CNC Technology Inc. are required to communicate all information and requirements related to the job to any supplier they use to produce Advanced CNC Technology Inc.'s products.
- 19. RECORD RETENTION:** Suppliers and sub-tier suppliers shall establish and maintain records. Records shall remain legible, readily identifiable and retrievable. Product history records shall be maintained for a minimum of 10 years or as required by the purchase order.
- 20. RIGHT OF ENTRY:** Advanced CNC Technology Inc. and its customers or any applicable regulatory authority shall have the right to enter the suppliers' facility to perform inspections or surveillance audits to verify the quality of work, records and to ensure compliance to the contract. When applicable, the access requirement shall be flowed-down by the supplier to the suppliers' sub-tier sources.
- 21. PRODUCT/SERVICE RESPONSIBILITY:** Suppliers are fully responsible for the quality of their products/services including their sub-tier suppliers. Both are responsible that the quality of their products/services meet all Advanced CNC Technology Inc.'s requirements, specifications and drawings as identified on the purchase order. Zero defects are expected from our suppliers.

22. PRODUCT SAFETY: Suppliers are supporting Product Safety by ensuring robust management of special requirements, critical items and key characteristics as addressed within this document and as defined by AS9100D.

23. ETHICAL BEHAVIOR: Suppliers to Advanced CNC Technology Inc. need to understand the importance of ethical behavior in business operations and treat all personnel in an ethical and fair manner while doing business with Advanced CNC Technology Inc.