



Federal Industries, Inc.

# TERMS AND CONDITIONS / QUALITY CLAUSES



United Valve Company

Division of Federal Industries, Inc.

## \*\* IMPORTANT \*\*

**Section A** – Quality clauses that apply to all purchase orders

**Section B** – Additional quality clauses may apply - refer to the FII/UVC purchase order and review all clauses for confirmation.

## SECTION A

### Q01: TERMS

- Vendor or Supplier ("Seller") shall keep all technical and proprietary information furnished by Federal Industries, Inc. and/or United Valve Company ("Buyer") in connection with this order confidential; this includes blueprints, data, designs, drawings, engineering data for production, product know-how, and any other information furnished. Seller shall not remanufacture a product without an authorized purchased order or consent in writing from Buyer; using items listed above, information in this design, manufacture information, production of any goods, other purchases, manufacture of larger production quantities than those specified. Seller, including its agents, employees, and representatives, will exercise extreme caution to prevent disclosing such information to third parties. The obligations of this provision shall survive the completion of performance and expiration or termination of this contract.
- Buyer and authorized representatives (Buyer's Customers / Regulatory Authorities) shall have direct access to all Seller's and Seller's subcontractors' facilities where work under this purchase order (PO) is being performed to review progress and witness testing. Seller shall include this clause in all of Seller's subcontracted POs. Buyer shall have the right to perform in-process inspection, audits, and system surveillance at Seller and Seller's subcontractors' facilities as part of the verification of performance to the requirements of this PO.
- Prior to shipment, Seller shall notify Buyer if a non-conformance condition exists with the product.
- Seller shall notify Buyer when work to be performed on parts ordered by buyer is to be subcontracted.
- Gauges supplied by Buyer shall be returned with the last shipment on this order. Gauges shall be returned in the same condition as received. Seller will be responsible for any Gauge repair costs if necessary. Gauges must have a current certified calibration sticker when returned to Buyer.
- Any modification to the delivery schedule requires written authorization from Buyer.
- Quantity variances / partial shipments are not permitted unless prior written authorization is received from Buyer.
- All goods supplied shall be suitably packaged to protect, marked, and shipped in accordance with buyer instructions. In the absence of instruction, Seller shall contact Buyer. All supplied goods will be returned to the Seller for inspection if parts are received damaged.

### Q02: CERTIFICATE OF CONFORMANCE

- A Seller's Certification of Conformance (CoC) is required with this order. The Seller is responsible for maintaining and supplying accurate and legible certification documentation as objective evidence of meeting drawing, specification, technical data, or PO requirements. At a minimum, the CoC shall include a part number, quantity, specification, P.O. number, revision, date, and title/signature of the authorized representative, which states that the product or service supplied is in full conformance with all physical configuration and functional test specifications. Seller shall maintain records supporting this certification on file and make them available to Buyer upon request at no additional cost.

### Q05: CALIBRATION

- The Seller will provide and maintain a calibration system in accordance with MIL-STD-45662, ISO 10012-1, and/or ANSI Z540-1.
- For calibration services only:** Actual calibration results and calibration certification to accompany shipment.

### Q15: CUSTOMER REQUIREMENT FLOW DOWN TO SUB-TIER SELLERS

- All Sellers shall comply with Buyer's Customer Contractual Agreements. These requirements shall be flowed down to all Sub-Contractors, as applicable.

### Q16: SELLER RETENTION OF RECORDS

- Records created and retained by a Seller or Sub-Tier Seller to substantiate, as applicable; procurement, production, calibration, certifications, chemical and physical properties, inspections, acceptance, and other traceable information pertaining to the product produced and or delivered must be retained by the Seller/sub-contractor for a period of Ten (10) years or that stipulated by the customer/regulating authority requirements. Buyer may randomly select records required for retention at the Seller to ensure enforcement of this requirement.

### Q17: SELLER FOREIGN OBJECT DEBRIS PREVENTION PROGRAM

- Sellers will implement and maintain a FOD (Foreign Object Debris) Elimination / Prevention Program at their facility. These Requirements shall be flowed down to all Sub-Tier Sellers utilized in this contract. The Seller's FOD Program shall be based on the National Aerospace Standard, NAS 412 as the core requirements to remain in compliance with this Quality Clause.

### Q18: COUNTERFEIT PARTS PREVENTION

- Seller shall establish and maintain a Counterfeit Parts Prevention and Control Plan per AS5553 and AS6174 to prevent and control counterfeit parts. Products/components must be sourced directly from the OCM/OEM or authorized (franchised) distributors. Use of independent distributors or brokers requires written Buyer approval. Seller must immediately notify Buyer if counterfeit parts are suspected. Any counterfeit parts delivered must be replaced at Seller's expense with certified genuine parts. These requirements must be flowed down to all subcontractors to ensure they are buying material, hardware, and electronic components, as applicable, from the OCM/OEM or an authorized distributor. Seller must have documented tools and procedures in place to screen, detect, and prevent misrepresented components.
- Distributors or brokers supplying electrical, electronic, electromechanical, or non-electrical standard Commercial-Off-The-Shelf (COTS) parts must provide two forms of conformance certification (CoC) as per QC127 QAR Clause Q02:
  - One from the distributor/broker, traceable to the OCM or OEM CoC.
  - One from the OCM or OEM, with traceability for each lot or shipment.



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## Q18: COUNTERFEIT PARTS PREVENTION CONTINUED...

- Alternatively, a CoC from the distributor/broker with the required OCM/OEM information is acceptable, per QC127 QAR Clause Q02.
- Authorized OCM/OEM distributors/brokers need only provide their own CoC.
- All products must be new, not used, reclaimed, or misrepresented as new.

## Q20: SELLER NOTIFICATION

- Seller shall notify Buyer of all nonconforming products and obtain approval from Buyer for product nonconforming disposition. The Seller shall notify Buyer of changes in product and/or process, changes of Sellers, changes of manufacturing facility location, and obtain Buyer approval.

## Q22: PRODUCT SAFETY AND ETHICS POLICY

- The Seller shall plan, implement, and control the processes needed to assure product safety during the entire product life cycle, as appropriate to the organization and the product such as: assessing hazards and management of associated risks, management of safety critical items, analyze and report any occurred events affecting safety of the product, communication of these events and training of persons. Seller shall be aware of the importance of ethical behavior and maintain an Ethics Policy for employees as it relates to their contribution to product or service conformity and product safety.

## Q23: SELLER PERFORMANCE MONITOR AND CONTROL

- Buyer annually sets minimum performance expectations: 95% quality (per receiving inspection) and 90% on-time delivery (to promise date). If not met, Seller may be required to implement a top-management-led improvement plan focused on enhancing business operations and QMS to achieve sustained compliance.

## Q25: EXPORT CONTROLLED ITEMS

- All Sellers / subcontractors shall comply with the provisions of DFARS 225.7901-4, 15 CFR Part 730-774 and 22 CFR Part 120-130 as they pertain to export-controlled items. For the purposes of this provision the term "Export-controlled items," as used in this clause, means items subject to the Export Administration Regulations ("EAR") (15 CFR Parts 730-774) or the International Traffic in Arms Regulations ("ITAR") (22 CFR Parts 120-130). This term includes:
  - (1) "Defense items," which are defined in the Arms Export Control Act, 22 U.S.C. 2778(j)(4)(A), as defense articles, defense services, and related technical data, and further defined in the ITAR, 22 CFR Part 120; and
  - (2) "Items," defined in the EAR as "commodities", "software", and "technology," terms that are also defined in the EAR, 15 CFR 772.1.
- All Sellers / subcontractors shall comply with all applicable laws and regulations regarding export-controlled items, including, but not limited to, the requirement for contractors to register with the Department of State in accordance with the ITAR. The Contractor shall consult with the Department of State regarding any questions relating to compliance with the ITAR and shall consult with the Department of Commerce regarding any questions relating to compliance with the EAR.
- The Sellers / subcontractors responsibility to comply with all applicable laws and regulations regarding export-controlled items exists independent of, and is not established or limited by, the information provided by this clause. Additionally, nothing in these terms adds, changes, supersedes, or waives any of the requirements of applicable Federal laws, Executive orders, and regulations, including but not limited to the following:
  - The Export Administration Act of 1979, as amended (50 U.S.C. App. 2401, et seq.);
  - The Arms Export Control Act (22 U.S.C. 2751, et seq.);
  - The International Emergency Economic Powers Act (50 U.S.C. 1701, et seq.);
  - The Export Administration Regulations (15 CFR Parts 730-774);
  - The International Traffic in Arms Regulations (22 CFR Parts 120-130); and
  - Executive Order 13222, as extended.

Each Seller / subcontractor shall include the substance of this clause, including this paragraph, in all subcontracts.

## Q26: SAFEGUARDING COVERED DEFENSE INFORMATION AND CYBER INDICENT REPORTING

- Each Seller / subcontractor shall comply with the provisions of DFARS 252.204-7012 and the applicable requirements of NIST Special Publication SP 800-171 with respect to protecting any Controlled Unclassified Information ("CUI") that they may receive, store, or otherwise use in connection with this Agreement. The following apply:
  - 252.204-7012 Safeguarding Covered Defense Information and Cyber Incident Reporting.
  - 252.204-7019 Notice of NIST SP 800-171 DoD Assessment Requirements.
  - 252.204-7020 NIST SP 800-171 DoD Assessment Requirements.

## Q27: INSPECTION SAMPLING PLAN

- Inspect per sampling plan ANSI / ASQ Z1-4. c=0 modified to zero defects only for acceptance or Buyer sampling plan (Derived from Fifth Edition by Nicholas L. Squeglia Table 1a Original c=0 sampling plan) QC-13 (request a copy from Buyer). An alternate inspection plans will require Buyer approval. Maintain all inspection records on file.
- Use Chart to determine AQL sample size for either approved sampling plans.

AQL	Risk
<b>A 100%</b>	.0009 or Less, 15' or Less ✓ 8 or Less
<b>B 0.1</b>	1st Production Run, One Time Run or Historical Rejection reported in the past 6 months
<b>C 1.0</b>	.001 - .005, 15' - 2" ✓ 9 - ✓ 20 Threads
<b>D 2.5</b>	.006 - .033 3PL 3" - 5" ✓ 21 - ✓ 64
<b>E 4.0</b>	.007 - .040 1-2 PL 6" or Above ✓ 65 or Above



## SECTION B

### Q03A: MATERIAL CERTIFICATIONS

- Actual material certifications are required for all Seller provided material. Seller must provide evidence of product conformity (this may be in the form of inspection, testing, process control records, or certificates supplied with the product). All certifications must be traceable to the original Mill Lot and Heat Number. Data must be acceptable to the applicable specifications.

### Q03B: SPECIAL PROCESSING CERTIFICATIONS

- Processing Certifications are required for all Sellers providing processing. All certifications must indicate that the process has been performed to drawing requirements.
- Parts are subject to rejection without correct documentation.
- All Certifications must show the part number, quantity, process being performed, specification, revision number, and have a legible printed and signed signature/title of *authorized representative* signing the certification.
- Seller shall notify the undersigned prior to shipment if specification has been replaced, superseded, or updated. The notification shall list the specification as shown on the drawing, and then list the replacement specification with the current revision.
- All documentation must be numerically linked to maintain full traceability. A numerical link can be established by referencing the PO number, job number, lot/batch number, work order number, or serial number on all documents provided with each shipment. A part number is not considered a numerical link.

### Q04: INSPECTION RECORDS

- Each shipment shall be accompanied by copies of actual quantitative records of inspection. Include the nature and number of observations and traceable by part number to the material / services being provided by the Seller.

### Q06: U.S GOVERNMENT SOURCE INSPECTION (US GSI)

- Government Source Inspection is required and shall be performed at Seller's facility prior to shipment. As directed by Buyer / "GSI" any in process inspection is also mandated by this clause. A minimum of 48-hours notice to Buyer, prior to inspection, is required when this clause is invoked. Seller shall provide evidence of Government Source Inspection with each shipment.

### Q07: SOURCE INSPECTION.

- Items procured under this PO are subject to source inspection by Buyer at Sellers facility prior to shipment. The Seller shall furnish acceptable facilities and equipment necessary to perform the required inspection at no cost to Buyer. Please advise Buyer within three working days in advance of the subject material being available for source inspection.

### Q08: SPRING DATA

- Actual Inspection data stating load, compressed height and spring rate is required with this order. A.Q.L. sample is acceptable data.

### Q09: NON-DESTRUCTIVE TESTING

All parts requiring nondestructive testing (NDT) shall be processed in accordance with drawing specifications. Personnel performing / interpreting nondestructive testing indications shall be certified / qualified in accordance with all specifications for the test method. All certifications must include the following:

- Part Number and Quantity
- NDT Process
- Specification & Revision
- Name of Certified Personnel (Print) & Signature
- Level of certified Personnel

### Q10: SPECIAL PROCESSES

Special processes performed to fulfill the requirements of this PO shall be defined and controlled in accordance with:

- (A) BELL TEXTRON INC. APPROVED PROCESS SOURCES.
- (B) LOCKHEED MARTIN CORPORATION APPROVED PROCESS SOURCES.
- (C) THE BOEING COMPANY APPROVED PROCESS SOURCES.
- (D) NORTHROP GRUMMAN CORPORATION APPROVED PROCESS SOURCES.
- (E) NATIONAL AEROSPACE AND DEFENSE CONTRACTORS ACCREDITATION PROGRAM (NADCAP) APPROVED PROCESS SOURCES.
- (F) PARKER HANNIFIN CORPORATION APPROVED PROCESS SOURCES.
- (G) OTHERS (AS SPECIFIED)

### Q11: RUBBER AND CONSUMABLES

- Rubber goods supplied under this order shall not exceed Eight (8) quarters *after the cure date* or have less than 80% of the remaining shelf life (whichever is less) at the time of delivery unless approved in writing by the Buyer.
- The manufacturer must supply cure dates and shelf life or expiration dates on all perishable rubber products on the certification and packaging. Sellers of adhesives, rubber, gaskets, packing, hoses, etc., shall mark the parts and exterior shipping containers in accordance with applicable military specifications.
- The date of manufacture and expiration data (Quarter and year/month and year) is required as applicable.



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## Q11: RUBBER AND CONSUMABLES CONTINUED...

- Test data, rubber composition, and relevant physical test results, including batch numbers and date of manufacture and expiration date, must be forwarded to the Buyer upon request.
- Material Safety Data Sheet stating the date of manufacture must accompany the shipment.

## Q12: SPECIALTY METALS

- **252.225-7009 Restriction on Acquisition of certain articles containing specialty metals:** Applies if the work furnished includes specialty metals.
- **DFARS 252.225-7012 PREFERENCE FOR CERTAIN DOMESTIC COMMODITIES**
- **DFARS 252.225-7001 BUY AMERICAN AND BALANCE OF PAYMENTS PROGRAM**
  - “Qualifying country component” and “qualifying country end product” are defined in the clauses at 252.225-7001, Buy American Act and Balance of Payments Program; and 252.225-7036, Buy American Act-Free Trade Agreements-Balance of Payments Program. “Qualifying country end product” is also defined in the clause at 252.225-7021, Trade Agreements.

## Q13: GOVERNMENT RATED CONTRACTS

- This is a rated order certified for national defense use, and you are required to follow all the provisions of the Defense Priorities and Allocations System Regulation (15CFR 700 statement). DPAS rules are standard part of U.S. defense contracting process:
  - DX-rated orders have the highest national defense priority and take precedence over DO and unrated orders based on ship schedules.
  - DO-rated orders are critical to national defense and take priority over unrated orders based on ship schedules.

## Q14: CRITICAL RAW MATERIAL VERIFICATION

- Raw Material identified as a significant operational risk (Critical) by customer, specification, PO, drawing or engineering design must provide a chemical / mechanical analysis test report by a 3<sup>rd</sup> party ISO/IEC 17025 accredited laboratory or Buyer approved test laboratory. All Certifications must be traceable to the original Mill Lot and Heat Number. Data must be acceptable to the applicable specifications.

## Q19: MATERIAL REQUIREMENTS

- All Sellers, including sub-tier Sellers at any level in the supply chain, shall use material that was melted in the United States.

## Q21: FIRST ARTICLE INSPECTION REPORT (FAIR)

- The Seller shall perform a First Article Inspections (FAI) in accordance with the latest AS9102 revision, First Article Inspection Requirement. The purpose of the FAI is to validate processes and equipment used throughout the process and assure conformity to engineering specifications and PO requirements. Each FAI must include a “bubbled” drawing identifying the location of all characteristics referenced on Form 3 of AS9102. For United States-initiated POs, when a first-time FAI is being conducted by a Seller located outside of the United States, the Seller will notify Buyer to assure that proper notification is made to FAI completion. The Seller holding a PO from the Buyer will be responsible for ensuring hardware manufactured internally and/or procured from their Sellers are maintained and in compliance with the Two (2) years lapse in production requirement in accordance with AS9102.

## Q24: APPLICATION OF ACCEPTANCE AUTHORITY MEDIA (AAM)

- Sellers and or sub-tier Sellers shall comply with the AS/EN/JISQ 9100 requirements and 14CFR Part 21.2 regarding the application of the Acceptance Authority Media (AAM) requirements. Sellers and or sub-tier Sellers shall, within their organization and their supply chain, ensure that the use of AAM is clearly defined within their QMS. Sellers and or sub-tier Sellers shall, upon customer request, demonstrate evidence of communication to employees and their supply chain; use of AAM must be considered a personal warranty of compliance and conformity. Sellers and sub-tier Sellers shall maintain compliance with the AAM requirements by assessing their process and supply chain as part of their internal audit activities. The areas of focus of this assessment shall include but is 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.)

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