

Surgi Manufacturing Company, Inc.

Policy

Policy No. 1-43144.wpd

Approvals: QA: Eng. Mgt.

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TERMS AND CONDITIONS

(Current revision of these Terms and Conditions are available at www.surgi.com)

1. Purpose

The purpose of this policy is to convey to Surgi Manufacturing Company, Inc.'s customers the terms and conditions of our selling parts and or services. This document is a requirement of the Contract Review Policy of our Quality Manual.

2. Application

This policy applies to **all** customers of Surgi Manufacturing.

3. Definitions

3.0.1 Buyer

Any company or individual, that purchases or orders any item, including, but not limited to, stamping, raw material, tooling or machine time, from Surgi Manufacturing Company, Inc.

3.0.2 Hard Tooling

Progressive dies or special dies in which an Asset Number or Tool Number has been assigned at time of purchase by Buyer by conveying such information to Surgi Manufacturing Company, Inc. on a purchase order.

3.0.3 Free On Board

Free on Board (F.O.B.) is a term indicating delivery will be made on board or into a carrier by the shipper without charge. If the abbreviation F.O.B. is followed by a shipping point or destination the invoice price includes delivery at seller's expense and seller's risk to the specified location. Title passes from the seller to buyer at the F.O.B. point.

3.0.4 Special Material

Special Material is defined as a material that is of a special, rare, form. Examples of special material could be close tolerance material, shim stock, special width slit material or slit material which is less than 1/2" wide, laminated shim, material which has to be specially slit to width by a third party, or any material which has an abnormally high cost. These examples are not all inclusive and many other materials could fall into this category.

3.0.5 Material Surcharges

Stainless steel suppliers occasionally add surcharges to the price of material which is based on the current price of certain raw elements used in manufacture of the material. These surcharges usually are set at the beginning of each month and don't change till the next month. Although that is the normal case, surcharges could be set each week. It is Surgi Manufacturing's policy to quote surcharges at the time of quote as a basis of figuring price, these are by no means the actual price of the material at time of delivery and Surgi Manufacturing reserves the right to modify the price of the quoted parts to reflect the applicable surcharge on the material.

The above list of definitions is not all inclusive, see other special definitions which appear under specific headings below.

4. Associated Materials

There are no special materials associated with this policy at this time.

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5. Policy

5.1 Effective Date

The effective date of these Terms and Conditions shall be January 1st, 1991 and may be revised or changed without prior notice as business conditions and practices change.

5.2 Credit Terms

Surgi Manufacturing's credit terms are **NET 30 DAYS** from date of invoice. If longer terms are requested by Buyer than all orders currently in process and new orders will be requested to reflect the current terms price requested by the Buyer. If terms are requested in excess of 30 days, prices will reflect a 8% annual rate charge for the amount requested over 30 days.

5.2.1 Past Due Accounts

Accounts which become past due will be put on hold. **NO** work will be performed and **NO** shipments will be made against **any** order until account is current. If a continued abuse of our terms is continued COD will be used. Finance charge of 1.5% a month, or 18% per annum will be assessed on past due accounts. Non payment of past due accounts will result in a lien against parts and all subsequent assemblies or products that our parts are components in.

5.3 Sales Conditions

5.3.1 Purchase Orders

No work will start without a signed purchase order from Buyer. Purchase order must have a number and must spell out completely the requirements of the order, including, by not limited to, part number, current revision, due date, packaging, ship to address, bill to address, price, quantity, or other description of work to be done. All parts will be produced to the information on the purchase order and only written changes will be processed. **NO** verbal changes will be processed.

5.3.2 Split Shipments

Surgi Manufacturing will not split shipments to allow a lower price to the Buyer. However if Buyer requests, split shipments will be accepted on the following provisions.

1. Only 2 shipments will be made.
2. Buyer will not reschedule either shipment to a later date
3. Second shipment must not be more than 2 months from first.
4. Price of second shipment will reflect a storage charge based on amount of time difference from first shipment to second shipment and current payment terms.

5.3.3 Rescheduled Shipments

5.3.3.1 Move In

Rescheduled shipment due dates could incur added expense. If a due date is moved up and parts need to be rushed through an outside vendor then all extra costs will be added to order. A rush charge will be added to the order regardless of outside expenses.

5.3.3.2 Move Out

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If requested delivery dates are moved out and parts are completed and awaiting shipment parts will be billed and then either held for shipment or shipped depending on Buyers request.

5.3.4 Blanket/call and Release Orders

All open quantities on call and release/blanket orders will be shipped in full at the end of the blanket term. If blanket/call and release orders are requested to be canceled then Buyer will purchase all completed parts on hand and pay for any costs for WIP (work in process) and material purchased for canceled parts. Other expenses incurred because of the canceled order will be charged. Maximum delivery time for blanket/call and release orders will be one (1) year from date of original order. Prices for call and release quantities are based on the total quantity ordered, if the total quantities taken are not in the time frame of the quoted delivery or one (1) year from order date ,which ever is less, the balance of the parts will be delivered on that date.

5.3.5 Part Drawings

All purchase orders must be accompanied by a part drawing stating current part revision. If no part drawing exist we will produce a drawing for use in house and you may be subject to an engineering fee for producing said drawing. If job is a repeat order we will work from last drawing. Part drawings must be current, if we have a discrepancy with any item (IE. material, dimensions etc.) we will not proceed on the order until a signed print or letter is received clearing up the discrepancy.

5.3.6 Shipment Dates

Every effort will be made to ship orders by the date promised. Surgi Manufacturing Company, Inc. does not assume any responsibility for damages growing out of or owing to any delay in delivery. Economic conditions out of our control, Acts of God, and War some of the possible reasons for delay in shipping as well as other items out of our direct control.

5.3.7 Quotations

Stenographical and/or clerical errors are subject to correction. Quotations are based on acceptance within date specified on quotation. If quantities ordered are less (or more) than quantities quoted, parts will be re-quoted at the quantities requested. Any change in material, tolerances, plating, finish, design etc. will be subject to re-quote.

5.3.8 Reorders

Prices on re-orders may be adjusted in accordance with economic conditions. If requested change is made after order is processed Buyer will be charged for all expenses incurred because of the change.

5.3.9 Tool Charge / Engineering Charge and Ownership

5.3.9.1 Customer Owned Tooling

Tooling owned by the Buyer whether made by Seller or by a third party shall be sharpened and maintained by Seller. Any broken or worn out components such as, but not limited to, punches, springs, gas cylinders, pressure pads, strippers, die probes, proximity sensors, LED receivers/emitters, bolts, die posts, bushings and any other components which need to be replaced in order to produce parts will be replaced and charged to Buyer at Sellers cost. Time to disassemble and reassemble such worn or broken components will be billed at our hourly shop rate, if time to disassemble or reassemble components is

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outside normal maintenance time parameters. Sharpening tooling as a normal maintenance item, is part of our standard running procedures although special shape form tools or cut off blades may have to be sharpened by outside sources and those charges will be billed to the Buyer.

5.3.9.2 Tooling Service Charge/ Engineering Charge

Tooling may consist of a combination of special and stock items for which the Buyer is charged only for the special portion which becomes the property of the Surgi Manufacturing Company, Inc.. This special portion would not in itself be sufficient to produce parts. Special tooling for stenciling of emblems, designs, etc. will be released to the Buyer upon Buyer's request. All tool or engineering charges, with the exception of "Hard Tooling" is to be considered as special costs for the contract and should be charged off as an expense against the original contract. Surgi Manufacturing Company, Inc. will maintain tools in a usable condition. When parts have been inactive for three or more years, the Surgi Manufacturing Company, Inc. may contact the Buyer regarding permission to destroy the tools. When the Buyer wishes tools retained for a longer period, Buyer must reply accordingly. Surgi Manufacturing Company, Inc. may make a storage charge for tools inactive for a lengthy period.

5.3.9.3 "Hard" Production Dies/tooling

If hard tooling is produced either by us or for us to run your parts and we charge you for a die, then the ownership of that tool is yours. Surgi Manufacturing Company, Inc. will maintain tools in a usable condition, which means routine sharpening and maintenance. However, any tooling which eventually fails to produce quality parts because of normal wear and tear will be repaired or replaced at the Buyers expense. Surgi Manufacturing Company, Inc. will notify Buyer and will receive approval in advance of any chargeable repairs or replacement of tooling. You can have that tool shipped to you at your written request. However if monies are owed for the tooling or any parts on any order then the tooling will be held until such time all charges are settled for. If "Hard Tooling" is produced then it will state such notice on the quotation. All "Hard Tooling" paid for by Buyer remains in the possession of the Surgi Manufacturing Company, Inc. to be used only for additional orders from the original Buyer or for those whom Buyer may designate in writing.

5.3.9.4 Gauges

Any special gauges used to check Buyers parts are property of Surgi Manufacturing Company, Inc. unless an Asset Number has been assigned by Buyer and Buyer is charged for such gauge. Those special gauges fall under the category of Hard Tooling.

5.3.10 Proprietary Information

The manufacturing processes including, but not limited to, machining, gauging, raw material form, quality control records, work orders/travelers, software, or programs, type of machine used, or method of part setup, Surgi Manufacturing Company, Inc. uses to manufacture any or all parts for Buyer are proprietary to Surgi Manufacturing Company, Inc. and will not be released to anyone.

5.3.11 Insurance

Tooling or engineering service data, and Buyer's furnished materials and gages are not insured by Surgi Manufacturing Company, Inc. unless specifically authorized by Buyer on Buyer's order, and then, at the Buyer's expense. Surgi Manufacturing Company, Inc. assumes no responsibility for insuring shipments of parts unless specifically requested by Buyer and then at Buyer's expense.

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5.3.12 Taxes

The Buyer shall indemnify and hold Surgi Manufacturing Company, Inc. harmless from any taxes imposed by Federal, State, or local authorities on the manufacture, use, sale or re-sale of articles covered by Buyer's orders.

5.3.13 Claims

Buyer must submit all claims within 30 days. If such claim is sustained to the satisfaction of both parties, the Surgi Manufacturing Company, Inc. shall repair, replace or complete the order within the allowable over-runs or under-runs (see heading-"Quantity variations"). Surgi Manufacturing Company, Inc. assumes no liability for work or damage to Surgi Manufacturing Company, Inc.'s parts resulting from operations performed by Buyer or Buyer's agent. Under no circumstances will the Surgi Manufacturing Company, Inc. be liable for damages or any claims for expenses involved in use of Surgi Manufacturing Company, Inc.'s products. Freight and credit for returned goods will not be allowed by the Surgi Manufacturing Company, Inc. without previous authorization.

5.3.14 Cancellation

Orders may be canceled or deliveries deferred only when the Buyer assumes immediate liability and pays charges involved, which take into account expenses already incurred, commitments made by Surgi Manufacturing Company, Inc., profit on work in process, raw material and contract value of parts completed and ready for shipment. Charges for work completed are permissible if part is improperly designed by Buyer so that fabrication is impossible. (For Call & Release/Blanket Orders other terms apply see Call & Release/Blanket Orders)

5.3.15 Quantity Variations

Surgi Manufacturing is a LEAN MANUFACTURER and expects that system to be utilized throughout the supplier chain. ~~Buyer will accept over-runs or under-runs not exceeding 10% of quantities specified except that on quantities under 250 pieces the over-run may be up to 25 pieces. Any other variation in quantities must be mutually agreed upon.~~

5.3.16 Parts Inspection

Inspection by Surgi Manufacturing Company, Inc. will be made in accordance with Surgi Manufacturing Company, Inc.'s standard practice. If tagging, labeling or inspection sheet is required by Buyer, special arrangements must be made and an additional charge may be made to Buyer.

5.3.17 Freight/transportation

All purchase orders are accepted as F.O.B. Carl Junction, MO. Surgi Manufacturing Company, Inc. will use own discretion in selecting method of transportation and choice of carrier in absence of shipping instructions.

United Parcel Service classifies the extra charge for Next Day Air Saturday Delivery (NDA-Sat) as a service charge instead of freight and therefore charges the shipper the extra charge regardless of who pays the freight. Therefore the policy of Surgi Manufacturing Company, Inc. is to either not ship NDA-Sat or to require a signed purchase order amendment stating that the Buyer will pay the extra charges.

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Surgi Manufacturing's policy for insurance with the freight company is that we will NOT provide insurance unless the Buyer requests such action in writing at the time of purchase or shipment.

5.3.18 Packaging

Parts will be packed in bulk in Surgi Manufacturing Company, Inc.'s choice of containers. Crating, wrapping, special packaging, etc. to avoid scratches, pits or other marks or for water-proofing, rust preventive, etc. may involve additional charges where special handling and treatment is requested.

5.3.19 Secondary Operations

Surgi Manufacturing Company, Inc. may or may not quote on machining, grinding, drilling, reaming tapping, countersinking, counterboring, plating, painting, heat treating, buffing, welding, assembly etc. These operations are usually quoted separately.

Reamed holes or bearing surface holes will be punched undersize. Punched holes have a taper and dimensions will be held on the punch side.

Burrs will be kept to a minimum consistent with efficient production. The cost of removing burrs varies widely depending on the part and can become a costly operation. Some parts can be hand de-burred only. Do not specify burr removal unless it is essential.

5.3.20 Production Samples

Where a pre-production sample is requested, there will be an additional setup charge. Cost of revision of part after submission of samples is at Buyer's expense.

Finishing operations which do not affect inspection of the part will be omitted unless otherwise requested by Buyer.

5.3.21 Material Furnished by Buyer

Orders accepted subject to delivery of materials with dimensions as specified by the Surgi Manufacturing Company, Inc., F.O.B. Surgi Manufacturing Company, Inc.'s plant. If material is received in sheets there may be a shearing charge. Surgi Manufacturing Company, Inc. may charge a handling charge. As Buyer furnished material leaves no monetary margin for error, Surgi Manufacturing Company, Inc. cannot assume liability for damage or rejection but greatest care will be exercised in handling Buyer's material. Scrap left over of the stamping operation will be the property of the Surgi Manufacturing Company, Inc. unless otherwise agreed upon in advance.

5.3.22 Certification of Material

Materials will be certified upon request of Buyer at time of placing order. Surgi Manufacturing Company, Inc. will certify per Surgi Manufacturing Company, Inc.'s usual form without extra charge to Buyer. When notarizations, chemical and/or physical analysis are required using outside professional services, an additional charge may be made to Buyer. If certifications from outside subcontractors are required and the outside contractor charges a fee for the certifications a charge will be made to the Buyer for that fee.

5.3.23 Special Material

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In the event it is necessary to purchase a minimum amount of special material as determined by our supplier to make your parts, you will be required to purchase any material not used or any parts made from this material. This material may be held by us at your discretion for future orders of your part. You will be advised of this situation at the time we quote your parts.

5.3.24 Tolerance

Dimensional tolerances shown on Buyer's print will be maintained unless otherwise specified by Buyer in writing. When working to a sample instead of a blueprint, Surgi Manufacturing Company, Inc. is not responsible for close tolerances unless they are given in writing at the time of quotation.

5.3.25 Patents

It is agreed that the Buyer will defend and save harmless the Surgi Manufacturing Company, Inc. from any and all expense involved in any claims for damages from infringements of letters patent by the use or sale of parts made by the Surgi Manufacturing Company, Inc., either as such, or as parts or units of complete entities. Surgi Manufacturing Company, Inc. does not assume responsibility for parts made for use on equipment violating licenses.

5.3.26 Transfer of Title

Title of material is transferred at the moment the freight company picks up said material at our plant. If any or all material is lost by the freight company Buyer is still required to pay for material in full to Surgi Manufacturing Company. Any claims for the lost material must be submitted to freight company by Buyer.

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