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Vendor Terms and Conditions

1.0 Certification of Conformance, Documents, and Reports

The supplier is required to provide documented certification(s) that the material supplied against this order meets all applicable and most recent drawings, specifications, test, and purchase order requirements. Repeated failure to provide this documentation to coincide with material arrival is subject to a CAR (see Section 12.0). If material has been reworked or replacement material has been sent to rectify the previous delivery of non-conforming material, a new certificate of conformance must be supplied with the replacement material.

- 1.1 If the supplier is not the OEM, certifications from the manufacturer, including
 - a. date/lot codes and a copy of the
 - b. C of C referencing the purchase order on which the parts were supplied, must be provided in the shipment to Torotel,
 - c. including each subsequent purchase/ change of hands of the material.
- 1.2 The C of C shall list all material descriptions and requirements as listed on the Torotel purchase order, including (where applicable)
 - a. material grade,
 - b. military/industry specifications met (most recent revision if none is specified),
 - c. print owner part number and revision level,
 - d. color/ size requirements, etc.(see Section 9.0 for additional requirements).
- 1.3 Any shipments made against a print owned by Torotel or owned by Torotel's customer shall include C of C on all raw materials or components, with unbroken C of C traceability back to the mill for metallic raw material.

2.0 Change in Approved Processes

Supplier is prohibited from making changes to any drawing, process, tooling, material, or procedure originally subject to Torotel Products' approval without express written consent from Torotel. Supplier will be required to resubmit samples along with a First Article Inspection Report (FAIR) report if manufacturing of the item is discontinued for 12 months (see Section Q9.0 for further information on the FAIR requirements.) Supplier shall notify Torotel in writing in advance of any changes in ownership or top management personnel.

Additionally:

- (i) Work shall not be moved from the original location of manufacture to another location of manufacture, within a production facility, or to any other production facility.
- (ii) When FAIR is a requirement, work shall not be moved from the original location where the work was produced at the time of FAI acceptance.

3.0 Discontinuation or Obsolescence

Supplier is required to provide written notification to Torotel at least 12 months prior to discontinuation or obsolescence of material.

4.0 Flow Down to Supply Chain

Supplier is required to ensure its subcontractors or sub-tier suppliers adhere to any contractual, regulatory, statutory, or material flow down requirements as may be communicated to Supplier by purchase order, specification, or other written notification from Torotel. Examples may be (but are not limited to) DFARS, ITAR, EAR, DPAS ratings, or other regulatory and/ or statutory requirements, test reports, special processes, and so forth.

5.0 Counterfeit Parts

Supplier shall implement and maintain a Counterfeit Item risk mitigation process internally and with sub-tier suppliers in accordance with the latest revision of AS5553 and AS6174 as applicable. Authorized distributors shall comply with AS6081. Supplier is contractually required to deliver products to Torotel that are:

- (i) Not used;
- (ii) Obtained either from OEMs or authorized OEM resellers or distributors;
- (iii) Not Counterfeit Items; and
- (iv) Authentically marked with OEM labels and other markings.

Any items identified by Supplier as counterfeit must be removed from shipments to Torotel. At any time if Torotel has reasonable cause to believe Supplier has provided counterfeit material, whether material remains in Torotel inventory, WIP, or

in the form of finished goods, Supplier will be responsible for all costs deemed necessary and reasonable to investigate and replace counterfeit materials. These costs include, but may not be limited to, travel expense, legal expenses, shipping costs, fines or penalties, labor, replacement materials, administrative expenses, and the like.

6.0 Supplier's Responsibility and Final Acceptance

Neither surveillance, source inspection, nor tests performed by Torotel or its customer, at the supplier's facility, shall necessarily constitute final approval or acceptance of the items on this order. All items are subject to final inspection, tests, etc. at Torotel, notwithstanding prior payments or inspections, final acceptance shall be determined by Torotel's Receiving Inspection.

Any physical inspections, dimensional verification, or other examination of material and any calibration of tools and/or equipment shall be performed by a designated, trained inspector. Annual vision exams (Snellen 20/30 or equivalent) and a color perception test (one time) shall be required for inspectors with records of the exam results kept on file for ten years. Corrective lenses shall be worn during inspection activities as prescribed by a licensed medical professional as a result of the annual exam.

7.0 Non-conformances

Supplier does not have authority (via their Material Review Board, Standard Repair Procedures, or other means) to repair, "use as is" or ship to Torotel any item which fails to conform to all drawing, specification and/or purchase order requirements. Supplier deviation requests must be approved by Torotel in writing. Any repair or "use as is" disposition applies only to the requested action. Any recurrence requires resubmittal of a new Supplier Deviation Request. Suppliers that delivery more than 100 purchasing units (pcs, ea, kits, etc.) per shipment must exhibit a calculated defect rate of less than 500 ppm. Defect rates that exceed these limits will require a Correction Action Report (CAR) for the first occurrence. A second occurrence may result in Supplier losing preferred status. Additionally, supplier is required to notify Torotel of any nonconforming product, if discovered after product has shipped from supplier's facility within 24 hours. Torotel will determine final disposition of nonconforming material.

8.0 Delivery

Supplier shall deliver goods to Torotel's dock no sooner than 5 days prior to the contractual dock date (indicated as the line item or release due date in the Torotel purchase order), and no later than zero days after. Torotel reserves the right to either delay payment by the number of days shipment arrives ahead of the allowable delivery window or other method. Supplier may not utilize another shipping method or carrier other than that designated on the purchase order without advance written consent from Torotel.

9.0 Preservation, Packaging, and Identification

When the Torotel drawing, specification, or purchase order lacks preservation, packaging and shipping instructions, Supplier is responsible for maintaining adequate control of packaging to ensure the quality of the products is maintained and that damage, deterioration, substitution, and loss in transit are prevented. FOD shall not be introduced to material during packaging and shipping activities (see section 11.0), including the use of Styrofoam peanuts or any other material or method that may deteriorate in transit or otherwise cause FOD. Damaged goods received at Torotel shall be rejected as the supplier's responsibility. Supplier is to mark the smallest packaging unit with supplier's name, address, cage code (if available), Torotel's purchase order and part number for ease of identification. Shipments consisting of multiple containers shall have each container identified (e.g., 1 of 3, 2 of 3, 3 of 3, etc.). All shipping documents, certifications, test records, packing slips, etc. shall be placed in box #1 or an attached envelope. Packing slips, Certificates of Compliance and all other shipping documents shall reference the Torotel part number and Purchase Order number. All shipments require a Certificate of Conformance to be included in the package.

10.0 Access to Supplier's Facility

Torotel reserves the right of access (at any reasonable time) to any location, and applicable records, where work is performed under this purchase order, including sub-tier suppliers and/or special processors and such right shall be extended to Torotel's customer and/or cognizant government representatives. Any records requested by Torotel or Torotel's customer and/or cognizant government representatives shall be made available within 48 hours, or 2 business days, of the request for access.

11.0 Foreign Object Damage

Supplier shall develop and maintain a foreign object debris/damage (FOD) prevention program for manufacturing areas. The introduction of FOD into any item delivered may result in a non-conformance. Multiple occurrences will result in the issuance of a Corrective Action Request (see Section 19.0).

12.0 Corrective Action Request

Supplier agrees to provide a formal response to any corrective action request (CAR) within the timeframe indicated on the CAR. If additional time is needed to close a CAR, Supplier is required to notify Torotel as soon as possible. Failure to provide a formal response to a CAR within the established due date will adversely affect Supplier's approval status for future procurements.

13.0 Shelf Life of Material

Supplier shall deliver materials with maximum remaining shelf life available. Any material to be delivered with less than 75% of its shelf life by the dock date must be submitted for written approval by Torotel. Any material that is delivered that has not met this requirement is subject to be rejected upon Receiving Inspection to be returned to the Supplier and replaced with conforming material. All material with a finite shelf life shall be delivered with documentation of the date of manufacture and shelf life on both the packing slip and on the smallest container size.

14.0 Supplier Evaluation

Suppliers deemed high-risk for more than one month based on quality and on-time delivery performance may be subject to CAR requirements and/or site audits by Torotel personnel, at Torotel's discretion. Failure to implement processes to improve supplier performance, or continued performance placing the Supplier in the high-risk category may result in the removal of the supplier from Torotel's Approved Supplier list and/or change in approval status or scope.

15.0 Purchase Order Acknowledgement

The issuance of this purchase order to Seller constitutes an offer expressly limited to the terms contained herein. Supplier's acceptance is expressly made conditional on assent to the terms hereof. Any addition, change, or deletion in these terms by Seller in Seller's acknowledgment form or otherwise communicated to Buyer shall be deemed a material alteration and is expressly objected to and rejected by Buyer. Unless acceptance of this offer is made within two (2) days of issue, Buyer reserves the right to revoke this offer and/or reject any acceptance by Seller of the offer to purchase contained in this purchase order.

16.0 Shipment Quantities

The quantity listed on the purchase order for each line and release shall be strictly adhered to. In the case where the Supplier's yield is greater than or less than the quantity listed on the purchase order, the Supplier may apply to ship the overage or underage, but the discrepancy must be approved in writing by Torotel prior to shipping, or the shipment may be considered non-conforming upon receipt and subject to Non-conformance procedures (Section 7.0.) Magnet wire purchased by the spool and priced by the pound is exempt from this requirement.

17.0 Record Retention

Records of materials, processing, and tests must be maintained for ten (10) years minimum. Retention requirement includes training documentation, vendor C of C, certifications and test reports provided to Torotel, audit records, and any supporting documentation relating to the production, inspection, storage, and transit of material to Torotel.

18.0 Access to Registration Data

The supplier is responsible to provide Torotel with notification of any changes in the certification / registration / accreditation or major audit findings within (2) business days of receiving notification of the change or finding. Examples of changes in registration include new certification, suspension, or expiration. This applies to AS9100, ISO9000, and NADCAP accreditation.

19.0 Quality Management Systems Tracking

Suppliers shall permit Torotel access to all data in OASIS and NADCAP databases including registration documentation, certification, audit reports, findings, corrective actions, etc. Torotel reserves the right to input significant and/or frequent escape data and major audit findings regarding suppliers into the relevant OASIS data base records for those Suppliers.

20.0 Systems Securities

Suppliers and their sub-tier suppliers shall comply with Defense Federal Acquisition Regulation Supplement (DFARS) 252, 204-7012 in regard to the storage, communication, and transmitting of sensitive data, including, but not limited to, technical data, contract numbers, part numbers, parts lists, supplier lists, and performance data. Any suspected incidents shall immediately be reported to both the Government and Torotel Products to be communicated with the prime contractor.

21.0 Special Processes and Approved Sources

Special processes will be defined in the Torotel specification, purchase order, or other control document provided to the Supplier. Special processes must be performed exclusively by Torotel-approved sources. Supplier must contact Torotel Quality Manager or Purchasing Manager for list of approved sources. If a sub-tier supplier is utilized to perform a special process, in order to maintain traceability, the Supplier is required to send with each shipment a Certificate of Compliance from the sub-tier supplier which references the Torotel part number and purchase order. Additionally, Torotel may require the Supplier purchase raw material and/or subcomponents from approved sources. Supplier must contact Torotel at the issuance of a new purchase order for the current list of approved sub-tier suppliers and distributors.

- (i) Soldering – The applicable requirements of ANSI/J-STD-001, Class 3 (latest revision) are required, except for the procurement of off-the-shelf (catalog) items.
- (ii) Plating/ Coating, Painting, Etching, and Passivation – Must be performed by NADCAP certified facility when specific suppliers are not specified. NADCAP certification must be listed on the Certificate of Compliance, as well as the expiration date for the certification.

22.0 Single Lot/Date Code

Each scheduled delivery shall consist of parts with one lot/date code produced by the Supplier. Torotel must pre-approve in writing and Supplier requested deviation from this requirement. Supplier shall mark the smallest packaging unit with the date of manufacture, as well as an identifying lot code. The lot code shall be referenced on the packing slip and Certificate of Compliance as well.

23.0 Supplier Quality Control System

The Supplier is required to maintain a quality control program which assures that all supplies, processes, and services furnished to Torotel conform to contractual requirements. Torotel's preference is that a supplier of material has a QMS that conforms to the most recent revision of AS 9100 (AS9120 for distributors). In some cases, a QMS compliant to ISO 9001 or Nadcap will be acceptable. A supplier not having a QMS that is compliant to AS 9100 or ISO 9001 shall be placed on restricted status pending an evaluation of the quality system currently in place. Suppliers of special processes are required to be NADCAP accredited.

The Supplier is required to perform, or require sub-tier suppliers to perform, all inspections and tests necessary to substantiate product conformance to all drawings, specifications, and P.O. requirements. All inspections and tests are to be performed in accordance to the most recent document or specification. Supplier's quality program shall be documented and available for review by Torotel throughout the life of the P.O. The Supplier is responsible for ensuring that sub-tier suppliers maintain quality records for a period of 11 years. Contact the Director of Purchasing or Quality at Torotel to request guidelines on this provision.

Supplier shall require lower-tier suppliers to comply with quality assurance requirements comparable to those contained in this these terms and conditions and on any Purchase Order. Supplier shall assume responsibility for the quality of all procured material and workmanship. Supplier shall include this clause in its subcontracts with lower-tier suppliers and require lower-tier suppliers to flow down this clause to their lower-tier suppliers.

24.0 Statistical Process Control

When required on the purchase order, the Supplier shall utilize statistical process control (SPC) techniques as a preferred methodology to ensure production quality and conformity. SPC shall be used to measure, analyze, and eliminate sources of variation detrimental to product quality. SPC shall be administered by the Supplier in the areas of highest potential benefit. Supplier shall prepare an SPC program which will be utilized during the production of items ordered by Torotel. Supplier shall submit to Torotel for approval prior to implementation.

25.0 Acceptance Test Procedures

The Supplier shall prepare separate test procedures for work-in-process (WIP) and final acceptance. Any item which requires acceptance testing shall be covered by and Acceptance Test Plan (ATP). WIP and final ATP's must be approved by Torotel prior to the delivery of the first units. Subsequent changes are subject to approval by Torotel prior to incorporation.

26.0 Test Reports

As required by the purchase order, functional test reports shall be presented to Torotel for review and approval. The report should contain the Torotel purchase order number, Supplier's name and address, part number, part name, serial number, any in-process or final tests conducted, actual results of tests, and approval signature of the Supplier's authorized representative. Test reports are to be retained by Supplier for a period of ten (10) years from the date of final payment, unless specified otherwise in the purchase order.

27.0 Corrective Action Board

The Supplier is required to conduct Corrective Action Board meetings as needed to identify actions to remedy non-conformances and methods of evaluating the effectiveness of corrective action plans. Objective evidence of this process is to be documented and available for review by Torotel.

28.0 ESD Policy

All material shipped to Torotel is to be packaged in containers that will prevent damage during the shipping and receiving process. To prevent damage related to electro-static discharge (ESD), ESD- sensitive parts must be packaged using antistatic materials or in an approved static shielding bag that is clearly marked as such; and, it is preferred that non-ESD sensitive parts be packaged using antistatic materials. Electronic component and hardware packaging should be sealed or closed in such a way to preserve the integrity of ESD-sensitive material.

29.0 First Article Requirements

When specified on the purchase order, the Supplier shall be required to submit a First Article Inspection Report (FAIR) that meets AS9102 standards. The FAIR and accompanying documentation (including, but not limited to: sub-tier supplier certifications, test data, special process certifications, raw material origin records) shall be submitted with the first delivered samples or material.

Statement of Policy and Program of Affirmative Action - Equal Employment Program

Torotel firmly rejects any employer practices which violate Equal Employment Standards. Torotel's policy is to insure the promotion of equal opportunity for all persons employed or seeking employment, without regard to race, color, creed, national origin, sex, age or handicap. It shall be the policy of all Suppliers to provide equal opportunity to all applicants for employment and to administer all personnel practices such as recruitment, selection, training, promotions, terminations, transfers, layoffs, compensation, benefits and other terms, conditions and privileges of employment in a manner which does not discriminate on the basis of race, color, creed, age, sex, national origin or handicap. It is the policy of Torotel that Suppliers ensure:

1. No practice, activity, policy or decision which discriminates against an individual or group on the basis of race, color, age, nationality, creed, sex or handicap shall be allowed to stand.
2. Affirmative action will be taken to identify the areas where minorities and women are underutilized, and a vigorous effort will be made to correct employment imbalances. All decisions in regard to recruitment, hiring, promotion, training, compensation and terminations will be made in a manner in which they will further the principles of equal employment opportunity and the achievement of the established affirmative action goals.
3. These policies shall be applied to all aspects of recruiting, hiring, training, compensation, benefits, upgrading, promotion, retention, transfer, and working conditions of all employees.
4. Goals will be established in all categories of employment to achieve minority employment balance that reflects the availability of minorities in the labor market. Supervisory and management personnel will be evaluated on their compliance with this program and their ability to achieve the established goals. The purpose of Torotel's commitment to such goals as to minority employment balance is to meet its affirmative action obligations under the equal opportunity clause of its grant contract with the Federal Transit Administration. This commitment is not intended and shall not be used to discriminate against any qualified applicant or employee.
5. Race, color, creed, nationality, age, sex or handicap shall not be criteria on how transit service is provided to the public. Service shall be provided in a non-discriminatory manner.
6. Management will evaluate and monitor the Equal Employment Opportunity Program and adhere to the administration of the policy and program. Supplier's program shall be action oriented and will be reevaluated and revised when necessary.

Conflict Minerals Policy Statement

Torotel supports ending the violence and human rights violations in the mining of certain minerals from a location described as the "Conflict Region", which is situated in the eastern portion of the Democratic Republic of the Congo (DRC) and surrounding countries. As a result, the U.S. Securities and Exchange Commission ("SEC") adopted final rules to implement reporting and disclosure requirements related to "conflict minerals," as directed by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The rules require manufacturers who file certain reports with the SEC to disclose whether the products they manufacture or contract to manufacture contain "conflict minerals" that are "necessary to the functionality or production" of those products.

The definition of "conflict minerals" refers to gold, as well as tin, tantalum, and tungsten, the derivatives of cassiterite, columbite-tantalite, and wolframite, regardless of where they are sourced, processed or sold. The U.S. Secretary of State may designate other minerals in the future. Torotel supports these requirements to further the humanitarian goal of ending violent conflict in the Democratic Republic of the Congo (DRC) and in surrounding countries, which has been partially financed by the exploitation and trade of "conflict minerals".

OUR COMMITMENT:

1. Support the aims and objectives of the U.S. legislation on the supply of "conflict minerals".
2. Do not knowingly procure specified metals that originate from facilities in the "Conflict Region" that are not certified as "conflict free".
3. Ensure compliance with these requirements, and ask our suppliers to undertake reasonable due diligence with their supply chains to assure that specified metals are being sourced only from:
 - Mines and smelters outside the "Conflict Region"; or
 - Mines and smelters which have been certified by an independent third party as "conflict free" if sourced within the "Conflict Region".

This due diligence includes having suppliers provide written evidence documenting that raw materials used to produce gold, tin, tantalum and tungsten, used in the materials to manufacture products supplied to Torotel, originate from outside the "Conflict Region" or if they originate from within the "Conflict Region", that the mines or smelters be certified as "conflict free" by an independent third party. The aim is to ensure that only "conflict free" materials are used in products that we procure.

If Torotel discovers the use of these minerals produced in facilities that are considered to be "non-conflict free", in any material or parts we procure, we will take appropriate actions to transition product to be "conflict free".

Statement of Principles and Standards

Torotel Products is committed to maintaining its role as a positive contributing member in a global society. To assist in this goal, suppliers and sub-tier suppliers are required to:

- Eliminate all illegal or forced labor.
- Comply with all local labor laws in regard to paid wage, working hours, and working conditions.
- Adherence to all laws and regulations regarding bribery, extortion, and corruption.
- Be cognizant and reasonably avoid any conflicts of interest, perceived or actual.
- Engage in earth-friendly "green" practices whenever possible, including waste minimization, emission reduction, recycling, and others.
- Be proactive regarding employees' good health, improving on-the-job safety, minimization of workplace risk, in addition to overall health outside the workplace.
- Periodically evaluate products made for opportunities to eliminate materials or procedures that are hazardous to the environment, health, and safety.
- Ensure that employees are aware of their contribution to product/service conformity and product safety, and the importance of ethical behavior.

Statement to Prevent Transactions with Denied Persons/Debarred Parties/SDN:

To ensure compliance of U.S. export laws, Torotel does not conduct any business transaction with the "Denied Persons List" published by the U.S. Department of Commerce, the "Denied Parties List" published by the Department of State and the "Specially Designated Nationals List" published by the Department of Treasury, Foreign Assets Control. Torotel expects all suppliers and subcontractors to comply with these laws as well.

Supplier agrees to include this requirement in lower-tier Purchase Orders and/or subcontracts. (You may view the U.S. Government web sites for each of the Agencies noted above to access their lists).

Date	Change Description	Initials							Q A
		Human Resources	Production Support	General Manager	Engineering	Manufacturing	Sales	Materials	
12/12/11	Update per customer flow-down requirements, issue	X	X	HJS	X	X	X	X	SDS
7/8/13	Added provisions for shelf life, supplier evaluation, ESD, lot codes, first articles, and acknowledgements; clarified other sections	X	X		X	X	X	X	
10/16/13	Added "and applicable records" to Section 10.0 Access to Suppliers' Facility	X	X		X	X	X	X	
10/16/13	Added Conflict Minerals Policy Statement	X	X		X	X	X	X	
3/3/14	Added Section 16.0 Shipment Quantities	X	X	HJS	X	X	x	LGC	
9/30/14	Broke paperwork/records requirements into 1.0 and 17.0, added 18.0 registration data access and 19.0 systems tracking. Added Statement of Principals and Standards.	X	X	HJS	X	X	X	LGC	TLR
11-11-15	Added System Securities section, expanded approved processors/suppliers info, moved addendum sections to main list	X	X	HJS	X	X	X	LGC	X
3-31-16	Added OEM requirement in 1.0	X	X	HJS	X	X	X	LGC	X
1-9-17	Added additional verbiage in 2.0 & 5.0, added vision testing requirement in 6.0, added denied persons/ debarred parties statement	x	x	HJS	x	x	x	LGC	x
2-8-17	Add flow-downs from customer in sect. 10.0 and 21.0 (access to facilities/records & etching requirements)	x	x	HJS	x	x	x	LGC	x
6-9-17	Added NADCAP requirements on paperwork in sect. 21; updated address	x	x	HJS	x	x	x	LGC	x
11-10-17	Added sections 1.2 and 1.3 on documentation	X	X	HJS	x	x	x	LGC	x
4-11-18	Revised Sections 1.2.b and 23	x	x	HJS	x	x	x	LGC	x