



Columbia Gear Corporation

A SUBSIDIARY OF INDUSTRIAL MANUFACTURING COMPANY

Supplier Quality Manual

May 2021

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Columbia Gear Corporation

A SUBSIDIARY OF INDUSTRIAL MANUFACTURING COMPANY

November 21, 2019

To All Suppliers:

Columbia Gear Corporation recognizes its responsibilities as a manufacturer to fully comply with all contractual provisions and governing regulatory specification requirements. Columbia Gear Corporation has developed a comprehensive quality system, which establishes controls throughout the entire manufacturing cycle from proposals and bids to end-item delivery. It also assures meeting quality objectives and minimizes the possibility of compromises that could affect product quality and reliability. The Quality System is complete and consistent with applicable codes, standards, safety requirements, and specifications including all requirements of the ISO/IATF16949 Standards and Requirements.

Customers have expanded their vision in seeking new suppliers; being relatively near the customer, even in the same country is no longer a major concern when additional business is placed with an existing or new supplier. Columbia Gear acknowledges that customers have continued to increase their expectations of quality, cost and performance from the products they purchase. With the help of our valued suppliers, we feel confident that we will be able to meet and exceed their expectations. The Company realizes that we have not always provided clear and uniformed information of the expectations and requirements for our suppliers to understand how to meet our needs; therefore, this Supplier Quality Manual has been developed to help our suppliers understand our expectations.

Columbia Gear Corporation is committed to continuously improving its products and production processes to better satisfy the needs and expectations of its customers and deliver on time, defect-free products and services. Columbia Gear recognizes the need for suppliers who embrace our philosophy of high quality parts that are delivered on time at competitive prices. We understand the importance that our suppliers have in our continued success and ask that you recognize the needs for complying with the requirements of this manual.

Sincerely,

Douglas Peterson
Purchasing Manager

ISO/IATF-16949 Buyer and Supplier Requirements

Excerpts from ISO/IATF16949 Requirements

and

Columbia Gear's Purchasing and Supplier Quality Documentation

Purchasing

Purchasing Process

Columbia Gear will ensure that purchased product and services conform to specified purchase requirements. The type and extent of control applied to the supplier/sub-contractor and the purchased product/service will be dependent upon the effect of the purchased product or service on subsequent product realization or the final product.

The Company will evaluate and select suppliers and/or sub-contractors based on their ability to supply products/services in accordance with the Columbia Gear's requirements. A criterion for selection, evaluation, and re-evaluation has been established. Records of the evaluations results and any necessary actions arising from the evaluations are maintained.

Regulatory Conformity

Columbia Gear will only purchase material and services that conform to applicable regulatory requirements.

Supplier Quality Management System Development

Columbia Gear will assist any supplier/sub-contractor pursuing conformity to ISO/IATF16949 or Registration. Suppliers processes for Columbia Gear automotive customers will be IATF 16949 compliant unless waived by the customer. Company resources are limited; therefore, support will be prioritized based upon supplier's/sub-contractor's need and the requirements of Columbia Gear.

Customer-Approved Sources

Where specified by contract with Columbia Gear's customers, the Company will purchase products; materials and/or services from the approved sources. Unless a customer contract implies differently, all requirements of IATF 16949, Section 8.4 will be applied. If stated sources fail to continually meet the purchasing requirements of Columbia Gear, the product, material and/or service is subject to re-sourcing.

Purchasing Information

The Company will provide appropriate purchasing information, which, depending upon the product or service being purchased, may include:

- Requirements for approval of product, procedures, processes and equipment,
- Requirements for qualification of personnel (where applicable and appropriate),
- Quality Management System Requirements.

It is the Supplier or Sub-Contractor's responsibility to identify and notify Columbia Gear if the Company does not provide complete information required for them to manufacture or produce the products or provide services to Columbia Gear's requirements.

The Supplier or Sub-Contractor acknowledges acceptance of providing Columbia Gear with the product or service to requirements upon acceptance of our Purchase Order.

Verification of Purchased Product

Purchasing and Quality Assurance shall describe the required product verification for all suppliers based upon the requirements for the product or service and the supplier's/sub-contractor's capability, history, and supplier on-site survey.

The only time the Company shall sub-contract inspection activities is for requirements that Columbia Gear is not capable of performing. These inspection activities shall be in accordance with customer and company requirements.

If the Company is not capable of performing verification and cannot locate a third party that is capable of performing the verification, Columbia Gear is responsible for obtaining agreement from the customer on another method of verification.

Columbia Gear Corporation and its customers retain the right to verify that the product conforms to specified requirements at the Supplier/Sub-contractor's premises. That such verification is not evidence of effective control of quality and should not be perceived as such by the Supplier/Sub-contractor. That customer verification does not absolve the Supplier/Sub-contractor of the responsibility to provide acceptable product, nor does it preclude subsequent rejection by the customer.

Incoming Product Quality

Columbia Gear will utilize one, or a combination, of the following methods to assure the quality of purchased products:

- Receipt and evaluation of requested statistical or documented information provided by the supplier,
- Receiving inspection and/or testing of samples,
- Supplier history on quality and delivery, or third part assessment (normally this is used only when required by the customer), on-site audits,
- Part evaluation by a laboratory,
- Another method agreed upon with the customer.

Supplier/Sub-Contractor Monitoring

Columbia Gear has established a Supplier Quality Monitor and Rating System that will be monitored through the use of the following indicators:

- Scrap PPM
- On-time delivery to Columbia Gear request date and supplier promise date.

Columbia Gear purchasing personnel may also provide the supplier with evidence of:

- Disruptions to our production schedule and to our customers, this includes returns from the field caused by the supplier,

- Delivery schedule performance (including the incidents of using premium freight). Columbia Gear recognizes its responsibility in providing our supplier with a schedule that allows them to meet the standard of 100% on-time delivery,
- Supplier communications, how well the supplier keeps the Company notified of the status that may affect quality or delivery.

Supplier/Sub-Contractor Selection/Approval

Columbia Gear will utilize an “Approved Supplier/Sub-Contractors List” to identify the supplier of products or services for the Company. If a supplier or sub-contractor cannot be identified from the “Approved Supplier/Sub-Contractors List” for a required product or service, Quality Assurance, Maintenance, Manufacturing Engineering or Purchasing may request or suggest the use of a potential supplier or sub-contractor.

When the Company receives the order that includes the quotation for material or services, the supplier(s) is evaluated and selected based on their ability to meet requirements, which include the following criteria:

- Certification to ISO/IATF16949 standards latest version. The standard should be appropriate to the product and business. If no certification exists, the Buyer ensures that the company has mechanisms in place to provide a level of assurance, such as:
 - ◆ Suppliers established prior to September 30, 2000, (approved under grandfather clause),
 - ◆ A Quality Assurance department,
 - ◆ A Quality Assurance manual,
 - ◆ Final Inspection and a statistically valid sampling plan,
 - ◆ In process controls - inspection/test,
 - ◆ A unique product or service,
 - ◆ Price that is below or equal to standard,
 - ◆ To evaluate risk assessment references on delivery and quality (as appropriate),
 - ◆ Process and/or equipment reviews (as pertinent, Buyer may research as required),
 - ◆ Proximity to the plant and standard lead times.

The suppliers/sub-contractors selected on the above basis at the direction of the Quality or Purchasing Manager may be coded as a “Conditionally Approved” supplier in the Company’s database. These suppliers/sub-contractors may be required to complete a “Supplier Self Audit” and, at the option of the Quality and Purchasing Managers, may require an “On-Site Audit.”

Supplier/Sub-Contractor Self Audit

Each Supplier/Sub-Contractor is asked to be completely honest in completing the “Supplier Self Audit,” since it will become the document that will be used to start or, in some cases, continue your partnership with Columbia Gear Corporation.



Columbia Gear Corporation

A SUBSIDIARY OF INDUSTRIAL MANUFACTURING COMPANY

SUPPLIER/SUB-CONTRACTOR SELF AUDIT

Company Name: _____	Date: _____
Telephone No.: _____	Fax No.: _____
Address: _____	City/State/Zip: _____
Plant Manager: _____	Signature: _____
Quality Manager: _____	Signature: _____
Sales Manager: _____	Signature: _____

The purpose of this questionnaire is to provide a general understanding of your quality organization and approach to quality. The responses to these questions should be from the facility that supplies product/services to Columbia Gear. Please answer each question by placing an "X" in the appropriate box, or by filling in the blanks. Please add any appropriate comment for any requirement. **If a requirement question does not apply to your organization, place an "N/A" in the box; the reason that the question does not apply must be listed in the comments section.**

Please return the completed questionnaire within 2 weeks to your Buyer at Columbia Gear Corporation.

Your Facility Information:

Basic Products or Services: _____

Major Customer Quality Recognitions: _____

Is your company certified or compliant to ISO-9001 or ISO/IATF16949? Yes: ____ No: ____

(If certified, please attach a copy of the certification)

If your answer is NO, does your company plan to become certified or compliant to any of the above standards?

Yes: ____ No: ____, If "Yes," when? _____

Facility size: _____ sq. ft. Utilized Capacity: _____ Number of Shifts: _____ Days per week: _____

Total number of employees: ____ Engineering: ____ Quality: ____

Union Affiliation: _____ Union Contract Expires: _____

Length of Contract: _____

Do you utilize just-in-time (JIT) delivery? Yes: ____ No: ____

Do you utilize a first-in-first-out (FIFO) inventory system? Yes: ____ No: ____

Do you have Bar Code Label capability? Yes: ____ No: ____

SUPPLIER/SUB-CONTRACTOR SELF AUDIT

Each category is to be evaluated on a scale of 5 to 0 (5 being the highest and 0 being non-existent). Place "N/A" in the box if the requirement is "Not Applicable" to your company.			
No.	Requirement	Rating	Comments
1.	Management has defined and documented a policy for quality. The quality policy is understood, implemented and maintained at all levels of the company.		
2.	An employee has been appointed the responsibility and authority for the quality system. List name and title in the comments section.		
3.	A Quality Manual that makes reference to the quality system's procedures is implemented and maintained.		
4.	Customer orders and/or requests for quotes are reviewed to ensure that requirements are adequately defined and documented, differences in the requirements are resolved, and capacity is available, prior to the acceptance of the order.		
5.	There are documented procedures to ensure that purchased product conforms to specified requirements.		
6.	Document and data control procedures are in place to ensure the latest drawings, change notices, and specifications are in use by manufacturing, quality and engineering personnel at the appropriate production and inspection points.		
7.	Corrective action is solicited from suppliers and subcontractors, when they do not meet requirements.		
8.	Is Material procured from approved suppliers and are material certifications required.		
9.	Product is identifiable and traceable by suitable means from receipt and during all stages of production, delivery, and installation.		
10.	Processes that directly affect quality have been identified and are carried out under controlled conditions. Documented procedures are in place for the identified processes.		
11.	Statistical Process Control (SPC) is used for significant product characteristics and process parameters, utilizing variable data records.		
12.	A preventive maintenance program for equipment is utilized.		
13.	Are first piece inspection approvals and in-process inspections and tests conducted as required by documented procedures?		
14.	Quality Records are maintained to provide evidence that product has been inspected, tested and clearly identify the disposition as pass or fail and to demonstrate conformance and effectiveness of the quality system.		

Each category is to be evaluated on a scale of 5 to 0 (5 being the highest and 0 being non-existent). Place "N/A" in the box if the requirement is "Not Applicable" to your company.

No.	Requirement	Rating	Comments
15.	Calibration standards are traceable to the National Institute of Standards and Technology (NIST) or ISO/IEC Guide 25.		
16.	Gauge Repeatability and Reproducibility (GR&R) studies are performed.		
17.	The identification of inspection and test status of product is maintained throughout the process to ensure that only product that has passed the required inspections and tests are released.		
18.	Nonconforming product is identified, documented, evaluated, segregated (when practical), dispositioned, and the appropriate functions are notified.		
19.	The responsibility for review and authority for the disposition of nonconforming product has been defined.		
20.	Corrective and preventive action procedures for elimination of the cause of actual or potential nonconformities have been established, implemented and maintained.		
21.	Customer complaints are handled effectively and nonconformities reported within the company.		
22.	Deviation and concession procedure includes customer approval/concurrence for the nonconformance.		
23.	Corrective actions implemented are reviewed for their effectiveness to eliminate the cause of actual or potential nonconformities.		
24.	Documented procedures are in place for product handling that will prevent damage or deterioration of products, in storage and during delivery.		
25.	Internal Quality Audit results are documented and reported to senior management.		
26.	Training needs are identified and training is provided for all personnel performing activities affecting quality.		
27.	A continuous improvement philosophy is fully deployed throughout the supplier or subcontractor's company.		
28.	To continue service or material, are risks listed assessed and prioritized?		
29.	Are there contingency plans for high-risk items?		
30.	Disaster preparedness?		
31.	Supply chain risks – raw material, freight.		
32.	Staffing issues.		

Supplier/Sub-Contractor On-Site Audit

Supplier/Sub-Contractor:		Date:	
Purpose of Audit:	Weight	Rating	Score
	Score =		W x R
1.0 - Quality and Process Capabilities and Controls			
Each category is to be evaluated on a scale of 5 to 0 (5 being the highest and 0 being non-existent). Place "N/A" in the box if the requirement is "Not Applicable" to your company.			
A	Piece Part Quality History and Permanent Process Correction	8	
B	Change Management Program	5	
C	Change Log	4	
D	Process Mapping	7	
E	Process Failure Mode Effects Analysis (FMEA)	7	
F	A Documented Problem-Solving Methodology	4	
G	New Job Start Up Program	8	
H	Process Capability Studies and Statistical Data Records	5	
I	Key Process Variation Monitoring and Records	7	
J	Problem Notification and Control	4	
K	Defects and Returns	10	
L	Quality and Process Improvement Programs	4	
M	Documented Employee Training Program	4	
N	ISO/QS/IATF-16949 Certification	4	
2.0 – Delivery Performance			
A	Delivery Performance	10	
3.0 – Cost Competitiveness/Cost Control/Cost Reductions			
A	Cost Management, Control and Documentation	6	
B	Supplier Performance Report Rating	4	
Overall Assessment			
Comments:			
Columbia Gear Employees:		Supplier's Employees:	

ON-SITE QUALITY ASSESSMENT CRITERIA

1-A. **Piece Part Quality History and Permanent Process Correction:** The purpose of this element is for the supplier to develop and implement a quality history log for all manufactured parts. This log will list all internal and external quality problems that are associated with the part being processed. The production operator builds quality into each part; it is therefore essential that the quality history information be available to the operator at their workstation.

1-B. **Change Management Program:** The purpose of this element is for the supplier to develop and implement a change management program. Suppliers typically possess individual procedures that focus on specific departmental or process needs, but have not developed an overall procedure that outlines the company's philosophy on how they define, document and process change.

1-C. **Change Log:** A leading cause in all defects found at Columbia Gear can be directly tracked to a process change. The change log keeps a record of all changes in the production process (when the change was implemented – serial number, lot or date). Both internally and externally driven changes are to be recorded in this log.

1-D. **Process Mapping:** The purpose of this element is for the supplier to develop and implement a structured material flow map of the process. It should include a graphic representation of the material movement showing the sequence of tasks in the process. Critical control points are also identified during this exercise.

1-E. **Process FMEA's:** A process Failure Mode Effects Analysis (FMEA) is an analytical analysis technique which identifies potential product related process failure modes, assesses the potential customer effects of the failures, identifies the potential manufacturing or assembly process causes and identifies significant process variables to the failure conditions. The process FMEA develops a list of potential failure modes ranked according to their effect on the "customer," thus establishing a priority system for corrective action consideration.

1-F. **A Documented Problem-Solving Methodology:** The purpose of this element is for the supplier to develop and implement a documented structured problem-solving process. This process shall detail all elements for the supplier's problem-solving process and how they are followed.

1-G. **New Job Start Up Program:** A tool to verify that a process is designed correctly; the program should be used when a process is created or changed. This disciplined approach will ensure that the process/product complies with Columbia Gear's requirements prior to production.

1-H. **Process Capability Study Information:** The purpose of this element is for the supplier to develop and implement a statistical process control program for their processing equipment and (as a minimum) where required to have conducted capability studies on Columbia Gear's "KEY" and "CRITICAL" characteristics. Suppliers who understand and have implemented a program to measure process variation and utilize trend analysis to implement process control and improve processes meet the intent of this requirement.

1-I. **Key Process Variation Monitoring and Records:** To achieve improved equipment and process reliability and high quality parts, suppliers conduct equipment capability studies on the "Supplier's and/or Sub-Contractor's" Key equipment and processes, maintain records of such studies and any action taken to improve the equipment and/or processes.

1-J. **Problem Notification and Control:** Suppliers are to have a documented program that assures customers are notified of any nonconformances with any of the material or services they are providing Columbia Gear. This program must have established the controls necessary to prevent shipment of any suspected material or product to our company or customers without documented

release. The supplier is responsible for maintaining records of the notification and the corresponding releases.

1-K. **Defects and Returns:** The purpose of this element is to assess the suppliers to provide a quality product that conforms to the requirements outlined in the purchase order, drawing and specifications (measured using Parts Per Million or PPM).

1-L. **Quality and Process Improvement Programs:** The purpose of this element is to encourage suppliers to assess, develop, and implement a continuous improvement program. Defects to their customers will repeat at approximately the same rate until permanent process changes are developed, implemented, and validated that will ensure in control processes.

1-M. **Documented Employee Training Program:** The purpose of this element is to encourage suppliers to assess the training needs of their employees, matching an operator's training with the training requirements for their workstation. The benefits for the supplier and the customer are to assure that no defects are generated due to an employee's lack of training.

1-N. **ISO/IATF16949 Certification:** This is to verify that said supplier is pursuing and/or is currently ISO, QS or IATF registered. To standardize a supplier's work into an organized and documented system to provide the foundation for a comprehensive quality plan.

2-A. **Delivery Performance:** The purpose of this element is to assess the supplier's ability to meet their delivery schedule. Columbia Gear recognizes its responsibility to provide suppliers with reasonable schedules that allow suppliers to provide 100% on-time delivery.

3-A. **Cost Management, Control and Documentation:** The purpose of this item is for a supplier to develop an active ongoing "PROACTIVE" cost management program. The benefits to the supplier and customers are lower cost of operation, improved quality, and profitability.

3-B. **Supplier Performance Report Rating:** The purpose of this element is to emphasize the importance of the overall and continuous performance of the suppliers.

Supplier Evaluations and Reports

Columbia Gear utilizes a two-part supplier evaluations system for all suppliers and sub-contractors. The two parts are on-time delivery and quality. The on-time delivery percentage is determined by comparing the supplier's promise date to the actual date of receipt. A receipt is considered **on time**, when received within three days early and zero days after the supplier's promised delivery date. The Quality rating is determined by comparing the number of parts received to the number of nonconforming scrap parts for a time period. On time delivery comprises 40% and quality 60% of the supplier's overall rating.

Supplier rating:

- >95 Points “KEY”
- >85, <95 Points “PREFERRED”
- <75, >85 Points “ACCEPTABLE”
- <75 Points “UNACCEPTABLE”

Purchasing and Quality Management monitor the performance of suppliers. Listed below are the guidelines Columbia Gear follow to determine appropriate actions taken with suppliers performing less than acceptable on time delivery and PPM measurements.

- A team consisting of Purchasing and Quality manager and other key Columbia Gear personnel meet once monthly to discuss the prior month's supplier performances.
 - ◆ New non-conformances on individual parts are discussed and determination is made whether to request a corrective action. Supplier submitted corrective actions are reviewed and a determination is made whether to accept or reject it.
 - ◆ Overall supplier performances of on time delivery and PPM measurements are discussed the first Monday of each new month.
- Although acceptable performances are desired by all of Columbia Gear's suppliers, actions taken on poor performance will be directed at suppliers with purchases over \$100K per year. Suppliers generating less than this amount will be reviewed and may result in actions to improve poor performances.
 - ◆ The on-time delivery goal for all Columbia Gear suppliers is 100%. Suppliers with three consecutive months of delivery less than 75% may be asked to submit a corrective action plan on delivery improvement.
 - ◆ Suppliers with PPM levels for three consecutive months at unacceptable levels may be asked to participate in formal Quality Meetings to improve their performance. PPM levels are based on the supplier type as indicated:
 - >2,500PPM – Forgings, Heat Treat, Weldments
 - >10,500PPM – Castings
 - >2,500PPM – Steel, Plating, Paint, Outside Machining, Purchased Parts, Seals and Bearings
- If a supplier's rating for the past twelve months is unacceptable, the Buyer may place such suppliers into a “Probationary” category and no quotes are placed with this supplier until acceptable corrective action has occurred.

Columbia Gear will continuously monitor our supplier's performance on a monthly basis. Performance scores will be forwarded to suppliers at any time period. Columbia Gear's “Supplier Quality Manual” can be viewed or downloaded from our website at www.columbiagear.com.

SUPPLIER/SUB-CONTRACTOR RESPONSIBILITIES

Purchase Order Review and Acceptance

It is the responsibility of all suppliers and sub-contractors to review Columbia Gear's "Request For Quotation" (RFQ) and to clarify or obtain any additional required information for a proper response to the RFQ. It is the Supplier and Sub-contractor's final responsibility for validating that their quotation complies with the Purchase Order requirements or resolving any differences before accepting the order. To ensure an accurate supplier database, suppliers will inform Columbia Gear of any changes due to mergers, acquisition, affiliations or subcontracting/outsourcing affecting the Supplier's operations.

Columbia Gear Corporation will consider the Supplier or Sub-Contractor bound by our purchase order's terms, conditions, and requirements of the order, unless otherwise indicated, when it accepts this order, or when it delivers to Columbia Gear any of the goods ordered or renders for Columbia Gear any of the services ordered. Columbia Gear's purchase orders expressly limits acceptance to the terms and conditions stated by Columbia Gear, and any additional or different terms proposed by the Supplier or Sub-Contractor are rejected unless expressly assented to in writing by Columbia Gear's buyer. Columbia Gear purchase orders direct suppliers to review the terms and conditions on its website at www.columbiagear.com.

Non-Conformances – How are they handled?

Columbia Gear's Purchasing Department shall supply the corrective action requests to suppliers of non-conforming material or services. Columbia Gear's Purchasing Department shall be responsible for maintaining a list of all outstanding Corrective Action Requests and provide follow-up contact to the appropriate suppliers. Upon receipt of a Corrective Action from a supplier/sub-contractor, Purchasing will forward it to Quality Assurance for analysis and acceptance or rejection.

The decision for NOT requiring corrective action will be based upon the decisions of Columbia Gear's Quality and Purchasing departments and Columbia Gear's customer's requirements.

Corrective Action can be required at any time; it is usually based upon the type and severity of the problem. When Corrective Action is requested the supplier will have 10 working days to provide their response to the cause of the non-conformance and planned action.

Columbia Gear may notify the supplier of the non-conformance via telephone, email or fax. Request for Corrective Action will be on Columbia Gear's Corrective Action form and it is requested this form be used to respond with the cause and Corrective Action but supplier's form will be accepted when attached to Columbia Gear's form.

Corrective action can be waived upon agreement of Columbia Gear's Purchasing and Quality Managers. If the managers cannot reach an agreement, the Vice Presidents of Quality and Manufacturing will make the decision.

Rework of Supplier or Sub-Contractor Product

It is the preference of Columbia Gear that all suppliers perform any rework on the products provided to our Company. Because of the Company's commitment to our customers, time is not always available to permit the suppliers or sub-contractors to perform the rework.

Suppliers and Sub-Contractors that provide a "Special Process" to Columbia Gear, such as chemical etching, plating, heat treating, physical/chemical vibratory, welding, etc. are **NOT** to rework parts **WITHOUT WRITTEN** approval from Columbia Gear.

The Company retains the option to rework enough parts to fulfill our customer's immediate requirements or our legal commitment to our customer. The cost incurred by Columbia Gear in doing the rework will be charged back to the supplier/sub-contractor.

The decision to rework supplier or sub-contractor parts will ONLY be made by Production Control, Manufacturing Engineering and Purchasing.

Repair by a Supplier or Sub-Contractor.

Repair of any material or product provided to Columbia Gear by any Supplier or Sub-Contractor is **NOT PERMITTED.**

Customer Notification

A supplier shall request written approval from Columbia Gear before making changes to a specification or process for supplied products or services. Any changes that may impact safety, fit, form, function, performance, durability, or appearance fall into this category.

Scrap of Supplier or Sub-Contractor Product

Product from a supplier or sub-contractor that is deemed by Quality and/or Manufacturing Engineering not re-workable will be classified as scrap and Purchasing will notify the supplier/sub-contractor. As appropriate, the supplier or sub-contractor will have five working days to decide, if they want the product returned to their company at their expense or discarded at Columbia Gear.

Suppliers will be debited the cost of the scrapped product at the point of rejection.

Sub-contractors will be debited on a basis depending on the type of the failure causing the scrap and upon individual agreements with the individual sub-contractor.

Any additional costs incurred by Columbia Gear in expediting replacement parts will be charged to the supplier or sub-contractor causing the original parts to be scrapped.

Terms and Conditions

It is the responsibility of all suppliers and sub-contractors providing materials, products and/or services to Columbia Gear to understand and comply with the Company's "Terms and Conditions." Columbia Gear's Terms and Conditions are included on the next page for your review. Columbia Gear's terms and conditions can be found on its website at www.columbiagear.com.

Columbia Gear Corporation

A Subsidiary of Industrial Manufacturing Company
AVON, MINNESOTA 56310

Purchase Order Terms and Conditions

1. **Acceptance of Purchase Order:** Columbia Gear Corporation, hereinafter referred to as "Buyer", shall not be bound by this purchase order until Seller executes and returns to Buyer an acknowledgment of this purchase order. Seller shall be bound by this purchase order and its terms and conditions, when it otherwise indicates its acceptance of this purchase order, or when it delivers to Buyer any of the goods ordered herein or renders for Buyer any of the services ordered herein. This purchase order expressly limits acceptance to the terms and conditions stated herein, and any additional or different terms proposed by the Seller are objected to and rejected unless expressly assented to in writing by Buyer. No contract shall exist except as hereinabove provided.

2. **Amendments:** The parties agree that this purchase order, including the terms and conditions on the face and reverse side hereof together with any documents attached hereto or incorporated herein by reference, contains the complete and final contract between Buyer and Seller; that no agreement or understanding to modify this contract shall be binding upon Buyer unless in writing and signed by Buyer's authorized representatives. All specifications, drawings, and data submitted to Seller with this purchase order or referred to by this purchase order are hereby incorporated herein and made a part of this contract. The terms and conditions of this purchase order shall prevail notwithstanding any variance of the terms and conditions in any acknowledgment or other document submitted by Seller.

3. **Changes:** The Buyer reserves the right at any time to make written changes in any one or more of the following: (a) Specifications, drawings and data incorporated in this purchase order where the items to be furnished are to be specially manufactured for the Buyer; (b) Methods of shipment or packing; (c) Place of delivery; (d) Time of delivery; (e) Manner of delivery; and (f) Quantities.

If any such change causes an increase or decrease in the cost of or the time required for performance of this purchase order, an equitable adjustment shall be made in the purchase order price or delivery schedule, or both. Any claim by Seller for adjustment under this clause must be approved by the Buyer in writing before the Seller proceeds with such change. Price increases shall not be binding on Buyer unless evidenced by a purchase order change notice or revision issued and signed by Buyer.

4. **Delivery:** Time is of the essence in this purchase order, and if delivery of goods is not made in the quantities and at the times specified, or rendering of services is not completed at the times specified, Buyer reserves the right without liability, and in addition to its other rights and remedies, to take any or all of the following actions: (a) direct expedited routings of goods (the difference in cost between the expedited routing and of the purchase order routing costs shall be paid by Seller); (b) terminate this purchase order by notice effective when received by Seller as to stated goods not yet shipped or services not yet rendered and to purchase substitute goods or services elsewhere and charge Seller with any loss incurred; or (c) return, shipping charges collect, all goods received in advance of delivery.

Seller shall be liable for excess transportation charges, delays or claims resulting from Seller's deviation from Buyer's routing instructions. Neither party shall be liable for excess costs of deliveries or defaults due to causes beyond its control and without its fault or negligence, provided, however, that when the Seller has reason to believe that deliveries will not be made as scheduled, written notice setting forth the cause of the anticipated delay will be given immediately to Buyer. If Seller's delay or default is caused by the delay or default of a subcontractor, such delay or default shall be excusable only if it arose out of causes beyond the control of both Seller and subcontractor and without the fault or negligence of either of them and the goods to be furnished or services to be rendered were not obtainable from other sources in sufficient time to permit Seller to meet the required delivery or performance schedule.

Buyer will have no liability for payment for goods delivered to Buyer, which are in excess of quantities specified in this purchase order and delivery schedules. Such goods shall be subject to rejection and return at Seller's expense, including transportation charges both ways. Buyer will not be liable for any material or production costs incurred in excess of the amount or in advance of the time necessary to meet Buyer's delivery schedules.

5. **Inspection and Acceptance:** Payment for any goods under this purchase order shall not constitute acceptance thereof. All goods purchased hereunder are subject to inspection at Buyer's destination within a reasonable time after receipt of such goods. Goods received prior to inspection shall not be deemed accepted until Buyer has inspected such goods. Buyer reserves the right to reject and refuse acceptance of goods which are not in accordance with the instructions, specifications, drawings and data or Seller's warranties (express or implied). Goods not accepted will be returned to Seller for full credit or replacement at Buyer's option and at Seller's risk and expense, including transportation charges both ways. No replacement of rejected goods shall be made unless specified by Buyer in writing.

Buyer shall not be liable for failure to accept any part of the goods, if such failure is the result of any cause beyond the control of Buyer. Among such causes, but not definitive thereof, are fires, floods, Acts of God, strikes, differences with employees, casualties, delays in transportation, shortages of cars, inability to obtain necessary materials or machinery or total or partial shutdown of Buyers plant for any cause. Acceptance of any part of the goods shall not bind Buyer to accept future shipments, nor deprive it of the right to return goods already accepted.

Acceptance of all or any part of the goods shall not be deemed to be a waiver of Buyer's right either to cancel or to return all or any portion of the goods because of failure to conform to this purchase order, or by reason of defects, latent or patent, or other breach of warranty, or to make any claim for damages, including manufacturing costs, damage to materials, or articles caused by improper boxing, crating or packing, and loss of profits or other special damages occasioned the Buyer. Such rights shall be in addition to any other remedies provided by law.

6. **Packing, Drayage and Containers:** No charges for packing, drayage or containers will be allowed unless specified on the face of this purchase order, or specifically listed as an additional and separate charge on Seller's quotation and acceptance of this purchase order. Seller shall be liable for damage to materials or articles described herein caused by improper boxing, crating or packaging.

7. **Seller's Warranties:** Seller hereby warrants that the whole of the goods furnished hereunder shall be of merchantable quality, free from defects in material and workmanship and fit for Buyer's purposes and that they shall conform with Buyer's instructions, specification, drawings and data. Seller hereby further warrants that the whole of the goods furnished hereunder shall conform to all representations, affirmations, promises, descriptions, samples or models forming the basis of this purchase order.

Seller agrees that these warranties shall survive acceptance of the goods and shall benefit and be enforceable by both Buyer and Buyer's customers. Seller further warrants that all services performed for or on behalf of the Buyer will be performed in a competent, workmanlike manner and shall be free from faults and defects. Said warranties shall be in addition to any warranties of additional scope given by Seller to Buyer. None of said warranties and no other

implied or express warranties shall be deemed disclaimed or excluded unless evidenced by a purchase order change notice or revision issued and signed by Buyer.

8. **Property of Buyer:** Unless otherwise provided in this purchase order or agreed to in writing, property of every description including but not limited to all tooling, tools, equipment and material furnished or made available to Seller, title to which is in Buyer, and any replacement thereof shall be and remain the property of Buyer. Property other than material shall not be modified without the written consent of the Buyer. Such property shall be plainly marked or otherwise adequately identified by Seller as "Property of Columbia Gear Corporation" and shall be safely stored separately and apart from Seller's property. Seller shall not use such property except for performance of work hereunder or as authorized in writing by Buyer. Such property while in Seller's possession or control shall be kept in good condition, shall be held at Seller's risk, and shall be kept insured by Seller, at its expense, in an amount equal to the replacement cost with loss payable to Buyer. To the extent such property is not material consumed in the performance of this purchase order, it shall be subject to inspection and removal by Buyer and Buyer shall have the right of entry for such purposes without any additional liability whatsoever to Seller. As and when directed by Buyer, Seller shall disclose the location of such property and/or prepare it for shipment and ship it to Buyer in as good condition as originally received by Seller, reasonable wear and tear excepted.

9. **Special Tooling:** The term "special tooling" as used in this clause shall be deemed to include all jigs, dies, fixtures, molds, patterns, special cutting tools, special gauges, special test equipment, other special equipment and manufacturing aids, and drawings and any replacements of the foregoing, acquired or manufactured or used in the performance of this order, which are of such a specialized nature that, without substantial modification or alteration, their use is limited to the production of the supplies or parts thereof or performance of the services of the type required by this purchase order. The term does not include (a) items of tooling or equipment heretofore acquired by Seller, or replacement thereof, whether or not altered or adopted for use by Seller, or replacement, thereof, whether or not altered or adopted for use in the performance of this purchase order, (b) consumable small tools, (c) general or special machine tools or similar capital items, or (d) tooling, title to which is in Buyer.

Seller agrees that special tooling shall be retained and not used or reworked except for performance of work hereunder or as authorized in writing by Buyer. While in Seller's possession or control, Seller warrants that it will keep the special tooling in good condition fully covered by insurance, and will replace it when lost, destroyed, or necessary for performance of work hereunder. Upon cessation or termination of the work under this purchase order for which the special tooling is required, Seller shall furnish Buyer a list of the products, parts, or services for the manufacture or performance of which such special tooling was used or designed and a list indicating where each item of the special tooling is located, and shall transfer title and possession of the special tooling to Buyer for an amount equal to the unamortized cost thereof, or dispose thereof, as Buyer may direct in writing. In addition, Buyer shall have the right to take possession of, including the right of entry for such purpose, any special tooling, title to which Buyer acquires hereunder, without any additional liability whatsoever to Seller.

10. **Proprietary Rights:** All technical information, whether written or oral, in any form, in the nature of designs, blueprints, specifications, engineering data for production or product know how, which is supplied to the Seller by the Buyer to facilitate or assist in the performance of this purchase order ("Confidential Information"), shall, unless otherwise agreed, be considered and kept confidential by the Seller, and the Seller will use and cause its employees and agents to use extreme caution not to disclose the Confidential Information either directly or by incorporation of Confidential Information in or its use in manufacturing products for others. Additionally, Seller agrees to assign to the Buyer and not otherwise to make use of any invention, improvement or discovery (whether or not patentable), conceived or reduced to practice in the performance of this purchase order by an employee of the Seller or other person working under Seller's direction, and such assignment shall be considered as additional consideration for the making of this purchase order. Upon completion of performance of this purchase order, the Seller shall deliver to the Buyer any and all information relating to any such invention, improvement or discovery, and shall cause employees or others subject to Seller's instructions to sign as appropriate all documents necessary or convenient to enable the Buyer to file applications for patents throughout the world and to obtain title thereto.

Upon Seller's request or completion of performance of this purchase order, Seller shall return or transfer to Buyer all Confidential Information.

11. **Patent Indemnity Clause:** The Seller agrees, upon receipt of notification, to promptly assume full responsibility for the defense of any suit or proceeding which may be brought against Columbia Gear Corporation or any of its subsidiaries, constituent companies, agents or vendees, hereinafter for purposes of this Section collectively referred to as the Buyer, for alleged patent infringement, as well as for the alleged unfair competition resulting from similarity in design, trademark, or appearance of goods, by reason of the use or sale of any goods furnished under this purchase order, except for goods manufactured entirely to Buyer's specification; and the Seller further agrees to indemnify Buyer against any and all expense, loss, royalties, profits and damages, including court costs and attorneys' fees, resulting from the bringing of such suit or proceedings, including any settlement or decree or judgment entered therein. The Buyer may be represented by and actively participate through its own counsel in any such suit or proceedings, if it so desires. They Seller's obligations hereunder shall survive acceptance of the goods and payment therefor by the Buyer.

12. **Indemnification:** Seller further agrees to indemnify and save harmless and defend Buyer, its officers, directors, customers, agent and employees from any and all losses, liabilities, damages, claims, demands, suits, actions, proceedings, subrogation and expenses, including court cost and reasonable attorneys' fees, related in any way to this purchase order, or the services performed or goods delivered under this purchase order which are claimed or made by any person, firm association or cooperation, including employees, workmen, servants or agents of the Seller and his subcontractors arising from any cause or for any reason whatsoever. Seller further agrees, upon receipt of notification, to promptly assume full responsibility for the defense of any and all such suits, actions, or proceedings, which may be brought against Seller or against Buyer. In the event Buyer's machinery or equipment is used by Seller in the performance of any work that might be required under this purchase order, such machinery or equipment shall be considered as being under the sole custody and control of Seller during the period of such use by Seller.

13. **Insurance:** If this purchase order covers the performance of labor for Buyer, Seller agrees to indemnify and protect Buyer against all liability, claims or demands for injuries or damages to any person or property growing out of the performance of this purchase order. Seller further agrees to furnish Insurance Carrier's Certificate showing that Seller has adequate insurance coverage in the following minimum amounts.

a) **Worker's Compensation** - Statutory limits for State(s) in which work is to be performed.

b) **Comprehensive General Liability, including Contractual Liability, Completed Operations/Products, Broad Form Property Damage, and Contractor's protective Liability, if sub-contractors are used.** Minimum limits Personal Injury, including death and Property Damage \$250,000 each occurrence, \$500,000 aggregate.

c) **Automobile Liability, including Owned, Hired and Non-owned vehicles.** Minimum limits-Bodily Injury \$250,000 each person, \$500,000 each occurrence and Property Damage \$250,000 each occurrence.

Said Certificate must set forth the name of insurer, policy number, expiration date, limits of liability and at least ten (10) days written notice of cancellation clause. If Seller is a self-insurer, the Certificate of the department of Labor and Industry of the State in which said labor is to be performed must be furnished by such Department directly to Buyer. Compliance by Seller with insurance requirements does not in any way affect Seller's indemnification of Buyer under Article 12 above.

14. **Cancellation:** Buyer shall have the right to cancel for default all or any part of the undelivered portion of this purchase order if Seller does not make deliveries as specified in the delivery schedule, if Seller breaches any of the terms hereof including warranties of Seller, if Seller makes an arrangement, extension or assignment for the benefit of creditors, if Seller dissolves or otherwise ceases to exist or liquidates all or substantially all of its assets, if Seller becomes insolvent or if Seller generally does not pay its debts as they become due. Such right of cancellation is in addition to and not in lieu of any other remedies, which Buyer may have in law or equity.

15. **Termination:** The Buyer may terminate performance of work under this purchase order in whole or from time to time in part by written notice of termination, whereupon the Seller will stop work in the date and to the extent specified in the notice and terminate all orders and subcontracts to the extent they relate to the terminated work. Seller will promptly advise the Buyer of the quantities of applicable work and material on hand or purchased prior to termination and the most favorable disposition that the Seller can make thereof. Seller will comply with the Buyer's instructions regarding transfer and disposition of title to the possession of such work and material. Within 60 days after receipt of such notice of termination, the Seller will submit all its claims resulting from such termination. Buyer will have the right to check such claims at any reasonable time or times by inspecting and auditing the records, facilities, work or materials of the Seller relating to this purchase order. Buyer will pay the Seller without duplication, the purchase order price for finished work accepted by the Buyer and the cost to the Seller of work in process and raw material allocable to the terminated work, based on any audit the Buyer may conduct and in accordance with generally accepted accounting principles; less, however, (a) the reasonable value or cost (whichever is higher) of any items used or sold by the Seller without the Buyer's consent; (b) the agreed value of any items used or sold by the Seller with the Buyer's consent; and (c) the cost of any defective, damaged or destroyed work or material. Buyer will make no payments for finished work, work-in process or raw material fabricated or procured by the Seller in excess of any purchase order or release. Notwithstanding the above payments made under this clause shall not exceed the aggregate price specified in this purchase order less payments otherwise made or to be made, and adjustments shall be made reducing the payments hereunder for costs of work in process and raw material to reflect on a pro rata basis any indicated loss on the entire purchase order had it been completed. Payment made under this clause will constitute the Buyer's only liability in the event this purchase order is terminated hereunder. Except as otherwise provided in this purchase order, the provisions of this clause will not apply to any cancellation by the Buyer for default by the Seller or for any other cause allowed by law or under this purchase order.

16. **Compliance With Applicable Laws:** Seller agrees that, in the performance of this purchase order, it will comply with all applicable laws, statutes, rules, regulations or orders of the United States government or of any state or political subdivision thereof. Seller represents and warrants that it is and each good produced by it will be made in compliance with the Fair Labor Standards Act of 1938, as amended.

17. **Executive Orders:** Agreement and Certificate pursuant to Executive Orders 11246, as amended by Executive Orders 11375 and 12086 and as superseded in part by Executive Order 11478, 11625, 11701 and 11758. The Seller agrees that the representations and provisions required by Executive Order 11246, as amended by Executive Orders 11375 and 12086 and as superseded in part by Executive Order 11478 (Equal Opportunity), Executive Order 11625 (Minority Business Enterprises), Executive Order 11701 (Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era), and Executive Order 11758 (Employment of the Handicapped) are hereby incorporated and made a part of this purchase order.

18. **Waiver:** The failure of Buyer to insist, in any one or more instances, upon the performance of any of the terms, covenants or conditions of this purchase order or to exercise any right hereunder, shall not be construed as a waiver or relinquishment of the future performance of any such terms, covenants or conditions or the future exercise of such right, but the obligation of Seller with Respect to such future performance shall continue in full force and effect.

19. **Force Majeure:** Buyer shall not be liable for any failure to perform including failure to (i) accept performance of services or, (ii) take delivery of the goods as provided caused by circumstances beyond its control which make such performance commercially impractical including, but not limited to, acts of God, fire, flood, acts of war, government action, accident, labor difficulties or shortage, inability to obtain materials, equipment, or transportation.

20. **Limitation of Liability:** IN NO EVENT SHALL BUYER BE LIABLE TO SELLER OR SELLER'S EMPLOYEES, OR ANY THIRD PARTY FOR ANY INCIDENTAL, INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF, OR IN CONNECTION WITH, THIS AGREEMENT, WHETHER OR NOT BUYER WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

21. **Assignment:** This purchase order, the sums due or to become due or any of the work to be performed under this purchase order shall not be assigned without Buyer's prior written consent. Any assignment without such written consent shall be null and void. Seller shall not subcontract for completed or substantially completed material called for by this purchase order without the Buyer's prior written consent.

22. **Set-Off:** Buyer shall be entitled at all times to set-off any amount owing at any time from Seller to Buyer or any of its affiliates against any amount payable at any time by Buyer in connection with this purchase order.

23. **Applicable Law:** The local laws of the State of Minnesota shall apply to define and interpret the rights and obligations of Buyer and Seller. Buyer and Seller consent to the jurisdiction of the courts of the State of Minnesota and to venue in Stearns County.

GLOSSARY

Term	Definition
Approved Material	Approved Material are materials governed either by industry standard specifications (i.e. SAE, ASTM, DIN, ISO) or by customer specifications
Assessment	An evaluation process including a document review, an on-site audit and an analysis and report. The Company may also include the supplier's self-audit, internal audit results, and other materials in the assessment.
Audit	An on-site verification activity based upon a sample used to determine the effective implementation of a supplier's documented quality system.
Benchmarking	A technique used to determine "BEST" practices for a particular process or product.
Calibration	A set of operations that compare values taken from a piece of inspection, measuring and test equipment or a gauge to a known standard under specified conditions.
Capability	Capability is the ability of an organization, system, or process to realize a product that fulfills the requirements for that product and the total range of inherent variation in a stable process. It is determined using data from control charts. The control charts shall indicate stability before capability calculations can be made. Histograms are to be used to examine the distribution pattern of individual values and verify a normal distribution; the indices Cp and Cpk can be calculated. If analysis indicates a non-normal distribution, advance statistical tools, such as PPM analysis, will be required to determine capability. If control charts show the process to be non-stable, the index Ppk can be calculated.
Control Plans	Control Plans are written descriptions of the systems for controlling parts and processes. They are written by suppliers to address the important characteristics and engineering requirements of the product. Each part shall have a Control Plan, but in many cases, "family" Control Plans can cover a number of parts produced using a common process.
Corrective Action	Action taken to eliminate the causes of an existing nonconformity or other undesirable situation in order to prevent recurrence.
Corrective Action Plan	A Corrective Action Plan is a document specifying actions to be implemented for correcting a process or part quality issue, with responsibilities and target dates assigned.
Delivery Date (Supplier Promise Date)	Columbia Gear views the Delivery Date and the Supplier Promise Date as the same thing. The Delivery Date is the calendar date that the material or product must be received at Columbia Gear.
Documentation	Material (typically paper or electronic) defining the process to be followed (i.e. quality manual, procedures, work instructions, drawings or specifications).
Failure Mode and Effects Analysis (FMEA)	A systematized group of activities intended to: 1) recognize and evaluate the potential failure of a product/process and its effects, 2) identify actions that could eliminate or reduce the chance of the potential failure occurring, and 3) document the process.
Geometric Dimensioning & Tolerancing (GD&T)	Geometric Dimensioning and Tolerancing is a set of rules and standard symbols used to define part features and relationships on an engineering drawing. GD&T depicts the geometric relationship of part features, allowing the maximum tolerance, which permits full function of the product.
Inspection	Inspection is the conformity evaluation by observation and judgment accompanied as appropriate by measurement testing or gauging.
Layout Inspection	Layout Inspection is the complete measurement of all part dimensions shown on the design record. A layout inspection may be required on some parts because of the relationship between features or the relationship of some part dimensions to dimensions of other parts.

Mistake Proofing	The use of process or design features to prevent manufacture of nonconforming product.
Nonconformance	Nonconformance is product or material, which does not conform to the customer's requirements or specifications.
Nonconformity	Nonconformity is a process, which does not conform to a quality system requirement.
Parts Per Million (PPM)	PPM is a method of stating the performance of a process in terms of actual nonconforming material. PPM data can be used to prioritize corrective actions.
Preventive Action	Action taken to eliminate the causes of a potential nonconformity or other undesirable situation in order to prevent occurrence.
Problem Solving	A disciplined process to analyze problems to determine and eliminate root causes. Customer-specific requirements include Chrysler's 7 Step Process, Ford's 8-D, and General Motors' PR&R (GP-5).
Procedures and Work Instructions	Documented processes that are normally used when work affects more than one operator, function or department of an organization.
Process Flow Diagram (chart)	A depiction of the flow of materials through the process, including rework operations.
Quality Manual	Quality Manual is the supplier's document that describes the elements of the quality system used to assure customer requirements, needs, and expectations are met.
Quality Plan	A document setting the specific quality practices, resources and sequence of activities relevant to a particular product or contract.
Quality Improvement Planning	Quality Improvement Planning is a structured documented process that defines what the supplier is going to focus their resources and efforts on to improve their process and products to assure improved service and product quality to their customers.
Quality Records	Quality Records are the documented evidence that the supplier's processes were executed according to the quality system documentation and records results.
Reaction Plan	A Reaction Plan is the action specified by a Control Plan, or other quality system documentation, to be initiated when nonconforming product or process instability is identified.
Repair	Action taken on nonconforming product so that the product will fulfill the intended usage although the product may not conform to the original requirements. REPAIR IS NOT ALLOWED ON ANY MATERIAL OR PRODUCT PROVIDED TO COLUMBIA GEAR CORPORATION
Rework	Action taken on nonconforming product so that it will meet the specified requirements.
Statistical Process Control	The use of statistical techniques such as control charts to analyze a process or its outputs so as to take appropriate actions to achieve and maintain a state of statistical control and to improve the process capability.
Subcontractors	Subcontractors are defined as providers of production materials, or production processes or services; this includes providers of heat-treating, machining, inspection, painting, plating or other finishing services.
Suppliers	Suppliers are defined as providers of: 1) production materials, 2) production parts, 3) miscellaneous tooling, fixtures and supplies.
Validation	Confirmation by examination and provision of objective evidence that the particular requirements for a specific intended use are fulfilled.
Verification	Confirmation by examination and provision of objective evidence that specified requirements have been fulfilled.