



466 Skyline Drive
Durango, CO 81301
Tel: 970-403-8078
Fax: 970-259-2808
www.stoneagealloys.com
www.sewer1027les.com

March 17, 2017

To: StoneAge Suppliers

From: StoneAge Quality and Purchasing Departments

Subject: Quality / Purchasing Requirements

StoneAge recently made a business mode shift that has dramatically changed the way we do business. On January 1, 2016 we once again began selling our waterblast product lines directly to our Customers in North America. Previously, we sold exclusively through dealers. As part of this business model change, we also opened three Regional Sales Centers to sell, service and support our products and customers. These offices are located in Pasadena, TX, Geismar, LA, and North Royalton, OH. We also started a rental business where as customers lease tools and equipment for short or long term rental. The catalyst for this was twofold: 1) our newest automated equipment product lines were too complex for our dealers to sell successfully and 2) we require closer relationships with our customers to inform new product development, especially in the area of automation.

These changes have had a major impact on all StoneAge Departments and required us to look closely at how we execute our day to day processes. The increase in new products and the need to stock our Regional Sales Centers has dramatically increased our part numbers and corresponding purchases.

As a valued Supplier we anticipate that our growth will mean more business for you. That said, last year we reduced the number of Suppliers who provide fabricated parts. We reduced our business with Suppliers who were underperforming and consolidated business with the remaining Suppliers. We will continue to carefully evaluate our Supply Partners and make changes to our supply chain as needed.

Due to the increase in part numbers and the need to drive consistency among our Suppliers are implementing the following three changes to be ready for our new policy starting 2017:

1. Suppliers of fabricated parts (e.g. machined parts, weldments) must provide an AS9102 First Article Inspection Report (FAIR) or equivalent form is required with shipment of part(s). The part(s) measured to complete the FAIR must be bagged and tagged separately. Details of the AS9102 FAIR requirement can be found in Appendix A.
2. Suppliers that continually miss our metric of 95% On Time Delivery should expect to receive a Supplier Corrective Action Request (SCAR). Suppliers receiving a SCAR must provide a documented corrective action describing how they will achieve 95% OTD.
3. Suppliers will be required to issue a credit against our account if nonconforming parts are received. Nonconforming parts result in lost time, wasted resources for StoneAge and our Suppliers, production delays, and may cause missed shipments to our Customers.

The minimum charge for processing a nonconformance will be \$90.00 which is a fraction of the overhead cost for StoneAge. If additional hours are required to work on the nonconforming parts further conversation will be had to cover the cost of rework. Additional time processing nonconforming parts may involve:



- Inspecting 100% of lot of parts to find enough conforming parts to meet our production needs
- Working/consulting with StoneAge Engineering to determine if we can use the parts
- Reworking the parts at StoneAge
- Packaging and shipping the nonconforming parts for return

A credit will be required from our Suppliers for nonconforming parts. The StoneAge Quality Department will make the credit request and provide the total number of hours to the prospective buyer to negotiate cost with effected Supplier.

We realize that these changes may alarm some of our Suppliers. Our goal is not to alarm you but to help stress the importance of on-time delivery of high quality parts. We are here to help you do this and we will provide the following support.

- Facilitate drawing reviews with our Engineering, Manufacturing, Purchasing, and Quality Departments to identify key characteristics on PN drawings and describe the functionality of the part
- Share lessons learned on fabricating the part (e.g. provide PN rejection history on the part, share our manufacturing techniques)
- Share details of the our quality inspection process for the part
- Provide sample parts, if feasible, for evaluation and/or corresponding parts that can be used for function testing as a supplement to traditional measurements
- Provide feedback on a first piece sample which can be shipped prior to shipping a lot of parts, if time permits. Sample part(s) cost will negotiated before accepting terms.

Please review Appendix B of this correspondence for clarification of other policies that affect our Suppliers.

We appreciate and value our relationship with you and we understand that you will have questions and concerns about this letter. Please call your respective buyer at your earliest convenience to discuss the information in this letter further. We are committed to understanding and addressing your concerns.

Thank you,

A handwritten signature in blue ink, appearing to read 'M Bollinger', written over a horizontal line.

Michael Bollinger
Director of Operations

A handwritten signature in blue ink, appearing to read 'E Harding', written over a horizontal line.

Eric Harding
Quality Manager

A handwritten signature in blue ink, appearing to read 'C Walsh', written over a horizontal line.

Chrissi Walsh
Supply Chain Manager



Appendix A

Standard AS9102 - Aerospace First Article Inspection Requirement

Starting March 1, 2017 StoneAge is mandating that a completed AS9102 First Article Inspection Report (FAIR) or equivalent be completed sent in with part(s). The purpose of the FAIR is to provide objective evidence that all engineering design and specification requirements are properly understood, accounted for, verified, and documented. The purpose of the AS9102 Standard is to provide a consistent documentation requirement for fabricated parts.

It is intended that the documentation generated will be a quality record of the Supplier and Customer for review of accountability and planning, for performing periodic surveillance and audits to verify conformance, for evaluating root cause and corrective action for any non-conformances, and for problem investigations.

StoneAge adopted the AS9102 Standard as it is the most appropriate inspection tool for documenting First Article Inspections. The Standard is published by SAE International. The current Revision of the Standard is AS9102B. It is available for purchase for \$115.00 through SAE's website: www.standards.sae.org If you choose to use an equivalent FAIR it must contain all the features of the AS9102 FAIR.

An AS9102 FAIR shall be completed and submitted anytime the following occurs:

- Product / part is from the first production run
- A product / part Revision change that affects fit, form or function
- A change in manufacturing sources(s), process(es), inspection method(s), location of manufacture, tooling, or materials that can potentially affect fit, form, or function
- A lapse in production for two years

The part(s) used to complete the FAIR shall be tagged and bagged and shipped with the FAIR.

Please contact our Quality Department if you have any questions regarding this requirement;

Eric Harding 970-403-1840

Tom Hanna 970-403-1438

Erick Morningstar 970-403-1420

Patrick O'Kane 970-403-1448

Ted Roth 970-426-4005

Appendix B

Clarification of Other Policies that Affect our Suppliers

- StoneAge requires material certifications (e.g. raw materials certs, plating certs, heat treat certs) with every shipment of parts. Certifications must be legible. The key characteristics from the part number drawing shall be circled on the certs. For example, if notes on the part number drawing state that the part is 440-A Stainless Steel and requires passivation per ASTM A967-01 then these features must be circled on the supplied certs.

Note: Material certifications can be emailed to: Certs@stoneagetools.com

Certifications sent via email must be named in this file format:

Part Number PO Number (CN 063 PO 45424)

- When the product is returned, the Supplier shall issue a credit for the returned parts / products in the full amount as shown on the Purchase Order (PO). If the Supplier returns the parts / products after rework they must request that a new PO be generated from the appropriate StoneAge Buyer.
- Reworked parts shall be clearly labeled as re-worked parts and packaged separately. If there are email correspondences related to the rework these documents shall be sent with the reworked parts.