

# **PAX MACHINE WORKS, INC.**



## **Supplier Quality Manual**

**Level 1**

The Quality Manager of Pax Machine Works, Inc. has been authorized to release this manual to the Suppliers of product and services to Pax Machine Works. Any printed versions of this manual are considered to be a non-controlled document. For the most current revision of this manual, refer to our website at [www.paxmachine.com](http://www.paxmachine.com).

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## Supplier Quality Manual

Level 1

Revision: Rel.

Date: July 09, 2009

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## 0.0 INTRODUCTION

### 0.1 Purpose of This Manual

The purpose of the Pax Machine Works Supplier Quality Manual is to convey the Quality Requirements and Expectations of Pax Machine Works to our Suppliers. The manual contains supplemental information and requirements not specifically covered in the Purchase Order agreement with the Supplier. If a conflict exists between the Purchase Order requirements and the requirements listed in this manual, the Purchase Order takes precedence.

### 0.2 Supplier Compliance

Compliance to the requirements set forth in this manual are considered mandatory in order to become a new Supplier or maintain an existing Supplier relationship with Pax Machine Works. Pax reserves the right to audit the Supplier in accordance with the requirements specified in this manual or the requirements listed in the Purchase Order.

### 0.3 Manual Revisions

The Supplier Quality Manual is considered to be a controlled document. The manual will be made accessible on the Pax Machine website. The Supplier will be able to view and download the manual from the website at <http://www.paxmachine.com>. Only the manual on the website is considered current and up-to-date. Once the manual is downloaded and printed, it becomes a non-controlled reference document. When the Supplier receives a new or updated Purchase Order for product or services, the Supplier Quality Manual from the website shall be referred to as a companion document to the Purchase Order.

## 1.0 ORGANIZATIONAL CONTACTS

The following is a list of primary contacts within the Pax Machine Works organization:

David Pax – Purchasing Manager/CEO	419-586-2337	<a href="mailto:dpax@paxmachine.com">dpax@paxmachine.com</a>
Michael Pax – President	419-586-2337	<a href="mailto:mpax@paxmachine.com">mpax@paxmachine.com</a>
Robert Fowler – Quality Manager	419-586-2337	<a href="mailto:rfowler@paxmachine.com">rfowler@paxmachine.com</a>
Robert Heyne – Production Manager	419-586-2337	<a href="mailto:bheyne@paxmachine.com">bheyne@paxmachine.com</a>
Roger Sudhoff – Asst. Production Mgr.	419-586-2337	<a href="mailto:rsudhoff@paxmachine.com">rsudhoff@paxmachine.com</a>

## 2.0 QUALITY POLICY

The Quality Policy of Pax Machine Works is stated below:

*Pax Machine Works, Inc., makers of automotive metal stamping, is committed to meeting the quality and delivery expectations of our customers.*

*Management establishes Quality Objectives that are tracked as part of our Continuous Improvement activities and Customer Satisfaction.”*

### 3.0 SUPPLIER QUALITY EXPECTATIONS

#### 3.1 Quality System Requirements

Suppliers to Pax Machine Works that are designated as Level I or Level II suppliers must become third-party registered to ISO 9001:2000 by a recognized accredited third-party registration body in order to be considered as a potential new Supplier or to maintain status as an existing Supplier. See section 4.1 for a description of the supplier level designations. It is preferred that the supplier be certified to TS16949 when every possible.

Pax Machine Works reserves the right to perform on site reviews and system audits at our discretion regardless of certification status.

#### 3.2 Supplier On-Time Delivery Requirements

It is essential that Pax Machine Works receive Supplier produced product or services on a timely basis to be able to meet customer requirements. Communication is a key element. If a Supplier is unable to meet promised delivery dates, it is imperative that this information be communicated before the product or services are due at the Pax facility.

On-time delivery is based on a five (5) working day shipping window. Deliveries are permitted to be up to four (4) days early and zero (0) days late. Deliveries outside of this window are counted early/late unless a concession is given by Production Control in charge of Material or Service Scheduling prior to the promised delivery date.

#### 3.3 Supplier Quality Performance Requirements

There are two key elements that are tracked regarding Supplier performance. The first element tracked is on-time delivery. Pax Machine Works requires 100% on-time delivery as a minimum standard. Anything less than 100% on-time delivery is not acceptable and requires root cause analysis and 8-D corrective action.

The second element is quality performance. Depending on the commodity being supplied, the requirements will be either a maximum PPM (Parts Per Million Defective) value or a minimum percentage acceptable measurement. Material suppliers that are considered to be steel suppliers are rated based on a minimum acceptance percentage of 95%. Component Suppliers such as fasteners and service providers such as coaters are rated based on a maximum PPM. The maximum acceptable PPM is 1000 which equates to .01% defective. If the quality performance falls below the minimum acceptance percentage and the individual incidents that attributed to the low performance level were not addressed with written corrective action, a general improvement corrective action is required per the supplier performance report. This corrective action is due no later than two weeks after the receipt of the monthly supplier performance report.

#### 3.4 Purchase Order Requirements

The Purchase Order (P.O.) is the general contract between Pax Machine Works and the Supplier. The Purchase Order specifies a detailed description of the product or service being ordered. The P.O. also lists specifications that must be complied with. If there is a part print or component print for the product being purchased, a copy of the latest part print revision will be included with the Purchase Order.

All Purchase Orders issued for new product or services (used in the manufacture of product for Pax customers) specify the need to receive a level III PPAP (Production Part Approval Process) submission with the first shipment of product. The P.O. does not specify delivery dates or releases. The P.O. will specify this requirement if it pertains to the specific supplier's product or service.

### **3.4 Purchase Order Requirements (cont.)**

The delivery and release information comes from the Production Control representative in charge of Material Scheduling at Pax Machine Works.

If a conflict arises between requirements listed in this manual and the P.O. document, the P.O. is the governing document.

## **4.0 SUPPLIER ASSESSMENT PROCESS**

### **4.1 Assignment of Supplier Level Designations**

Suppliers are categorized by level designations based on the significance of the product or service they provide.

Level I - Suppliers are considered critical to the quality of the finished product and are required to have certification by a third party registrar to ISO 9001 or TS16949.

Level II - Suppliers are considered critical, but this level is reserved for Suppliers mandated to Pax Machine Works by our customer. It is the decision of the end customer if registration is required.

Level III - Suppliers are considered important but do not pose a significant impact on the finished product quality.

Level IV - Suppliers are considered non-important from the standpoint of affecting product quality.

### **4.2 Supplier Selection**

The Purchasing Manager selects new Supplier candidates for consideration. The selection process may include an on-site visit. A trial order of material or product may be placed before issuing a Purchase Order, which includes a requirement for PPAP submission.

### **4.3 PPAP Approval and Authorization to Begin Shipping**

PPAP approval by Pax Machine Works does not guarantee acceptance of a new Supplier's product by our customer. Pax is required to submit a PPAP to our customer using the prospective Supplier's product or service. Once Pax receives the customer's approval, the Supplier will be released to begin supplying product or services.

## **5.0 SUPPLIER RATING SYSTEM**

### **5.1 General Description of the Supplier Rating System**

It is important that continuous communication exists between Pax Machine Works and its Suppliers. It is the intent of Pax to communicate how well the Suppliers are performing. Communication is also the key to continuous improvement.

Data is collected with each delivery of product or services. Delivery and Quality performance is monitored and recorded for all level I and level II Suppliers. A performance summary is published for each Supplier on a monthly basis.

### 5.1 General Description of the Supplier Rating System (cont.)

The information is then sent to the Suppliers primarily through the use of email. It is important that the Supplier establish who is to receive this information so that it is channeled to the proper individuals within their organization. For those Suppliers that do not have email capability, this information is faxed.

The Supplier rating consists of two measurements. The first measurement is delivery. As explained in paragraph 3.3, 100% on-time delivery is a mandatory requirement. Any performance below 100% on-time is not acceptable and requires the Supplier to submit an 8-D corrective action within two (2) weeks of receiving their performance report. The corrective action must be sent to the attention of the Quality Assurance Manager at Pax. Failure to submit a timely corrective action could result in a disqualification and replacement of the Supplier.

The second measurement in the performance report is Quality Performance. It should be the goal of the Supplier to achieve zero defects. However, Pax has established threshold limits of acceptability with regard to corrective action requests.

In some cases, corrective actions for specific issues are requested during the reporting month. If these corrective actions have been submitted and approved by Pax, a corrective action for an overall low monthly performance rating is not necessary. If there is a combination of minor issues that individually did not require a corrective action response yet the combination of these issues resulted in a lower than acceptable quality rating for the reporting period, a generalized corrective action must be submitted within two (2) weeks after receiving the monthly performance report.

The quality performance measurement for material suppliers (steel) is based on a percentage of acceptable material weight. The weight of any rejected material is compared to the total weight of material received for the current month. If less than 95% of the material was deemed acceptable, a corrective action must be submitted.

Product and service suppliers are rated by the number of parts rejected versus the total number of parts received. The measurement is expressed as a PPM or parts per million defective. If the PPM is greater than 1000 during the reporting period and corrective actions for specific instances have not been requested, a generalized corrective action for overall improvement must be submitted.

### 5.2 Impact on Reporting Quantities

Product rejection quantities can be significantly affected by the actions taken by the Supplier. If the Supplier is proactive in dealing with a rejection, the quantity defective used for reporting purposes can become lower.

When a rejection of parts occurs, the supplier may be required to take the product back to their facility for sorting or re-work. If the Supplier reports the results of the sorting to Pax, the quantity rejected to the Supplier can be updated to only include the actual number of parts found defective or required to be reworked. If for example 10,000 parts are rejected and sorted by the Supplier and there is a total of 50 pieces found defective, this can reduce the reported rejection quantity from 10,000 down to 50.

If Pax is required to sort the product or contract the sorting from an outside source on behalf of the Supplier then the initial quantity rejected remains the final quantity used for the performance reporting. It is the Supplier's responsibility to report the final rejection quantities after a sort or rework process.

## 6.0 SUPPLIER PPAP SUBMISSION

### 6.1 General Requirements

All initial orders for material, product, or services are generated through a Purchase Order (P.O.) issued by the Purchasing Manager at Pax. A requirement on the P.O. states a Level III PPAP submission (Production Part Approval Process) is required with the initial shipment of product. For reference, copies of the PPAP Manual can be obtained through the AIAG by calling 1-248-358-3003.

It is the Supplier's responsibility to retain samples needed for the PPAP submission and testing. The samples must be representative of Supplier's normal production process. In the case of coating or plating suppliers, Pax may send prototype parts to the Supplier for processing and then use the parts for PPAP submission. Processes that are to be performed to the parts are to be representative of the Supplier's normal production process.

It is important to begin time related testing such as salt spray as soon as possible to allow the completion of the PPAP in a timely fashion.

Pax will include applicable part prints and related specifications with the initial P.O. It is the responsibility of the Supplier to maintain these documents for future reference.

## 7.0 QUALITY DISCREPANCY AND CORRECTIVE ACTION

### 7.1 Quality Discrepancy

In the event noncompliant product is received or discovered at Pax, it is the Supplier's responsibility to work with Pax Machine Works to investigate and correct the conditions relating to the discrepancy. The Supplier is required to respond back to Quality Concerns within a maximum of 1 business day. Pax will make every attempt to provide samples or at least pictures of the defect along with lot traceability. Charges involved for overnight shipping of samples will be the responsibility of the Supplier.

Unless the discrepancy is of a minor nature, a Non Conforming Material Report (NCMR) will be issued against the Supplier. It is the responsibility of the Supplier to acknowledge receipt of the NCMR and respond back with a preliminary containment plan within 1 business day after receipt. A courtesy phone call will be attempted to make the Supplier aware of the Quality Concern and pending NCMR.

Time is critical when there is a non conformance to prevent shutting our operation down or the operations of our customer. If the situation involving a discrepancy requires immediate sorting at Pax, this will be communicated to the Supplier. The current sorting charge is \$45.00 per man per hour (subject to change over time). The Supplier has the option to send their own people in, contract a sorting company to come into Pax on their behalf, or authorize Pax to contract the sorting for the Supplier. As long as the schedule interruptions can be worked around, Pax will attempt to allow the Supplier the option of returning the product or contracting outside sorting. The Supplier must keep in mind that the sorting method can affect the Supplier Performance reporting. Reference paragraph 5.2. If using an outside sorting company and Pax is responsible for the supervision of the sorting personnel, hourly supervision charges may be necessary.

## 7.2 Corrective Action

Corrective Action and the use of problem solving techniques are important to correct discrepancies and prevent their recurrence in the future. A poorly written corrective action normally results in the same or similar problem showing up again.

There are many different methods and types of corrective action reporting. The method of choice at Pax is the 8-D or Eight disciplines of corrective action format. Whatever method the Supplier chooses to use, the results must include the following 4 points:

What was the problem?

What was done to eliminate the problem?

What evidence is there that the problem is permanently eliminated?

What other processes or parts could have the same problem and how were they addressed?

It is expected that a preliminary corrective action be submitted within 24 hours of receipt of notification of a problem. The preliminary corrective action acknowledges the existence of the problem and indicates the immediate containment actions that have been put into place to prevent additional product escaping the Supplier's attention. Containment goes beyond the actual part in question. Containment addresses short-term changes to the Supplier's process involved in the issue.

The general time frame for a final corrective action response is two (2) weeks from the initial notification. It is understood that there are situations where the corrective action cannot be adequately closed out in this time frame; but at a minimum, Pax requires an update within two weeks as well as weekly updates thereafter with a projected completion date for all action items addressed in the corrective action.

## 8.0 SKIP LOT RECEIVING INSPECTION

### 8.1 General Description of Skip Lot Inspection

Receiving inspection represents a significant expense particularly when the purpose is to confirm that the Supplier sent compliant product. It would stand to reason that a good Supplier would not send product that does not meet specification. Receiving inspection becomes a redundant process yet this protects Pax from the possibility of receiving nonconforming product. A documented trust must be established between Pax and its Suppliers.

Pax uses a method called skip lot inspection. This method uses an inspection matrix, as seen on the next page, that reduces the amount of receiving inspection with a systematic approach of gradually skipping receiving inspections based on the number of Supplier shipments found to be defect free. The white blocks represent the received lots that would require a receiving inspection. The green blocks represent lots that would be skipped. As seen on the matrix, the first 5 receiving lots receive an incoming inspection. If no defective product is found, the 6<sup>th</sup> lot is skipped. As time progresses and the Supplier continues to supply good quality product, the frequency of receiving inspection will eventually decrease to 1 out of 14.

There are penalties involved in the event the Supplier sends in discrepant product. In such a case, the Supplier must undergo three (3) consecutive flawless receiving inspections in order to continue the matrix. Receiving inspections performed as a result of sending in defective product is charged back to the Supplier at a rate of \$45.00 per man hour to perform the inspection.

**Skip Lot Inspection Process**

Part Number: \_\_\_\_\_ Supplier Name \_\_\_\_\_ Initial Start Date \_\_\_\_\_

**Instructions:**  
 Each block in the matrix represents a received lot of material for a specific part number. This matrix will cover up to 820 received lots of parts. The white numbered blocks represent lots that must have a receiving inspection performed. The green blocks represent lots that the receiving inspection can be skipped. Start at the left side of the top line. Each time a lot is received, check the matrix to see if a receiving inspection needs to be performed or skipped. Place an "X" through the block for the current receipt of parts. Once you reach the end of the current line, drop down one line and start over going from left to right.

If the Supplier is passed their initial 5 consecutive inspections and a lot is rejected, we must drop back to 3 consecutive receiving inspections. If the Supplier sends flawless material in for 3 consecutive lots, the matrix can be resumed where it was left off. If there are more than two restarts, a new matrix sheet must be started for a complete restart of the process. Staple the new sheet over top of the old matrix so we can easily tell if there have been multiple complete restarts.

This sheet is to be kept in the receiving inspection file along with the receiving inspection instructions and log sheets.

**Skip Lot Inspection Matrix**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30									
5			6			7			8			9			1			2			3			4			5			6			7					
			8			9					1				2					3				4			5			6			7					
	7					8					9				1				2				3			4			5			6			7			
5						6					7				8				9				1			2			3			4			5			
			3								4				5				6				7			8			9			1			2			
			5								6				7				8				9			1			2			3			4			5
			1								2				3				4				5			6			7			8			9			1
			5								6				7				8				9			1			2			3			4			5
			9								1				2				3				4			5			6			7			8			9
			5								6				7				8				9			1			2			3			4			5
			9								1				2				3				4			5			6			7			8			9
			4								5				6				7				8			9			1			2			3			4
			2								3				4				5				6			7			8			9			1			2
			9								6				7				8				9			1			2			3			4			5
			3								4				5				6				7			8			9			1			2			3
			6								7				8				9				1			2			3			4			5			6
			3								1				2				3				4			5			6			7			8			9
3											4				5				6				7			8			9			1			2			3

1<sup>st</sup> Rejected Parts Restart

1	2	3
---	---	---

2<sup>nd</sup>

1	2	3	4	5
---	---	---	---	---

Rejected Parts Restart

Restart Date: \_\_\_\_\_

Restart Date: \_\_\_\_\_

**Note:** The supplier is being charged for each receiving inspection while on either the first or second 5 lots restart inspection. A shop order must be issued to tract these situations.

## 9.0 DEVIATION REQUEST/SUPPLIER CHANGE REQUEST

### 9.1 Deviation Request Procedure

Situations sometimes exist that the Supplier discovers a non-compliance with material or product intended for Pax Machine Works. The Supplier must never knowingly ship product that is not compliant to the part print or specifications. Deviation requests must be initiated before the product is shipped to Pax. The deviation request is intended to be a one time temporary request.

Pax will work with the Supplier whenever possible to grant a deviation for non-compliant material or product as long as the condition does not affect the processes or product Pax produces and does not violate the end customer's print dimensions or specifications. There may be rare instances when Pax is left with no other option than to request a deviation from our customer. Historically, this resulted in extreme time delays and must be avoided when possible. The Supplier must develop a contingency plan to protect Pax in the event the condition cannot be deviated and there is a risk that delivery schedules to our customers will be affected.

The form used to request a deviation can be found in the appendix section of this manual. The request must be directed to the Assistant Production Manager or the Purchasing Manager at Pax. They will forward the request to the Quality Department who reviews the request with the Engineering Department and the customer if applicable. If Pax agrees to the deviation, a control number will be assigned and the form returned to the supplier. It is the supplier's responsibility to identify each skid of product with the form containing the deviation control number.

### 9.2 Supplier Change Request Procedure

It is the responsibility of the Supplier to determine the manufacturing feasibility of a product or service based on supplied prints and specification before accepting the job and submitting a PPAP. The Supplier is responsible for performing statistical capability studies as needed on dimensions of their concern even if they are not listed on the print as significant. The Supplier must have a complete understanding of their dimensional and manufacturing limitations. The Supplier must not hesitate to ask questions with regard to how their product or service is to be used at both Pax and the end customer.

When such situations exist, the Supplier must mark up the print that was issued with the initial purchase order so the concerns can be addressed prior to submitting PPAP. Once the PPAP is submitted and approved, the dimensions become binding and are subject to rejection should product be received out of compliance.

If, after the Supplier receives PPAP approval, a situation develops that a possible print change should be considered to improve the product, to reduce cost, or to make the product to be more dimensionally compliant, a Supplier Change Request (SCR) can be submitted. The submission of the SCR must be directed to the Purchasing Manager. The SCR will be reviewed and disposition will be communicated to the supplier. SCR submission dispositions may require a significant amount of time to process when the end customer approval is required. Changes that may seem insignificant can have negative affects with regard to the processing at Pax or the processing at the end customer.

If an SCR is approved, the Supplier must then submit a PPAP submission for the change addressed in the SCR. Only after the approval of the Supplier's PPAP submission can the change be implemented and updated product be sent in to Pax.

The Supplier can use an SCR form of their choosing or one can be provided by the Pax Quality Department.

## 10.0 LOT TRACEABILITY/ CERTIFICATION

### 10.1 Lot Traceability

Pax considers traceability an important requirement. A record of traceability must exist that includes all materials used and all processes performed in the fabrication of product produced at Pax.

Traceability begins with the steel used to stamp the parts. Material suppliers must ensure each individual coil of steel is properly and accurately barcode labeled. A means of confirming barcode legibility and accuracy must exist within the Supplier's operation and must be monitored. There are specific requirements relating to the necessary information that must be included on the barcode labels and is not part of this manual. A list of the label specifications can be sent upon request.

Outside product such as fasteners and other materials must include complete traceability relating to your lot or serial number. Certification documentation along with any requested verification data must be received with the product delivery.

Product is sent to outside Suppliers in wiretainers, tubs, or cardboard containers for processing. The contents of one container must not be mixed with the content of any other container unless there is specific authorization to do so. The Pax containers are identified with labels referred to as Pax labels. The labels contain important traceability information that must be maintained. It is required that the Supplier transfer the labels from one container to the next without mixing container contents. There are instances when a container is subdivided into two containers due to the packaging method. In this case, the information from the parent container must be accurately transferred to the new multiple containers.

Material that is reworked due to an error in the Suppliers processing must be clearly identified as "Reworked Material." The Supplier must have authorization from Pax in order to mix reworked material from multiple containers together. The original traceability information from the parent container must be included with all reworked material.

Pax must be made aware and agree to all rework methods prior to proceeding for the first time. The Supplier is responsible for issuing a detailed rework procedure for Pax to review and approve. This is important to prevent the rework process from affecting the strength and cosmetics of the product.

### 10.2 Certification

The Supplier is responsible for maintaining a record of processing product from Pax. The information is part of the Certification of Compliance.

The Certification of Compliance must include processing information such as processing date and shift. The certification must indicate compliance to the actual specifications relating to the processing stated on the part print or purchase order. The certification must have the individual container(s) lot and or serial number(s) referenced. If specific test data is required, this must be part of the certification. The certification must be signed to indicate a responsible person. It is the Supplier's responsibility to maintain accurate and detailed records of processing information relating to the processing of the product. Actual test samples may be required with each shipment. The samples are to be clearly labeled with the part number, lot number, and processing date. The samples (if applicable) and certification documents must be included with the product being sent back to Pax.

## 11.0 SAFETY AND ENVIRONMENTAL CONSIDERATIONS

### 11.1 Safety Considerations

Pax is concerned with the safety and well-being of both our employees and the employees of our Suppliers. The Supplier is required to use sound judgment in the manufacturing of product or the providing of services to prevent injury. The product is to be packaged in a manner suited to the type of product being delivered to prevent harm to individuals.

The wiretainers Pax uses has securing latches on both sides of the container. It is important that the Supplier ensures these latches are properly secured to prevent possible injury.

No hazardous chemical substances are to be used on the product without explicit written consent by Pax Machine Works.

The Supplier is expected to comply with all national, state, and local safety regulations.

### 11.2 Environmental Considerations

The Supplier is expected to comply with all national, state, and local environmental regulations.

Uncontrolled Copy if Printed

Appendix

**Pax Machine Works  
Supplier Deviation Authorization**

QAFM 0454 REV. 081506

Supplier Name  Deviation Number   
Part Number  Date

Description of Supplier Deviation

Duration – Time/Quantity  Deviation Authorized By

Part Numbers affected

**This Deviation Authorization must accompany each skid of product sent in to Pax. The Product must have this notice Attached.**  
**DEVIATED MATERIAL**  
**DEVIATION NUMBER**