Revision Record

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<th>Date</th>
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<tr>
<td>A</td>
<td>May 20, 2009</td>
<td>First Use</td>
</tr>
<tr>
<td>B</td>
<td>May 11, 2010</td>
<td>Revised traceability to include all components; added export compliance; renumbered paragraphs</td>
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The terms “Item(s)”, “PO”, “Seller”, and “Buyer” as used herein, have the same meaning as the terms “Work”, “Contract”, “SELLER”, and “APG”, respectively.

Questions regarding these Terms and Conditions shall be addressed to Buyer’s Purchasing Representative who administers this PO.
1.0 Quality Requirements

1.0.1 Seller shall meet and maintain a Quality Standard System meeting the current revision of ISO9001 or AS9100 as evidenced by third party registration. Third party registration ISO/AS/EN Quality Management Systems (“QMS”) from an ANSI-ASQ National Accreditation Board (www.anab.org) approved registrar is preferred.

1.0.2 Seller shall flow-down these requirements to all of his sub-tier suppliers.

1.0.3 Quality System Changes & Relocation

Seller shall notify Buyer, in writing, within 10 days of any (1) adverse change in its quality system status resulting in the loss of 3rd party registrar's certification status; or (2) adverse action taken by Seller's customer, the Government, the Federal Aviation Agency (“FAA”), or the Civil Aviation Agency (“CAA”); or (3) change in Seller's quality organization, process or procedures that affects conformity verification of any Item.

Seller shall also notify Buyer, in writing, at least 90 days in advance of any sale, relocation, or transfer of Seller's manufacturing operations.

1.1 Language

Unless otherwise authorized by Buyer in writing, upon request by Buyer, Seller shall provide all Seller records, reports, specifications, drawings, inspection and test results and other documentation in English.

1.2 Reference Documents

Seller may obtain Buyer-unique documents (drawings, specifications, etc.) referenced in this PO from Buyer’s Purchasing representative.

Seller may obtain copies of Aerospace Standards (AS/EN documents) from the Society of Automotive Engineers at: www.sae.org.

1.3 Supplier Control

Seller shall ensure all Items procured from its suppliers for this PO conform to all requirements of this PO.

1.4 Counterfeit Parts Prevention

Seller shall establish and maintain controls to prevent the purchase of counterfeit parts. Seller shall maintain a method of Item traceability which ensures tracking of the Item(s) back to the Original Equipment Manufacturer (“OEM”) of all components and devices including those Items in assemblies and subassemblies being delivered under this PO.

If a suspect/counterfeit Item(s) is furnished under this PO, Seller shall promptly disclose such Item(s) to Buyer and replace such Item(s) with Item(s) acceptable to Buyer at no increase in price, cost or fee to Buyer. Seller shall be liable for all costs relating to impoundment, removal, and replacement of counterfeit Item(s).

1.5 Outsourcing of Critical Items

Seller shall notify Buyer, in writing, when any key characteristic, interchangeable-replaceable features, fracture critical features, durability critical features, maintenance critical features, safety critical features, critical safety hardware/features, mission abort critical features, or Seller changes affecting fit, form or function are to be subcontracted.
1.6 Certificate of Conformance

Seller shall prepare a certificate of conformance ("CoC") asserting that the Items contained within this shipment are in total compliance with the requirements of this PO. Seller shall provide Items under this PO that meet all applicable requirements. Seller shall annotate in the delivery package any exceptions, e.g. variances. Seller shall include a copy of the CoC with Seller’s product shipper.

Where seller is providing a component manufactured by another supplier, seller shall provide a Certificate of Conformance identifying the manufacturer thereof, and identify the manufacturer’s lot.

1.7 Records

Seller shall maintain complete records of all manufacturing, process capability (if applicable), and inspection and test, including copy of CoC. Upon Buyer’s request, Seller shall make records available to Buyer for at least three (3) years after completion of this PO and for longer periods as may be specified elsewhere in this PO. Upon Buyer’s request, Seller shall forward specific records to Buyer at no additional cost, price, or fee to Buyer. Seller shall maintain records of all quality process control tests performed by Seller and inspection records of processed Items for at least seven (7) years after completion of this PO. Upon Buyer’s request, Seller shall provide records of inspection tests of processed Items and process control tests to Buyer.

1.8 Government/Industry Data Exchange Program ("GIDEP") Membership

If Seller is eligible for GIDEP membership, Seller is encouraged to become a member of GIDEP.

1.9 Notification

Seller shall notify Buyer when Seller or Seller’s sub-tiers are found to be noncompliant to Buyer specifications, Seller is disapproved by a Government agency, or GIDEP Alert is required or received affecting Buyer Items.

1.10 Certified Materials

Seller shall establish and maintain controls to prevent the use of non-certified materials when certified materials are required.

1.11 Calibration

Seller shall maintain a documented calibration system for the calibration and maintenance of tools, jigs, inspection and test equipment. Seller shall have and maintain a calibration system that is compliant to prevailing industry requirements in accordance with ISO 17025, ISO10012-1, ANSI Z540 or MIL-STD-45662.

1.12 Tooling

Seller shall include in its documented quality system written procedures for the control, maintenance, and calibration of special tooling, jigs, inspection and test equipment, and other devices used in manufacturing processes.

1.13 Foreign Object Debris/Foreign Object Damage Program

1.13.1 Seller shall maintain a FOD prevention program. Seller’s FOD prevention program shall include the review of design and manufacturing processes to identify and eliminate foreign object entrapment areas and paths through which foreign objects can migrate. Seller shall ensure work is accomplished in a manner preventing foreign objects or material in deliverable Items. Seller shall maintain work areas and control tools, parts and materials in a manner sufficient to preclude the risk of FOD incidents. Seller shall document and investigate each FOD incident and ensure elimination of the root cause of each such incident.

Whenever and/or wherever FOD entrapment or foreign objects can migrate, Seller’s FOD prevention program shall include Seller’s periodic self assessment of its internal FOD prevention
practices, including each respective subcontractor’s FOD prevention program at every tier to measure effectiveness of program compliance to requirements.

Seller’s FOD prevention program shall provide initial and periodic FOD training to Seller’s employees. Seller shall provide records of such self assessment and training to Buyer, upon request.

1.13.2 Seller’s FOD prevention program shall, at a minimum, contain the following elements:

1. Design & Manufacturing Process Review
2. Performance Measurement
3. Training
4. Material Handling and Parts Protection
5. Housekeeping
6. Tool Accountability
7. Hardware Accountability
8. Lost Items Search and Documentation Process
9. Physical Entry Control into FOD Critical Areas
10. FOD Focal Point(s).

1.13.3 Whenever and/or wherever FOD entrapment or foreign objects can migrate, Seller shall ensure that applicable Quality Clause Q4R FOD requirements are flowed down to Seller’s subcontractors at every tier.

1.13.4 Prior to closing inaccessible or obscured areas and compartments during assembly, Seller shall inspect for foreign objects/materials. Seller shall ensure that tooling, jigs, fixtures, and test or handling equipment are maintained in a state of cleanliness and repair sufficient to prevent FOD.

By delivering Items to Buyer, Seller shall be deemed to have certified to Buyer that such Items are free from any foreign materials that could result in FOD.

2.0 Point of Acceptance

Unless otherwise stated on the purchase order, the point of acceptance is Automation Products Group, Inc., Logan, Utah. Seller shall ensure that all requirements of this PO have been met.

3.0 Facility Access

Seller shall provide or obtain for Buyer, Buyer’s customers and regulatory agency personnel, access to any and all facilities where work is being performed or is scheduled to be performed, including those facilities of Seller’s subcontractors, in order to perform Item inspections, surveys or system/process surveillance as part of verification of conformance to the requirements of this PO. Seller’s denial of any such access may result in inactivation of Seller’s approval. Seller shall include the provisions of this facility access requirement in its POs with its subcontractors.

3.1 Seller shall provide, at no increase in price, cost or fee to Buyer, Buyer’s customers or regulatory agencies, suitable facilities at Seller and Seller’s subcontractors’ manufacturing locations for Buyer, Buyer’s customer and regulatory agency representatives to perform Item inspections, surveys or system surveillance.

4.0 Sampling

Seller shall have the right to use sampling plans, provided the sampling plans are in accordance with existing industry, military or Government standards, or have been prior approved in writing by Buyer.
5.0 Control and Processing Nonconforming Material and Corrective Action

5.1 Seller shall implement and maintain a documented quality system that provides for identification, documentation, and disposition of nonconforming material. Seller shall ensure effective corrective action is taken (including repetitive nonconformances dispositioned “Use-As-Is” or “Repair” by Buyer’s or Seller’s Material Review Board [“MRB”] actions) to prevent, minimize, or eliminate nonconformances. Seller’s quality management system shall ensure that non-conforming material is not used for production purposes.

5.2 Seller shall maintain records of all nonconforming material, dispositions, assignable causes, corrective actions, and effectiveness of corrective actions for the period specified in this PO.

5.3 Seller shall evaluate each nonconformance for its potential to exist in previously produced or delivered Items, or Items in transit to Buyer. If a nonconformance exists, Seller shall notify Buyer, in writing, within 24 hours for issues impacting flight safety or for Items in transit to Buyer, and, in writing, within 5 working days for all other issues.

5.4 Seller shall respond to all Buyer requests for corrective action. When requested by Buyer, Seller shall provide trend data and findings for Buyer rejected Items. Seller shall identify true root cause findings and corrective action(s) to preclude recurrence by utilizing tools such as cause mapping, cause and effect analysis, 5 why’s etc.

5.5 Seller shall assess all Buyer-identified nonconformances, whether or not Item(s) was/were returned to Seller, and take appropriate actions to ensure causes of nonconformance are corrected.

6.0 Material Review Authority for Seller-Designed Items

6.1 Seller has Material Review Authority (“MRA”), except for nonconformances that affect a parameter controlled by Buyer drawing or specification, where form, fit or function, interchangeability, Critical Safety Characteristic (“CSC”) related to Critical Safety Item (“CSI”) service life or reliability is affected. Seller shall submit dispositions of nonconformances, if any, affecting any such parameter(s) to Buyer for approval.

6.2 Buyer has the right to remove MRA if Buyer believes Seller demonstrates abuse of the MRA process.

7.0 Material Review Authority for Buyer-Designed Items

7.1 Seller disposition authority is limited to scrapping of Items, eliminating the nonconformance by rework to engineering, or returning to vendor. On Items of Buyer design, Seller shall document nonconformances for submittal to Buyer’s MRB for dispositions as required by this PO. Seller’s continued processing, prior to obtaining Buyer’s MRB disposition, of any Buyer-designed Items containing a nonconformance prior to Buyer’s MRB disposition shall be at Seller’s risk, and Seller’s continued processing shall be limited to subsequent operations that do not hide, alter, or limit the ability to inspect, disposition and repair Item.

7.2 If Buyer has delegated MRA to Seller on Buyer-designed Items, Seller shall exercise such MRA except for nonconformances of a parameter that affects form, fit, function, interchangeability, CSC related to CSI, service life or reliability.

7.3 Seller shall submit requests for MRA on Buyer-designed Items in writing to Buyer.

8.0 Material Review Authority and Reporting of Nonconformances on Buyer-Furnished Equipment/Items

8.1 If Seller has need for material review on Buyer-Furnished Equipment/Items, Seller shall submit written requests to Buyer per section 2.7.1 for such review.

8.2 Seller’s continued processing, prior to obtaining Buyer’s MRB disposition, of any Buyer-Furnished Equipment/Items containing a nonconformance shall be at Seller’s risk.
NOTE: Buyer shall exclude any Seller request for material review on Buyer-Furnished Equipment/Items from Seller’s quality rating, provided Seller was not responsible for creating the nonconformance.

8.3 If Buyer has delegated MRA to Seller on Buyer-designed Items, that MRA delegation is not applicable to Buyer-Furnished Equipment/Items.

9.0 Material Review Board Submittals

9.1 Seller’s request for Buyer MRB disposition of Seller or Buyer-designed Items shall be submitted in accordance with Buyer instructions.

9.2 Seller shall not incorporate any nonconformances into any Item, process, procedure or data that affects a parameter controlled by Buyer drawing or specification or affects form, fit or function, interchangeability, service life or reliability unless and until Seller has received prior written approval from Buyer to do so.

9.3 Buyer and Buyer’s customers shall each have the right to refuse to accept any Seller nonconformances. When the point of acceptance requirement of this PO is “GOVT & BUYER ACCEPT AT SOURCE” and Buyer’s customer has delegated MRA to Seller’s cognizant Government source representative, Seller shall submit material review dispositions to Seller’s local Government representative for concurrence.

9.4 Seller shall ensure that root cause analysis and corrective action plans for all discrepancies exist and/or have been implemented based on corrective action effectivity, prior to delivering Items that have Buyer MRB dispositions. Seller shall submit corrective action plans to Buyer or Buyer’s representative with final acceptance paperwork.

10.0 DFARS

Seller shall ensure Seller’s quality system has capability to report nonconformance(s) on CSI in full compliance with Defense Federal Acquisition Regulation Supplement (“DFARS”) 252.2467003.

11.0 Requirements for Buyer-Designed Items:

Buyer may require approval of special processes and sources thereof prior to use for Items delivered to Buyer. A special process is an operation performed on an Item where the operation cannot be readily verified subsequent to its conclusion or without destructive testing. Special processes have verifiable controls inherent to the process, e.g. heat treat, plating, die-casting, etc.

12.0 Requirements for Seller-Designed Items

Buyer and Buyer’s Customers shall have the right to review and maintain surveillance of Seller’s quality system for approval and control of any process, including those performed in-house.

13.0 Defense Priority and Allocation System

Where a Defense Priority is indicated on Buyer’s purchase order, Seller shall comply with the Defense Priority and Allocation System requirements and flow-down these requirements to Seller’s sub-tier suppliers.

14.0 Export Compliance and Control

14.1 SELLER shall comply with all applicable United States export control laws and regulations, including, but not limited to, the requirements of the Arms Export Control Act, 22 U.S.C. 2751-2794, the International Traffic in Arms Regulation (ITAR), 22 C.F.R. 120 et seq., the Export Administration Act, 50 U.S.C. app. 2401-2420, and the Export Administration Regulations, 15 C.F.R. 730-774. SELLER shall obtain all required export licenses or agreements necessary to perform SELLER’s Work, as applicable.

14.2 Without limiting the foregoing, SELLER shall not transfer any export-controlled item, data or services, to include transfer to a person who is not a “U.S. Person” as defined in the ITAR (22
C.F.R. 120.15), without the authority of a United States Government export license, technical assistance agreement, or other authority. The restrictions on the transfer of export controlled data apply equally to data furnished by APG and to any such data incorporated in documents generated by SELLER. Additionally, no disclosure of data furnished by APG can be made unless and until APG has considered the request and provided its written approval though contractually authorized channels. SELLER will strictly comply with the conditions in any such approval and in the export license or other Government authorization for such disclosure.

14.3 Export License, Export Agreement, or Applicable License Exemption or Exception. Further, a United States Government export license, export agreement, or applicable license exemption or exception shall be obtained by SELLER prior to the transfer of any export-controlled item, data or services to any U.S. Person that is employed by any “Foreign person” within the meaning of 22 C.F.R. 120.16.

14.4 SELLER shall notify APG if any use, sale, import or export by APG of Work to be delivered under this Contract is restricted by any export control laws or regulations applicable to SELLER.

14.5 SELLER shall immediately notify the APG Procurement Representative if SELLER is listed in any Denied Parties List or if SELLER’s export privileges are otherwise denied, suspended or revoked in whole or in part by any government entity or agency.

14.6 If SELLER is engaged in the business of either exporting or manufacturing (whether exporting or not) defense articles or furnishing defense services, SELLER represents that it maintains an effective export/import compliance program in accordance with the ITAR and it is registered with the United States Office of Defense Trade Controls (unless covered by one of the exemptions set forth in 22 C.F.R. 122.1) as required by the ITAR.

14.7 Where SELLER is a signatory under an APG export license or export agreement (e.g. TAA, MLA), SELLER shall provide prompt notification to the APG Procurement Representative in the event of changed circumstances affecting said license or agreement.

14.8 SELLER shall indemnify, hold harmless and, at APG’s election, defend APG, its directors, officers, employees, and agents from and against all losses, costs, claims, causes of action, damages, liabilities and expense, including, but not limited to, reasonable attorneys’ fees, all expense of litigation and/or settlement, and court costs, arising from or related to any act or omission of SELLER, its directors, officers, employees, agents, suppliers, or subcontractors at any tier in the performance of any of its obligations under this paragraph 14. SELLER shall include the requirements of this paragraph 12 in all agreements with lower tier subcontractors.

14.8.1 Failure of the United States Government or any other government to issue any required export or import license, or withdrawal/termination of a required export or import license by the United States Government or any other government, shall relieve APG of its obligations under this Contract. Provided SELLER has diligently pursued obtaining such license and, through no fault of SELLER, such license has been denied, withdrawn, or terminated, SELLER shall also be relieved of its obligation under this Contract. In either event, this Contract may be terminated by APG without additional cost or other liability.

14.9 If the technical data required to perform this Contract is subject to the United States International Traffic in Arms Regulations (ITAR), SELLER shall comply with the following:

14.9.1 The technical data shall be used only in performance of Work required by this Contract; and

14.9.2 The data shall not be disclosed to any other person, including lower-tier subcontractors within the same country, unless said person is expressly authorized pursuant to an export license or export agreement. The restrictions on the disclosure of export-controlled data apply to both data furnished by APG and to any such data incorporated in documents generated by SELLER; and
14.9.3 Any rights in the data may not be acquired by SELLER or any other Non-U.S. Person; and

14.9.4 SELLER shall return, or at APG’s direction, destroy all of the technical data exported to SELLER pursuant to this Contract upon fulfillment of its terms;

14.9.5 Unless otherwise expressly directed by APG, SELLER shall deliver the Work only to APG or to an agency of the U.S. Government.