

Damar AeroSystems Purchase Order Terms and Conditions



The following document serves as general requirements for External Provider(s) (referred to hereafter as Seller) and their sub-tiers. Seller must maintain compliance to these requirements in order to receive Orders from Damar AeroSystems (hereafter referred to as Buyer) for parts, articles, materials, drawings, or other products and/or services (hereafter referred to as Goods). Failure to comply with these requirements may result in disqualification as an approved Seller. The Seller is responsible for immediate communication of any conflicts. By accepting an Order, the Seller agrees to all of the following requirements unless exceptions are noted on the Purchase Order/Contract.

1.0 GENERAL REQUIREMENTS

The Seller agrees to maintain a quality and delivery system adequate to supply products and services that meet the requirements of the purchase order, applicable specifications, and/or engineering drawings.

Seller further commits that any material violation of law by Seller relating to basic working conditions and human rights, including laws regarding slavery and human trafficking, are applicable to Seller's performance and may be considered a material breach of this Contract/Agreement. If a material breach occurs, Buyer may elect to cancel any open Orders between Buyer and the Seller, for cause, in accordance with the provisions of this Contract/Agreement or exercise any other right of Buyer for an Event of Default under this Contract/Agreement. Seller shall include the substance of this clause, including this flow down requirement, in all subcontracts awarded by Seller for work under this Contract/Agreement.

Buyer and Seller agree to Order price, including all costs associated with the Order, unless otherwise discussed with Buyer. The payment policy is to pay the Buyer Order price.

Compliance with the following requirements shall not absolve Sellers of providing acceptable product, nor preclude subsequent rejection.

Seller is and shall remain an independent contractor. No employee, agent, or representative of Seller or its subcontractors shall be deemed to be an employee of Buyer.

With regard to any Order, Goods, or the program to which they may pertain, Seller and its subcontractors or suppliers shall not release any publicity, advertisement, news release, or denial or confirmation of the same. Seller shall be liable to Buyer for any breach of such obligation by any subcontractor or supplier.

In no event will Buyer be liable to Seller for any special, incidental, punitive or consequential damages – regardless of the legal theory on which any liability claim is made. In no event will Buyer's liability to Seller exceed the amount due under the applicable Order for the Goods.

Purchase Order Terms and Conditions are subject to change and will be updated as required.

This Order shall be governed by the laws of the State of Washington without reference to the choice of laws provision thereof. This order excludes the application of the United Nations Convention on Contracts for the International Sale of Goods. Seller hereby irrevocably consents to and submits itself exclusively to the jurisdiction of the application courts of King County Washington and the federal courts of Washington State for the purpose of any suit, action or other judicial proceeding arising out of or connected with any Order or the performance or subject matter thereof unless Buyer, in its sole discretion, determines to bring a claim in another court of competent jurisdiction. Seller hereby waives and agrees not to assert by way of motion, as a defense or otherwise, in any such suit, action, or proceeding, any claim that (a) Seller is not personally

subject to the jurisdiction of the above-named court, (b) the suit, action or proceeding is brought in an inconvenient forum or (c) the venue of the suit, action or proceeding is improper.

1.1 Right of Entry:

All items on a purchase order are subject to surveillance, including facilities, equipment, personnel, product, procedures, systems and records at the Seller's facility and/or any sub-tiers. Such surveillance may be jointly performed by a representative of Buyer and its prime contractor, and/or the Federal Aviation Administration (or non-domestic, equivalent agency). Sellers shall grant access within (2) working days if requested, unless otherwise agreed to. Failure to accommodate may result in disqualification as an approved Seller.

If the Goods covered by this Order are for a U.S. government contract or subcontract, Seller agrees to permit any inquiry by government officials and their authorized representatives into the cost and/or profits to the Seller through fulfillment of this Order to the extent authorized under the applicable contract or subcontract. Seller shall defend, indemnify, and hold harmless the Indemnified Parties of and from any costs, fines or other liabilities imposed as a result of such investigation.

1.2 Ethical Standards:

Seller acknowledges and accepts full and sole responsibility to maintain an ethics and compliance program appropriate for its business throughout the performance of this Contract. Sellers are responsible for ensuring that persons are aware of their contribution to product safety, conformity, and the importance of ethical behavior.

Seller will comply with the provisions of the Buyer's Code of Conduct.

In addition to the provision set forth in the Code of Basic Working Conditions and Human Rights in the contract, Seller further commits that any material violation of law by Seller relating to basic working conditions and human rights, including laws regarding slavery and human trafficking, applicable to Seller's performance under this Contract/Agreement may be considered a material breach of this Contract/Agreement for which Buyer may elect to cancel any open Orders between Buyer and the Seller, for cause, in accordance with the provisions of this Contract/Agreement, or exercise any other right of Buyer for an Event of Default under this Contract/Agreement.

1.3 Tax:

Items purchased under this Purchase Order/contract are for resale, and are not subject to Washington State, local, sales or use taxes.

1.4 Performance:

TIMING OF DELIVERY AND/OR PERFORMANCE IS THE ESSENCE OF AN ORDER. Delivery of Goods to Buyer shall be within the window of five (5) days early – zero (0) days late of the delivery date. If delivery or completion dates cannot be met, Seller shall inform Buyer immediately. Such notice shall not constitute a change to the delivery or completion terms of an Order unless Buyer modifies the Order in writing.

If any item is not received (or if any element of the work is not completed) by the delivery date, Buyer has the option, without prior notice to the Seller, to either:

- approve a revised date,
- cancel the Order, or
- obtain such goods or work elsewhere.

In this event, the Seller shall be liable to Buyer for any resulting loss and/or charges incurred.

Delays caused by Buyer shall allow for an extension to the Order delivery date equal to the delay Buyer caused. Seller shall not be liable for delays in delivery or completion occasioned by strikes, lockouts, fires, war, or acts of God.

In the event that Seller alleges a breach of this Order or another Order by Buyer, Seller shall continue its performance under this Order until such allegation is resolved.

1.5 Purchase Order Verification:

Buyer will not honor change requests for orders that have been outside Buyer facility greater than forty-eight (48) hours. This time period allows for the Seller to verify purchase order information including: quantity variances, incorrect specifications, due date, and pricing. Notification of discrepancy MUST be communicated with the specific buyer. The intent is to ensure that our supply chain is verifying quantity and any other pertinent information upon purchase order receipt before product goes into their manufacturing process. If a discrepancy occurs during the manufacturing process, the Seller is required to notify Buyer immediately.

1.5.1 Time Sensitive Material:

Where consumable goods requiring expiration dates are utilized/purchased, Seller shall not ship material with less than 80% of shelf life remaining. Seller shall include all certifications and/or packing slips to provide full traceability to the Original Manufacturer (OEM), and ensure they contain the following information:

- Type of material
- Expiration date
- Lot or batch number
- Manufacturers date

1.6 Calibration Service Sellers:

Sellers of calibration services shall meet the requirements of ANSI/NCSL Z540.1 or equivalent standard. Calibrations performed shall be traceable to NIST or other recognized international standards.

1.7 Cancellation:

This Order may be cancelled by Buyer at any time, in whole or in part, by written notification to Seller. Upon receipt of notification of cancellation:

1. Seller will immediately cease performance under this Order, unless otherwise specified by Buyer.
2. Seller is required to submit a cancellation statement to Buyer detailing all Seller's costs as a result of the Order cancellation no later than 30 days after the effective date of cancellation.
3. Any reimbursement to Seller for costs which are the result of the cancellation must be mutually agreed upon and will not exceed
 - a. The contract price for completed Goods accepted by Buyer and not previously paid for; and
 - b. The actual costs incurred by Seller directly in connection with the cancelled Goods that were within lead time at the effective date of cancellation.

In no event will Buyer be responsible for any loss of profit or for payment for any work that is or may be rejected upon inspection or does not conform to Buyer's specification or Order requirements.

1.8 Termination for Cause:

Buyer may terminate an order, or any part thereof, by written notice of default to Seller under any of the following circumstances:

If Seller:

- fails to comply with any dates specified for delivery of Goods;
- fails to comply with other provisions of the Order;
- fails to make progress as to endanger performance of the Order in accordance with its terms;
- becomes insolvent;
- makes a general assignment for the benefit of creditors;
- files or has filed against it a petition of bankruptcy or for reorganization;

- pursues any other remedy under any other law relating to the relief for debtors;
- has a receiver is appointed for Seller's property or business.

In the event of such termination:

- Buyer may purchase or manufacture similar supplies and/or require Seller to transfer title and deliver to Buyer any and all property produced or procured by Seller related to the Order, and Seller shall be liable to Buyer for any excess cost to the Buyer.
- Any termination by Buyer, whether for default or otherwise, shall be without prejudice to any claims for damages or other rights of Buyer against Seller.
- Seller shall continue performance of the order to the extent not terminated.

If, after notice of termination of the Order under the provisions of this Section, it is determined for any reason that the Seller was not in default, the rights and obligations of the parties shall be the same as if the cancellation had occurred pursuant to Section 1.7 (Cancellation).

1.9 End of Life:

In the event Seller intends to replace or discontinue the manufacture of a Good, Seller will give Buyer at least six (6) months prior written notice and accept additional Orders for such Good until the end of the 6-month notice period. Seller may not discontinue manufacture of a Good until all outstanding Orders for such Good have been filled.

1.10 Indemnification:

Seller agrees to defend, indemnify and hold Buyer and its affiliates, and Buyer's and its affiliates' officers, directors, employees, representatives, and agents (collectively, the "Indemnified Parties"), harmless of and from any claim, loss, cost, damage, settlement or judgment arising out of Seller's provision of Goods to the Indemnified Parties, the presence of Seller's employees, agents or subcontractors on the Indemnified Parties' premises, or any claim that any of Seller's employees, agents or subcontractors are employees of Buyer. This duty to defend, indemnify and hold harmless extends to any legal claim or proceeding, whether based on contract, warrant, infringement, strict liability in tort, negligence or other legal theory, and also extends to third party claims and any loss suffered directly by the Indemnified Parties. Buyer is entitled to control Seller's defense of Buyer hereunder. Buyer's indemnification obligations shall not apply to the extent any such claim is the result of the Indemnified Parties' negligence.

1.11 Insurance:

Seller will furnish to Buyer a certificate of insurance showing Seller has obtained insurance coverage in the following minimum amounts (or such higher minimum amounts as the Buyer may, in its sole discretion, specify in writing):

- a. Worker's Compensation – statutory limits for the state or states in which the work is to be performed;
- b. Employer's Liability - \$1,000,000;
- c. Commercial General Liability - \$2,000,000 combined single limit per occurrence including Premises and Operations Independent Contractors, Contractual Liability and Products and Completed Operations Coverages; and
- d. Automobile Liability (including owned, hired and non-owned vehicles) - \$1,000,000 combined single limit per occurrence.

Such certificate will set forth the insurance company, amount of coverage, the policy numbers, date of expiration, and will include a thirty days' notice of cancellation to Buyer clause and a waiver of subrogation rights against Buyer. Buyer must be named as an additional insured party under each of these policies, with the exception of the policy covering worker's compensation liability. Such insurance coverage must be maintained by Seller at all times while it is performing work under this Order. Compliance by Seller with these insurance requirements does not affect Seller's indemnification or other liabilities under this Order.

1.12 Supplemental Terms and Conditions – Mandatory Flow downs:

If the Order or any Long-Term Agreement (LTA) references any supplemental terms and conditions, including but not limited to Supplemental Terms and Conditions (Government Contracts), or Supplemental Terms and Conditions (Mandatory Flow downs), such supplemental terms and conditions will be part of the Order for the Goods and will be provided to Seller upon request. Seller shall flow down all supplemental terms to its sub-tier suppliers.

1.13 Order of Precedence:

In the event the Parties have executed an LTA, these Terms and Conditions shall also apply to the LTA. In the event of any conflict between the LTA, these Terms and Conditions, and any supplemental terms, the order of precedence shall be as follows:

1. LTA;
2. Supplemental Terms (Government Contracts);
3. Supplemental Terms (Mandatory Flow downs);
4. Any other supplemental terms referenced in the Order; and
5. These Terms and Conditions.

1.14 Cumulative Remedies – Set-Off Rights:

All Buyer's rights and remedies under this Order or at law are cumulative and non-exclusive. Payment to Seller under this Order is subject to set-off or recoupment for any present or future claims that Buyer or its affiliates may have against Seller or its affiliates.

1.15 English Language:

When specifically requested, Seller shall make specified quality data and/or approved design data available in the English language.

1.16 Quality Management Systems:

Buyer prefers that Sellers have a certified or registered third party quality management system. Ex: AS9100, AS9120 or ISO quality management systems. Sellers without an accredited quality management system will subject to additional auditing and product acceptance monitoring, and must maintain documented procedures available in the English language which address the following:

1. Identification and Traceability
2. Control of Nonconforming Material
3. Control of Customer Property
4. Process Control
5. Measurement and Monitoring of Product
6. Training
7. Preservation of Product
8. Control of Quality Records
9. Internal Audit
10. Contract / Purchase Order Review

Additionally, suppliers must provide the Buyer with written notification of any changes in ownership and management representatives with assigned responsibility and authority for the quality system.

2.0 DOCUMENTATION REQUIREMENTS

2.1 Document Control:

All material, parts, and/or assemblies shall be to the latest applicable engineering, drawings, and/or specifications, unless specific revision numbers or drawing issues are shown in the text of the Order. Sellers shall keep confidential and protect from disclosure all information and property obtained from Buyer. Unless authorized, Sellers shall use Buyer supplied information and property only in the performance and purpose of this purchase order. Upon Buyer request, and in the event of completion, termination or cancellation of this order, Sellers shall return all such information and property to Buyer or make such other disposition as directed.

Sellers to Buyer will receive specification updates as mandated by Buyer Customer base. Sellers shall request specifications required for the manufacturing process on an as needed bases, all requests will be submitted through Buyer Purchasing Agent. Specification revisions are available on the Damar Aerosystems Website: <http://www.damaraerosystems.com/suppliers.html>.

2.1.1 Acceptance Authority Media

- a) Seller shall comply with the AS/EN/JISQ 9100 requirements and 14CFR Part 21.2 regarding the application of the Acceptance Authority Media (AAM) requirements.
- b) Seller shall, within its organization and its supply chain, ensure that the use of AAM is clearly defined within its Quality Management System (QMS).
- c) Seller shall, upon request, be able to demonstrate evidence of communication to its employee sand to its supply chain; use of AAM must be considered as a personal warranty of compliance and conformity.
- d) Seller shall maintain compliance to the AAM requirements by assessing its process and supply chain as part of its internal audit activities. The areas of focus of this assessment shall include but not limited to:
 - Authority Media Application Errors (i.e. Omission, Typos, Legibility, etc.)
 - Authority Media Application Untimely Use (i.e. Documentation is not completed as planned, "Stamp/Sign as you go," etc.)
 - Authority Media Application Misrepresentation (i.e., uncertified personnel, Falsification of documentation, Work not performed as planned, etc.)
 - Authority Media Application Training Deficiencies (i.e. Ethics, Culture awareness, Proper Use of authority media, etc.)

2.2 Quality Records:

All quality records must be legible, stored and retained in a suitable environment to prevent damage, deterioration or loss. Quality records shall be retained a minimum of eleven (11) years, unless specified otherwise by purchase order.

2.2.1 Inspection Requirements and Nonconformances:

All product submitted to Buyer is required to have been 100% inspected in process and final inspection, unless otherwise specified.

- Sampling plans and procedures written to AS9138 may be used upon submission to and approval by Buyer's Quality Assurance. With the exception noted herein. Seller's statistical sampling procedure/plan conformance to AS9138 with minimum protection levels meeting SAE AS9138 Table A1 and C=0 will constitute Boeing Quality approval subject to restrictions noted in AS9138, Section 4.3 Safety/Critical Characteristics, and part/product Design Data sampling requirements and/or prohibitions.
- Purchase Order specific requirements for 100% inspection override the use of an approved sampling inspection.

- Inspection of all product features is required, and acceptance or rejection shall be indicated on the applicable certification or packing slip.
- Upon notification of non-conformances and receipt of a request for corrective action by Buyer, the Seller must respond within ten (10) days of noted shipment to Buyer with cause and corrective and preventive action. Individual non-conformances must be adequately identified.
- Seller shall immediately notify Buyer when discrepancies in the Seller's process or product are discovered or suspected which may affect parts or assemblies that Seller has delivered or will deliver.

Buyer reserves the right to disallow a Seller's statistical methods for product acceptance for specific sites/ programs, parts or characteristics, and to conduct surveillance at Seller's facility to assess conformance to the requirements of AS9138.

Aerospace standards such as AS9138 can be obtained from SAE International at: <http://standards.sae.org>.

2.3 DPD/MBD Data Translation Product:

Sellers receiving digital data shall comply with customer requirements as listed in D6-51991, QUALITY ASSURANCE STANDARD FOR DIGITAL PRODUCT DEFINITION AT BOEING SELLERS (<https://www.boeing.com/quality.html#/digital>) and maintain Buyer approval per section 4 of form 40401, Supplier Survey.

3.0 PRODUCTION REALIZATION

3.1 Specifications and Certifications:

All material, parts, and/or assemblies ordered herein shall be to the latest applicable engineering, drawings, and/or specifications, unless specific revision numbers or drawing issues are shown in the text of the Order. Specification revisions are available on the Damar Aerosystems Website: <http://www.damaraerosystems.com/suppliers.html>, and available upon request from Buyer Purchasing Agent.

Sellers do not have authority to deviate from purchase requirements, including substitutions, materials, processes or design details without written approval from Buyer.

Buyer requires a Certificate of Conformance. When multiple lots are included in one shipment, Seller shall clearly separate the control identity of the respective lots. The Certificate of Conformance shall include at a minimum:

- Buyer Purchase Order and Line number.
- Part Number
- Traceability Number
- If applicable, Part Revision
- Applicable Specification and Revisions.
- Signature of a Quality Assurance Representative.

3.1.1 Hardware (Designated Hardware and Standards):

Part Standards with revisions other than those requested will be accepted provided product complies to the implementation instructions of the specification and D-590-PREFACE.

3.3 Packaging:

Goods shall be prepared and shipped by Seller in accordance with good commercial practice and all carrier regulations to ensure that no damage shall result from handling, weather or transportation, and to secure the lowest transportation rates (unless a premium method is specified by Buyer on the Order). No charges are allowed for packing, crating, freight express, or cartage unless authorized by Buyer. Damage to any Goods resulting from improper packing and any consequential damages may be charged to Seller.

3.4 Special Requirements:

- For Critical Material (e.g. Flight / Safety / Fracture, Critical Safety Items, airworthiness) requirements will be identified in order. No deviation from order is allowed.

3.5 Processing:

Certification is required for all special processing (e.g., heat treat, penetrant inspect, shot peen, etc.). Special processes shall only be performed by approved sources as specified in applicable purchase order / contract, drawing or specification. Functional test reports or results shall be furnished by the Seller as required by the applicable purchase order/contract, specification or drawing.

3.6 Process Control:

Sellers shall provide objective evidence (e.g. charts / data) for all identified key characteristics noted on purchase order/contract, engineering drawings and manufacture and quality plans. Sellers shall maintain records subject to examination.

3.7 Continuous Improvement and Corrective action

Sellers shall employ continuous improvement techniques relevant to their part and Quality System processes. When Buyer notifies supplier of a detected nonconformance, the supplier shall immediately take action to contain and eliminate nonconformances on all products in supplier's control. Supplier shall also maintain a record of verification for subject condition, containment and root cause/ corrective action.

Sellers shall respond to request for Root Cause and Corrective Action with acknowledgement in 24 hours and commit to closure within the timeline stated on the corrective action.

3.8 First Article Inspection Report:

Seller shall perform First Article Inspections (FAI) in accordance with AS/EN/SJAC 9102, Aerospace First Article Inspection Requirement, and unless otherwise specifically authorized in writing by Buyer, seller shall document within the Net-Inspect software. Completed first article inspection reports shall be provided with the first product shipment via Net-Inspect. Net-Inspect access, as well as instructions for its use are available at this Web address: www.net-inspect.com. Please use, "DAMAR AEROSYSTEMS – MONROE" as the Customer.

First Article Inspection Reports do not constitute acceptance by Buyer. Questions regarding Net-Inspect should be directed to the appropriate Buyer Purchasing Agent.

Buyer reserves the right to conduct surveillance of the Seller's FAI, referred to as Damar Supplier Source Inspection (DSSI). DSSI may include in-process inspections to be accomplished during performance of Seller's FAI. When a DSI is required, Seller will be notified via the Purchasing Documentation. Seller shall coordinate and schedule DSSI activity with Buyer Purchasing Agent prior to start of related procurement, manufacturing, and/or processing. In the event a DSSI of Seller's FAI is scheduled, supplier shall make available to the Buyer Quality the following:

- 1) Applicable Purchase Document, material/process certifications, manufacturing and inspection records; including inspection plans developed to identify progressive inspection checkpoints for the FAI as a result of coordination and planning with Buyer.
- 2) Applicable Design Data
- 3) Applicable material review actions
- 4) Applicable acceptance and qualification test results
- 5) Applicable record(s) of Buyer approval for non-Buyer drawing and test procedures.

3.9 Work Transfer:

Seller shall not relocate or subcontract any contracted part, assembly or component(s) thereof without written notification to and acknowledgement from Buyer. If Seller determines a need to relocate or subcontract, Seller shall provide notification of the following to Buyer:

1. Statement of Work (SOW)
2. "To-be" subcontract supplier name
3. "To-be" subcontract address
4. "To-be" subcontract Quality contact information (name, title and telephone number)
5. First production target date
6. "As-is" supplier information (supplier name and address)
7. Will this be a single sourced product?
8. Reason for relocation.

Notification shall be prior to the manufacturing start date of the first part associated with the work transfer.

(Per AS9100, from one organization facility to another, from the organization to a supplier, from one supplier to another supplier.)

3.10 Subcontracting:

Manufactured goods to be delivered under this order shall not be procured by Seller from a third party completed or substantially completed without prior written Buyer approval.

3.11 Counterfeit Prevention:

Unless otherwise stated on the purchase order counterfeit prevention requirements per AS5553 stated below shall apply.

a. Guarantee of Product Source(s)

The Seller shall ensure that only new and authentic materials are used in production delivered to Buyer. The Seller may only purchase parts directly from Original Component Manufacturers (OCMs), OCM franchised distributors, or authorized aftermarket manufacturers. Use of product that was not provided by these sources is not authorized unless first approved in writing by Buyer. The Seller must present compelling support for its request (e.g., OCM documentation that authenticates traceability of the parts to the OCM) and include in its request all actions to ensure the parts thus procured are authentic/conforming parts.

b. Supply Chain Traceability

The Seller shall maintain a method of item traceability that ensures tracking of the supply chain back to the manufacture including material in assemblies and subassemblies being delivered per this order. This traceability method shall clearly identify the name and location of all supply chain intermediaries from the manufacturer to the direct source of the product for the Seller and shall include the manufacturer's batch identification for the item(s) such as date codes, lot codes, serializations, or other batch identifications.

c. Certificate of Conformance and Traceability (Government Contracts)

The parts supplied must be in strict conformance to the requirements set forth and/or referenced in the item description, including applicable revisions and slash sheets. To ensure this conformance, the contractor must provide a Certificate of Conformance and Traceability (CoC/T) with the information and documentation required by the applicable military specification. This documentation

must reference the contract number and include the certification signed by the approved QPL/QML manufacturer. In addition, if the material is not procured directly from the approved manufacturer, all additional documentation required by the specification must be provided to establish traceability from the QPL/QML manufacturer through delivery to the Government. The CoC/T is required to determine acceptability of the supplies. If the CoC/T is not provided, is incomplete or otherwise unacceptable, the supplies will be determined not to meet contract requirements and will be rejected.

d. Product Impoundment and Financial Responsibility

If counterfeit parts are furnished under this purchase agreement, such items shall be impounded. The Seller shall promptly replace such items with items acceptable to the Buyer and the Seller may be liable for all costs relating to impoundment, removal and replacement. Buyer may turn such items over to US Government authorities (Office of Inspector General, Defense Criminal Investigative Service, Federal Bureau of investigation, etc.) for investigation and reserves the right to withhold payment of the items pending the results if the investigation.

e. Federal Penalties Associated with Fraud

This purchase order and activities hereunder are within the jurisdiction of the United States Government. Any knowing and willful act to falsify, conceal or alter the material fact, or any false, fraudulent or fictitious statement or representation in connection with the performance of work under this purchase order may be punishable in accordance with applicable Federal statutes.

3.12 FOD Prevention Program:

Seller is required to establish and maintain a FOD prevention program in compliance with AS/EN/SJAC 9146 Foreign Object Damage (FOD) Prevention Program -- Requirements for Aviation, Space, and Defense Organizations.

Aerospace standards such as AS9146 can be obtained from SAE International at <http://standards.sae.org>

3.13 Excess Inventory

Seller shall control all inventory of Buyer proprietary product that is in excess of purchase order/contract quantity in order to prevent product from being sold or provided to any third party without prior written authorization from Buyer. Additionally, Seller shall not provide Product from excess inventory that was previously rejected or returned by Buyer without prior written authorization from Buyer. When Seller fulfills an order in support of this agreement with Product from excess inventory, for which Seller was the original manufacturer, Seller shall be able to demonstrate traceability to the original Buyer purchase document that authorized manufacture of Product when requested by Buyer.

3.14 Manufacturing Planning:

"Controlled," "Approved," or "Frozen" planning requirements that are referenced in Engineering data or Purchase Order Notes shall be approved by Buyer prior to the initial manufacture or the implementation of a change to a product. Seller shall submit manufacturing planning changes to Buyer in accordance with the requirements described within the associated process for approval/re-approval.

Boeing engineering qualification/approvals include material & process approvals and quality engineering approvals (but not limited to):

- Manufacturing plans (e.g. D6-1276, D6-17781, BSS7085)
- Part Qualifications (e.g. BSS7029, BSS7082, BSS7119)
- Process Control (e.g. D6-36232)
- Boeing Level 3 Approvals (e.g. BAC5980)
- Statistical Sampling Plans (e.g. BSS7286)

3.15 Boeing Document D1-4426, "Approved Process Sources":

Seller shall comply with Boeing document D1-4426 "Approved Process Sources

"(<http://active.boeing.com/doingbiz/d14426/index.cfm>).” This document, subject to revision from time to time, defines the approved sources for special processing, composite raw materials, composite products, aircraft bearings, designated fasteners, and metallic raw materials. The Seller’s purchasing information shall conform to the purchasing data requirements of Boeing document D1-4426 Appendix D. These purchasing data requirements can be found at: <http://active.boeing.com/doingbiz/d14426/Appendix-D.pdf>.

4.0 MONITORING AND MEASURING

4.1 Monitor Sellers Performance:

Buyer will monitor Seller quality and delivery performance on a monthly basis. The following rating will be applied to all Sellers. A performance rating equal to, or less than 3, may result in Seller corrective action or other actions to improve Seller performance.

Delivery Rating	Delivery range %	Quality Rating	Quality range %
5	100	5	100
4	99.99 – 98.00	4	99.99 – 99.80
3	97.99 – 96.00	3	97.99 – 96.00
2	95.99 – 90.00	2	95.99 – 90.00
1	Under 90.00	1	Under 90.00

4.3 Inspection, Measuring and Test Equipment (IM&TE):

Sellers performing to Purchase Order(s) from Buyer are expected to maintain a system to control and calibrate IM&TE. At a minimum, suitable calibration standards traceable to NIST or other recognized international standard must be maintained by the Seller, sufficient in kind and type to verify IM&TE are capable of performing accurate measurements to ensure compliance to Buyer Purchase Order requirements. Traceable calibration certification(s) for the calibration standard(s) must be maintained on file and available for review.

4.4 Buyer Receiving Inspection:

Buyer reserves the right to use a Sampling Plan to inspect product received from the Seller. Sample inspected product found to be nonconforming may at Buyer discretion sorted and received in part, or be rejected in whole and returned to the Seller. Nonconforming product identified by the Seller will be excluded from this practice.

4.5 Parts Identified as Nonconforming:

In the event a non-conformance entails scrapping parts, Buyer incurred costs associated with the non-conformance, such as raw material, labor and processing will be calculated and **will be** charged back to the Seller liable for the non-conformance resulting in the scrap. If a charge back is processed, the Seller will be notified of the amount. In the event Buyer reworks a Seller caused non-conformance, the liable Seller **may be** charged back a **minimum** of four (4) hours at a \$125.00 per hour rate to cover the cost of engineering, quality and manufacturing support. Upon receipt of a Manufacturing Rejection Notification (MRN) it is critical Seller’s review and notifies Buyer within twenty-four (24) hours of any disagreement to initiate a meeting for further review.

- All excess material including set-up materials supplied are to be returned to Buyer.
- All nonconforming parts using Buyer supplied material are to be identified and returned to Buyer.

Seller is not authorized to disposition for non-conforming product. Seller shall submit request to Buyer for approval on disposition for “use as-is, rework or repair.”

4.6 Customer Owned & Buyer Supplied Tooling:

Buyer Sellers must have a developed plan to control and maintain customer owned tooling. Sellers must demonstrate the ability to ensure customer owned tooling is current to manufacturing configurations and revisions.

Tooling shall be properly identified, legible, and Sellers shall display the ability to properly store and inspect tooling. If tooling is damaged, the Seller is required to notify Buyer immediately. Sellers shall not modify customer owned tooling without written approval from Buyer.

Sellers shall be aware that occasional audits may be scheduled for confirmation on tooling conditions and procedures to manage tooling. For Boeing owned tooling, Sellers shall conform and maintain requirements per D950-11059-1.

4.7 Customer Owned Tooling:

Buyer Sellers which utilize customer furnished tooling must have a developed plan to control and maintain customer owned tooling. Sellers must demonstrate the ability to ensure configuration levels of tooling are current and produce to the required revision.

Tooling shall be properly identified and legible. Sellers shall display the ability to properly store and inspect tooling. If customer owned tooling is damaged, the Seller shall notify Buyer immediately. Sellers shall not modify customer owned tooling without consent from Buyer.

Sellers shall be aware that occasional audits may be scheduled for confirmation on tooling conditions and procedures to manage tooling. When required per purchase order requirements Sellers shall conform and maintain requirements per D950-11059-1 for Boeing owned tooling.

4.8 Seller Notice if Escapement (NoE):

When Seller has found nonconforming condition on parts that have already shipped to customer, Seller must submit a Notice of Escapement to the Buyer. Do Not Submit NoE directly to Buyers Customer. All NoE activity must pass through Buyer to their Customer.

For Product(s) which have been delivered to or on behalf of Buyer and Seller knows or suspects that such Product(s) are or may be nonconforming, Seller shall notify Buyer in writing as set forth herein. This applies to new or initial instances of an escape or potential escape, escapes or potential escapes that were previously identified and isolated by Buyer, but Seller identifies additional units or a nonconformance cannot be verified for the same nonconformance condition.

Seller shall provide:

- a. Affected process(es) or Product(s) part number(s) and name(s);
- b. Description of the nonconforming condition and the affected engineering requirement (i.e., what it is and what it should be);
- c. Quantities, shipping dates, purchase orders and destinations of delivered shipments;
- d. Suspect/affected serial number(s) or date codes, lot numbers, or other part identifiers and airplane line units when applicable.

At a minimum, Seller shall notify Buyer within 3 days from the day of discovery of known or suspect discrepancy. Submit information to Buyer in accordance with instructions listed in reference documents herein.

4.9 Operator Self-Verification programs:

If seller uses an operator self-verification program, seller shall comply with the requirements set forth in SAE industry standard AS9162. "Aerospace Operator Self Verification Programs," as may be amended from time to time. Buyer reserves the right to conduct surveillance at Seller's facility to determine that the Seller is compliant to the requirements of AS9162.

5.0 REGULATORY REQUIREMENTS

5.1 Trade Compliance:

IMPORTANT/CONFIDENTIAL: All documentation, including but not limited to drawings and/or attachments accompanying it) may contain confidential information, including information protected by United States Government. The information is intended only for the use of the addressed recipient(s). Upon accepting a purchase order from Buyer, the Seller is liable for any loss, damage, theft, of all related documentation. The act of the Seller accepting a purchase order from Buyer, assumes the Seller is compliant and fully aware of the confidentiality requirements and is not intended to waive any privilege without prior contact with Buyer.

All Sellers engaged with any activity of manufacturing, services or product listed either on the Commerce Control List per Bureau of Industry and Security or the United States Munitions List per U.S. Department of State shall be aware of and comply with the laws and requirements of the Bureau of Industry and Security or U.S. Department of State. (Reference ITAR, 22CFR Part 120 for Department of State, or reference EAR, 15 CFR 772.1 for Bureau of Industry and Security.) The Seller shall consult with the Department of State regarding any questions relating to the compliance with ITAR and shall consult with the Department of Commerce regarding any questions relating to compliance with EAR.

If the Seller is accepting a purchase order that is classified by the U.S. Department of State as technical data, services or product listed on the United States Munitions List (Part 121 of the ITAR) the Seller is required to register and maintain registration with the Directorate of Defense Trade Controls (DDTC). If registration is no longer maintained, the Seller shall notify Buyer within thirty (30) days.

Any exports warranted by the Seller must be approved by Buyer prior to exporting. If the Seller finds that product, technical data or services have been exported to either a foreign national or abroad without proper approvals obtained by the U.S. Department of State or the Bureau of Industry and Security, the Seller must provide a disclosure to Buyer immediately.

At no point shall the Seller apply for a commodity jurisdiction to determine whether an item or service is covered by the USML without prior consent from Buyer.

For Canadian exempt Sellers dealing with shipments classified as ITAR designated by the USML, exports to their facility are made in pursuant to 22 CFR 126.5 120.1 ©. Documentation and/or product received may contain technical data, the use of which is restricted by the U.S. Arms Export Control Act. Data will be provided in accordance with, and subject to, the limitations specified in Para. 126.5 of the International Traffic in Arms Regulations (ITAR). By agreeing to this Terms & Conditions, the consignee agrees to honor the requirements of the ITAR.

If the Seller has pre-approval from Buyer for sub-contracting services, the Seller shall include the substance of the ITAR and EAR requirements as listed in this clause to all subcontractors.

5.2 Trade Credits, Country of Origin:

All trade credits, export credits, customs drawbacks, tax and fee rebates and the like will belong to Buyer. Seller will cooperate with Buyer in obtaining these benefits and credits. Seller will furnish Buyer and its designees with such documentation establishing the country of origin and value of the Goods as Buyer may request, including affidavits of manufacture and NAFTA certificates of origin as applicable.

5.3 FAA Form 8130-9 "Statement of Conformity":

When the seller is approved to complete FAA Form 8130-9, "Statement of Conformity" on Boeing's behalf, the seller shall do so in accordance with D6-83570 "8130-9 Conformity Inspection Requirements" and assigned FAA Form 8120-10 "Request for Conformity" instructions.

5.4 Environmental Policy:

Buyer is committed to managing its operations in a manner that is environmentally responsible, and that protect the current and future environmental interest of the community within which it operates, as described in Buyer's environmental, health and safety policies and procedures. Toward that end, the Seller warrants that the Seller will:

- maintain compliance with all federal, state and local environmental laws and regulations;
- seek to eliminate and/or reduce environmental pollution that may be attributed to the Seller's operations;
- maintain an environment, health and safety management system (EMS) appropriate for its business throughout the performance of this Order;
- convey the requirements of this clause to its suppliers.

Seller will properly classify, describe, package, mark, label and provide Safety Data Sheets for the Goods and pack and ship them in compliance with any applicable hazardous materials laws, regulations, ordinances and orders.

5.5 Conflict Minerals:

BUYER has made the commitment to be a Conflict Minerals Free entity, in compliance with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the U.S. Securities and Exchange Commission's August 2012 rule and regulations implementing that law, collectively known as "the Conflict Minerals Requirements." As part of these compliance efforts, Seller shall perform appropriate due diligence on its Supply Chain in order to fulfill the reporting obligations. Seller will be required to provide Buyer their Conflict Minerals Reporting Template (CMRT) as required by regulations annually upon completion or request from Buyer for any year in which Seller has delivered any Goods to the Buyer.

5.6 Regulatory Approvals (FAA PMA):

For aircraft regulated by Civil Aviation Authorities, regulatory approval may be required for Seller to make direct sales (does not include "direct ship" sale through Boeing) of modification or replacement parts to owners/operators of type-certificated aircraft. Regulatory approval, such as FAA Parts Manufacturer Approval (PMA), is granted by Civil Aviation Authorities. Seller agrees not to engage in any such direct sales of Products or Services under this Agreement without appropriate regulatory approval. For Seller proprietary parts, Seller agrees to notify Boeing of application for regulatory approval and the subsequent approval or denial of same. Upon receipt of proof of applicable regulatory approval, Boeing may list Seller in the illustrated parts catalog as seller of that part. Unless explicit contractual direction is given to the contrary, no articles (or constituent parts thereof) ordered by or for Boeing Commercial Airplane Co. purchased under this agreement shall contain any Federal Aviation Administration- Parts Manufacturer Approval (FAA-PMA) markings and the accompanying paperwork (e.g., packages, shippers, etc.) shall not contain any FAA-PMA markings.

5.7 Ozone-Depleting Substances:

Definition. "Ozone-depleting substance," as used in this clause, means any substance the Environmental Protection Agency designates in 40 CFR Part 82 as--

- (1) Class I, including, but not limited to, chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform; or
- (2) Class II, including, but not limited to hydrochlorofluorocarbons.

Seller shall label shipping or storage containers of ozone - depleting substance and products that contain or are manufactured with ozone-depleting substances in the manner and to the extent required by 42 U.S.C. 7671j (b), (c), and (d) and 40 CFR Part 82, Subpart E, as applicable:

Warning

Contains * _____, a substance(s) which harm(s) public health and environment by destroying ozone in the upper atmosphere.

Warning

Manufactured with * _____, a substance(s) which harm(s) public health and environment by destroying ozone in the upper atmosphere.

* Seller shall insert the name of the relevant substance(s).

Buyer requires that the provisions/requirements set forth above be included in Seller's direct supply contracts as well as the obligation that they be flowed to the sub-tier supply chain.

5.7 Antiboycott Laws:

Seller and Buyer agree to fully comply with U.S. antiboycott laws, 15 CFR Part 760 – Restrictive Trade Practices or Boycotts, and neither party shall require performance by the other party contrary to such laws.

6.0 SUPPLEMENTAL TERMS

6.1 International Provisions:

Boeing Global Services (BGS) PO/Contracts Only:

SP3, The Boeing Company International Provisions, Section 11 Mandatory Flow Downs: Seller is responsible to maintain compliance to, provisions 1, 3, 4, 5, 6, 9, and 11 of these international provisions. Seller shall flow down to each sub tier supplier.

SP3 Document available upon request from Buyer Purchasing Agent or is available on the following Boeing web page <https://www.boeingsuppliers.com/terms.html>.

Sources:

SAE International, Aerospace Standard. *AS9100 Rev. D Quality Management Systems – Requirements for Aviation, Space and Defense Organizations*. Sept. 2019.

<http://www.sec.gov/rules/final/2012/34-67716.pdf>, 17 CFR Parts 240 and 249b, *Securities and Exchange Commission Final Rule*, Release No. 34-67716, File No. S7-40-10.

SP3, The Boeing Company International Provisions

GP1, The Boeing Company General Provisions

X31764, Quality Purchasing Data Requirements (BCA/BGS)

BCA/BGA/BDS PO Notes

REVISION HISTORY FOR DAMAR, INTERNAL USE ONLY

REVISION HISTORY

Rev.	Date	Description
A	04/09/2003	Initial release of 40406.

Rev.	Date	Description
B	10/01/2005	Updated to meet AS9100 and customer requirements.
C	11/16/2005	Added chargeback provision. Added requirements for calibration and other service Sellers.
D	08/13/2007	Added Seller signature and date lines.
E	09/25/2008	Revised; Document Control (KUTD), Inspection Requirements and Nonconformances (response days from 14 to 10 to match SCAR requirements), added ITAR and revised to reflect MBD/ DPD requirements.
F	07/30/2009	Updated to reflect chargeback listed under section " <u>Parts Identified as Nonconforming.</u> "
G	03/08/2010	Added the following requirements: Paragraph 1: PO acknowledged within 24 hours Seller Relocation Specifications and Certifications Subcontracting Damar Supplied Tooling: Inventory and rework control Parts Identified as Nonconforming: handling with excess material
H	07/19/2010	Updated Company Name to Damar AeroSystems, added delivery date of five day early/ zero days late, Monitoring, Sampling Plan, and updated substitution restriction.
I	08/07/2012	Revised to include perishable requirements and flow down of AS5553 Counterfeit control plan, vendor performance and ITAR.
J	02/14/2013	Revised to Include Q31 Boeing Seller control Program.
K	06/20/2013	Q31 Note text revised.
L	05/20/2016	Added section: "Customer Owned & Damar Supplied Tooling, Purchase Order Verification, and updated Header and Footer format
M	08/10/2017	Included Ethical Standards section per AS9100 Rev. D. Added and revised context to clarify requirements.
N	11/16/2017	Updated to include Boeing flow down requirements to X31764.
O	01/08/2021	Updated to reflect new or revised requirements.
P	04/20/2022	Revised Seller flow down requirements: 1.2, 2.1.1, 2.2.1, 3.1, 3.8, 3.9, 3.12, 3.14, 2.3, 4.5. Added Seller flow down requirements: 1.15, 3.13, 5.6, 5.7, 6.1, 5.8

Rev.	Date	Description
		<p>Moved note locations: 5.3 to 3.15, 5.6 to 3.14, 5.5 to 1.9, 5.7 to 1.16, 5.4 to 5.3, 5.8 to 5.4, 5.9 to 5.5</p> <p>Response to 2021 Boeing/FAA audit & CAR 772</p>