

Requirements for Suppliers

1.0 INTRODUCTION

AMG requires assurance of satisfactory quality always. This document establishes requirements designed to ensure AMG suppliers produce product that meets AMG's quality expectations and terms. Only suppliers who demonstrate and maintain compliance with these requirements will remain eligible to receive AMG Purchase Orders. This document is notated and invoked to all applicable Purchase Orders.

By accepting and providing work or services to an AMG purchase order (which refer the supplier to this document) the supplier acknowledges and accepts the Terms and Conditions of this document.

Section 4.0, General Requirements, is applicable to all Suppliers.

Section 5.0, Specific Requirements, contains additional requirements applicable to specific types of suppliers.

2.0 DEFINITIONS

As used throughout these Terms and Conditions and any other Contract or Purchase Order referencing these Terms and Conditions, the following definitions apply unless the context requires otherwise:

"AMG" means Aerospace Manufacturing Group, Inc., a California corporation, and any parent or subsidiary thereof.

"Seller" or "Supplier" shall mean the contracting party with whom the Purchase Order is placed.

"Articles" or "Goods" or "Services" shall mean all Goods and services to be supplied under the Purchase Order.

"Order" or "Purchase Order" (PO) or "Contract" or "Long Term Agreement" ("LTA") (if the context so requires) shall mean the authorized ordering mechanism placed by AMG with Seller for Articles, including the Terms and Conditions set forth herein.

"Customer" is defined as AMG's Customer.

3.0 ASSOCIATED DOCUMENTS

- AMG Procedure 8.4, *Purchasing* (for AMG internal use only).
- AMG Work Instructions 8.5.1.1 *Control of Digital Data*.

4.0 GENERAL REQUIREMENTS (applicable to all suppliers)

4.1 AGREEMENT. AMG hereby issues a Purchase Order to Seller for Goods or Services. As written, the Purchase Order becomes a binding contract on the terms set forth in the Purchase Order and the Terms and Conditions herein, when accepted by Seller via a formal written acknowledgement to AMG or by commencement of any of the work which is the subject of the Purchase Order. The Purchase Order expressly limits acceptance to the Terms and Conditions stated thereon and herein. Any additional or different terms proposed by Seller are rejected unless expressly agreed to in writing by AMG. AMG and Seller further agree that the period of limitation on the commencement of any action, suit or legal proceedings relating to the Purchase Order or to any default or alleged default hereunder, must be commenced within two (2) years from the date of the event giving rise to the claim. The Purchase Order is non-assignable by Seller unless expressly agreed to by an authorized representative of AMG in writing. If



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any term or provision of the Purchase Order, these Terms and Conditions or the application thereof shall be deemed invalid or unenforceable, the remaining portions shall not be affected thereby and shall be valid and enforced fully as permitted by law.

- 4.2 BUYER'S PROPERTY. All drawings, models, software programs, tools, dies, patterns, specialty equipment or information created and specifically paid for or supplied by AMG under the Purchase Order shall be the sole property of AMG, used only to complete AMG 's Purchase Orders, and returned to AMG or removed from Seller's premises when no longer required by Seller hereunder.
- 4.3 CHANGES. AMG reserves the right, at any time, to make written changes to any of the following: (a) specifications, drawings and data incorporated in the Purchase Order where the Goods to be furnished are to be manufactured for AMG, (b) methods of shipment or packing, (c) place of delivery, (d) time of delivery, (e) manner of deliver, and (f) requested quantities. If any such change causes an increase or decrease in the cost or the time required for performance of the Purchase Order, an equitable adjustment shall be made in the contract price or delivery schedule or both. An authorized representative of AMG, in writing, must approve any claim by Seller for adjustment under this clause before Seller proceeds with such change.

Whether or not a change to the Purchase Order is made, ANY increase to the prices listed in the AMG PO must be submitted to and approved by the AMG buyer prior to shipment of material/hardware or processing of product. Price changes not approved by AMG shall be locked to the released PO amount.

Notwithstanding the above, if AMG enters into an agreement with a customer which provides for no cost increase as a result to changes in delivery or work schedule, this same provision will apply to any Purchase Order(s) issued hereunder to Seller.

Changes may be ordered by AMG only by a writing signed by an authorized representative of AMG's Purchasing Department or Executive Management, which expressly states that it constitutes a change to a specified Purchase Order. If Seller believes that any other conduct has constituted a change under a Purchase Order, it will notify AMG immediately in writing as to the nature of such conduct and its effect upon Seller, but will take no steps to implement a change absent written direction from an authorized representative of AMG's Purchasing Department consistent with the preceding sentence.

- 4.4 COMPLIANCE WITH LAWS. Seller agrees that all Goods produced under the Purchase Order, or Services performed hereunder shall comply with all applicable federal, state and local laws, ordinances and regulations. Unless otherwise expressly set forth herein, the laws of the State of California shall apply to and govern the interpretation, performance and enforcement of the Purchase Order. Seller further guarantees that all Goods furnished by Seller in performance of the Purchase Order shall comply fully with the Occupational Safety and Health Act, as amended, and state plans approved under such Act, and the regulations hereunder, to the extent applicable to such Goods, and Seller shall indemnify AMG and its customers from and against any claims, loss or liability arising from failure of such Goods to comply therewith.

Without limiting the generality of the forgoing, Seller agrees to comply with the applicable provisions of the following laws and any regulations, rulings or executive Purchase Orders (or any amendments thereof or successors thereto) in effect at time of PO.

- 4.5 ENVIRONMENTAL COMPLIANCE. All Purchase Orders and Contracts include the environmental compliance expectations of AMG. Seller shall be responsible for complying with all laws, including, but not limited to, any statute, rule, regulation, judgment, decree, Purchase Order or permit applicable to its performance under the Purchase Order. Seller further agrees:
 - To notify AMG of any obligation under the Purchase Order which is prohibited under any applicable environmental law, at the earliest opportunity but in all events sufficiently in advance of identification of alternative methods of performance, and

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- To notify AMG at the earliest possible opportunity of any aspect of its performance which becomes subject to additional environmental regulation or which Seller reasonably believes will become subject to additional environmental regulation during performance of the Purchase Order.
- 4.6. **EQUAL EMPLOYMENT OPPORTUNITY.** Seller is on notice that AMG may utilize the Goods specified in the Purchase Order in the transaction of business with the United States Government. Seller is therefore deemed to have assumed the obligation of compliance with Executive Order 11246 and said Amendments, and unless otherwise exempt under the rules, regulations and Purchase Orders of the Secretary of Labor, the Purchase Order is subject to the laws, regulations, and policies of the Equal Employment Opportunity Commission.
- 4.7. **FORCE MAJEURE.** Either AMG or Seller may suspend performance during the occurrence of an excusable delay, which shall mean and include any delay not occasioned by the fault or negligence of the delayed party and which results from the acts of God or public enemy, restrictions, prohibitions, priorities, or allocations imposed by governmental authority, embargoes, floods, fires, typhoons, earthquakes, epidemics, unusually severe weather, delays of similar nature or governmental causes, and strikes or labor disputes (of or involving the delayed party's employees only). Excusable delays do not include lockout, shortage of labor, lack of or inability to obtain raw materials, fuel or supplies or any other industrial disturbance.
- 4.8. **HAZARDOUS SUBSTANCES IDENTIFICATION.** By acceptance of the Purchase Order, Seller certifies that any hazardous substance(s) furnished pursuant to the Purchase Order have been properly labeled and that proper information of the substance(s) (e.g., Material Safety Data Sheets) has been provided to AMG pursuant to any federal, state or local laws and regulations.
- 4.9. **INDEMNIFICATION.** Seller agrees to defend, indemnify and hold harmless AMG and its affiliates, and their officers, agents, employees, successors and assigns, from and against any claims, loss, damage or expense, including, without limitation, payment of direct, special, incidental and consequential damages, and expenses of defending claims, including attorneys' fees arising out of or relating to the Order. This duty to defend, indemnify and hold harmless extends to any suit, claims, judgment or demand which may arise out of or in connection with Seller's performance or nonperformance of any Purchase Order placed by AMG, out of or in connection with Seller's breach of warranty, out of any defect in the supplies or materials, out of any patent infringement or misappropriation of trade secrets, or failure of Seller to pay royalties, or any other breach of Seller's obligations hereunder, whether such claim or suit is based upon contract, warranty, strict liability in tort, negligence, or other legal theory, and also extends not only to "third party claims" but also to any direct loss suffered by AMG.
- 4.10. **INTERNATIONAL TRAFFIC IN ARMS REGULATIONS (ITAR).** By accepting a PO from AMG, the supplier understands that they may be provided with technical data that is controlled under the International Traffic in Arms Regulations (ITAR), 22 CFR 120-130. Considering that at any given time, some number of work performed at AMG is ITAR controlled data, for the purposes of standardization, ALL data (including that in digital form) and product the supplier receives is to be treated as 'ITAR controlled data'.

Supplier further understands that among these regulations is the requirement that such data may not be released or disclosed (including oral or visual disclosure) to persons other than US citizens or nationals, or lawful permanent residents of the US (Green Card holders). If this requirement cannot be adhered to, AMG must be immediately notified to consider the following:

- Obtaining a Manufacturing License Agreement ("MLA") which authorizes a U.S. manufacturer to supply manufacturing know-how related to defense articles to a foreign person produced under a Manufacturing Agreement (MA).
- Obtaining a Technical Assistance Agreement ("TAA") which authorizes a U.S. manufacturer/service provider to supply defense services to a foreign person (which could involve training or technical discussions regarding U.S. technology).

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More information is available at: http://en.wikipedia.org/wiki/International_Traffic_in_Arms_Regulations
Forms and more specific requirements are located at: https://www.pmdotc.state.gov/regulations_laws/itar.html.

Export Administration Regulations (EAR) must also be observed. Specific EAR requirements can be found at: <https://www.bis.doc.gov/index.php/regulations/export-administration-regulations-ear>

Violations of these regulations carry severe criminal penalties. Once in their care, supplier accepts all legal responsibility for any violation of ITAR regulations they commit pertaining to ITAR data provided by AMG. Supplier is also obligated to notify us of any ITAR violation that subsequently occurs.

- 4.10.1 DIGITAL PROCESS DEFINITION (DPD). If DPD data is made available to the Supplier, they must abide by the DPD requirements found in the *AMG HB – FTP Access Request Form* they were required to complete prior to access to DPD data. In addition, the requirements of par. 4.10 above apply.

Control and use of Digital Data is governed by the following specification:

Boeing Corporation D6-51991 revision H: Quality Assurance Standards for Digital Product Definition at Boeing Suppliers.

Boeing Corporation D6-56199 revision AA: Hardware and Software Compatibility Requirements for Suppliers use of CATIA Native Datasets as Authority for Design, Manufacturing and Inspection.

Northrop-Grumman (SQARSUP-0100) revision date 7-23-13: Supplier Quality Requirements – Supplement for the Control and Use of Digital Datasets

Spirit AeroSystems MAA1-10009-1 revision F: Quality Assurance Standard for Digital Product Definition at Spirit AeroSystems, Inc. Suppliers

Vought SQR-004 revision F, Supplier Quality Requirements for Control and use of Digital Product Definition

Evaluations of compliance to the above specifications in accordance to the applicable product program will be done by AMG through supplier audits as stated in par 4.14.

- 4.11 CRITERIA FOR ACCEPTANCE & RESPONSIBILITY FOR INSPECTION. Product is only acceptable if meets all the requirements of the PO (including any and all documents, specifications, etc., to which it refers). The supplier is responsible for verifying that they have meet the requirements of the PO (& drawing, specification, etc., as applicable).

- 4.12 RESPONSIBILITY FOR CONFORMING PRODUCT & QUALIFICATION OF PERSONNEL, PROCESSES, & EQUIPMENT. Initial acceptance of the product or service by AMG in no way diminishes or relieves the supplier from their responsibility to produce acceptable products or services for which they were contracted, or for any liabilities resulting from the failure to meet PO requirements. Supplier must ensure they /their personnel performing the processes are qualified as required (by governing specification, etc.).

All Goods shall be received subject to AMG's inspection and acceptance or rejection. In the event any of the Goods is found to be defective or otherwise not in conformity with the requirements of the Purchase Order, AMG shall have the right to reject the same or require that such Goods be corrected or replaced promptly with satisfactory Goods. If AMG so rejects the Goods or if Seller, when requested by AMG, fails to proceed promptly with the replacement or correction thereof, AMG may either terminate the Purchase Order for default or may replace or correct such Goods and in either event may charge Seller the cost of damages occasioned AMG thereby. Rejected or defective Goods not delivered in accordance with AMG's specifications shall be held for Seller's instruction and at Seller's risk. If Seller so directs, the rejected or defective Goods shall be returned at Seller's expense. Unless AMG, at its option, notifies Seller to the contrary, no Goods returned as defective shall be replaced without a new Purchase Order. Payment for Goods on the Purchase Order prior to inspection shall not constitute an acceptance thereof.

If a First Article, complete with an inspection report, is required prior to commencing production, it will be stated as such on the Purchase Order. Any parts produced prior to approval of a First Article Inspection are produced at Seller's risk.

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Serialization requirements are imposed for some parts (as noted on the PO). Serial Number Traceability shall be maintained at all stages of manufacturing or processing. Serial Numbers shall be indicated on all certifications, shipping reports and or document.

If Source Inspection, either AMG, AMG 's Customer and/or the United States Government, is required prior to shipment, it will be stated as such on the Purchase Order. Any parts shipped without the required inspection will be returned at Seller's expense.

Acceptance of Goods shall be accomplished at AMG unless otherwise specified in writing. Evidence of inspection at Supplier's facility does not constitute acceptance. Government inspection shall not constitute AMG's acceptance; nor shall it in any way relieve Supplier of their responsibility to furnish an acceptable end item.

In addition to any other rights is may have under the relevant Purchase Order, these Terms and Conditions, or otherwise, AMG may recover by offset or otherwise all costs, expenses and damages paid, incurred or suffered as a result of or relating to holding, returning, replacing, correcting or rejecting defective or nonconforming Goods or services.

The inspection, review or approval by AMG of any work, or of any drawing, design or other document, will not be deemed to relieve Seller of any of its obligations under any Purchase Order or constitute a waiver of any defects or nonconformities. The acceptance by AMG of any Goods or Services under any Purchase Order will not be deemed to limit or affect any warranty or right of indemnity granted by Seller under such Purchase Order, these Terms and Conditions or otherwise.

4.13 **INSURANCE.** Seller agrees to provide and maintain insurance coverage from reputable insurance companies until the Purchase Order work is completed and accepted by AMG , and to furnish certificates from its insurance carriers showing that it carries insurance with the following minimum limits: (a) Statutory Workers' Compensation and Occupational Disease coverage in accordance with the laws of the State(s) in which the work is to be performed and Employers' Liability for not less than \$1,000,000; (b) Comprehensive General Liability insurance with Seller's contingent with a Combined Single Limit (Bodily Injury/Property Damage) Liability of \$1,000,000 per occurrence, with AMG named as an Additional Insured; (c) Automobile Public Liability, including non-ownership and hired car-coverage, with Combined Single Limit Liability (Bodily Injury/Property Damage) of \$1,000,000 per occurrence.

4.14 **AMG AUDITS.** The supplier's Quality System may be subject to initial and periodic audits at a frequency determined by AMG or its Customers for the purposes of determining compliance to this or any other contractually imposed requirement.

4.15 **AMG, ITS CUSTOMERS, OR REGULATORY AGENCY ACCESS.**

Supplier acknowledges AMG, its Customers, or any applicable government agency has the reasonable right of access to the supplier's facility for the purposes of retrieving work placed at the facility or witnessing any or all contracted processing performed. This right of access includes the supplier providing reasonable facilities, the equipment and applicable quality records related to the work, and assistance during a visit.

Quality records (certifications and inspection & test reports) must be retained for a minimum of 10 years.

4.16 **CERTIFICATE OF CONFORMANCE.** Supplier will provide a Certificate of Conformance (CofC) or similar document with each delivery of product or service. The CofC shall acknowledge conformance to the AMG PO and carry, as applicable the:

- AMG Job Number.
- PO Number.
- Processes performed.
- Part number and revision.

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- Specification and revision level worked to. Note that when not specified, the supplier is required to work to the latest specification revision level.
- Name of the Supplier.
- Signature of an authorized supplier representative.

The CofC and the certifications described in para. 5.1 & 5.3 may be one and the same. Even if is not explicitly stated on the supplier's CofC, AMG considers the supplier's CofC as the supplier's acknowledgment that the CofC serves as their warranty that the Goods or services were processed or provided in good faith compliance with the AMG PO requirements and this document. In addition, the supplier's CofC is a warranty that:

- material supplied by AMG is the same lot of material processed or used to produce the parts delivered.
- all lot by lot or periodic testing required for the process being performed has been or is (periodically) performed in accordance with the controlling specification(s).
- the supplier still retains any applicable Customer approval (with no applicable limitations) for the processes being performed (otherwise no work is to be performed and AMG is to be immediately contacted).

4.17 **QUALITY SYSTEM & CAPABILITY.** Suppliers must possess a Quality System appropriate to the type of process or product they are providing. Special Processing suppliers (heat treat, and plating & finishes, etc.) must meet the applicable requirements of either ISO9001, AS9100, Mil-I-45208 (as a minimum) or other applicable standards (i.e., Nadcap accredited), or have obtained approval from the AMG Quality Manager.

By accepting a PO, supplier also ensures that they can perform the contracted processes, maintain the appropriate OEM approvals and have the adequate resources necessary to perform the work being contracted.

4.18 **CORRECTIVE ACTION.** Supplier is responsible for determining and implementing the corrective action and for performing follow-up actions to verify the effectiveness of corrective actions related to nonconforming product. All corrective action requests shall be answered by completing the form supplied by AMG or by completing a form of their own design which completes the same requirements (root cause, corrective action, verification, follow-up activities and effectivity), and returned by the due date requested.

4.19 **SUPPLIER SUBCONTRACTING.** Subcontracting by a AMG supplier is not permitted unless approved in writing by AMG. Note: When required by AMG Corporation's Customer, the supplier's subcontractor must be Customer-approved prior to beginning the work. See para. 5.4 for additional requirements.

4.20 **HANDLING, PACKAGING, STORAGE, AND DELIVERY.** Supplier ensures AMG's supplied product is protected from damage, loss, and deterioration during processing and shipment.

4.21 **CONTROL OF NONCONFORMING PRODUCT.** Nonconforming product must be positively identified & controlled to preclude intermingling with acceptable product. Seller is **NOT** authorized to perform material review action of nonconforming material. All product the Seller considers nonconforming (including 'scrap') must be also returned with any conforming product.

Disposition of any departures from drawings, specifications, or other Purchase Order requirements **must** be approved **in writing** by AMG's Quality Department prior to shipment from Supplier's facility. Suppliers will notify AMG of nonconforming product or services or detection after delivery within 72 hours of discovery.

4.22 **CHANGE NOTIFICATION.** Suppliers are required to notify AMG of any change to the organization (i.e. Management, Facility Location, Changes of Suppliers, Process Change, or Changes in Product)



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4.23 INVOICING. All AMG invoices are to be forwarded to AMG 's Accounts Payable Department, 5416 Argosy Ave., Huntington Beach, CA 92649. Each invoice must:

- Show the relevant AMG Purchase Order number;
- Itemize all taxes to be paid by AMG;
- Contain line item number, description, unit price, quantity and extended price, if any; and
- If requested by AMG in writing, contain Seller's certification that all Goods and Services reflected therein were produced and supplied in compliance with the requirements of the Fair Labor Standards Act of 1938, as amended, and of regulations and orders of the U.S. Department of Labor issued thereunder.

Failure to detail any of the above may result in a delay in payment by AMG.

AMG may offset against any amounts due under Seller's invoices: (a) any damages resulting from Seller's default under or breach of any Contract (including any Purchase Order and these Terms and Conditions); (b) any amount owing from Seller to AMG; or (c) any adjustment for shortage or rejection and any costs occasioned thereby.

If, in its discretion, AMG accepts any shipment ahead of schedule, AMG may make payments therefore based on the scheduled delivery date. The date for the calculation of AMG's entitlement to take a discount under any Seller invoice will be the date materials acceptable to AMG are received, the date an acceptable invoice is received or the scheduled delivery date, whichever is the latest.

All prices indicated in Purchase Orders include all applicable taxes, impositions (including, but not limited to, import and export duties) and other similar charges, unless specifically indicated otherwise in such Purchase Order.

4.24 PATENTS. Seller agrees to hold AMG harmless from liability as well as from all costs and expenses relating to a claim of patent or trademark infringement because of the use or sale of the Goods by AMG, or its customers, provided the Goods are used as normally intended and are not made to AMG's own specifications.

4.25 PERFORMANCE. Time is of the essence on the Purchase Order and deliveries are to be made in quantities and at times specified in schedules furnished by AMG. AMG shall have no liability for payment for Goods or items delivered to AMG that are more than quantities specified in the delivery schedule or the direct temporary suspension of scheduled shipments. Seller acknowledges that it is aware that AMG intends to use the Goods about the manufacture of Goods for sale to AMG's Customers under contracts that require timely delivery. In the event of default on the part of Seller to deliver conforming Goods to AMG on time, Seller acknowledges that it shall be liable to AMG for AMG's incidental and consequential damages incurred because of such default. Acceptance by AMG of late delivery of either the whole or part of the Purchase Order shall not constitute a waiver of any claim for damages which AMG may have arising from and out of such late delivery. Goods shipped to AMG in advance of delivery schedule, without express written consent of AMG, may be returned to Seller at Seller's expense.

4.26 PRICE & TAXES. All prices shall be F.O.B. point of delivery (destination) **IF supplier delivers product to AMG**, unless otherwise specified herein; inclusive of applicable taxes, excises, duties, quotation fees or any other governmental impositions on or related to the production, sale or transportation of the Goods, ceiling or other limitation of price established by any governmental authority, **and subject to increase only with prior written consent of AMG (ref. 4.3).**

4.27 PROPRIETARY RIGHTS. All technical information , blueprints, models, specifications, parts lists, engineering data for production, product know how or manufacturing technology which is supplied to Seller by AMG to facilitate or assist in the performance of this contact shall, unless otherwise agreed, be considered and kept confidential by Seller. Upon completion, cancellation or termination of the Purchase Order, Seller shall return all proprietary information submitted by AMG.



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- 4.28 **PUBLICITY.** Seller shall not, without first obtaining the written consent of AMG, in any manner, advertise, publish, or convey by word of mouth the fact that Seller has contracted to furnish AMG the Goods herein ordered. Seller shall not take pictures of any Goods without AMG’s prior written consent. In the event AMG consents to pictures being taken by Seller, such pictures shall not be disseminated or published without AMG’s prior written consent.

- 4.29 **RECORDS.** Records shall be legible and identifiable to the product involved. Records that substantiate conformance to the finished product with the specified requirements and the effective operation of the quality system shall be retained for a period of (10) years from final payment and shall be made available on request.

NOTE: Records may be in the form of any type of media, such as hard copy or electronic, and may include but are not limited to the following: records pertaining to inspection, certification of processes, certification of material, test reports, qualification data, Purchase Order records and design data applying to the Purchase Order.

- 4.30 **RIGHT OF ENTRY.** Seller shall provide and obtain for AMG, AMG’s Customers, and appropriate regulatory agencies access to all facilities, including those facilities of Seller’s subcontractors, where work on Goods is being performed or is scheduled to be performed under the Purchase Order and to all applicable records. AMG shall have right to perform in-process inspection, audits, and system surveillance at Seller and Seller’s subcontractors’ facilities as part of verification of conformance to the requirements of the Purchase Order.

- 4.31 **SUBCONTRACTING.** Subcontracting all or part of the work procured on the Purchase Order without written approval of AMG is prohibited. “Fabricate Complete” or “Make Complete” statements on PO’s are considered permission to subcontract and require the Supplier to ensure all subcontracting is performed in accordance with the applicable requirements of this document. All approved subcontracted operations must meet all provisions of the Purchase Order and be certified to by the subcontractor.

- 4.32 **TERMINATION.** AMG may terminate work under the Purchase Order in whole or in part at any time by letter, fax or email notice to Seller. Such notice shall state the extent and effective date of such termination and upon receipt thereof, Seller shall, as and to the extent directed by AMG, stop work under the Purchase Order and the placement of further Purchase Orders or sub-contracts hereunder, terminate work under Purchase Orders and sub-contracts outstanding hereunder, and take any necessary action to protect property in Seller’s possession in which AMG has or may acquire an interest. If the parties cannot by negotiation agree within a reasonable time upon the amount of fair compensation to Seller for such termination, AMG, in addition to making prompt payment of the amounts due for Goods delivered or Services rendered prior to the effective date of termination, shall pay to Seller the following amounts without duplication: (a) the contract price for all Goods or Services which have been completed in accordance with the Purchase Order and not previously paid for, or (b) the actual costs incurred by Seller which are properly allocable or apportionable under recognized commercial accounting practices to the terminated portion of the Purchase Order. In any case, the negotiated settlement amount shall not exceed the aggregate price specified in the Purchase Order.

- 4.33 **WARRANTY.** Seller warrants that the Goods, including material and workmanship, furnished hereunder shall be of the highest grade and quality unless otherwise specified by AMG in writing; shall not be less than merchantable and fit for the purpose(s) known by or disclosed to Seller; shall meet specifications, drawings, or standards agreed upon or samples submitted or approved by AMG; and shall conform to any referenced additional documents. Seller warrants that the Goods shall comply with all applicable federal and state laws and shall follow all standards and agreements incorporated and made a part of the Purchase Order. If any Goods are not in compliance with any state or federal law or regulation or not in compliance with any agreement or standard incorporated herein, now existing or hereafter enacted or amended, or are otherwise defective hereunder, AMG may (at AMG’s option) return the defective Goods to Seller who shall refund to AMG its cost, including all freight charges, or repair, correct or replace the defective Goods at Seller’s cost and expense.



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Payment by AMG shall not constitute an acceptance of Goods or a waiver of any rights of AMG hereunder. All warranties granted hereunder shall extend to AMG, its affiliates, successors, customers and other users of this Goods or equipment.

- 4.34 **MOST FAVORED CUSTOMER.** Seller warrants that it will not charge AMG more for any Goods or services, or any item thereof, than it charges its best customers under comparable conditions. Seller will refund to AMG promptly upon demand any amounts paid by AMG which reflect a breach by Seller of the immediately preceding sentence.

- 4.35 **SUSPENSION OF WORK.** AMG may, at any time, by written order to Seller, require Seller to stop all, or any part, of the work called for by a Purchase Order for a period of 90 days after the order is delivered to Seller, and for any further period to which the parties may agree. Upon receipt of the order, Seller will immediately take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage. Within the indicated 90 day period, AMG will either (i) cancel the stop-work order, or (ii) let such stop-work order expire, or (iii) terminate the work covered by the stop-work order either for default or for convenience in accordance with these Terms and Conditions and the relevant Purchase Order. If a stop work order is cancelled or allowed to expire, and the suspension effected thereby has a material effect on Seller's costs or ability to meet the Purchase Order's delivery schedule, AMG will make an adjustment in the delivery schedule or purchase price (but with no increase in profit allowed), or both, and the Purchase Order will be modified accordingly, but only if requested by Seller in writing within twenty (20) days after the suspension ends.

- 4.36 **DEFAULT.** Time is of the essence in the Purchase Order. It will be considered a default under any Purchase Order and these Terms and Conditions if Seller: (i) refuses or fails to deliver any Goods or perform any services strictly within the time specified in such Purchase Order; (ii) fails to strictly comply with any other provision of such Purchase Order or these Terms and Conditions; (iii) fails to make progress so as to endanger performance of such Purchase Order in accordance with its terms and these Terms and Conditions, or repudiates such Purchase Order; or (iv) suspends its business or becomes insolvent or subject to any law relating to bankruptcy, insolvency or relief from creditors, or takes any action in anticipation thereof.

In the event of any default by Seller under any Purchase Order or these Terms and Conditions, AMG may terminate such Purchase Order (and all related Purchase Orders. In the event of any such termination for default, Seller will be liable to AMG for all damages sustained by reason of such default.

If AMG terminates any Purchase Order for default in whole or in part, it may acquire, under the terms and in the manner that AMG considers appropriate, supplies or services like those terminated, in which case Seller will be liable for any excess costs for those supplies or services.

Upon a termination in part, Seller will continue any work not terminated.

If, after termination, it is determined that Seller was not in default, or that the default was excusable, the rights and obligations of the parties will be the same as if the termination had been issued for AMG's convenience.

The rights and remedies of AMG in this clause are in addition to any other rights and remedies provided by law or under the Purchase Order.

- 4.37 **TERMINATION FOR CONVENIENCE.** Whether or not a Purchase Order relates to a government contract, AMG may terminate any Purchase Order in whole or in part in accordance with the termination clause set forth in the United States Federal Acquisition Regulation (FAR 52.249-2) and the policies and principles set forth in Part 49 of the FAR, all of which are hereby incorporated by reference, except that in FAR 52.249-2: (i) the term "Contractor" shall be deemed to mean Seller; (ii) the terms "Contracting Officer" and "Government" shall be deemed to mean AMG ; (iii) the one year period in paragraph (d) for

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submitting a final termination settlement proposal is reduced to sixty (60) days; and (iv) the 90-day period in paragraph (k) for submission of a proposal for an equitable adjustment of the price in the event of a partial termination is reduced to thirty (30) days. Seller shall use its best efforts to mitigate the costs arising from such termination. In no case shall the amount payable by AMG for the terminated work exceed the price which would have been payable by AMG had the work been completed. AMG reserves the right to recover any partly completed work, including but not limited to any relevant tools, fixtures, jigs, documentation or raw material. The failure of Seller to file a claim within the applicable period in accordance with the FAR and the immediately preceding sentence will constitute a waiver and be the basis for a complete denial of any such claim. The provisions of this Paragraph 13 shall not be deemed to limit or affect the rights or remedies of AMG provided elsewhere in any Purchase Order, these Terms and Conditions, or provided by law in the event of default or breach by Seller.

- 4.38 **NC PROGRAMS, TOOLS AND MATERIALS.** Title to and the right of immediate possession of all NC programs, tools, dies, patterns, replacements and materials furnished or paid for as a direct charge by AMG ("nonrecurring charges") or called out as a special item for use under any Purchase Order ("special tooling and materials") will be and remain the property of AMG. All special tooling and materials will not be used in the production of other quantities than those specified by AMG in a Purchase Order. Upon completion of any relevant Purchase Order, all special tooling and materials will be disposed of by Seller or returned to AMG, as AMG shall direct. All special tooling and materials (i) will be segregated by Seller at Seller's plant and clearly marked as belonging to AMG, (ii) will be used solely in the performance of work ordered by AMG, (iii) will be insured against loss and (iv) will not be copied. Seller assumes complete liability for all special tooling and materials while in Seller's possession. Seller will reimburse AMG for damage to AMG's special tooling beyond normal wear and tear while in Seller's possession. AMG reserves the right to use at any time all special tooling and materials. Seller will be responsible to AMG for any and all consigned materials. Seller will communicate to AMG, in such manner and such times as AMG directs, any and all instances wherein Seller fails to yield prescribed requirements from AMG's material. Upon completion of specific Purchase Order requirements, Seller will furnish to AMG any and all residual materials and an accounting of any and all deviations from the prescribed order requirements. At AMG's direction, Seller will at its cost, return to AMG any "fall off" material. If any item fabricated by Seller from material furnished by AMG is defective, or any furnished material is damaged while in Seller's possession, Seller will reimburse AMG to the full extent of its damages.
- 4.39 **DESIGN WORK.** Where any work in pursuance of the Purchase Order includes design work to be performed by Seller, such design shall be deemed to have been prepared for AMG and shall be considered as a work for hire and all rights and the copyright thereof shall be considered as a work for hire and all rights and the copyright therefore shall be owned by AMG. Seller assigns all rights, title and interest to any such design and any such copyright to AMG including all rights to registration, publication, rights to create derivative works and all other rights that are incident to ownership. If any court holds such creative works not to be works for hire, Seller agrees to assign such creative works to AMG at AMG's request in consideration of the price paid for Articles hereunder.
- 4.40 **PROGRESS REPORTING.** Seller will submit as requested by AMG progress reports and other charts and materials to provide complete visibility of planned program tasks and progress against such tasks, in any format reasonably requested by AMG. Such reports may be required as frequently as weekly or daily, if necessary.
- 4.41 **ORDER OF PRECEDENCE.** In the event of any conflict between these general Terms and Conditions and the terms of any Purchase Order or other applicable materials, except as otherwise explicitly agreed in writing by Seller and AMG, the order of precedence will be: (i) in the case of any Purchase Order ultimately relating to a U.S. government contract, the FAR; (ii) the terms of the Purchase Order or Long-Term Agreement agreed upon as specified herein to the extent they are other than those set forth in these Terms and Conditions; (iii) these Terms and Conditions; (iv) project specifications; and (v) project drawings.

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4.42 DISPUTE RESOLUTION. Any dispute that arises under or is related to a Purchase Order and that relates to a matter that gives AMG recourse against the Federal Government under the prime contract or applicable law shall be resolved in accordance with the Disputes clause of the prime contract as follows:

- Seller will give AMG a fully supported written claim concerning any such dispute within one year after the claim accrues, but in no event later than final payment under the Purchase Order, or Seller shall be barred from any remedy for such claim;
- For any such claim of more than \$100,000, Seller shall submit with the claim a certification to AMG and to the contracting officer for the prime contract that: (i) the claim is made in good faith, (ii) the supporting data are accurate and complete to the best of Seller's knowledge and belief, and (iii) the amount requested accurately reflects the contract adjustment for which Seller believes the Government is liable; furthermore, such certification shall be executed by a person duly authorized to bind Seller, and Seller shall indemnify and hold AMG harmless from damages, judgments, costs (including reasonable attorneys' fees), and other liabilities arising from any breach of such certification of any violation of Section 5 of the Contract Disputes Act of 1978 (41 U.S.C. '604) or any violation of common law or statutory prohibitions against misrepresentations, fraud or false statements;
- Seller will cooperate fully with AMG in prosecuting any such claim and will be bound by the outcome;
- AMG and Seller will each bear their own costs of prosecuting any such claim; and
- Nothing in the Purchase Order or a Purchase Order grants Seller a direct right of action under the Disputes clause of the prime contract.

Any other dispute that arises under or is related to a Purchase Order will be resolved by binding arbitration, in accordance with the American Arbitration Association.

Pending final resolution of any dispute arising under or relating to a Purchase Order, the parties will proceed with performance of the Order, and Seller's performance will be in accordance with AMG 's written instructions.

4.43 GOVERNMENT CONTRACTS. With respect to any Purchase Order ultimately relating to a United States government contract, the Terms and Conditions found in the Federal Acquisitions Regulations ("FAR") and the Department of Defense FAR Supplement ("DFARS") shall be incorporated into these Terms and Conditions. Seller is deemed to assume the obligation of compliance with Executive Order 11246 and said Amendments, and unless otherwise exempt under the rules, regulations and orders of the Secretary of Labor, any Purchase Order is subject to the laws, regulations, and policies of the Equal Employment Opportunity Commission.

4.44 WAIVER AND SEVERABILITY. The failure or delay of either party to insist on performance of any provision of these Terms and Conditions or any Purchase Order, or to exercise any right or remedy available under these Terms and Conditions or any Purchase Order, will not be construed as a waiver of that provision, right, or remedy. Furthermore, if any provision of these Terms and Conditions or any Purchase Order is or becomes void or unenforceable by operation of law, the remaining provisions shall be valid and enforceable.

4.45 INTEGRATION AND MERGER. These Terms and Conditions together with any long-term agreement referencing these Terms and Conditions and together with any Purchase Orders issued to Seller, including attachments and documents incorporated herein or therein by reference, constitute the entire agreement between AMG and Seller, and supersede all prior representations, agreements, understandings, and communications between AMG and Seller. No amendment or modification of a Contract, Long Term Agreement or Purchase Order will be binding upon either party unless it is set forth in a written instrument signed by authorized representatives of both AMG and Seller. The rights and remedies afforded to either party pursuant to any part or provision of these Terms and Conditions, any Long-Term Agreement or any AMG Purchase Order are in addition to any other rights and remedies

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afforded by any other parts or provisions of these Terms and Conditions, any Long Term Agreement, Purchase Order, by law, or otherwise.

4.46 COUNTERFEIT PARTS.

AMG, Inc. does not accept Counterfeit Products or materials. In the event AMG should inadvertently receive suspect materials; they will be treated as nonconforming material. Further, AMG shall not be financially responsible for suspect product/materials.

(A) Definitions

(1) "Counterfeit Part": A part that is a copy or substitute without legal right or authority to do so or one whose material, performance, or characteristics are knowingly misrepresented by a supplier at any level in the supply chain. Examples of Counterfeit Parts may include, but are not limited to:

- Parts which do not contain the proper internal construction (die, manufacturer, material, etc.) consistent with the ordered part.
- Parts which have been used, refurbished or reclaimed, but represented as new product.
- Parts which have a different package style or surface plating/finish than the ordered parts.
- Parts which have not successfully completed the Original Equipment Manufacturers (OEM)/Original Component Manufacturer's (OCM) full production and test flow, but are represented as completed product.
- Parts sold as upscreened parts, which have not successfully completed upscreening.
- Parts sold with modified labeling or markings intended to misrepresent the parts form, fit, function, grade or manufacturing date.

(2) "Part": The lowest level of separately identifiable items (e.g. piece parts).

(B) Prohibition

Seller agrees and shall ensure that Counterfeit Parts are not contained in products delivered to AMG through the implementation of policies that include prevention, detection and risk mitigation methods to protect against the use of Counterfeit Parts. A copy of Seller's supply chain policy regarding Counterfeit Part Risk Mitigation will be made available upon request.

(C) Prevention

Seller shall only purchase parts procured directly from the Original Component Manufacturer (OCM)/Original Equipment Manufacturer (OEM), or through the OCM authorized distributor chain. If parts are not reasonably available from OCM/OEM's, Seller shall take reasonable steps to ensure product integrity in accordance with Seller's supply chain policies. Products to be used for flight articles shall not be acquired from independent distributors or brokers unless approved in advance in writing by AMG.

(D) Notification

In the event Seller becomes aware or suspects that it has furnished Counterfeit Parts, it shall immediately notify AMG. When requested by AMG, Seller shall provide Authorized Supplier documentation that authenticates traceability of the parts to the applicable Authorized Supplier.

(E) Remedies

If products delivered under this purchase order are, or include, Counterfeit Parts, Seller shall promptly investigate, analyze and report in writing to AMG whether such Counterfeit Parts should be replaced with genuine parts conforming to the requirements of this purchase order, or whether an alternative solution is

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recommended to meet the purchase order requirements at Seller's expense. The parties shall then agree upon the appropriate course of action.

(F) Flowdown

Seller shall include this clause or reasonably equivalent provisions in all subcontracts for the delivery of items that will be furnished to or included in products furnished to AMG.

4.47 MATERIAL SUBSTITUTION PROHIBITION.

(A) Unauthorized Material Substitution (General)

Unauthorized material substitutions are not permitted on AMG's Goods. Unauthorized material substitution includes any deviation from the engineering definition of a raw material. Engineering definition includes Buyer design drawing and applicable specifications, product specification, form, size, shape, chemistry, melt method, origin, temper/condition, product testing or surface finish. Alternate materials specified in the engineering definition (and often described as approved material substitutions therein) do not constitute unauthorized material substitution. Terms and definitions for metallic materials and processing used herein are clarified in SAE ARP1917.

Contact AMG's Authorized Procurement Representative for details regarding deviations to authorized materials. Seller agrees and understands that such deviations only apply to this purchase contract, and only as indicated in AMG's authorized document.

(B) Metallic Materials (Specific)

Temper or Condition Conversion - Unless specifically authorized by the engineering definition, conversion of a raw material (i.e. heat treat to change the temper or condition of the material) constitutes material substitution of the condition provided by the manufacturer.

Metallic Raw Materials - AMG's furnished engineering drawings may refer to obsolete or superseded specifications covering several forms, thicknesses, widths, etc. of the alloy or alloys. The required characteristics of these materials are defined not only by the objective test standards of the specification, but by the process/methods by which this final form is achieved. These requirements are often captured in the definitions of the required material forms, and may not be explicitly called out in the detailed requirements. The raw material certification results from both the process used to make it and the tests to verify basic properties.

Seller shall ensure that metallic materials covered by current or obsolete/superseded specifications are produced using the standard industry practices designed strictly for the production of stock to the specified thickness, diameter, width or cross-sectional area, achieved by thermo-mechanical processing or casting process. Chemical, electromechanical and mechanical methods used for the removal of surface scale or contamination, or the production of the required surface finish, in accordance with the material specification are acceptable. Raw material must not be re-certified with respect to thickness, diameter, and width or cross-sectional area or product form. Machining or cutting of thicker product or other product forms shall not be supplied in lieu of specified product unless specifically authorized by AMG. Raw material certifications for material or parts shall reflect the form and size of the raw material as originally manufactured by the raw material producer.

(C) Specification Supersession. For government specifications and standards cancelled after June 1994, Seller and subcontractors at all tiers shall use the last active revision of the canceled specification and standard until an acceptable replacement is included in the requirements of this purchase order. Contact AMG's Authorized Procurement Representative in the event of any inconsistency in applicable specification or standard.

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(D) Reports (Full Pedigree from melt to final product). Raw material certifications shall show clear traceability to the manufacturer(s) of the raw material including ingot source, all thermo-mechanical processing (i.e. forging, rolling, drawing, etc.), heat treatment, chemical processing and inspections as required by applicable raw material specification requirements.

(E) Chain of Custody (Disguising intermediate ownership). Suppliers shall not disguise the pedigree of material or chain of ownership by removal of a previous supplier's name, nomenclature or identification.

(F) Source of Additional Information. Additional information and guidance shall be requested from AMG's Authorized Procurement Representative.

(G) The substance of this clause shall be flowed in all purchase orders at every tier.

4.48 External Providers Employee Awareness – Seller shall ensure that their employees are aware of their contribution to product or service conformity, their contribution to product safety and the importance of ethical behavior. (Ref AS9100 D, para 8.4.3m)

5.0 SPECIFIC PROCESSING REQUIREMENTS (applicable to specific suppliers)

In addition to the requirements in section 4.0, the following sections apply according to the type of subcontracting being performed.

5.1 MATERIAL SUPPLIERS

- Suppliers must have a Counterfeit Material / Part Prevention process.
- Material suppliers shall ensure material 'mill heat lot number', alloy, or type of material is positively controlled & identified on delivered material.
- In addition to the CofC (para. 4.16 & 4.47), provide legible copies of the material producer's certification of physical & chemical properties upon material delivery, also listing the applicable (ordered) material specification and the material lot identity, and bearing evidence of the approval (usually signature & title) of the cognizant authority.

5.2 HARDWARE SUPPLIERS

- Suppliers must have a Counterfeit Material / Part Prevention process.
- In addition to the CofC (para. 4.16, 4.46 & 4.47), supplier must provide all / any legible and approved certifications of material and testing applicable to the product / specifications along with the Original Equipment Manufacturers (OEM) certifications.
- Fastener Quality Act requirements and any/all other regulatory statutes apply to applicable hardware.

5.3 MACHINING SUPPLIERS

- No welding or repairing processes shall be performed on AMG's parts without the written approval of AMG.
- No substitution of material or deviation from agreed dimensions & tolerances, methods, processes, etc., are permitted without written instruction or approval from AMG.
- Actual inspection readings must be supplied for each job.

5.4 HEAT TREATING, PLATING & FINISHES, & OTHER SPECIAL PROCESSING SUPPLIERS

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- Processes that alter the physical / chemical properties of the product are monitored and controlled in accordance with any applicable specification requirement and have any lot by lot or periodic testing required by the governing processing specification performed (refer to para. 4.16).
- In addition to the CofC (para. 4.16), provide legible and approved certifications of material and inspection/testing applicable to the product / specifications.
- AMG must be immediately notified of the failure of any such tests affecting our product.
- Environmental Regulations: All applicable local, state, and federal environmental regulations must be observed, including any stated in the PO.
- ***For Boeing work, if the process required is governed by Boeing’s D1-4426 Approved Process Source document, the processing supplier must be approved per that document for the specific specification, and any applicable type, class, method, etc.***

5.5 CALIBRATION SUPPLIERS

- Provide certifications for each serial number / device calibrated.
- Equipment used for calibration must be traceable to the National Institute of Standards and Technology (NIST) and calibration practices must comply with ISO 10012-1 or equivalent unless otherwise required by PO.

REVISION RECORD

Rev. F:	7/2/15; revised par. 4.19 & 5.4 regarding Boeing D1-4426.
Rev. G:	2/1/16; Added Customer specifications to flow down the requirement of: Control and usage of Digital Data (para. 4.10.1)
Rev. H:	10-16-2017: Update to AS9100 rev D, change name was WI 7.4 Requirements for Suppliers
Rev I:	4-23-2018; Added paragraph 4.48 External Supplier Employee Awareness (AS9100D para 8.4.3m)
Rev J:	11-6-2018 Added paragraph below 4.46 “AMG does not accept Counterfeit Products ...”