



Supplier Quality Manual

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Approved:

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1. Purpose.

The purpose of this manual is to define the Parametric Solutions Inc (PSI) expectations and requirements to our current and potential suppliers. We feel that clearly communicating our expectations for delivering reliable items on-time and at a reasonable cost is the backbone of a long term mutually beneficial and profitable relationship.

PSI endorses the concept of Total Quality, which is based on the principle that quality is the responsibility of both customer and supplier. As a strategic supplier to PSI, you are an important contributor to our delivered product/service. To a large extent, the quality and reliability of our deliverables are determined by the quality and reliability of the material or service you supply to us. Delayed deliveries or nonconforming materials can endanger our ability to deliver quality products and services on-time.

PSI recognizes that suppliers are in business to earn a profit while filling a niche in the market. However, without a focus on time, cost, and quality performance, this goal is not likely to materialize. PSI is always willing and able to assist suppliers in improving their processes to ensure an on-time delivery of a quality product or to help reduce costs via Lean Manufacturing methods (waste reduction). Also see the Appendix § 16.6.

2. Introduction to PSI.

Founded in 1993, Parametric Solutions, Inc. (PSI) has diversified and expanded from its gas turbine engine design roots into numerous industries including Aerospace, Consumer Products, Medical Equipment, Green Energy, Transportation, and Recreational Equipment. Our staff of engineers have experience in mechanical design and analysis, kinematic synthesis and optimization, prototyping, hardware procurement, and product testing.

Our business model specializes in the complete product development cycle from initial concept to production; the redesign of existing products; and the modeling, analysis and verification of new design concepts. Our business is focused on selling and providing Engineering Services - we do not sell, design, or produce our own physical products.

PSI has an ISO9001 certified quality management system. Most of the technology we use is export controlled. Feel free to visit our website at www.psnet.com.

QUALITY POLICY

Parametric Solutions, Inc. has documented and implemented a quality management system to demonstrate to our customers and our employees our commitment to meet the requirements of the ISO 9001:2008 quality management system, provide for continuous improvement of the system and strive to meet customer needs and expectations as well as their specific requirements.

Parametric Solutions, Inc. has empowered its employees to meet these commitments through continuous training programs and unlimited access to the quality management system including the document change process.

The quality policy and objectives are periodically reviewed at management review meetings and are revised as the need arises.

3. New Suppliers to PSI.

Finding and selecting top suppliers is not an easy or quick task. If you are reviewing this manual, you have been short-listed as a potential supplier to PSI or have already been selected. As a potential supplier, you may be asked to disclose your business health, vital statistics, ethics policy, and may be subjected to an on-site visit. You may be sent a quality survey to ascertain the maturity of your quality management system (see Appendix § 16.1). You may be asked to provide an emergency/disaster recovery plan. You may be asked to sign an NDA (nondisclosure agreement) prior to receiving any technical information, RFQ (request for quote), RFP (request for proposal), or order information (see Appendix § 16.3). You may be screened against the Restricted Parties List (RPL).

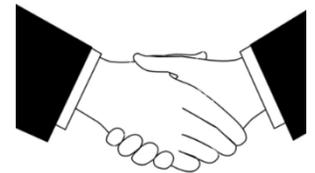
This manual will provide the new supplier with what PSI expects and what you could expect when/if you are selected as a supplier. Typically, an RFQ is sent to the supplier. Once a quote is received at PSI, it will be evaluated against the requirements in the RFQ. Supplier selection is based on the following criteria:

- a) Ability to meet specifications – determined by capabilities, lead times, visits, and audits.
- b) Quality Assurance/Control methods and practices – QMS certification and audits.
- c) Competitive pricing – determined from quotations.
- d) Financial stability and credit strength – if supplier will/cannot provide data, we may call your suppliers for input or determine by other means that will provide sufficient information.
- e) Proven performance – may request your customer base and contact them if necessary. Also determined by your response to our questions/concerns/request for quote.

If selected, the supplier will be added to our Supplier List. Without being added to the list, the supplier cannot be picked from our purchasing system.

4. Communication with PSI.

POC. We will request that you, as our supplier, provide us with a point of contact (POC) and a designated backup for that person. PSI will provide the same. If we fail to provide this, please ask. The PSI POC will be referred to as the *PSI Purchaser* (see Appendix § 16.19). If the supplier's POC is reassigned, please notify the PSI Purchaser as soon as possible. We will do the same. All POCs will communicate in English.



Nonconformances. The supplier will inform the PSI Purchaser (indicated on the PO) immediately when there is reason to suspect that products/material previously shipped to PSI may not be in accordance with the Certificate of Conformance (C of C) or PSI drawing or purchase order. Additionally, the supplier will promptly notify PSI of any circumstances related to materials, manufacturing, processing methods, design, etc. which may make a product susceptible to premature failure or otherwise place the safe operation of that product at risk.

Access. Suppliers will be required to provide access to their facility and the facilities of their supply chain during normal working hours to PSI, its customers, and regulatory agencies with reasonable advance notice.

Changes. During the development phase, the supplier may be working with PSI to optimize the design for ease of manufacturing. Once a purchase order is sent by our Purchaser, no verbal changes or instructions (including emails) can be implemented through our design team. All changes must be communicated through the PSI Purchaser after the PO has been acknowledged by the supplier. This will create a controlled environment and facilitate an easy passage through our receiving and accounts payable processes.

Disclosure. The supplier will agree to inform PSI of any toxic or potentially harmful materials used in the manufacture of products purchased under an order, and indemnify PSI from any liability arising out of any reasonable use of such materials. The supplier will provide any applicable Material Safety Data Sheets (MSDS) as required by law.

Marketing. If the supplier has intentions of advertising their relations with PSI, their POC must first obtain written approval from PSI to do so. The supplier cannot advertise the PSI logo or name without prior authorization.

Governing Law. The Order shall be governed by and construed under the laws of the State of Florida, without reference to its conflict of laws provisions. All disputes arising hereunder shall be heard only by a Florida State court or U.S. District Court with competent jurisdiction in Palm Beach County, Florida and each party to this agreement hereby submits to the jurisdiction of such courts for the purpose of litigating such disputes. PSI AND SUPPLIER EACH HEREBY KNOWINGLY AND VOLUNTARILY WAIVES ANY RIGHT WHICH EITHER OR BOTH OF THEM WILL HAVE TO RECEIVE A TRIAL BY JURY WITH RESPECT TO ANY CLAIMS, CONTROVERSIES OR DISPUTES WHICH MAY ARISE OUT OF THIS AGREEMENT OR THE SUBJECT MATTER HEREOF.

5. **Ethics.**

PSI has implemented strict ethics policies and fully complies with them. We expect that our suppliers have implemented and comply with them too. Those being:

- a) Suppliers must have a program which detects and avoids the use of counterfeit materials (also see AS5553 and AS6174). This is especially important for electronic suppliers and those using raw metals.
- b) Supplier shall comply with the requirements of the Foreign Corrupt Practices Act, as amended, ("FCPA") (15 U.S.C. §§78dd-1, et. seq.), regardless of whether Supplier is within the jurisdiction of the United States; neither directly nor indirectly, pay, offer, give, or promise to pay or give, any portion of monies or anything of value to a non-U.S. public official or any person in violation of the FCPA and/or in violation of any applicable country laws relating to anti-corruption or anti-bribery; and Supplier hereby agrees not to interact with any government official, political party or public international organization on behalf of PSI without the prior written permission of the PSI's POC.
- c) Suppliers must comply with the ethics code of the EICC (EH&S, child labor laws, slave labor laws, whistleblower, discrimination). See Appendix § 16.10.
- d) Suppliers must comply with Executive Order 11246, (Equal Employment Opportunity). Prohibition to discriminate against attributes of an individual. See Appendix § 16.11.
- e) Suppliers must comply with Section 503 of the Rehabilitation Act of 1973. Prohibition to discriminate against individuals with disabilities. See Appendix § 16.12.

- f) Suppliers must comply with 38 U.S. Code § 4212 of the Vietnam Veterans' Readjustment Assistance Act of 1974. Employers are encouraged to hire US veterans. See Appendix § 16.13.
- g) Suppliers must comply with 29 CFR Part 471 Appendix A to subpart A (Executive Order 13496). Businesses must post information related to the employees' right to form or join a union. See Appendix § 16.14.
- h) Suppliers must comply with section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding conflict minerals. See Appendix § 16.15.
- i) Intellectual properties will be considered confidential per a signed non-disclosure agreement (NDA) – see Appendix § 16.3. PSI and its supplier specifically agree not to disclose to any third party any proprietary information, systems, equipment, ideas, processes or methods of operation observed by visiting employees or agents, at either party's facilities, all of which shall be deemed confidential information.

Both parties will agree that, when employees or agents of the visiting party are at the facilities of the host party, they will, at all times, comply with all security regulations in effect. The visiting party will further agree to abide at all times with off-premises security regulation when the visiting party has confidential information of the host party.
- j) PSI and the supplier will agree not to actively recruit, induce, or solicit for hire for employment, or cause, allow, permit, or aid others to recruit, induce or solicit for hire, any of the other party's employees assigned to work under a PSI order.

6. Forecasting and Timeliness

The timeliness of an order will be agreed to during the quoting process. The PSI Purchaser will communicate the Purchase Order to the supplier's POC. In the event that the PSI Purchaser requests a particular order be expedited, the supplier should make a good faith effort to accommodate their request. The supplier may consider re-quoting the order when necessary.



Rated Orders. There may be times where, on a US Government contract, PSI will be requested to expedite certain orders via a DPAS (Defense Priorities and Allocations System) rating. If an order has a "DX" rating designation, it MUST (by law) take precedence over ALL other work. If the rating is "DO", it has precedence over unrated orders. The supplier cannot discriminate against rated orders in any manner such as by charging higher prices or by imposing different terms and conditions than for comparable unrated orders. See Appendix § 16.5.

Force Majeure. As soon as reasonably possible, following the date of commencement of a *Force Majeure* event, the supplier shall notify PSI. The supplier will present evidence of the event and its effect on their performance. Neither PSI nor its supplier are considered in breach of contract to the extent that performance of their respective obligations is prevented by an event of *Force Majeure* that arises after the order has been acknowledged. In the event that the supplier is unable to fulfil the order requirements within 60 days (of the *Force Majeure*), PSI is entitled to relieve the supplier of its obligations and cancel the order. The supplier may consider refining its disaster recovery plan.

Delivery performance measurement. After order acknowledgement, PSI expects that the due date on the order will be met. So there are no surprises, we ask that the supplier notify the PSI Purchaser as soon as possible if orders will not be delivered on time for whatever reason. PSI may request partial shipments or allow concessions if the schedule is too challenging. However,

the full order must have been received by PSI on or before the due date to get credit for an on-time delivery.

The supplier will not be penalized for early shipments unless written within the order. On a regular basis, the receipt dates for each supplier will be compared against the respective due dates. The results will be calculated into the supplier rating score. Also, if unplanned events are a common occurrence, the rating score will be adversely affected.

7. Receiving a PSI Purchase Order.

RFQ. Prior to receiving a Purchase Order (PO) from PSI, you may receive a request for quote (RFQ) and a reference drawing from the PSI Purchaser. The reference drawing may be identified as “PRELIMINARY”. This drawing is for quoting purposes only unless otherwise stated. Though it is common that in the manufacture of prototype hardware that PSI will ask suppliers to work to a marked or preliminary drawing, please be sure that manufacturing is performed only to filenames specified on the PO. Starting to manufacture a part before the order is available and using a drawing marked Preliminary without authorization is done at the supplier’s risk.



RFQ Acknowledgement. Please recognize that PSI may be sending an RFQ to other suppliers for a given item or service. When an RFQ is received, please acknowledge by phone or email (preferred) as soon as possible so we know that it is being reviewed for consideration. We expect that you will reply with a quote within 10 business days from date of receipt. The quote must be in writing; no verbal quotes will be considered.

Purchase Order. The PSI order (PO) and the associated drawing will be sent via email from our Purchaser to the supplier’s designated POC. The supplier must ensure that they are in possession of the drawing revision indicated on the PO. If it falls through the cracks and the supplier does not possess the referenced revision drawing, they must contact the PSI Purchaser indicated on the PO to obtain the drawing. The PSI Purchaser will gladly and promptly forward the drawing to the supplier. See Appendix § 16.19. Payment terms are Net 75 unless defined otherwise within the PO.



PO Acknowledgement. Once the supplier’s POC receives and agrees to our PO, the supplier POC will acknowledge the order within 4 business days by using email. Acknowledging the PO also indicates acceptance of the terms stipulated in this document. To anticipate product data collection, the supplier should determine if authorization to ship is required - see § 12.

Termination. PSI, by written notice, may terminate the order, in whole or in part. In the event the order is terminated as a result of Supplier’s default, the Supplier shall be liable for all damages allowed in law or equity, including the excess cost of re-procuring similar items. If the order is terminated for the convenience of PSI, Supplier will be compensated to the extent that items have been accepted by PSI prior to the effective date of termination. Other than to this extent, PSI shall not be liable to Supplier for any damages on account of its failure to accept all of the items ordered.

If the supplier breaches its obligation to deliver goods in accordance with the schedule provided for in the PO, PSI has the option to recover up to 10% of the PO value as liquidated damages.

Conflicts. The drawing, including any engineering changes, purchase order or specification requirements shall always have precedence over this document or any other correspondence from PSI. If there is a conflict of technical terms or conditions associated with an order, the order of precedence shall be as follows:

- a) Drawing or specification.
- b) Text of the Purchase Order.
- c) The drawing referenced in the order, including changes or a statement of work.
- d) Documents/specifications referenced on the drawing or purchase order.
- e) Documents/specifications referenced in other documents. Conflict in such secondary documents requires resolution by the PSI Purchaser.

8. **Managing Changes (post order acknowledgement).**

After the PO/contract has been acknowledged by the supplier, verbal change authorizations from PSI personnel are invalid at all times. Likewise, PSI cannot accept verbal waivers and/or changes from the supplier after PO acknowledgement.

Changes initiated by the supplier.

- a) The supplier cannot change the form, fit, or function of specified material without PSI's authorization (COTS parts are the exception).
- b) In the event that the drawing cannot be 100% complied with, the supplier will request a waiver from PSI. The waiver request will be reviewed and issued by PSI via the PSI Purchaser. PSI has the right to refuse to accept any and all non-conformances from the supplier. If no waiver is requested, PSI will assume that all notes, specifications, dates, and these terms and condition have been 100% met.
- c) If the supplier relocates part or all of its manufacturing processes, they must notify the PSI Purchaser. If necessary, a first article inspection will be performed by PSI from the first run. See Appendix § 16.18.
- d) If there is a need to change the contract (PO/SOW), the PSI Purchaser will be notified in writing to make such a change. Depending upon the need, PSI may request partial shipments or perform an operation themselves. All price or payment term adjustments must be justified in writing from the supplier and supplier's sub-tier, if applicable.

Changes to the Purchase Order by PSI.

- a) PSI has the right at any time to make changes to the purchase order by written notice to the supplier and supplier agrees to comply with such changes. If such changes cause significant material increase or decrease in the supplier's costs or time of performance of the PO, the supplier will notify PSI immediately and may negotiate an adjustment.
- b) If a DPAS rated order comes to PSI's attention and it affects the supplier, the rating will be communicated to the supplier for immediate action. See Appendix § 16.5 and the Forecasting section 6 for further info on rated orders.
- c) In the unlikely event of an order termination, the actions described in these Terms and Conditions will be enacted.

Changes to the design/drawing.

- a) PSI has the right at any time to make changes to the drawing by written notice to the supplier and supplier agrees to comply with such changes. If such changes cause significant material increase or decrease in the supplier's costs or time of performance of the PO, the supplier will notify PSI immediately and may negotiate an adjustment.
- b) If the supplier notices an error in the drawing at any time before or after acknowledgement, PSI would gladly welcome a formal change request. A PSI waiver may be requested while the error is being corrected. If the change significantly affects the form, fit, or function of the item, the supplier may re-quote the order.
- c) If the supplier identifies an opportunity to improve the design or reduce cost/time, the PSI Purchaser should be contacted to make the change. PSI has the final authority to implement any improvement changes.
- d) The supplier will assume certain risks when purchasing raw materials too far in advance. If a design change is presented and the supplier has built up inventory of the affected item, the item may need to be modified or scrapped at the supplier's expense. This also includes building up material prior to receiving the PO.

9. Sub-tier Supplier Control.

The supplier will assume primary responsibility for managing sub-tier and third-party suppliers and they will proactively manage all activities related to supply chain performance and compliance, including, but not limited to:

- a) Serving as a conduit of information between sub-tier and third-party suppliers and PSI (including as it relates to supplier; e.g., planned changes in components or parts and seeking solutions with suppliers in the event any such changes are not satisfactory to PSI). The supplier may be asked to accompany PSI while performing an on-site inspection/audit of the sub-tier or third-party supplier site(s). In general, this would not be likely unless there were specific issues that PSI needed to resolve with them.
- b) Driving a supplier-management strategy designed to address supplier issues. In the event the supplier or PSI identifies defective materials or components, the parties will discuss and mutually agree on the appropriate course of action to address such issue, it being understood that the supplier will use commercially reasonable efforts (including taking legal action where commercially reasonable for the supplier to do so in the circumstances to pursue remedies, such as recovery on material warranties and recovery of other permitted damages from the responsible supplier). In the event that the supplier fails to use commercially reasonable efforts to pursue such remedies for an identified sub-tier or third-party supplier material problem, including legal action where commercially reasonable for the supplier to do so, the supplier agrees to compensate PSI for its damages as a result of such failure.
- c) Performing a first article inspection (see Appendix § 16.18) if a new sub-tier supplier is selected or if the sub-tier supplier relocates their manufacturing facility or the material revision has changed significantly. This ensures that the supply chain will continue to meet all expectations.



EOL Notification. PSI requests that suppliers and their sub-tier and third-party suppliers provide it with adequate notice if/when material is approaching end-of-life (EOL) status. In the event a last time buy is needed, PSI would then have adequate time to locate replacement material in a time frame that is less urgent.

Flow downs. PSI has been requested by its customers to comply and flow down certain requirements. We would ask that suppliers also comply and flow down these requirements to their sub-tier suppliers. The requirements are as follows:

- a) Product build, verification, and release records must be retained for a minimum of 7 years and be available upon request by PSI.
- b) Compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act (aka Dodd Frank); Section 1502 on Conflict Minerals. This requirement is to ensure that businesses are not using tantalum, tin, gold, or tungsten in their products which were extract from the Democratic Republic of the Congo (aka DRC) or its adjoining countries. See Appendix § 16.15.
- c) Implement a program which detects and avoids the use of counterfeit materials (see AS5553 and AS6174).
- d) Implement a program which detects and avoids computer system viruses and unauthorized entry into the facility and to computer systems.
- e) Comply with and adhere to the EICC - Code of Conduct laws (regarding working conditions, fair wages, bribery, child labor, slave labor, whistleblower, protection of intellectual properties, discrimination, EH&S, etc). See Appendix § 16.10.
- f) Implement an emergency/disaster recovery plan (aka a Business Continuity Plan) should the facility suffer from an unforeseen emergency or disaster.

10. **Product and Process Quality.**

PSI has the expectation that suppliers will make every effort to deliver a quality (meets requirements) and reliable (long lasting) product or service. The product also includes the peripherals which accompany it. A quality and reliable product typically is the output of a robust quality management system (QMS). At a minimum, the following attributes must be found in the supplier's QMS:

- a) A suitable Quality Plan which identifies the verification (inspection/test) points in the process. This may be a formal document or within an electronic ERP or incorporated into a traveler or a workmanship standard.
- b) A suitable means for controlling documentation which defines a product and how to produce a product. The user must be able to recognize the most current authorized version of a document. Similarly, product records must be retained for a minimum of 7 years and be available upon request by PSI. The documentation/data which are in an electronic format should be backed up at regular intervals.
- c) A suitable means to ensure that perishable (age-sensitive) items will not have more than 25% of their shelf life expired at the date of receipt at PSI.
- d) A suitable means for controlling test software (if used) to verify if product is acceptable. The user must be able to recognize the most current authorized software version and know if it has been tampered with (to minimize false acceptances).



- e) A suitable means for determining the acceptability of product. The acceptance and rejection criteria must be defined and known.
- f) A suitable means for ensuring that non-conforming materials are not shipped to PSI. The exception would be if a waiver is approved by PSI.
- g) A suitable means to detect and avoid computer system viruses and unauthorized entry into the supplier's facility and computer systems.
- h) A suitable means for ensuring that process equipment is maintained and that the variability of measuring equipment (if used) is validated and/or calibrated. This will ensure a consistent and accurate output.
- i) A suitable means for tracing material to a particular lot/serial number which would facilitate a product recall, if necessary. Lot numbers should identify the week and year of manufacture. When receiving a supplier's material, PSI should be able to determine the part number and revision level by sight.
- j) A suitable means for recalling material that has been shipped to PSI. This should also include how to manage recalls from sub-tier and third-party suppliers.
- k) A suitable means to determine worker qualifications and to ensure that workers have been cross-trained to avoid a work stoppage.
- l) A suitable means to analyze product and process failures/trends and to determine a root cause and implement the necessary corrective actions. This includes products which are returned to the supplier by PSI.
- m) A suitable means for improving policies, processes, and products. The ability to respond to PSI order issues is paramount. Performance metrics for: Quality, Cost, and Delivery.

Initially and then annually, the supplier may be requested to complete a quality survey to declare compliance with their QMS requirements. If the supplier holds a quality management system certification (ISO9001, AS9100, ISO13485, ISO16949, etc) from a recognized registrar, the survey will be just a few questions (see appendix § 16.1). Unless otherwise agreed, the supplier is responsible for all costs associated with obtaining and maintaining quality or NADCAP certificates.

PSI may perform an on-site visit/audit and/or source inspection at a supplier's facility. An adequate notification of such a visit will precede it. An agenda, as well as the number of PSI participants, will be provided in advance. Key strategic suppliers may be invited to hold a mutual QBR (Quarterly Business Review) with PSI. The intent is to review issues, priorities, improvement opportunities, and changes from both parties. This activity facilitates an open dialog and can lead to mutual successes.

Sampling. If the supplier performs any inspection activity using sampling plans, the plan must be statistics based. Using a sample plan method such as ANSI Z1.4 is highly recommended. Inspecting 10% or every fifth item is unacceptable since it has no statistical significance. See Appendix § 16.16.

Inspection. Upon receiving the first order for significant quantities of an item, the supplier should request to deliver a few items from the first run. This will ensure that the balance of the order will be acceptable to PSI. PSI may perform a first article inspection (see Appendix § 16.18) for all new suppliers or if the revision of the item has changed



or if the supplier relocates their manufacturing facility since the last receipt. Materials which are received at PSI will be verified by its Incoming QC using the applicable drawings, the C of C, and the purchase order. PSI retains records of all inspections and after a defined number of consecutive passed lots, inspection may be reduced for production materials. Once the inspection has been reduced and after more consecutive passed lots, the material will be presented to our material review board as a candidate for a dock-to-stock item. This is the goal for every production supplier.

Performance. On a regular basis, the defective materials found for each supplier will be compared against the respective quantity of defective materials received or found during manufacturing.

11. **Product Handling.**

Suppliers must control the environment where PSI material is processed. The supplier will have means to ensure that mix-ups, damage, deterioration, contamination, or other adverse effects do not occur during handling of PSI material. This includes proper security, segregation of non-conforming materials, and shelf life of materials. Where applicable, methods to control ESD (electrostatic discharge), temperature and humidity, debris, and dust must be implemented. RoHS (lead-free) materials are not required. The disposal of scrap materials and facility waste must be performed within the guidelines of federal, state and local statutes.

12. **Storage, Packing, Shipping, and Delivery.**

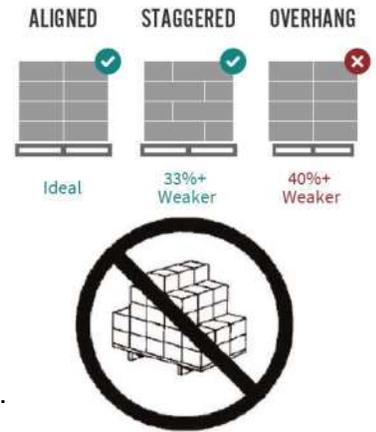
Prior to shipping custom parts/assemblies, suppliers may be required to obtain authorization. This can be done via a source inspection by PSI or by its agent or by submitting product data to the PSI Purchaser. After review and approval, the Purchaser will promptly authorize shipment of the item.

Storage. PSI related material stored at the supplier's facility or other supplier controlled warehouse must be stored in a clean, secure, and environmentally controlled area.

- a) Storage areas must be inspected regularly by the supplier for damage or potential damage/loss. Inspection frequency will depend on the specific facility configuration (e.g., if the supplier co-locates their storage/factory/office space with other companies, the frequency should be increased).
- b) Material inventory should be audited regularly to avoid material shortages.
- c) The storage of product data must be kept secure to ensure that it can be retrieved if needed. This includes the electronic data associated with product manufacturing and shipping. Product data must be stored for at least 7 years from date of shipment.
- d) The supplier must implement a program which detects and avoids computer system viruses and unauthorized entry into their facility and computer systems, including physical and data storage locations.
- e) PSI may request the supplier to manage a kanban or replenishment system for production materials. This would allow the supplier to have a steady production plan while supplying PSI with materials from storage as they are needed.

Packing. Materials will be properly packaged to protect them from damage during storage and transit including; shock, vibration, moisture, temperature extremes, FOD, and Electro-Static Discharge (if electronic).

- a) The supplier may have packing materials and methods approved by PSI prior to shipping. Green/recycled packing materials are preferred.
- b) Pyramid stacking on a pallet is not acceptable →
- c) All outside labels and markings may be approved by PSI.
- d) Packages which contain chemicals must display the proper label(s).
- e) Material weighing 2500 lbs. or greater should be placed on a pallet constructed of 4" x 4" stringers and 1½" thick deck boards. Other modifications may be required to maintain the integrity of the package.
- f) Used wood pallets are acceptable as long as they are structurally sound, are square, have no missing or broken boards or loose nails and are not distorted.
- g) Crates must be constructed per the 'Uniform Standard for Wooden Containers' published by the National Wooden Pallet and Container Association.
- h) If multiple packages are used, each must be identified by number (e.g., 1 of 4).



Shipping. The supplier will ensure that no obsolete, rejected, non-conforming, expired, or deteriorated materials are shipped to PSI, unless they are shipped to PSI at its request.

- a) To avoid unanticipated fees, all shipping charges should be itemized in the original quote to PSI.
- b) PSI reserves the right to define shipping methods and routes. The supplier will ship materials within the guidelines of the DOT.
- c) All shipments will be accompanied by an itemized packing list which identifies the item part number, its description (inc. revision), quantity shipped, purchase order number, the purchaser, and any deviations from the PO/Drawing (e.g., back ordered, waivers, changes, etc).
- d) All shipments of custom hardware will be accompanied by a Certificate of Conformance (C of C). The C of C will state that the material meets all requirements and is authorized by a company official. The C of C should be accompanied by product measurement data. COTS materials do not require a C of C. See Appendix § 16.21.
- e) Chemicals or products containing chemicals must be accompanied by an MSDS.
- f) Shipments received at PSI which do not comply with these requirements must be reconciled before release. This may result in the invoice payment being delayed.
- g) Items which are "drop shipped" (not shipped directly to PSI) must be authorized by the PSI Purchaser prior to shipment. This will give PSI the opportunity to verify the item and review the packing and shipping methods.

Delivery. The delivery location will be indicated on the purchase order (as the 'Ship-to Address').

- a) Unless otherwise agreed, delivery shall be FOB Destination and title shall pass to PSI upon acceptance at the final delivery point. Risk of damages or loss following shipment and prior to acceptance by PSI shall be the responsibility of the Supplier.

- b) Upon delivery to PSI, the material will be inspected. First, the proper packing, part, revision and quantity is verified by the PSI Receiving Dept. Then, QC will determine compliance with the PO and drawing. The C of C will also be reviewed and retained.
- c) PSI shall not be deemed to have accepted any material until it has received such material and had an opportunity to inspect it, which in no case shall be more than thirty (30) calendar days from the date of receipt. PSI's failure to specify any defect within this period, shall not preclude it from relying on such defect as a basis for rejection of material.
- d) Any material that does not meet the requirements will be segregated and may be returned to the supplier via an RMA or other arrangements.
- e) All invoices shall be forwarded to PSI at its office as indicated on the face of the Order and will state PSI's Purchase Order Number clearly on the Invoice. No invoice shall be delivered by Supplier to any employee of PSI.

13. **Product Warranties and Returns.**

Warranties. Excluding service providers, the supplier warrants that the item(s) provided are wholly new and contain new material and/or components throughout. The supplier further warrants that it has good and warrantable title to the item, free and clear of any liens or encumbrances, and that the supplier has full power and authority to license any software, and to convey all other rights and licenses granted to PSI, including any third-party intellectual property rights relating to the item. The supplier expressly warrants that the items and services covered by an order:

- a) will conform to the specifications, drawings, sample or other descriptions furnished or specified by PSI;
- b) will be of good material and workmanship and free from defect; and
- c) will be fit for their intended use.

All items manufactured and/or delivered to PSI will be warranted for a period of at least twelve (12) months from date of receipt of the item by PSI.

Returns. Purchased material which is found not to meet expectations or requirements will be returned to the supplier within the warranty period. The supplier may provide a quote to rework/repair any material which is returned after the warranty period. Material which needs to be modified to comply with a revised drawing can be quoted by the supplier. PSI does not consider this a return but considers this activity an OSP (outside process).



Material which has been dispositioned by the PSI MRB to be "RTV" (Return to Vendor) will have a red tag affixed to the material to identify the problem. PSI will request an RMA from the supplier for items which have a disposition of RTV. The action(s) taken by the supplier to repair the item must be identified on the red tag and returned with the material. See Appendix § 16.20.

SCAR. The supplier must have a system for evaluating returned material to ascertain root cause and corrective action. Action may include segregating or scrapping existing materials. PSI may request a formal response via a SCAR (Supplier Corrective Action Request). The expectation is to use a mistake-proofing (poka-yoke) approach to solving a problem while focused on the root cause. Consider using a 5-why methodology for root cause analysis. See Appendix § 16.7 & 16.8.

The supplier should identify and track any ESCAPES that are shipped to PSI. An Escape can be categorized as an item which is returned within the warranty period and was a result of poor workmanship. All materials returning back to PSI must be re-verified to ensure it meets the original requirement intent. The RMA number must be referenced on the return packing slip.

14. **PSI Furnished Property.**

The supplier will recognize that material returned or provided for processing is considered PSI Furnished Property and must be handled with care. Material which is returned via RTV is considered PSI Furnished Property only if the supplier's invoice has been paid.

Intellectual Properties (IP). PSI retains title to designs, sketches, drawings, files, blueprints, patterns furnished or paid for by PSI in connection with or in anticipation of an order. PSI furnished IP must be stored at the supplier's facility to preclude loss or theft. If PSI furnished IP are lost, hacked, or stolen while in the supplier's possession, the supplier must notify the PSI Purchaser upon discovery. Corrective action to prevent recurrence is expected and required in these cases.

Hardware. PSI retains title to dies, models, molds, tools, special appliances, equipment, components, and materials furnished or paid for by PSI in connection with or in anticipation of an order. PSI furnished hardware must be identified as "PSI Property" while at the supplier's facility. Furnished hardware must be stored at the supplier's facility to preclude damage, lost or theft. Regular (at least quarterly) cycle counts must be performed by the supplier and reported to PSI. If PSI furnished materials are damaged, lost, or stolen while in the supplier's possession, the supplier must notify the PSI Purchaser upon discovery. Corrective action to prevent recurrence is expected and required in these cases. The supplier must properly care for and maintain/calibrate tools and equipment and if replacement is required, notify PSI of such.

Fixturing. During product development, PSI may work with the supplier to help develop tooling and fixtures for ease of manufacturing and/or transportation. These articles are to be used only for products covered by orders in the quantities specified whenever requested by PSI. If these tooling or fixtures are modified by the supplier, PSI must be notified in writing.

Return of Property. Upon request, the supplier will return any PSI furnished property to PSI without cost except that reasonable transportation charges may be billed to PSI. In such cases, PSI will also pay for reasonable special packing charges where appropriate. If, for any reason, the supplier should fail to comply promptly with such a request, PSI shall have the right to enter the supplier's premises to remove the hardware and IP.

15. **Supplier Rating System.**

PSI has a method for evaluating and analyzing the performance of suppliers. The performance evaluation is performed quarterly and involves Quality, Delivery, Cost Containment, and Responsiveness.

If suspended due to poor performance, the supplier's name will be appended with "DO NOT USE". To get reinstated, the supplier would need to provide a plan of action to bring their performance into compliance with PSI expectations.

Appendix.

- 16.1 QA Survey. Is used by PSI to ascertain the maturity level of the supplier's Quality Management System. This survey is distributed to new suppliers and then annually. The survey may look something like this:

QUALITY ASSURANCE SUPPLIER SURVEY/AUDIT FORM	
Supplier: _____	Completion Date: _____
Address: _____	
City/State: _____	Quality Rep: _____
Zip: _____	email: _____
Type of Audit: <input type="checkbox"/> On-site <input type="checkbox"/> Phone <input type="checkbox"/> Self <input type="checkbox"/> Holds 3 rd party certification	
Implemented a Disaster Recovery Plan:	<input type="checkbox"/> N/A <input type="checkbox"/> Comply <input type="checkbox"/> Planned
Implemented a Computer/Network Virus Avoidance Plan	<input type="checkbox"/> N/A <input type="checkbox"/> Comply <input type="checkbox"/> Planned
Comments: _____	
<u>Active Third Party Certifications:</u>	
<input type="checkbox"/> ISO9001 <input type="checkbox"/> AS9100 <input type="checkbox"/> ISO13485 <input type="checkbox"/> ISO16949 <input type="checkbox"/> NADCAP <input type="checkbox"/> ISO14001 <input type="checkbox"/> Other _____	
If you checked one or more of these certificates, STOP HERE.	

- 16.2 Certifications Survey. Is used by PSI to flow down ethics requirements to new suppliers and then annually. The survey may look something like this:

Supplier Annual Certification and Representation	
Supplier's Name: _____	
Address: _____	
City, State, Zip: _____	
Point of Contact: _____	Email: _____
Two Digit Congressional District Number for your Location: _____	
DUNS Number: _____	Cage Code: _____
Total employees at this site: _____	Have you ever filed for bankruptcy? <input type="checkbox"/> No <input type="checkbox"/> Yes
<small>The United States Government requires Parametric Solutions, Inc. to obtain the completed and signed certifications contained herein. These certifications are required annually and will be effective for one year, unless the certifications become inaccurate prior to one year in which case the undersigned must promptly notify Parametric Solutions, Inc. of such change. The Federal Acquisition Regulation (FAR) is applicable to contracts with the United States Government and subcontractors thereunder.</small>	

- 16.3 Non-Disclosure Agreement. (aka NDA) Is used to protect PSI intellectual properties. The NDA is signed with new suppliers and then once the NDA is approaching expiration. The NDA may look something like this:

Non-Disclosure Agreement
This Agreement is made and entered into, effective as of <u>4/1/2016</u> by and between:
Parametric Solutions, Inc. of 831 Jupiter Park Dr., Jupiter, FL 33458 (Hereinafter referred to as PSI);
And,
_____ (Hereinafter referred to as "Disclosed Party") whose mailing address is: _____
<small>WHEREAS, PSI owns valuable confidential and proprietary information, technology, contracts and business plans and strategies (hereinafter, the "Subject Matter") which PSI is willing to reveal to DISCLOSED PARTY in confidence for the purposes of developing a working relationship and for no other purpose, and</small>

Written materials will display a Proprietary Information statement that may look something like this:

PSI PROPRIETARY INFORMATION

This document and any attachments are the property of Parametric Solutions Inc. (PSI). You may not possess, use, copy or disclose this document or any information in it, for any purpose, including without limitation to design, manufacture, or repair parts, or obtain FAA or other government approval to do so, without PSI express written permission. Neither receipt nor possession of this document alone, from any source, constitutes such permission. Possession, use, copying or disclosure by anyone without PSI express written permission is not authorized and may result in criminal and/or civil liability.

16.4 Export. The transferring or disclosure of export controlled material (physical or Intellectual properties) to a non-US citizen; this includes employees, contractors, and visitors. PSI furnished material shall not be transferred (physically or virtually) outside the United States without a valid license. Export controlled PSI material is identified using a statement regarding its export status which may look something like this:

WARNING -- This document contains technical data, the export of which is or may be restricted by the Export Administration Act and the Export Administration Regulations (EAR), 15 C.F.R. parts 730-774, or the Arms Export Control Act and the International Traffic in Arms Regulations (ITAR), 22 CFR Parts 120 - 129. Diversion contrary to U.S. law is prohibited. The export, re-export, transfer or re-transfer of this technical data to any other company, entity, person, or destination, or for any use or purpose other than that for which the technical data was originally provided by PSI, is prohibited without prior written approval from PSI and authorization under applicable export control laws. ECCN: XXXXX or N/A or ITAR USML Category: XXXXX or N/A

Parametric Solutions is providing what it believes to be the (Export Control Classification Number ("ECCN") or Munitions List category) for this product for informational purposes only. By providing this information, Parametric Solutions does not intend to provide legal advice with regard to any export transaction. Exporters are responsible for ensuring that they comply with all applicable U.S. laws that govern exports. You may wish to obtain advice on export controls from a specialist.

16.5 Defense Priorities and Allocations System (DPAS). Is used to prioritize national defense related contracts/orders throughout the U.S. supply chain in order to support military, energy, homeland security, emergency preparedness, and critical infrastructure requirements. The DPAS can also be used to provide military or critical infrastructure assistance to foreign nations. The program is controlled by the *Bureau of Industry and Security under the US Department of Commerce*. See <http://www.bis.doc.gov/> and type 'DPAS' into the site's search box.

16.6 Waste Reduction. The methodology was popularized by Toyota to reduce non-value added process steps. It is commonly called 'Lean'. The seven traditional wastes are Transportation, Inventory, Motion, Waiting, Extra-processing, Over-production, and Defects. By reducing these wastes, you will reduce costs. There is also an eighth waste: failing to utilize talent.



16.7 Corrective Action (v). Once the root cause of a problem is known, an action is needed to eliminate the cause. If the cause cannot be eliminated, an attempt should be made to reduce the risk of recurrence. A good corrective action has a mistake-proofing technique (aka *poka-yoke*) and clearly addresses the root cause.

16.8 Corrective Action (n). If an escape occurs, allowing a defective product or service to reach PSI, the supplier will be requested to complete an investigation via a Supplier Corrective Action Request (SCAR).

- 16.9 Root Cause Analysis. The method used to understand the true root cause of a problem. One excellent method is called '5-why'. Start with a *problem statement* and in a team environment; ask "why" consecutively for about 5 times. This will typically get the team very close to the root cause. The real root cause should point toward a process that is not working well or does not exist. Some poor root causes are: Operator error, that's the way we always did it, oversight, didn't have the time to do it right, forgot, didn't understand the requirement. Some good root causes are: Inadequate planning, ambiguous design requirements, incapable equipment, inadequate training, poorly defined responsibility, inadequate maintenance, no procedure in place. Notice that the poor causes are not very actionable.
- 16.10 Code of Conduct standards. The Electronic Industry Citizenship Coalition (EICC) maintains a best practices code of conduct dedicated for ensuring that employee working conditions are safe, that workers are treated with respect and dignity, and that businesses are environmentally responsible and conducted ethically. See <http://www.eiccoalition.org/> for further details.
- 16.11 Executive Order 11246. aka *Equal Employment Opportunity (EEO)*. The US Dept. of Labor prohibits any employment discrimination based upon race, color, religion, gender identity, national origin, handicap, sexual orientation, status as a parent, or age.
- 16.12 Section 503 of the Rehabilitation Act of 1973. aka *Disabilities Act*. The US Dept. of Labor prohibits any employment discrimination based upon an individual's disability.
- 16.13 38 U.S. Code § 4212 of the Vietnam Veterans' Readjustment Assistance Act of 1974. aka *Veterans Act*. The US Dept. of Labor encourages employers to hire veterans.
- 16.14 29 CFR Part 471 Appendix A to subpart A (Executive Order 13496). aka *Right to Assemble*. The US Dept. of Labor requires that all businesses post information related to the employees' right to form or join a union.
- 16.15 Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. aka *the 'Conflict Minerals' Act*. Congress enacted Section 1502 of the Act because of concerns that the exploitation and trade of conflict minerals by armed groups is helping to finance conflict in the DRC region and is contributing to a humanitarian crisis. In a nutshell, this requirement is controlled by the SEC to ensure that companies are not using tantalum, tin, gold, or tungsten in their products which were extract from the Democratic Republic of the Congo (aka DRC), Angola, Burundi, Central African Republic, Congo Republic (a different nation than DRC), Rwanda, Sudan, Tanzania, Uganda, and Zambia.
- 16.16 ANSI Z1.4 sample plan. Is a statistically sound sample plan method used by industries and based upon MIL-STD-105. Suppliers should start with General Level II and an AQL of at least 1.0. There are many tools on the internet that will guide the user to use a proper sample plan. One of the requirements is to ensure that the samples are random. Choosing a sample size by any other method (e.g., a fixed quantity or a percentage or the first 3 of every lot) is not statistically valid and will give false confidence in the material's quality level.
- 16.17 PSI Terms and Conditions. All questions, comments, or concerns regarding the T&Cs described in this document should be brought to the attention of the PSI Purchaser.
- 16.18 First Article Inspection. aka *first run inspection*. Is performed for all new production suppliers or if the item revision has changed or if the supplier relocates their manufacturing facility since the last receipt. The key characteristics of the item are reviewed by the Purchaser and submitted to QC for inspection. If the supplier knows that

the material is a new purchase, they should ask PSI to submit a small sample of the material for a first run inspection before the entire quantity is shipped. This will reduce the risk of surprises. The format defined in AS9102 can be used.

- 16.19 PSI Purchase Order. Is used to convey PSI requirements and is emailed by the PSI Purchaser to the Supplier's POC. Note that the revision number under the PO number field is the revision of the PO and not the revision of the item being ordered. Prices will be in US dollars and are committed by the supplier to be firm for the duration of the order. The PO may look something like this:

PARAMETRIC SOLUTIONS INC.
PRODUCT DEVELOPMENT SERVICES
831 JUPITER PARK DRIVE JUPITER, FLORIDA 33458 561.747.6107

SHIP TO: Parametric Solutions, Inc.
PSI West
831 Jupiter Park Drive
Jupiter, FL 33458

Attention: Joshua Small
Phone: 561-747-6107 ext 243
Fax: 561-747-1305
Email: joshua.small@psnet.com

Purchase Order No. 98000-60092

SUPPLIER:

PROCESSING OF THIS PURCHASE ORDER IMPLIES ACCEPTANCE OF ALL TERMS

SOLD TO: Parametric Solutions, Inc.
Florida State Resale Certificate Number: 60-8012302808-0

Resale?: YES
Email: accounts.payable@psnet.com

SUPPLIER FORFEITS PAYMENT UNLESS INVOICES ARE:

(1) SENT DIRECTLY USING U.S. MAIL SERVICE TO ACCOUNTS PAYABLE at
831 JUPITER PARK DRIVE JUPITER, FL 33458 and/or
ELECTRONICALLY: accounts.payable@psnet.com
(2) RECEIVED BY ACCOUNTS PAYABLE WITHIN 30 DAYS OF DELIVERY OF GOODS/SERVICES

Originator: Joshua Small
E-Mail: joshua.small@psnet.com
Phone: 561-747-6107 ext 243

Date: 4/4/2016

Item	Qty	Part #	Description	Req'd Date	Unit Price	Total
1	1	PA 7733281B	Rokide Air Cap, Chrome 1/4	4/5/2016	\$129.35	\$129.35
					Subtotal	\$129.35
					6% FL Sales Tax	\$7.76
					Shipping & Handling	
					TOTAL	\$137.11

Authorization: D. Michaelian
Final Review: D. Michaelian

Notes/Instructions:
Ship overnight if possible.

- Payment Terms: New Supplier, No Terms Established
- FOB: Destination
- Shipping & Handling: S&H costs marked PENDING require a separate Purchase Order from PSI before shipment of goods
- Export Classification: EAR99
- ITAR Restrictions: No ITAR Restrictions
- Proprietary Information: N/A
- Specifications of this Purchase Order and associated RFQ supercede quote.
- DO NOT WORK TO PRELIMINARY DRAWINGS UNLESS OTHERWISE STATED IN NOTES SECTION.
- All drawings and technical data are the property of Parametric Solutions, Inc. and/or its Clients and shall not be reproduced or disclosed in whole or in part.
- All changes to requirements, specifications or drawings associated to this purchase order must be made in writing. DO NOT WORK TO VERBAL ORDERS.
- Purchase Orders marked with Revision 'A-Z' are subsequent revisions to Original Purchaser Order (no Rev marking). Purchase Order Rev A will replace Original; Rev B will replace Rev A; revisions follow alphabetical order sequence

Revision Level, if revised. Note 11

PSI POC for delivery

PSI POC (Purchaser)

PO Issue Date

Due Date

S&H Note 3

If certs are required, it would say it here

If payment terms have not been established, the default is Net 75

- 16.20 Discrepancy Tag. The discrepant material tag (aka red tag) is used by PSI to identify nonconforming material. If material has been returned to the supplier with this tag, the supplier should not remove it unless the item is being replaced or refunded. On the reverse side of the tag, the supplier will identify the root cause and repair description. When the item is returned to PSI, the red tag will be reviewed for completeness.

NON-CONFORMING

PART NO. _____ SERIAL NO. _____
PART NAME _____
CUSTOMER _____
P.O. NO./DATE _____ NO. PIECES _____
REASON _____
INSPECTOR _____ DATE _____

16.21 Certificate of Conformance. aka *Certificate of Compliance*. To ensure that requirements are met, C of Cs are required from Suppliers. It is used to communicate to PSI that the material being shipped meets all requirements.

- a) A C of C is not required for commercial-off-the-shelf (COTS) items (aka sourced materials) which are purchased by vendor part number per a vendor's spec sheet or data sheet.
- b) At a minimum, C of Cs are required for all special processing – those processes which cannot be verified without destruction. e.g., welding, heat treating, coatings, anodizing. See those processes defined as NADCAP processes.
- c) The C of C must contain the following information:
 - PSI Purchase Order Number,
 - PSI Part Number and Revision,
 - The lot number or serial number range of the material will be referenced or attached to the C of C.
 - Supplier Name & Address, including Country of Origin,
 - Indication of shipment authorization, and
 - List of any PSI APPROVED deviations, waivers, substitutions.