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Thaler Machine Company SQAR Preface

This manual contains requirements that are applicable when invoked by Thaler Machine Company Purchase Orders. Requirements include the mandatory use of this manual for Contract Review and Quality Planning activities. The Thaler Machine Company SQAR Manual is controlled in electronic format as presented on the Thaler Machine Company website. Paper copies, and electronic copies downloaded and saved to a local hard drive are Uncontrolled.

Suppliers shall visit the manual online to check for changes that may be identified electronically. If the Supplier (or any sub Tier) is working to a Purchase Order pre-dating the most current Thaler Machine Company SQAR Manual release date, the Supplier may request authorization to work to the most current SQAR by requesting a Purchase Order revision from the Thaler Machine Company Buyer.

Descriptive headings used in this Contract are for convenience of reference only and shall not be considered in its construction.

Applicability

Once signed by both parties, the Thaler Machine Company Purchase Order is the official binding contract in the order of precedence described in the Terms & Conditions of Purchase. Requirements are specified on the Purchase Order by group or specific SQAR number(s) and/or text. If conflicts between flow down documents and the Purchase Order are detected, the Supplier shall immediately notify the Thaler Machine Company Buyer. Handwritten, lined-out or initialed changes to purchase orders are not allowed. Verbal and/or email authorizations are not permitted.

General Terms and Conditions

1. Contract Direction

The Thaler Machine Company Buyer is the only person authorized by Thaler Machine Company to administer the Contract and is the only person with authority to modify its terms.

Request for changes, drawing clarification, use of an alternate method and/or submittal of Process Control Plans, First Article Inspection Reports (FAIRs), sampling plans, etc. should be communicated to the Thaler Machine Company Buyer listed on the PO in writing. These requests can only be answered or approved by the Thaler Machine Company Buyer in writing.

Occasionally Thaler Machine Company’s technical personnel may provide assistance or technical advice, or exchange information with Supplier’s personnel concerning the Work. Such actions shall not be deemed a change under the Changes

clause of the Contract and shall not provide a basis for an Equitable Adjustment. If Supplier is in doubt as to whether it has received direction it is obligated to follow, it must promptly confirm with the Buyer in writing whether a change was intended. If Supplier proceeds absent confirmation from the Buyer, Supplier waives any right to request an Equitable Adjustment and is at risk of noncompliance with Contract requirements.

Unless the Contract provides otherwise, all notices to be furnished by Supplier shall be sent to the Buyer, including notices of delays, and bankruptcy or insolvency.

2. Non-disclosure Agreement

Prior to the process of exchanging Thaler Machine Company proprietary information, controlled documents, hardware, processes, records, etc., a non-disclosure agreement must be on file at Thaler Machine Company.

In cases where the Supplier (or any sub tier) reserve certain proprietary rights of controlled documents, hardware, processes, records, etc., the Supplier must submit a written list of such items to the Buyer with their quote. The Supplier (or any sub tier) will provide their best effort to fulfill the requirements of the audit without divulging any Supplier related proprietary information. In the event Supplier proprietary information is shared, it is covered by the Non-disclosure Agreement.

3. Order of Precedence

The order of precedence of documents that set out the product requirements imposed upon and agreed to by the Supplier and which are incorporated in the purchase order is listed below. All these items may or may not be included in any single purchase order. All requirements contained in these documents are cumulative if not contradictory.

- a. Purchase order (PO)
- b. Statement of Work (SOW)
- c. Product drawings and specifications, i.e., those documents that define the requirements for the product to be furnished
- d. Federal, military, industrial or technical society material/process specifications and standards
- e. Product data forms
- f. Equipment manufacturers operating procedures

4. Purchase Order Requirements and Quality Provision Clauses

Failure to comply or partial compliance with any clause specified by the purchase order and included Quality Clauses shall be cause for rejection and return of the item(s). Verbal agreements or instructions shall under no circumstances be construed as approval or authorization to proceed. Unless otherwise specified, drawings, specifications, standards, and document listings shall be the issue currently in effect on the date of the Purchase Order. Drawings and specifications listed on or part of this procurement shall have precedence over Quality Clauses. The supplier shall flow down to sub-tier suppliers all applicable requirements in the purchasing documents, including classified characteristics if so identified.

5. Flowdowns

Thaler Machine Company PO authors (and any sub tier Supplier(s)) shall ensure flow down to, and compliance with, all applicable Purchase Order and Engineering requirements to their sub-tier suppliers, including approved Special Process providers.

6. Right of Entry and Inspection

Thaler Machine Company and Thaler Machine Company's customer and/or regulatory agencies, government representatives reserve the right to assign representatives for any purpose including verifying all tests and/or inspections performed as a part of the terms and conditions of this purchase order(s). These representatives may be on an itinerant or resident basis at the Supplier's facility or those of lower-tier suppliers. Suppliers are required to provide Thaler Machine Company representatives and Thaler Machine Company's customer and/or government representatives with reasonable facilities and equipment and access to all areas essential to complete this task throughout all periods of performance under this purchase order(s).

7. On Time Delivery (OTD)

Time is of the essence in the performance of this Contract. Supplier shall immediately provide written notice to Thaler Machine Company of all pertinent details regarding any actual or potential cause or event that threatens the timely performance of the Contract.

In the event of any actual or potential delay, Supplier shall promptly notify the Thaler Machine Company Buyer of the actions being taken to overcome or minimize the delay and provide the Buyer with a written recovery schedule. Unless Supplier is excused from timely performance as provided in the Force Majeure or Excusable Delay clause of this Contract, ship via air or other expedited routing, without additional cost to the Company, to avoid or minimize delay to the maximum extent possible.

8. Force Majeure or Excusable Delay

Supplier shall not be in default or charged for any liability because of a failure to perform the Contract under its terms, or because of a failure to make progress so as to endanger performance, if the failure arises from causes beyond the control of and without the fault of Supplier; provided, Supplier gives to the Buyer prompt notice in writing as soon as it appears that such cause will delay performance of the Contract. Such causes shall include, without limitation, acts of God, acts or orders of any Governmental authority, natural disasters, unavoidable labor strikes, civil disturbances, acts of terrorism, freight embargoes and unusually severe weather. Correspondingly, the Company shall not be liable for any failure or delay in performance of the Contract due to causes or circumstances beyond its control and without its fault or negligence.

9. Assignment

Any assignment of Supplier's Contract rights or delegation of Supplier's duties shall be void, unless prior written consent is given by Thaler Machine Company. Nevertheless, Supplier may assign rights to be paid amounts due, or to become due, to a financing institution if Thaler Machine Company is promptly furnished a signed copy of such assignment reasonably in advance of the due date for payment of any such amounts. Amounts assigned shall be subject to setoff or recoupment for any present or future claims of Thaler Machine Company against Supplier. Thaler Machine Company shall have the right to make settlements and/or adjustments in price without notice to any assignee financing institution.

Each purchase order will be binding on the Supplier and its respective permitted successors and assigns. Supplier will not assign any part of this Purchase Order, or any rights or obligations under each purchase order, or subcontract all or any material aspect of the work called for, without the prior written approval of Thaler Machine Company. Any assignment or subcontract without Thaler Machine Company's written approval will be voidable at the option of Thaler Machine Company and Supplier will be responsible for, without limitation, all customer charges; all labor costs, including engineering costs, travel and lodging; all costs to transition to an alternative source of supply; redesign, recertification and/or requalification; and all corrective action costs (e.g., costs of additional inspection or quality-control systems). In the event Supplier does not obtain Thaler Machine Company's prior written approval, Thaler Machine Company may, at its sole option terminate this Contract and elect an alternate supplier at Supplier's expense and in accordance with the Termination provision herein.

No assignment or subcontracting, even if approved by Thaler Machine Company, will relieve or discharge Supplier from any obligation, provision, or liability under this Purchase Order. Supplier will remain fully responsible for the performance of this Purchase Order and for any and all losses resulting from or associated with such an assignment or subcontracting or occurring as its consequence, including, without limitation, costs and charges incurred.

10. Change In Control of Seller

Prior to a potential change of control of Supplier and at least thirty (30) days prior to the proposed effectiveness of such change of control, Supplier will promptly notify Thaler Machine Company in writing thereof, and provide the identity of the potential new controlling party and information on such party and the transaction as Thaler Machine Company may request, consistent with applicable law and confidentiality restrictions.

11. Visitor Security Verification

All visitors must access the Thaler Machine Company building through the front office where they are vetted before permitted access beyond the lobby. All visitors must complete visitor sign in/out sheet, present a valid driver's license, passport or government issued ID with picture to allow Thaler Machine Company to verify the signature and picture by comparing to the person, and verify the person is a US Citizen. Cameras, cell phones and other recording devices may be restricted pending the area of visit. Non-disclosure agreement to be on file for entry beyond the front office lobby.

Unescorted access to Thaler Machine Company facilities regulated by the Department of Homeland Security will require a Personnel Surety Background Check. Upon contract award and prior to performance of work in any restricted areas, Supplier is required to submit background check applications to a third-party vendor for all company associates requiring restricted area access for work performance. Failure to meet these requirements may result in contract termination. Supplier is responsible for

the cost of the background check service. The background check will include: a criminal history check, verification and validation of legal authority to work, and verification and validation of identity. Individual company applicants with unfavorable results shall be denied access to Thaler Machine Company facilities.

12. Defense Priorities and Allocations System (DPAS)

The purpose of DPAS is to assure the timely availability of industrial resources to meet current national defense and emergency preparedness program requirements and to provide an operating system to support rapid industrial response in a national emergency. The Defense Production Act of 1950 authorized the President to require preferential treatment of national defense programs. Executive Order 12919 put Department of Commerce in charge of program. 15 CFR 700 provides rules for DPAS program.

A DX rating is assigned to those programs of the highest national priority followed by DO rating. A DX rating takes priority over a DO rating which takes priority over an unrated order. Rated programs are also given a program identifier symbol. Examples are A1 for Aircraft and A3 for ships. The program identifier symbol does not, by itself, indicate any priority.

Mandatory Acceptance

A contractor, subcontractor, or supplier shall accept a rated order when:

- They make/buy the item
- Normal terms of sale apply
- When they can meet delivery dates required the contract
- A rated order shall be accepted or rejected, in writing, within 15 working days for DO rated orders and 10 days for DX rated orders. Special requirements apply for emergency preparedness rated orders.

Mandatory Extension

Prime Contractors are responsible for extending the received contract rating to their entire product supply chain to the lowest level in order to obtain items needed to fill rated orders or to obtain replacements of inventoried items.

Priority Scheduling

Operations, including the acquisition of all needed production items, shall be scheduled to satisfy the delivery requirements of each rated order. In the event there is competition for materials and or resources for equally rated contracts the Supplier and the DCMA Functional Specialist (FS) shall notify the Buying Activities (BA) involved. It is the responsibility of the BA to resolve any scheduling conflicts with the Supplier and provide contract modifications required.

Customer Notification Requirements

If Supplier has accepted a rated order and subsequently finds that shipment or performance will be delayed, the Supplier must notify the customer immediately, give the reasons for the delay, and advise the customer of a new shipment or performance date. If notification is given verbally, written (hard copy) or electronic confirmation must be provided within one working day of the verbal notice.

13. English Language Requirement

The Supplier (or any sub tier) shall submit all required quality data (e.g., supplier quality procedures, certificates, reports, or other similar data required by the Buyer), correspondence, and corrective actions responses in the U.S. English language.

14. US Equal Employment Opportunity Regulations

To the extent employment activities of supplier occur in the United States and if otherwise applicable this contractor (and any sub tier) shall abide by the requirements of 41 CFR §§ 60-1.4(a), 60-300.5(a) AND 60-741.5(a). These regulations prohibit discrimination against qualified individuals based on the status as protected veterans or individuals with disabilities and prohibit discrimination against all individuals based on their race, color, religion, sex, sexual orientation, gender identity or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, disability or veteran status.

15. Conflict Mineral Compliance

In accordance with applicable "Conflict Minerals" laws, Thaler Machine Company must determine whether its products contain tin, tantalum, tungsten or gold ("3TG") originating in the democratic Republic of The Congo and adjoining countries. To the extent supplier supplies direct materials containing 3TG to Thaler Machine Company under this PO, Supplier commits to have a

supply chain process to ensure and document a reasonable inquiry into country of origin of the 3TG minerals incorporated into products it supplies to Thaler Machine Company. If requested, Supplier will promptly provide information or representations that Thaler Machine Company reasonably believes are required to meet its conflict minerals compliance obligations. To ensure compliance with US export laws, Thaler Machine Company does not conduct any business transactions with persons or companies on the "Denied Persons List" published by the US department of Commerce, the "Debarred Parties List" published by the US Department of State and/or the "specially designated nationals" published by the US Department of Treasury, Foreign Assets Control. Thaler Machine Company expects all suppliers (and any sub tiers) to comply with these laws as well.

16. Government Furnished Material

Appendix B of Defense Acquisition Regulations (DAR) or Federal Acquisition Regulations (FAR 45), titled, Government Property in Possession of Contractors, is hereby incorporated and made applicable.

17. Unauthorized Material and Information Transfer

No supplier (or any sub tier) shall buy, sell, trade, or transfer Thaler Machine Company related drawings, specifications, material, parts, devices, assemblies or end equipment for purposes other than the performance of Thaler Machine Company business, without prior written approval. Furthermore, no Thaler Machine Company related part numbers, or information related to those part numbers, shall be disclosed to entities other than Thaler Machine Company, without prior written approval. As Thaler Machine Company is typically a make to order entity, approval from Thaler Machine Company's customer is also typically required.

18. Improper Material Submittal

Submission of material having known defects/problems to Thaler Machine Company Buyer without prior notification is prohibited. Resubmission of material to Thaler Machine Company Buyer without material being clearly identified as resubmitted material is prohibited.

19. Unauthorized Repair

Repairs (by welding, brazing, soldering, or the use of adhesives) of parts damaged or found faulty in the fabrication process; repairing holes in castings, forgings or other materials by plugging or bushing is prohibited without authorization from Thaler Machine Company's Quality Assurance Organization. As Thaler Machine Company is typically a make to order entity, approval from Thaler Machine Company's customer is also typically required.

20. Unauthorized Processing

Addition, revision, or deletion of processes in manufacturing when those processes are subject to specification control by Thaler Machine Company Buyer is prohibited. As Thaler Machine Company is typically a make to order entity, approval from Thaler Machine Company's customer is also typically required.

21. Disregard of Approvals

Change in any process or quality control procedure that is subject to specific approval by Thaler Machine Company Buyer without proper notification and re-approval is prohibited. As Thaler Machine Company is typically a make to order entity, approval from Thaler Machine Company's customer is also typically required.

22. Evidence of Effective Control

Verification of product by Thaler Machine Company or Thaler Machine Company's Customer shall not be used by the Supplier as evidence of effective control of quality and shall not absolve the Supplier of the responsibility to provide acceptable product, nor shall it preclude subsequent rejection by Thaler Machine Company or Thaler Machine Company's Customer chain.

23. Thaler Machine Company Quality Assurance Representative

Thaler Machine Company may, at its discretion, provide resident or itinerant quality assurance personnel whose function shall be to survey Supplier operations, assist the Supplier in the resolution of quality problems, and witness at any stage (subject to proprietary considerations) the manufacture, processing, test, and inspection of items being manufactured for Thaler Machine Company. Copies of applicable specifications and documents shall be made available to the Thaler Machine Company's Quality Assurance Representative. Representatives from Thaler Machine Company's customer chain may accompany the Thaler Machine Company Quality Assurance Representative.

24. Seller's Responsibilities for Associates

Thaler Machine Company may require Supplier to remove from its or its customer's premises any employee, agent, or representative of Seller, or any of its subcontractors that Thaler Machine Company reasonably deems incompetent, careless, unsafe, or otherwise objectionable. Seller shall immediately remove such employee, agent, or representative from the Company or its customers' premises. Seller agrees to indemnify, defend, and hold harmless Thaler Machine Company, affiliates, parent, and their customers, successors, assigns, employees, officers, attorneys and agents from and against any and all losses, liabilities, damages, claims, demands, subrogations, suits, actions, proceedings, costs, and expenses, including attorneys' fees and costs of litigation related thereto or incident to establishing the right to indemnification, arising from the Company's reasonable exercise of its rights under this provision.

25. Performance Requirements

The core quality requirement is for all features to comply to specifications 100% for all parts produced and shipped. If the process is not capable of meeting 100% yield it is Thaler Machine Company's expectation that all suppliers pursue measurable continuous quality and delivery improvements.

When a supplier does not meet these minimum performance levels, Thaler Machine Company reserves the right to require the supplier to engage in an aggressive improvement project. These projects will be focused on improving the supplier's Business Operating Systems that will result in the sustainable achievement of performance expectation.

26. Surveys, Audits and Surveillance

Thaler Machine Company may conduct a survey and/or perform surveillance of the Supplier's quality control system to evaluate the degree of ability to comply with these and other applicable requirements or assist in the resolution of quality problems. As necessary, any tier of a Thaler Machine Company's Customer chain may accompany the Thaler Machine Company's Quality Assurance Representative.

Disapproval of the Supplier's quality program or major portions thereof may be cause for withholding Buyer acceptance of product until cause(s), specific corrective action(s) and preventive corrective action(s) are submitted to and approved by Thaler Machine Company. If significant conditions adverse to Quality are identified, these conditions must be resolved prior to continuing work. When requested, the Supplier must arrange permission for Thaler Machine Company to perform any audits, surveys and inspections at its sub tiers.

27. Supplier Assistance

In the event requirements are not completely clear, or where special assistance is needed, Thaler Machine Company will provide qualified personnel to consult with the Supplier. Requests for assistance shall be made via the Thaler Machine Company's Buyer or Quality Systems Department. If inquiries pertain to quality aspects of supplies or services being procured, Thaler Machine Company's Procurement Quality Assurance Organization may be contacted.

28. Concise Business Ethics and Compliance

Supplier agrees to act consistently with the principles set forth in Thaler Machine Company's Supplier Code of Conduct. Supplier agrees that it will not engage in, and shall take appropriate steps to reasonably ensure that anyone working on its behalf in connection with performance under this Contract does not engage in activity that would expose Thaler Machine Company to a risk of criminal, civil, or administrative penalties under any applicable laws and regulations, including but not limited to, law and regulations pertaining to corruption, bribery, antitrust, and trafficking in human persons.

Compliance with laws

Thaler Machine Company and its supply chain will comply with all legal requirements and contractual, federal, or state laws applicable to our business.

FAR 52.203-13 – Contractor Code of Business Ethics and Conduct and additional regulations apply

Good Faith

Suppliers to conduct all business in good faith, make all required disclosures, and avoid actual or apparent conflicts of interest (whether based on financial interests, family relationships, or any other circumstances).

FAR 52.203-16 – Preventing Personal Conflicts of Interest and additional regulations apply

Export/Import Control

Suppliers to ensure their business practices are in accordance with all applicable laws and regulations governing the export and import of domestic and foreign origin parts and components and related technical data.

Atomic Energy Act of 1954, Section 38 of the Arms Export Control Act as enumerated in 22 CFR Parts 120-130, The International Traffic in Arms Regulations (ITAR), and/or Export Administration Act of 1979, as amended in 15 CFR Parts 730-774 of the Export Administration Regulations (EAR) and additional regulations apply

Anti-Corruption

Anyone conducting business on Thaler Machine Company's behalf, including suppliers, shall refrain from offering, making, or providing any improper payments of money or anything of value to government officials, political parties, candidates for public office, or other persons. Thaler Machine Company strictly prohibits facilitating payments intended to expedite or secure performance of a routine government action like obtaining a visa or customs clearance, even in locations where such activity may not violate local law.

FAR 52.203-13 – Contractor Code of Business Ethics and Conduct and additional regulations apply

Gifts/Business Courtesies

Thaler Machine Company expects our Suppliers to compete on the merits of their products and services and not to use the exchange of business gifts, meals or entertainment to gain an unfair competitive advantage. Thaler Machine Company associates who are in any way involved in procurement decisions are subject to strict limitations and may not accept any business courtesy from a supplier with the exception of promotional items.

In any business relationship, our supplier must ensure that the offering or receipt of any gift or business courtesy is permitted by law and regulation, and that these exchanges do not violate the rules and standards of the recipient's organization and are consistent with reasonable marketplace customs and practices.

FAR 52.203-7 -- Anti-Kickback Procedures and additional regulations apply

Human Trafficking

Suppliers are expected to adhere to regulations prohibiting human trafficking and comply with all applicable local laws in the country or countries in which they operate. Our suppliers must refrain from violating the rights of others and address any adverse human rights impacts on their operations.

FAR 52.222-50 Combating Trafficking in Persons and additional regulations apply

Conflict Minerals

Suppliers are expected to take steps to determine if their products contain conflict minerals (tin, tantalum, gold and tungsten) and if so, implement a supply chain due diligence process to identify sources of these minerals and support efforts to eradicate the use of conflict minerals which directly or indirectly benefit armed groups in the Democratic Republic of Congo or adjoining countries.

FAR 52.212-3 -- Offeror Representations and Certifications -- Commercial Items and additional regulations apply

Harassment

Suppliers are expected to ensure their associates can perform work in an environment free from physical, psychological and verbal harassment, or other abusive conduct.

Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, (ADEA), and the Americans with Disabilities Act of 1990, (ADA) and additional regulations apply

Non-Discrimination

Suppliers are expected to provide equal employment opportunity to associates and applicants for employment, without regard to race, ethnicity, religion, color, sex, national origin, age, military veteran status, ancestry, sexual orientation, gender identity or expression, marital status, family structure, genetic information, or mental or physical disability, so long as the essential functions of the job can be competently performed with or without reasonable accommodation.

U.S. Equal Employment Opportunity Commission laws and additional regulations apply

Safety, Health & Environment

Suppliers are expected to operate in a manner that actively manages risk, conserves natural resources, and protects the environment. We expect our suppliers to comply with all applicable safety, health and environment laws and regulations. Suppliers should protect the health, safety and welfare of their people, visitors, and others who may be affected by their activities.

Occupational Safety and Health Administration and other laws apply

Quality

Suppliers are expected to take due care to ensure their work product meets our company's quality standards with zero escapes to Thaler Machine Company. Suppliers are expected to regularly review their quality scorecard and take action to achieve and maintain 100% quality performance. Suppliers are expected to have in place quality assurance processes to identify defects and implement corrective actions and to immediately notify Thaler Machine Company if becoming aware of any discrepant hardware that has been delivered to Thaler Machine Company or Thaler Machine Company's customers. Effective processes should be in place to detect counterfeit parts and materials and exclude such from the delivered product and to immediately notify Thaler Machine Company if becoming aware of any counterfeit part that was used in a product delivered to Thaler Machine Company. Suppliers shall ensure staff are adequately trained and provide evidence of training upon request.

U.S. Department of Labor and other laws apply

Confidential/Proprietary Information

Suppliers are expected to properly handle and protect all sensitive information, including confidential, proprietary, and personal information and that contained in information systems which suppliers use to conduct business with Thaler Machine Company. This also includes having the systems and processes in place that will safeguard and protect sensitive information and inform Thaler Machine Company immediately if there is a release of sensitive data.

Unless otherwise published, all Thaler Machine Company records, reports, papers, devices, processes, plans, intellectual property, methods, etc., are considered by Thaler Machine Company to be secret and confidential, and revealing information on such matters is prohibited. In addition, Thaler Machine Company information should not be used for any purpose other than the business purpose for which it was provided.

Economic Espionage Act of 1996 (18 USC 1831-39) and The Freedom of Information Act and additional regulations apply

Reporting

Suppliers are expected to provide their associates with avenues for raising legal or ethical issues or concerns without fear of retaliation. Suppliers are expected to take action to prevent, detect, and correct any retaliatory actions. In the event anyone becomes aware of misconduct related to Thaler Machine Company business by any Thaler Machine Company associate, any associate of the Thaler Machine Company supply chain of suppliers or customers, or anyone else, immediate notification of Thaler Machine Company is expected.

U.S. Department of Labor Whistleblowers and other regulations apply

29. Prohibition of Gratuities

Supplier warrants that its officers, directors, associates, agents and representatives have not offered or given, and will not offer or give, any gratuities in the form of entertainment, gifts, or otherwise, to any officer or associate of Thaler Machine Company or its Customer with a view toward

- Securing this or any other Contract issued by Thaler Machine Company
- Any favorable treatment with respect to the awarding or amending of this or any other Contract issued by Thaler Machine Company or
- The making of any determination with respect to Supplier's rights or duties under this or any other Contract issued by Thaler Machine Company.

For any breach of Supplier's warranty under this Clause the Thaler Machine Company shall have, in addition to any other rights provided by this Contract, the right to terminate all Contracts with Supplier for default, and to recover from Supplier the amount of any gratuity paid together with all damages (including the amount of any penalty or fine) that are incurred by Thaler Machine Company as a result of Supplier's breach, plus all reasonable costs (including attorney fees) expended by Thaler Machine Company in seeking such recovery. (Supplier is also advised that, if this Contract is issued under a prime contract or subcontract of the U.S. Government, any gratuity covered by this Clause may also entail further liabilities of Supplier under applicable statutes or other provisions.)

30. Publicity

Supplier shall not release any publicity, advertisement, news release, or denial or confirmation of information regarding the Contract or the Work without the prior written approval of Thaler Machine Company, which approval shall not be unreasonably withheld.

31. Disputes

Any dispute not settled between the parties may be decided by recourse to an action at law or in equity and will be referred to a court of competent jurisdiction in Warren County in the state of Ohio. Pending final resolution of any dispute between the parties, Supplier shall diligently proceed with performance of the Contract, as directed by Thaler Machine Company, as though no dispute existed. The Contracts Disputes Act shall have no application to this Contract, and nothing in this Contract grants Supplier a direct claim or cause of action against the Government.

32. Rights and Remedies

The rights and remedies of Thaler Machine Company in the Contract are cumulative and in addition to any other rights and remedies that Thaler Machine Company may have at law or in equity. IN NO EVENT SHALL THALER MACHINE COMPANY BE LIABLE FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION LOST PROFITS).

33. Supplier Outsourcing Approval

The Supplier shall notify Thaler Machine Company Buyer and request written approval when outsourcing a process, part, assembly or end item prior to invoking the change unless already expressed on Purchase Order from Thaler Machine Company.

34. Pricing and Taxes

Thaler Machine Company will not pay prices for work higher than those prices stated in the PO. Supplier warrants that the prices of the items covered by this PO are not in excess of Supplier's lowest prices in effect on the date of this PO for comparable quantities of similar items. If Supplier reduces prices for this work after formation of the PO, but prior to payment, such price reductions will apply to this PO. Unless otherwise specified, the prices include all charges for packaging, handling, storage and delivery.

Unless prohibited by law or otherwise specified, Supplier shall pay and has included in the price of the PO any federal, state or local tax, transportation tax, or other tax which is required to be imposed upon the items ordered hereunder, or by reason of their sale or delivery, except for applicable sales and use taxes that are listed separately on Supplier's invoice.

Prices shall not include any taxes, duties, tariffs or similar fees for which the Company has furnished a valid exemption certificate or other evidence of exemption.

35. Document Legibility

The content of all documentation submitted, including signatures, stamps and dates, must be permanent, legible, and reproducible. Documents requiring corrections shall comply with the following requirements:

- Each error must be lined through once.
- The correct information must be entered near the error.
- All corrections must be made in ink. No Red Ink (except redlined drawings authorized in writing)
- Each entry must be initialed and/or stamped and dated.
- Use of correction tape/fluid is prohibited

36. Record Retention - Standard

Supplier (and any Sub Tier) shall maintain verifiable objective evidence of all inspections and test performed, results obtained and dispositions of non-conforming articles. These records shall be identified to associated articles, including heat and lot number of materials, unit or lot serialization and made available to customer and/or government representatives upon request and shall be retained in a safe, accessible location for a period of twenty (20) years. Supplier's records associated with the manufacture of serialized or lot-controlled articles will provide for continued traceability of serial numbers or lot number identification through all phases of manufacture, commencing with the raw material continuing through final acceptance of the end item. Records held for the required retention period of twenty (20) years shall not be destroyed without Thaler Machine Company Buyers written concurrence. Contact buyer for concurrence.

Supplier (and any sub tier) shall keep on file records reflecting that all materials and finished items were controlled and tested in accordance with and met the specifications detailed on the purchase order. Supplier (and any sub tier) shall maintain complete

books and records, including inspection records, with respect to all goods and services, which records shall be available to Buyer during performance of this Order and until the later of twenty (20) years after final payment; final resolution of any dispute involving the goods or services delivered hereunder; or the latest time required by applicable law or regulation.

Supplier and its subcontractors shall at any time, and after notice by Buyer,

- Grant to Buyer, Buyer's customers and/or to any applicable regulatory authority, unrestricted access to (or if Buyer so requests, provide to Buyer copies of) such books and records, wherever such books and records may be located (including third-party repositories), and
- Provide Buyer, Buyer's customers and/or any such authority the right to access, and to perform any type of inspection, test, audit or investigation at Supplier's premises, including manufacturing and test locations, for the purpose of enabling Buyer to verify compliance with the requirements of this Order or for any other purpose indicated by Buyer's customers or said authority in certification, manufacture, use and/or connection with the design, development or support of the goods or services.
- Shall furnish all reasonable facilities and assistance for the safe performance of the inspection, test, audit and/or investigation.

Records shall be retained the designated years after final payment unless otherwise stated in PO. Records shall be maintained for the retention period in a manner that prevents damage from fire, moisture, pests, power interruption, or any other deteriorating effects. Supplier shall notify the Thaler Machine Company buyer if conformance to this requirement cannot be met. In such an instance, copies of records shall be provided to Thaler Machine Company buyer, who shall retain such records for the required record retention period or forward to Thaler Machine Company customer.

Thaler Machine Company buyer shall be notified thirty days prior to destruction of documentation related to Thaler Machine Company buyer orders.

A supplier (and any sub tier) who ceases operations (i.e., goes out of business) shall contact the Buyer to plan for the transfer of all quality records Thaler Machine Company for storage. A supplier (and any sub tier) who discontinues acceptance of Thaler Machine Company purchase orders, but whose business remains intact, shall be responsible for the archival of all quality-related records for the time periods specified on the PO.

Legible and reproducible electronic copies of records are acceptable. If computer generated data is supplied, it shall be the responsibility of the Supplier to provide any cyber records in readable condition utilizing a current, generally accepted method or program. If needed, the supplier shall submit to Thaler Machine Company, an interpreter instruction listing describing test or sequence number versus drawing parameters.

37. Electronic Signatures

Electronic signatures and dates on Supplier-submitted documentation are acceptable when the Supplier has a procedure / process to control the use of passwords or programs for the application of electronic signatures.

38. Stamps

Acceptance Authority Media (stamps) on Supplier-submitted documentation are acceptable when the Supplier has a procedure / process to control the use of Acceptance Authority Media (stamps). Supplier shall maintain validated stamp samples for each associate. Stamps must only be utilized by the associate to which it is assigned.

39. Sampling by Thaler Machine Company

Thaler Machine Company reserves the right to use sampling plans for the acceptance or rejection of material and/or services. If a lot is rejected by the sampling procedure, the entire lot may be returned to the Supplier or the rejected lot may be screened by Thaler Machine Company at the Supplier's expense.

40. Final Acceptance

Inspection/test acceptance at the Supplier's facilities by Thaler Machine Company, Thaler Machine Company's Customer or the Government does not guarantee final acceptance. Final acceptance shall occur at Thaler Machine Company's customer facility unless otherwise specified on the Purchase Order.

41. Preservation, Packaging and Product Safety

In addition to specific packaging and preservation instructions invoked in the Purchase Order, the following applies:

All material intended for Thaler Machine Company shall be protected against the usual hazards of electrostatic discharge (ESD), corrosion, contamination, deterioration, or other spoilage at the Supplier's facility and in transit.

All material intended for Buyer shall be packed with suitable protection to prevent damage through handling, during storage at the Supplier, in transit, and during storage at Buyer's facility before use.

When multiple items are to be shipped in a package, the items will be individually packed or wrapped in a manner to prevent damage due to contact with other items. Marking, labeling, and identification must be extended to the lowest level of unit packaging and shall be sufficiently clear to identify the contents of the package.

Bare metal material having surface protective treatment such as plating, painting, anodizing, conversion coating, etc., shall be wrapped separately in chemically neutral paper or equivalent to prevent damage to the coating. Handling, protection, or packaging shall not be accomplished using tapes which have glass beads in the tape (i.e., nylon reinforced tape) or on the tape as a separator. This requirement shall be placed in purchase order(s) to any sub tier suppliers.

AS9100:2016 Rev D Section 8.3.1 calls out Product Safety. The organization shall plan, implement, and control the processes needed to assure product safety during the entire product life cycle, as appropriate to the organization and the product. The most evident risk is product damage during storage (including corrosion, temperature and humidity effects) and handling. Each supplier is responsible to assess hazards and manage associated risks during delivery, processing, shipment and subsequent storage. If the product is considered safety critical, the supplier must adhere to any additional requirements. Each supplier must perform analysis and report findings to the TMC Buyer for any event(s) affecting safety. The supplier is then expected to communicate these events to affected personnel and train associated persons.

42. Delivery Performance

An expectation of at least 95 percent on-time delivery as measured against the required PO line item due date. Partial deliveries are counted as delivery failures if the entire quantity ordered is not delivered by the due date on the PO. Percentage is determined by scheduled items received on time divided by scheduled items due.

43. Quality Performance

Thaler Machine Company requires that all parts and products purchased meet the full requirements as specified by the Purchase Order, the drawings, specifications, and any Quality Notes therein. This includes expected documentation required upon delivery. Suppliers are expected to maintain at least a 98 percent Quality Rating. Percentage is determined by prime received parts divided by the PO quantity.

44. Specification Requirements with Specific Revision

Suppliers (and any sub tier) are required to identify and work to Government, Industry, and specification as directed on the PO. When a specification and revision is listed on a PO, only that specification and revision shall be used. The entire name of the specification is to be listed on the Certificate of Conformance. (Example - ASTM E1417/E1417M 2016 Edition instead of ASTM E1417 2016 Edition)

45. Specification Requirements using Current Revision

Suppliers (and any sub tier) are required to identify and work to Government, Industry, and specification as directed on the PO. When no specification revision is listed on an engineering drawing, suppliers are required to identify the current specification and revision and to work to that specification and revision. The entire name of the specification is to be listed on the Certificate of Conformance. (Example - ASTM E1417/E1417M 2016 Edition instead of ASTM E1417 2016 Edition)

46. Suspect and Counterfeit Parts Prevention / GIDEP

Supplier represents and warrants that only new and authentic materials are used in products required to be delivered and the work delivered contains no counterfeit parts. Supplier represents and warrants that only new and authentic materials are used in products required to be delivered and that the work delivered contains not counterfeit parts. No material, Part, or component other than a new and authentic part is to be used unless approved in advance in writing by Thaler Machine Company's customer. To further mitigate the possibility of the inadvertent use of counterfeit parts, Supplier shall only purchase authentic parts/components directly from the original equipment manufacturers (OEM's), original component manufacturers (OCM's) or

through the OEM's/OCM's authorized dealers. Supplier represents and warrants that all parts/components delivered under this contract are traceable back to the OEM/OCM. Supplier must maintain and make available to Thaler Machine Company, at Thaler Machine Company's request, OEM/OCM documentation that authenticates clear traceability of the parts/components to the applicable OEM/OCM. Purchase of parts/components from non-franchised sources is not authorized unless first approved in writing by Thaler Machine Company's customer. Supplier must present complete and compelling support for its request and include in its request all action to ensure the parts/components thus procured are legitimate parts. Thaler Machine Company's customer approval of supplier request does not relieve supplier's responsibility to comply with all contract requirements, including the representations and warranties in this paragraph.

Supplier (and any sub tier) shall immediately notify Thaler Machine Company with the pertinent facts if the Supplier (and any sub tier) becomes aware that it has furnished Suspect or Counterfeit parts. After such notification, when requested by Thaler Machine Company, Supplier (and any sub tier) shall provide copies of OCM/OEM documentation in its possession that authenticates traceability (up to and including other testing validation methods) of the affected items to the applicable OCM/OEM.

Suspect counterfeit parts and/or materials shall be immediately quarantined to prevent parts/materials from getting back into component/materials supply chain until authenticity validation can be conducted.

If it is determined that counterfeit parts or suspect counterfeit parts were delivered to Thaler Machine Company by Supplier, the suspect counterfeit parts will not be returned to the Supplier. Thaler Machine Company reserves the right to quarantine any and all suspect counterfeit parts it receives and to the notify the Government Industry Data Exchange Program (GIDEP) and other relevant government agencies. Supplier shall promptly reimburse Thaler Machine Company for the full cost of the suspect counterfeit parts and suppliers assumes responsibility and liability for all costs associated with the delivery of suspect counterfeit parts, including but not limited to, cost for identification, testing, and any corrective action required to remove and replace the suspect counterfeit parts. The remedies in this section shall apply regardless of whether the warranty period or guarantee period has ended and are in addition to any remedies available at law or in equity.

Suppliers (and any sub tier) eligible for utilization of the Government-Industry Data Exchange Program (GIDEP) shall utilize the GIDEP process to alert industry of encountered counterfeit parts. Supplier is prohibited from shipping material for which a GIDEP Alert has been issued. The supplier (and any sub tier) agrees to support Thaler Machine Company in GIDEP compliance efforts. Also, the Supplier shall not ship any suspected counterfeit parts as notified by Thaler Machine Company of any alerts or other suspect counterfeit conditions.

Supplier shall maintain a documented system (standard practice, procedure, or other documented approach) that provides for prior notification and Thaler Machine Company approval before parts/components are procured from sources other than OEM's/OCM's or the OEM'S/OCM'S authorized dealers. Supplier shall provide copies of such documentation for its system for Thaler Machine Company's inspection upon its request.

Supplier must maintain a counterfeit detection process that complies with SAE standard AS5553, Counterfeit Electronics Parts, Avoidance, Detection, Mitigation and Disposition, and a detailed process to ensure that excess and nonconforming parts do not enter the supply chain.

If the procurement of materials under this contract is pursuant to, or in support of, a contract, subcontract or task order for delivery of goods or services to the government, the making of a materially false, fictitious, or fraudulent statement, representation or claim of the falsification or concealment of a material fact in connection with this contract may be punishable, as a federal felony, by up to five years imprisonment and/or substantial monetary fines. In addition, trafficking in counterfeit goods or services, constitutes a federal felony offense, punishable by up to life imprisonment and a fine of fifteen million US dollars.

Supplier shall flow the requirements of this section (Counterfeit Parts Prevention) to its subcontractors and suppliers at any tier for the performance of the contract.

This section and its subsections shall survive termination, expiration or cancellation of this contract.

47. Risk Notification

Thaler Machine Company shall be promptly notified whenever Seller becomes aware or reasonably suspects that any product delivered to Thaler Machine Company is, or contains a component that is, subject to a recall notice, warning alert, GIDEP Alert, and/or any other type of notification or concern regarding product authenticity, quality, safety, process integrity, and/or specification compliance.

48. Nonconformance

The supplier must focus on preventing nonconformance, reducing variability, and building quality into Buyer products and processes through process characterization and mistake-proofing tools. When issues arise, the supplier must take corrective action measures to get processes back into control.

When a nonconformity occurs, including any arising from complaints, the Supplier shall react to the nonconformity by

- Taking action to control and correct it
- Dealing with the consequences

Supplier shall evaluate the need for action to eliminate the cause(s) of the nonconformity, in order that it does not recur or occur elsewhere, by:

- Reviewing and analyzing the nonconformity;
- Determining the causes of the nonconformity, including, as applicable, those related to human factors;
- Determining if similar nonconformities exist, or could potentially occur;

Supplier shall

- Implement any action needed
- Review the effectiveness of any corrective action taken
- Update risks and opportunities determined during planning, if necessary
- Make changes to the quality management system, if necessary
- Flow down corrective action requirements to an external provider when it is determined that the external provider is responsible for the nonconformity
- Take specific actions when timely and effective corrective actions are not achieved.

Any nonconformance detected during incoming inspection, the Supplier shall immediately notify the Thaler Machine Company Buyer for plan of action.

The Supplier shall notify Thaler Machine Company Buyer if there may be a nonconformance to form, fit, function, or issue with usability, or reliability problem with material that has already been delivered.

Supplier shall not knowingly ship non-conforming material without written authorization from Thaler Machine Company. All nonconformance material shall be physically segregated and identified and separated on shipping paperwork.

Rework is considered the return to conformance of a nonconforming feature or item using original instructions and processes. Nonconforming items that result in rework beyond existing instructions, requires written rework instructions and those rework instructions will capture the results of the rework. Rework documentation shall be made available for Thaler Machine Company review upon request. This requirement shall be flowed down to all sub-tier suppliers. Reworked items must be reexamined in accordance with applicable procedures and the original acceptance criteria.

When nonconforming items are identified, including Limited Life items, an evaluation must be performed to determine if any other previously supplied product is affected. If yes, the supplier must promptly notify the Buyer. The Buyer will provide disposition guidance on nonconforming issues.

Under no circumstance shall a repair (the use of different methods, materials or processes to correct a nonconformance) be permitted without prior Thaler Machine Company approval. As Thaler Machine Company is typically a make to order entity, approval from Thaler Machine Company's customer is also typically required.

The supplier must notify the Buyer when a nonconforming condition is identified with Buyer furnished items. The Buyer will provide direction for disposition of such items.

49. Instructions, Procedures and Drawings

Work must be prescribed by, and performed in accordance with, approved and controlled written instructions, procedures, drawings, specifications, other documents, or models that include or reference appropriate acceptance criteria for determining that results have been satisfactorily attained.

Current instructions, procedures, drawings, specifications, other documents, and models must be available to and used by the personnel performing the work.

50. Document Control

A written procedure must be established and maintained to control documents, including models and data. Documents must be prepared, reviewed, approved, issued, used, and revised to prescribe processes, specify requirements, or establish design. The process must ensure:

- Identification of controlled documents
- Identification of individuals responsible for the preparation, review, approval, and distribution of controlled documents

- Review of controlled documents for adequacy, completeness, and approval prior to distribution
- Correct documents are available
- Documents specify an effective date

Timely release, distribution, and implementation

51. Material Review or Material Review Board (MRB)

Suppliers have the authority to disposition product only as scrap or rework. All other nonconforming dispositions must be coordinated with the Buyer. Nonconforming dispositions must be documented. The Supplier shall not exercise Material Review authority on end items without written approval by Buyer's Quality Assurance Organization. As Thaler Machine Company is typically a make to order entity, approval from Thaler Machine Company's customer is also typically required.

52. Corrective Action

The Supplier's quality control system shall provide means for ready detection of discrepancies and for prompt and effective corrective action. Corrective action must prevent reoccurrence, including firm effectivity points by serial number, part number, date, or other agreed methods. Corrective action records and information, such as pertinent data on defects and failures, shall be available.

The Supplier is responsible for initiation of prompt replies to Thaler Machine Company Buyer Nonconforming Material Reports and/or Corrective Action Request, and implementation of required corrective action.

When corrective action is required by Thaler Machine Company for Government source-inspected items, the Supplier shall coordinate such action with the Government source inspector at his plant.

53. Oasis Database

Suppliers shall permit Thaler Machine Company access to all data in OASIS and Nadcap special process databases including registration documentation, certification, audit reports, findings, corrective actions, etc. Thaler Machine Company reserves the right to input significant and/or frequent escape data and major audit findings regarding suppliers into the relevant OASIS data base records for those Suppliers.

54. INCO Terms

"Incoterms®" is an acronym standing for international commercial terms. "Incoterms®" is a trademark of International Chamber of Commerce (ICC). ICC's Incoterms® 2010 rules are the world's essential terms of trade for the sale of goods. The Incoterms® rules provide specific guidance to individuals participating in the import and export of global trade on a daily basis.

EXW Ex Works*

"Ex Works" means that the seller delivers when it places the goods at the disposal of the buyer at the seller's premises or at another named place (i.e. works, factory, warehouse, etc.). The seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable.

FCA Free Carrier*

"Free Carrier" means that the seller delivers the goods to the carrier or another person nominated by the buyer at the seller's premises or another named place. The parties are well advised to specify as clearly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.

CPT Carriage Paid To

"Carriage Paid To" means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.

CIP Carriage and Insurance Paid To

"Carriage and Insurance Paid to" means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.

*The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage. The buyer should note that under CIP the seller is required to obtain insurance only on minimum cover. Should the buyer wish

to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.”

DAT Delivered at Terminal

“Delivered at Terminal” means that the seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination. “Terminal” includes a place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal. The seller bears all risks involved in bringing the goods to and unloading them at the terminal at the named port or place of destination.

DAP Delivered at Place

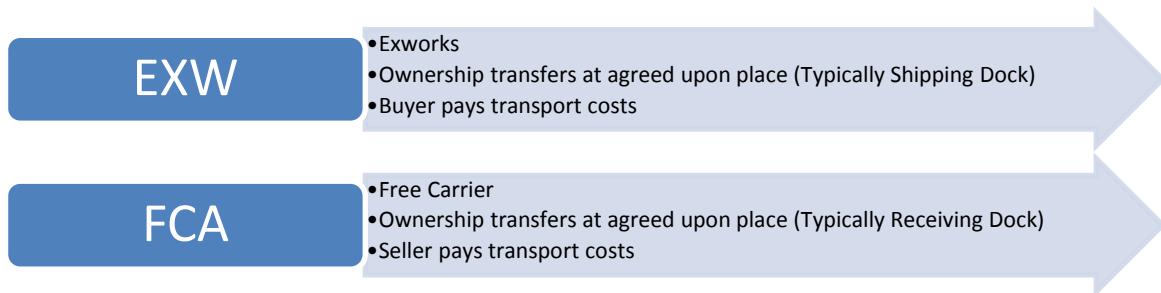
“Delivered at Place” means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.

DDP Delivered Duty Paid

“Delivered Duty Paid” means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.

Refer to <https://iccwbo.org/resources-for-business/incoterms-rules> for additional information

* Typical Thaler Machine Company Incoterms



55. Payment Terms

Typical payment terms are Net 30. Other terms are available upon request.

Supplemental Quality Assurance Requirements

56. Export Requirements (ITAR, EAR, ECI, OOU, etc.)

If Supplier (or any sub tier) received technical data, manufacturing drawings, specifications, software, or similar type items from Buyer, it is the responsibility of Supplier to ensure compliance with all U.S. export laws and regulations. These laws include, but are not limited to,

- Atomic Energy Act of 1954
- Section 38 of the Arms Export Control Act as enumerated in 22 CFR Parts 120-130
- The International Traffic in Arms Regulations (ITAR)
- Export Administration Act of 1979, as amended in 15 CFR Parts 730-774 of the Export Administration Regulations (EAR)

No technical data, manufacturing drawings, specifications, software or similar type items shall be transferred, disclosed or exported to “Foreign Persons” without specifically obtaining approvals from the U.S. Department of State’s Office of Defense Trade Controls or from the U.S. Department of Commerce’s Bureau of Industry and Security, as required.

Supplier (or any sub tier) agrees to abide by all limitations and provisos and/or riders and conditions listed on any licenses or other approvals issued by the U.S. Department of State or the U.S. Department of Commerce.

In the event any Supplier (or any sub tier) is unable to comply with the U.S. export laws and regulations as listed above, the Supplier is required to reject the request for quote or PO with written explanation to applicable Buyer.

Supplier Quality Assurance Requirements (SQAR)

Supplier shall immediately notify Thaler Machine Company Buyer if Supplier is, or becomes, listed in any Denied Parties List or if Supplier's export privileges are otherwise denied, suspended or revoked in whole or in part by any Government entity or agency. Where Supplier is a signatory under a Company export license or export agreement (e.g., Technical Assistance Agreement, Manufacturing License Agreement), Supplier shall provide prompt notification to Thaler Machine Company Buyer in the event of changed circumstances including, but not limited to, ineligibility, a violation or potential violation of the ITAR, or the initiation or existence of a U.S. Government investigation that could affect the Supplier's performance under this Contract.

If Supplier is or has been engaged in the U.S. in the business of either exporting, manufacturing or brokering ITAR Items, Supplier represents that it is registered with the Directorate of Defense Trade Controls ("DDTC"), as may be required by 22 C.F.R. 122.1 of the ITAR and that it maintains an effective export/import compliance program in accordance with DDTC guidelines.

Suppliers must have a written procedure that describes controls for ensuring that only U.S. persons are allowed access to ECI/OUO information and items. At a minimum, the written procedure must address: Access Control, Storage, Electronic Transmission, and Destruction policies as noted below:

Access Control:

- ECI/OUO information and items must be maintained in a secured area to prevent inadvertent release or disclosure to foreign persons.
- Foreign persons (non-US persons), including associates, consultants, visitors, and/or sub-contractors, must be restricted from having access to ECI/OUO information and items through any means (this includes overhearing conversations, observing material or information, or otherwise obtaining access in any way).

Storage:

- ECI/OUO information and material must be stored in a secured area to restrict access from foreign persons.

Transmission:

- The Supplier is responsible for flowing down ECI/OUO requirements to their suppliers used to support Buyer's product requirements.
- ECI/OUO information must be sent through a secure method when transmitting electronically (i.e. encryption, password protection, or secure FTP site).

Destruction:

- ECI/OUO articles/information must be destroyed when no longer needed as appropriate for their industry as follows:
 - Manufacturers -- documents, electronic media, models and materials (including scrap and in-process scrap) must be destroyed when no longer needed.
 - Service Providers – documents and electronic media must be destroyed when no longer needed.
 - Distributors -- documents and electronic media must be destroyed when no longer needed.
 - Laboratories – documents, electronic media and test samples (less returned to the Buyer) must be destroyed when no longer needed.
- Destruction must make said items unrecognizable and must subsequently be disposed using normal waste processing

57. Post Award Review

Upon receipt of the Purchase Order, the Supplier shall contact the Buyer and set up a review of the Purchase Order to assess the quality requirements and other pertinent details with Thaler Machine Company

58. Purchase Order Review

Upon receipt of the Purchase Order, the Supplier shall review the purchase order and return a signed copy of the Purchase Order to Thaler Machine Company Buyer.

59. Business Continuity Management

The Supplier shall ensure their Company has robust Business Continuity Management (BCM) processes in place that include disaster recovery and preparedness. The Supplier shall document a Business Continuity Plan which details what the Company would do if People, Processes or Technology was to become unavailable. This Business Continuity Plan shall be applicable, including but not limited to:

- Natural disasters
- Labor disputes
- Lockouts
- Evictions
- Power or systems failures
- Hazardous spills

- Fire
- Floods
- Explosions
- Sabotage

- Riots
- War or other civil disturbances
- Voluntary or involuntary compliance with any laws, regulations, or requirements of any government authorities.

General information regarding how to develop a Business Continuity Plan can be found on the internet. Some helpful website links are listed below:

<http://www.disaster-recovery-guide.com/>

http://www.disasterrecovery.org/disaster_recovery.html

60. QMS Certified to AS9100

The Supplier shall maintain a Quality Management System that is certified to AS9100 (latest revisions). The Supplier must provide adequate evidence that the Quality Management System has been successfully audited by a third-party registrar. A copy of the third-party certificate shall be forwarded to the Thaler Machine Company Buyer and Quality Systems Manager. In the event a new revision is published, the Supplier must become certified to the new revision within the accepted period of that standard. All acceptance equipment must prove traceable to NIST 800-171 (National Institute of Standards and Technology) latest revision. In the event the Supplier's Quality Management System loses certification, the Supplier must notify the Thaler Machine Company Buyer and Quality Systems Manager within 24 hours in writing of the Supplier's plan to attain recertification.

Quality Control responsibility shall be clearly designated within the Supplier's organization. Personnel having this responsibility shall have sufficient authority to assure that quality is not compromised.

The Supplier's quality control system shall be implemented by written procedures, which adequately provide for compliance with the requirements of certification.

The Supplier shall immediately notify the Buyer in writing of any change to:

- The quality control system that may affect the inspection, conformity, or safety of the product
- Quality leadership
- Quality system status (e.g., Supplier converts to an ISO9000-based system; or Supplier no longer is registered to AS9100).
- Immediately of any location changes, name changes, and/or address changes in writing.
- Quality System Requirements (QMS)
- Supplier ID/DUNS number, (if changing, provide old DUNS and new DUNS.)
- Name, Phone number and/or email address of supplier quality contact

In addition, Calibration and Testing Services shall meet the requirements of ISO 17025 or ANSI Z540-1; Design and Inspection Services shall meet the requirements of AS9100; Auditing Services shall meet the ISO 19011.

Quality management system (QMS) processes include but not limited to processes for

- Management activities (e.g., Internal Auditing and consultants)
- Provision of resources (e.g., Hiring (Labor) and Training)
- Product realization (e.g., Design, Building/Workspace,
 - Process Equipment (both hardware and software)
 - Preventive Maintenance
 - Outgoing Transportation
 - Scrap Destruction, Production and Non-Production Consumables)
 - Measurement (e.g., Calibration, Inspection, Auditing and Testing Services)

61. QMS Certified to ISO-9001

The Supplier shall maintain a Quality Management System that is certified to ISO-9001 (latest revisions). The Supplier must provide adequate evidence that the Quality Management System has been successfully audited by a third-party registrar. A copy of the third-party certificate shall be forwarded to the Thaler Machine Company Buyer and Quality Systems Manager. In the event a new revision is published, the Supplier must become certified to the new revision within the accepted period of that

standard. All acceptance equipment must prove traceable to NIST 800-171 (National Institute of Standards and Technology) latest revision. In the event the Supplier's Quality Management System loses certification, the Supplier must notify the Thaler Machine Company Buyer and Quality Systems Manager within 24 hours in writing of the Supplier's plan to attain recertification.

Quality Control responsibility shall be clearly designated within the Supplier's organization. Personnel having this responsibility shall have sufficient authority to assure that quality is not compromised.

The Supplier's quality control system shall be implemented by written procedures, which adequately provide for compliance with the requirements of certification.

The Supplier shall immediately notify the Buyer in writing of any change to:

- The quality control system that may affect the inspection, conformity, or safety of the product
- Quality leadership
- Quality system status (e.g., Supplier converts to an ISO9000-based system; or Supplier no longer is registered to AS9100).
- Immediately of any location changes, name changes, and/or address changes in writing.
- Quality System Requirements (QMS)
- Supplier ID/DUNS number, (if changing, provide old DUNS and new DUNS.)
- Name, Phone number and/or email address of supplier quality contact

In addition, Calibration and Testing Services shall meet the requirements of ISO 17025 or ANSI Z540-1; Design and Inspection Services shall meet the requirements of AS9100; Auditing Services shall meet the ISO 19011.

Quality management system (QMS) processes include but not limited to processes for

- Management activities (e.g., Internal Auditing and consultants)
- Provision of resources (e.g., Hiring (Labor) and Training)
- Product realization (e.g., Design, Building/Workspace,
 - Process Equipment (both hardware and software)
 - Preventive Maintenance
 - Outgoing Transportation
 - Scrap Destruction, Production and Non-Production Consumables)
 - Measurement (e.g., Calibration, Inspection, Auditing and Testing Services)

62. QMS Compliant to ISO-9001 or AS9100

The Supplier shall maintain a Quality Management System that is compliant to ISO-9001 or AS9100 (latest revisions). The Supplier's Quality Management System shall be subject to review and/or audit for compliance by Thaler Machine Company designee. In the event a new revision is published, the Supplier must become compliant to the new revision within the accepted period of that standard. All acceptance equipment must prove traceable to NIST 800-171 (National Institute of Standards and Technology) latest revision.

Quality Control responsibility shall be clearly designated within the Supplier's organization. Personnel having this responsibility shall have sufficient authority to assure that quality is not compromised.

The Supplier's quality control system shall be implemented by written procedures, which adequately provide for compliance with the requirements of certification.

The Supplier shall immediately notify the Buyer in writing of any change to:

- The quality control system that may affect the inspection, conformity, or safety of the product
- Quality leadership
- Immediately of any location changes, name changes, and/or address changes in writing.
- Quality System Requirements (QMS)

In addition, Calibration and Testing Services shall meet the requirements of ISO 17025 or ANSI Z540-1; Design and Inspection Services shall meet the requirements of AS9100; Auditing Services shall meet the ISO 19011.

63. NADCAP Accreditation

The Supplier (and any sub tier) shall maintain a Nadcap Accreditation promoting a standardized approach to quality assurance and a reduction in redundant auditing. The Supplier must provide adequate evidence that the applicable process has been successfully audited by a third-party registrar. A copy of the Nadcap certificate shall be forwarded to the Thaler Machine Company Buyer and Quality Systems Manager. All acceptance equipment must prove traceable to NIST 800-171 (National Institute of Standards and Technology) latest revision. In the event the Supplier's Quality Management System loses certification, the Supplier must notify the Thaler Machine Company Buyer and Quality Systems Manager within 24 hours in writing of the Supplier's plan to attain recertification.

64. A2LA Accreditation

The Supplier (and any sub tier) shall successfully complete the A2LA evaluation process to perform tests on metals and metal components as noted on their certificate. The Supplier must provide adequate evidence that the Quality Management System has been successfully audited by a third-party registrar. A copy of the A2LA certificate shall be forwarded to the Thaler Machine Company Buyer and Quality Systems Manager. All acceptance equipment must prove traceable to NIST 800-171 (National Institute of Standards and Technology) latest revision. In the event the Supplier's Quality Management System loses certification, the Supplier must notify the Thaler Machine Company Buyer and Quality Systems Manager within 24 hours in writing of the Supplier's plan to attain recertification.

65. Approved Inspection System

The Supplier (and any sub tier) shall maintain an inspection system approved by Thaler Machine Company that includes at a minimum calibration of acceptance equipment traceable to NIST 800-171 (National Institute of Standards and Technology) latest revision, material traceability, and records of inspection. The Supplier's (and any sub tier's) system shall be subject to review and/or audit for compliance by the Thaler Machine Company designee.

66. DFARS Qualifying Country

Superseded by DFARS 225.003

Qualifying Country, defined by DFARS 225.003, means a country with a reciprocal defense procurement memorandum of understanding or international agreement with the United States in which both countries agree to remove barriers to purchases of supplies produced in the other country or services performed by sources of the other country, and the memorandum or agreement complies, where applicable, with the requirements of section 36 of the Arms Export Control Act (22 U.S.C. 2776) and with 10 U.S.C. 2457.

Refer to DFARS 225.003 for detail and the most current listing of qualifying countries.

67. DFARS 252.225-7008 Restriction on Acquisition of Specialty Metals

Superseded by DFARS 252.225-7008.

Any specialty metal delivered under this contract shall be melted or produced in the United States or its outlying areas.

Refer to DFARS 225.7008 for detail.

68. DFARS 252.225-7009 Restriction on Acquisition of Certain Articles Containing Specialty Metals

Superseded by DFARS 252.225-7009.

Any specialty metals incorporated in items delivered under this contract shall be melted or produced in the United States, its outlying areas, or a qualifying country.

This clause does not apply to:

- Electronic components

- Commercially available off-the-shelf (COTS) items, other than
 - Specialty metal mill products, such as bar, billet, slab, wire, plate, or sheet, that have not been incorporated into COTS end items, subsystems, assemblies, or components;
 - Forgings or castings of specialty metals, unless the forgings or castings are incorporated into COTS end items, subsystems, or assemblies;
 - Commercially available high-performance magnets that contain specialty metal, unless such high performance magnets are incorporated into COTS end items or subsystems; and
 - COTS fasteners, unless—
 - The fasteners are incorporated into COTS end items, subsystems, assemblies, or components; or
 - The fasteners qualify for the commercial item exception in paragraph (c)(3) of this clause.
- Fasteners that are commercial items, if the manufacturer of the fasteners certifies it will purchase, during the relevant calendar year, an amount of domestically melted or produced specialty metal, in the required form, for use in the production of fasteners for sale to the Department of Defense and other customers, that is not less than 50 percent of the total amount of the specialty metal that it will purchase to carry out the production of such fasteners for all customers.
- Items manufactured in a qualifying country.
- Specialty metals for which the Government has determined in accordance with DFARS 225.7003-3 that specialty metal melted or produced in the United States, its outlying areas, or a qualifying country cannot be acquired as and when needed in -
 - A satisfactory quality;
 - A sufficient quantity; and
 - The required form.
- End items containing a minimal amount of otherwise noncompliant specialty metals if the total weight of such noncompliant metals does not exceed 2 percent of the total weight of all specialty metals in the end item, as estimated in good faith by the Contractor. This exception does not apply to high performance magnets containing specialty metals.

Refer to DFARS 225.7009 for detail.

69. DFARS 252.204-7012, Safeguarding Covered Defense Information & Cyber Incident Reporting.

The Supplier (and any sub tier) shall maintain a cyber system Safeguarding Covered Defense Information and Cyber Incident Reporting as directed in DFARS 252.204-7012 latest revision.

70. Baseline-Process Freeze

Supplier shall freeze the process and provide data / test records with inspection tooling ID numbers as specified. A “Baseline Freeze” means a Supplier shall not change any material (cleaning, lubricating, etc.), part, process, manufacturing procedure or sequence, tooling, inspection/test methodology inspection tools or equipment, subcontractor, or location of processing/manufacture including subcontracted processors without prior notification and approval by Thaler Machine Company.

71. Production Readiness Review

A Readiness Review is to be performed at key operations (determined by Thaler Machine Company and the Supplier) if

- Starting a new production run or
- A lapse in production exceeds two years

This may include a documentation review and/or process witness

72. Certification of Conformance (CofC) - Supplier

The Supplier is responsible for compliance with all certification requirements referenced through the Purchase Order and for the maintenance of quality control records evidencing compliance with such requirements, regardless of whether work was performed by the Supplier or any sub tier suppliers. The Supplier shall make available, to the Thaler Machine Company’s Quality

Assurance Representative, evidence of this certification upon request or audit. Documents and data shall be available for Thaler Machine Company, Thaler Machine Company's customer and/or Government review.

The Supplier (and any sub tier) shall provide a CofC certifying that the items on the Purchase Order comply with all requirements of the Purchase Order, including all imposed drawings and specifications. The CofC shall include the following at a minimum:

- a. Name, address and phone number of Supplier
- b. Applicable Specification with revisions and any applicable subcategory such as Type, Class, etc.
- c. Purchase Order Number with Change Order identification
- d. Part Number
- e. Line Item(s)
- f. Drawing with Revision
- g. Part Description
- h. Quantity
- i. Lot number(s)
- j. Serial Number(s) if applicable
- k. Waivers or Deviations if applicable
- l. Certificate of Compliance Statement
- m. Authorized Signature

The Certificate of Conformance shall provide a link (via the Supplier's internal job number, work order number, or other identifier) to all documentation for this product. The Certificate must include the manufacturer's certification or complete traceability from the original authorized manufacturer for the product(s) shipped.

73. Furnace Charts Required

Furnace charts with all required parameters (Temperature, Start Time, End Time, Duration, return to ambient temperature method, etc.) recorded shall accompany Certificate of Conformance. Furnace charts must include a link to the Certificate of Conformance (such as lot number, Shop Order Number, Supplier's internal job number, or other direct connection). If the production lot is not heat treated as a single lot, each "heat treat lot" shall be considered a separate manufacturing lot and given a unique lot number for traceability. (Example – Lot 34567 Batch 1, Lot 34567 Batch 2, ...). Each page of Furnace Charts to be signed by operator(s) performing the operation.

A Heat Treat Lot consists of a homogeneous heat treatment batch shall not exceed one mill-run of steel. One homogeneous heat treat batch is described by those parts heat-treated by the same heat-treating equipment, at the same temperature, at the same time.

74. Raw Material Certification or Test Report (Metals, Chemicals, Polymers, etc.)

The Supplier is responsible for compliance with all certification requirements referenced through the Purchase Order and for the maintenance of quality control records evidencing compliance with such requirements, regardless of whether work was performed by the Supplier or any sub tier suppliers. The Supplier shall make available, to the Thaler Machine Company's Quality Assurance Representative, evidence of this certification upon request or audit. Documents and data shall be available for Thaler Machine Company, Thaler Machine Company's customer and/or Government review.

The Supplier shall submit a raw material certification or test report for each raw material procured and/or utilized to manufacture the items on the Purchase Order. The certification or report shall list actual values, a range of values of chemical analysis or physical testing required by specification. The certification or report shall include the following at a minimum:

- a. Name, address and phone number of Supplier
- b. Applicable Specification with revisions and any applicable subcategory such as Type, Class, etc.
- c. Purchase Order Number with Change Order identification
- d. Product Description
 - a. Heat Number or equivalent
 - b. Melt, Lot, or Batch number
 - c. Data
 - d. Specifications

- e. Country of Origin of manufacture
- f. Quantity
- g. Lot number(s)
- h. Identification of any smelter supplying tantalum, tungsten, tin or gold (3TG) to the supply chain
- i. Applicable Waivers or Deviations
- j. Certificate of Compliance Statement
- k. Authorized Signature of responsible representative of the Supplier, Organization, or Laboratory performing the testing

If the testing is not performed by the Raw Material Supplier, the name and address of the company, agency, or organization doing the actual testing shall be included on the certification packet, along with all identification provided by the testing organization (Lab Accreditation, Scope, etc.).

75. Single Lot of Material

The full quantity of each part number provided under this purchase order/contract must have a single heat lot code.

Supplier will obtain the written approval of Thaler Machine Company authorized purchasing representative prior to shipping goods that do not meet this single heat lot requirement. In the event Thaler Machine Company provides authorization in writing to ship mixed heat lots, the Supplier shall provide a copy of the Thaler Machine Company written authorization with the shipping document. When mixed heat lots are authorized, the shipping paperwork shall list individual heat lots and quantity.

Multiple lot/date codes shall be segregated. In addition, the individual part containers shall be marked with the quantity and heat lot.

76. Chemical Test (Actuals)

Each shipment shall be accompanied by a legible copy of actual test results for the following: Chemical Test (Actuals). Reported results must be identifiable with test parameters, test methods, specifications, and material(s) to product(s) delivered. Reports must bear the date and signature of a responsible representative of the agency performing the test(s) along with traceability to the Thaler Machine Company Purchase Order Number. The specifications must be listed, including the revision letter(s) or revision number(s) and amendments. When parts are serialized, serial numbers must appear on the report(s).

77. Physical Test (Actuals)

Each shipment shall be accompanied by a legible copy of actual test results for the following: Physical Test (Actuals). Reported results must be identifiable with test parameters, test methods, specifications, and material(s) to product(s) delivered. Reports must bear the date and signature of a responsible representative of the agency performing the test(s) along with traceability to the Thaler Machine Company Purchase Order Number. The specifications must be listed, including the revision letter(s) or revision number(s) and amendments. When parts are serialized, serial numbers must appear on the report(s).

78. Functional Test

Each shipment shall be accompanied by a legible copy of actual test results for the Functional Test. Reported results must be identifiable with test parameters, specifications, and material(s) to product(s) delivered. Reports must bear the date and signature of a responsible representative of the agency performing the test(s). The specifications must be listed, including the revision letter(s) or revision number(s). When parts are serialized, serial numbers must appear on the report(s).

79. Pressure or Leak Test

Each shipment shall be accompanied by a legible copy of actual test results for the Pressure or Leak Test. Reported results must be identifiable with test parameters, specifications, and material(s) to product(s) delivered. Reports must bear the date and signature of a responsible representative of the agency performing the test(s). The specifications must be listed, including the revision letter(s) or revision number(s). When parts are serialized, serial numbers must appear on the report(s).

80. Nondestructive Test

Each shipment shall be accompanied by a legible copy of actual test results for Nondestructive Test. Reported results must be identifiable with test parameters, specifications, and material(s) to product(s) delivered. Reports must bear the date and signature of a responsible representative of the agency performing the test(s). The specifications must be listed, including the revision letter(s) or revision number(s). When parts are serialized, serial numbers must appear on the report(s).

81. Process Sample Evaluation Test

Supplier shall perform the required Process Sample Evaluation Test and return the evaluation samples with the shipment. Process samples (i.e., braze, plating, coating, heat treat, or bend samples) must be adequately identified for traceability. If directed in Work Instructions or PO, the supplier shall also provide a written test result.

82. Destructive Physical Analysis Test

Each shipment shall be accompanied by a legible copy of actual test results for Destructive Physical Analysis Test. Reported results must be identifiable with test parameters, specifications, and material(s) to product(s) delivered. Reports must bear the date and signature of a responsible representative of the agency performing the test(s). The specifications must be listed, including the revision letter(s) or revision number(s). When parts are serialized, serial numbers must appear on the report(s).

83. Dual Testing

Two independent inspections by different NAS-410 certified operators with both operators signing the certification. Certificate must include the NAS-410 with qualifying level credentials of both operators or include the NAS-410 qualifying training record with level for both operators.

84. Dual Inspection

Two independent inspections by different inspectors with both inspectors signing the certification and/or inspection report.

85. 100% Inspection Required

The Supplier shall provide 100% inspection data of all features shown on drawings, specification documents, or contained in the Purchase Order for 100% of the items supplied under the Purchase Order. This shall include all applicable notes shown on the drawing. The Supplier shall identify each item individually so that the item can be traced to the inspection data. Where 100% inspection is inappropriate (i.e. destructive testing, plating compliance, painting, etc.) the Supplier shall coordinate with the Buyer the means utilized to provide the required test/inspection data such as using surrogate items (coupons) in lieu of the actual item.

86. 200% Critical Safety Inspection

All Safety Critical Characteristics shall be independently measured, with data recorded, by two separate means and/or individuals, and/or at two significantly different times (e.g. in-process and final). This constitutes 200% inspection.

87. Designated Sub Tier

Must utilize only the sub tier designated on the purchase order. Certificate must be included from the specified supplier.

88. Witness Samples

Witness samples of applicable testing must accompany the shipment. Samples must be identified with lot number and sample number.

89. Additional Witness Samples

Additional witness sample(s) material shall be included with each process lot to verify additional tests. If the production lot is not processed as a single lot, each "process lot" shall be considered a separate manufacturing lot and given a unique lot number for traceability. (Example – Lot 34567 Batch 1, Lot 34567 Batch 2, ...). If the PO does not designate the number of additional witness samples to be included, contact the Thaler Machine Company Buyer for quantity.

90. Witness Sample Data

Witness sample data of applicable testing must accompany the shipment. Sample data must include corresponding lot number and sample number.

91. Additional Testing Requirements Involved

Requirements of designated specification to be conducted with additional or reduced requirements as itemized on PO. All additional or reduced requirements must be recorded itemized on certification.

92. Product Identification and Traceability

The Supplier shall maintain documented procedures for identification of product from receipt and during all processes of production and delivery. When traceability is a specified requirement, the Supplier shall establish and maintain documented procedures for unique identification of individual product or batches; this identification shall be recorded.

93. Chain of Custody

The Supplier shall provide traceable path of any entity touching the product from the time the material was created until reaching Thaler Machine Company with certifications from each entity including special processors in the supply chain.

94. Cage with lot number

This code requires that the Supplier identify items by Commercial and Government Entity (CAGE) code and lot number. The (CAGE) code and all lot/date code numbers shall be documented on the packing sheet for each purchase order/contract line item. When quantities comprise items from more than one lot/date code, each lot/date code must be separately package at the unit packing level to avoid lot/date code co-mingling.

EXAMPLE:	CAGE No.	Lot No.
	12613	37114

95. Item Serialization

Thaler Machine Company typically will provide serial numbers. When not specified, the Supplier (or any sub tier) shall identify each item shipped by serial number. The shipping documents and any required inspection reports shall show serial number of items in each shipment. Serial numbers assigned shall be at the Supplier's option unless otherwise specified on the Purchase Order but must be unique and non-repeating. Marking method must be approved by Thaler Machine Company Buyer prior to marking. All goods, including spares, test units, etc., with a single basic family number will be assigned sequential numbers regardless of configuration (dash numbers). Serial numbers shall not be duplicated and shall provide full traceability to all material, fabrication, assembly, inspection and test documentation. The packing slip shall show a list of all serial numbers included in the shipment.

96. Lot Control and Traceability – Raw Materials

The Supplier (and any sub tier) shall provide a traceability matrix of raw materials used to manufacture the items covered by the Purchase Order. This may be provided as an Excel document or within the CofC from the Supplier. The traceability matrix must contain the following at a minimum:

- a. Part Number
- b. Part Number Revision Level
- c. Supplier Assigned Lot number
- d. Quantity
- e. Serial Numbers, if applicable. Numbers assigned shall be at the Supplier's option unless otherwise specified on the Purchase Order but must be unique and non-repeating.
- f. Raw Material Manufacturer and/or Distributor
- g. Raw Material Heat, Melt or Lot Number

97. Lot Control and Traceability – Commercial Off The Shelf (COTS), Customer Furnished Materials (CFM) Items

The Supplier (and any sub tier) shall provide a traceability matrix of items consumed and/or assembled to complete the part listed on the Purchase Order. This may be provided as an Excel document or within the CofC from the Supplier. The traceability matrix must contain the following at a minimum:

- a. Part Number
- b. Part Number Revision Level
- c. Supplier Assigned Lot number
- d. Distributor and/or Manufacturer
- e. Lot or Batch Number. Numbers assigned shall be at the Supplier's option unless otherwise specified on the Purchase Order but must be unique and non-repeating.
- f. Expiration Date as applicable

98. Calibration Report

The Supplier (and any sub tier) shall provide a certified calibration report for each instrument utilized to determine the acceptance/rejection of parts. The report shall identify NIST traceable standards and show actual values measured. Typically, required at First Article Inspection, inspection reports or provided upon request.

99. Calibration Certification

The calibration supplier listed on the purchase order shall perform all calibrations and is not authorized to subcontract any calibration unless approved by Thaler Machine Company. A calibration report shall be furnished to Thaler Machine Company for each calibration performed and at a minimum include the following information:

- Identification of the unit being calibrated
- Identification of the calibration source traceable to NIST
- Date of calibration
- Conditions "As Found" and "As Left"
- Notification of out-of-tolerance conditions
- Certification that calibrations were performed in accordance with either ANSI/NCSL Z540, ISO 10012 or ISO/IEC 17025 (latest revisions).
- Identification of measurement uncertainties

100. Source Inspection Required

The items supplied by the Supplier under the Purchase Order are subject to Source Inspection by Thaler Machine Company designated representative. The Supplier shall notify the Buyer or other designated representative at least 5 business days prior to the expected source inspection. The Supplier may not ship any items without authorization signed by the Buyer or other designated representative, and it must be included with the shipment. The Supplier must have available, at the time of presentation a complete Source Inspection package. At a minimum the Source Inspection package must include the following as applicable:

- a. Shipping pack list
- b. Ballooned drawing with numbering scheme matching the inspection report
- c. Inspection data
- d. CofC from the Supplier
- e. CofC for COTS
- f. Raw Material Certification
- g. CofC for special processes
- h. Traceability matrices
- i. As-Built Record/Log
- j. Documentation Control List indicating the processes utilized to manufacture and inspect parts

- k. Any approved deviations and/or waivers (if applicable)
- l. Other documents as required by the PO

The Supplier shall provide designated representative with reasonable facilities and equipment and free access to all areas and records essential to the proper conduct of source inspection of the procured items. The performance of a source inspection, whether on-site or not, does not relieve the Supplier of any responsibility for the determination of conformance of the items to the contracted requirements.

101. Source Surveillance Required

The items supplied by the Supplier under the Purchase Order are subject to Source Surveillance by the Thaler Machine Company Buyer or another designated representative. The Supplier shall notify the Buyer or other designated representative prior to the commencement of manufacturing with enough advance notice so that the Buyer or other designated representative may make arrangements to conduct on-site surveillance of the Supplier's Quality Management System, procedures, records, procurement documents, facilities, and manufacturing processes, and in-process and final inspection/test to verify that the requirements of the Purchase Order are being satisfied if so elected.

The Supplier shall provide the Buyer or other designated representative with reasonable facilities and equipment, and free access to all areas and records, essential to the proper conduct of (as applicable) design, development, manufacture, inspection, testing, and packaging and shipping of the procured items.

The Buyer or other designated representative may specify mandatory in-process source inspection hold points. If such are required, the Supplier shall provide the Buyer or other designated representative with notification at least 7 business days in advance to allow the Buyer or other designated representative to schedule the required inspections.

102. Government Source Surveillance

During performance of the Purchase Order, the Supplier's (and any sub tier's) Quality Management System, Inspection System, and Manufacturing Processes are subject to review, analysis, and verification by authorized Government representatives and/or other Thaler Machine Company customers when approved by Thaler Machine Company.

Government mandatory product inspections, process buy-offs, release of product prior to shipment, or final inspections are not required, but may be imposed, when deemed necessary by the Government representative or when directed by the delegating authority.

Government surveillance does not constitute product acceptance or certification of systems or processes by either the Thaler Machine Company Buyer or Government and does not relieve the Supplier of any Purchase Order requirements.

103. FAA Surveillance

Materials and/or components supplied under the terms of this Purchase Order may be utilized in equipment which has been or will be subject to Federal Aviation Administration type certification or Technical Standard Order Authorization/Parts Manufacturer Approval. Supplier's facility and quality system are subject to surveillance by authorized representatives of the Federal Aviation Administration. The Supplier shall provide all reasonable facilities and assistance to the authorized FAA representatives, upon request.

104. Control Plan/Locked Process

The Supplier (and any sub tier) shall prepare a control plan for the items to be delivered under the Purchase Order. The control plan shall be submitted to the Thaler Machine Company Buyer for approval prior to FAI. The plan shall include at a minimum:

- a. Part Number and Name
- b. Drawing Number with Revision
- c. Process Name/Operation Description
- d. Characteristics/Features to be inspected or tested
- e. Character class (Major, Minor, Critical, Special, Key)
- f. Specification with tolerance
- g. Evaluation/Measurement Technique

- h. Sample size and frequency
- i. Control Method (X-MR, Xbar & R, Set-up Sheet, Check Sheet, Lab Report, Record Sheet, Traveler, etc.)

The control plan shall contain all inspection/test points throughout the entire manufacturing process. The Supplier (and any sub tier) shall only utilize what has been defined in the plan and any changes to the approved plan shall require approval, by the Thaler Machine Company Buyer, prior to implementation.

105. Drawing and Change Control

The Supplier shall make no drawing or changes. As Thaler Machine Company is typically a make to order entity, approval from Thaler Machine Company's customer is also typically required.

The Supplier's change control system shall assure that the latest applicable drawings, specifications, technical requirements, Purchase Order information and changes thereto will be available at the time and place of Supplier's acceptance of material and/or services. All changes shall be processed in a manner, which will assure incorporation on the affected material and/or services at specified effectivity points.

106. Process Procedures and Documentation

The Supplier (and any sub tier) shall fully document the processes utilized to manufacture, produce, and/or assemble the items supplied under the Purchase Order. The documentation shall be created in the Supplier's format and shall be made available to the Buyer as part of the FAI Data Package and source/certification package. If Supplier's process is Proprietary, a Document Control List is to be provided that includes the Document ID, Document Title, and Revision. This can be a separate document or as part of the CofC.

The Supplier (and any sub tier) shall maintain the documentation under configuration control using revision levels to ensure that the correct version of the documented procedure is being used.

The Supplier (or any sub tier) shall not incorporate any changes to the controlled documentation (except those changes for grammatical errors, typographical errors, etc.) without prior submission and subsequent approval in writing from the Buyer.

Additionally, the Supplier (and any sub tier) shall exercise sufficient control of item specific software programs for the items supplied under the Purchase Order in a manner to ensure that the correct version is used for manufacture. This includes machine programs/recipes and CMM programs. This applies to only the programmable portion of, but does not include, the parent software package.

107. Inspection, Test and Acceptance

The supplier must perform inspections and tests to validate the Buyer's Purchase Order and associated drawing and specification requirements are met as follows:

- Inspection and testing of specified items, services, and processes must be conducted under controlled conditions using established acceptance and performance criteria.
- Sampling plans prescribe random sampling and afford a sound statistical basis to ensure product quality.
- Inspection and test requirements and results must be documented.
- Equipment used for inspections and tests must be calibrated and maintained.
- Independent qualified persons, other than those who perform or directly supervise the work being inspected or tested, must perform acceptance inspections and tests verifying the product conformance to Purchase Order and design criteria.
- When the Buyer proposes to Accept Product based upon the Supplier's Data. The Supplier must have an established process for maintaining the traceability between the product and the measuring and test equipment used for product acceptance.

108. Inspection Report

The Supplier shall submit an inspection report in the Supplier's format with the following information as a minimum:

- a. Part Number, Revision Level
- b. Part Name

- c. Purchase Order Number with Change Order
- d. Lot Number(s) (with Split Lot suffix if applicable)
- e. Lot Quantity(s)
- f. Inspection Sample Size (AQL or 100%)
- g. Characteristics/parameters inspected and/or tested
- h. Character class (Major, Minor, Critical, Special, Key, etc.)
- i. Measurement Method with tool ID
- j. Calibration Due Date
- k. Inspection/test Data with actual values where possible
- l. Quantity Accepted/Rejected
- m. Waivers or Deviations
- n. Date of Inspection/test
- o. Operator and/or Inspector Responsible
- p. First Article Inspection/Lot Acceptance/Source or any combination of these

All items inspected shall be identified/marked (serial number) to be traceable to the inspection report data. Data must be provided in units of measure (U.S. Customary or Metric) used on the drawing, unless otherwise noted on the P.O.

The level of accuracy shall be of a ratio of at least 10 to 1 greater than the tolerance of the characteristic to be measured.

109. Inspection Report – Thaler Machine Company Format

The Supplier shall submit with each shipment a report in Thaler Machine Company format (supplied by the Buyer). The Supplier shall address each item called out and provide inspection/test data with actual values where possible. If Go/No-Go test methods are utilized, the gage or set-up must be identified. All items inspected shall be identified/marked (serial number, if available) to be traceable to the inspection report data. If items were inspected using a sampling plan, the marked samples shall be segregated from the balance of the lot. An explanation of the disposition of any items/characteristics showing nonconformance/rejection on the reports shall be included with the report. Data is to be provided in units of measure (U.S. Customary or Metric) used on the drawing, unless otherwise noted on the PO. Conditional formatting may be required (Excel).

110. First Article Inspection Required/Maintained – AS9102 Required

The items to be delivered under the Purchase Order are subject to First Article Inspection (FAI) and must be IAW AS9102 (latest version). The FAI is performed on one part (unless directed by the PO) that is representative of the first production run. The FAI unit shall not be inspected or processed differently. The Supplier shall perform 100% inspection of all features and notes shown on the drawing to include specifications as appropriate. The only exception shall be for inspection/tests contained in material specifications provided that the required inspection and tests have been performed and certified results are submitted with the First Article Data Package. BASIC and reference dimensions are not required unless directed by the PO. The Thaler Machine Company Buyer is responsible for call out of BASIC and/or reference dimensions on the PO if required.

A new, or updated (delta), First Article shall be required if any of the following events occur:

- a. Interruption of Production greater than 1 year
- b. Change to Facility or Processing Equipment
- c. Change to Procedures
- d. Change in Location
- e. Change in Source or Processing
- f. Change in Design or Baseline
- g. Replacement of Special Tooling (i.e. Injection molds)

The First Article Data Package shall contain the following at a minimum:

- a. First article item
- b. Balloon Drawing
- c. Inspection Data
- d. Material Certifications

- e. Special Process Certifications
- f. Any applicable approved deviations, waiver and/or variances
- g. Any other documentation specified on the PO or specification(s)

If the First Article or the First Article Data Package is disapproved for nonconformance to requirements, the Supplier shall, upon the Buyer's request, repeat any or all First Article inspections or tests. Prior to such additional inspections or tests, the Supplier shall make any necessary changes, modifications, or repairs to the First Article. All costs related to any additional inspections or tests following disapproval shall be borne by the Supplier. The Thaler Machine Company Buyer, at his/her discretion, may elect to have the Supplier bear the costs of any additional travel, labor, delivery schedule extensions, and material expenses resulting from the disapproval of the First Article or First Article Data Package. After conducting the additional inspections or tests, the Supplier shall notify the Buyer as to the expected date for resubmission of the First Article and First Article Data Package. The Supplier shall have the First Article and the First Article Data Package ready for presentation by the agreed extended date. No change of delivery dates is to be assumed based on a change in the completion date of the first article.

Unless otherwise specified in the Purchase Order, and if the approved First Article is not consumed or destroyed due to testing, the Supplier may deliver the item as part of the Purchase Order quantity provided it meets all requirements for acceptance.

FAI establishes the baseline and locks down the entire process (procedures/work instructions, control plans, manufacturing and inspection recipes/programs, facility).

111. First Article Inspection Plan Required

The Supplier shall prepare a First Article Inspection (FAI) plan for the items to be delivered under the Purchase Order. A copy of the plan shall be submitted to the Thaler Machine Company Buyer for approval within thirty (30) days after purchase order award. The FAI plan shall include as a minimum:

- a. Identification of Item(s)
- b. First Article Schedule (dates, location, etc.)
- c. Inspection/Test to be performed (if not specified by Thaler Machine Company)
- d. Accreditation documents for independent 3rd party laboratories performing NDT.
- e. Characteristics/Features to be inspected or tested (if not specified by Thaler Machine Company)
- f. Method of Inspection (visual, test equipment, gage, etc.)
- g. Measuring or Test Equipment to be used

First Article Inspection is required on one part (unless directed by the PO) that is representative of the first production lot. Inspection methods shall be production intent.

112. First Article Inspection Plan

The sole purpose of an advance review of the FAI Plan is to confirm the supplier will measure all applicable part characteristics per specifications.

113. As-Built Record or Log

The Supplier shall prepare an As-Built Record/Log for the items to be delivered under the Purchase Order. A copy of the format shall be submitted to the Thaler Machine Company Buyer within 30 days after purchase order award. At a minimum the matrix must identify all component part numbers, revision levels, lot numbers and/or serial numbers for each final assembly, waivers/deviations; Excel preferred. The matrix shall be supplied with each source data package.

114. Supplying Controlled Shelf Life Material

The Supplier (and any sub tier) shall have and maintain an effective system for controlling items that have limited acceptability due to shelf life constraints and provide for the rotation of stock (FIFO). The Supplier shall show on each container of materials having a limited or specified shelf life (both the Supplier's in-house containers and containers used for delivery to the Buyer) the cure, manufacture or start of life control date, expiration date, lot number, and any special storage and handling conditions applicable. This information shall be in addition to the normal identification requirements of name, part or code number, specification number, type, size, quantity, etc. Special handling requirements shall be recorded on any certifications and shipping

documents covering the material as delivered to the Buyer. Time lapse between date of scheduled delivery to the Buyer and expiration date shall not exceed one third of the shelf life for the material without written approval of the Buyer prior to shipment.

115. Material Safety Data Sheet (MSDS or SDS)

A copy of the Material Safety Data Sheet (per ANSI Z400.1-2004) is to be provided to the Thaler Machine Company Buyer upon receipt of the order. The Supplier shall provide a copy of the MSDS or SDS prior to or with the shipment of the product at the latest. A link to a website containing the MSDS or SDS is acceptable but must be listed on the shipping pack list. US Hazardous Materials Identification System (HMIS) information to be included

116. Process Flow and PFMEA Required and Maintained

The Supplier shall submit a Process Flow and Process Failure Mode and Effects Analysis (PFMEA) in the Supplier's format for the items to be delivered under the Purchase Order. The Process Flow and PFMEA shall be submitted to the Thaler Machine Company Buyer for approval prior to FAI.

117. Raw Material Approval Prior to Manufacturing of Product

The Supplier shall submit ALL raw material certification(s), test report(s), or CofC(s) for each material utilized to manufacture product on the Purchase Order to the Thaler Machine Company Buyer prior to using the material. The Thaler Machine Company Buyer will provide an approval via email to the Supplier indicating the Supplier may proceed with manufacturing. Supplier shall provide the approval email in their source data package.

118. 3rd Party Independent Inspection/Testing

The Supplier shall use only sub-tier suppliers specifically listed on the PO or recorded on the approved supplier list for the Thaler Machine Company customer and/or end customer listed on the PO. Contact the Thaler Machine Company Buyer with any questions.

119. Control of 3rd Party Independent Inspection/Testing

The Supplier shall use only accredited laboratories with a scope of accreditation allowing the performance of such testing/inspection. Prior to the performance of any testing (or inspection) to be performed by an outside laboratory the Supplier shall submit to the Buyer the name of the laboratory, the laboratory's certificate of accreditation, and the laboratory's scope of accreditation for approval. Accredited Certification Bodies recognized by Thaler Machine Company are, but may not be limited to, A2LA (American Association of Laboratory Accreditation) and NADCAP (National Aerospace and Defense Contractors Accreditation Program). Use of a laboratory not accredited by either A2LA or NADCAP shall require approval of the Buyer prior to use.

Copies of the test/inspection report shall be provided to the Buyer, test/inspection reports shall include the specification (Drawing with Revision for items receiving dimensional inspection) that was applied, the individual requirements, actual measured results, and a Pass/Fail conclusion. The report must be signed by the testing/inspection facility. If the required NDT is for radiography, an adequate method of identifying and cross-referencing each x-ray film exposure shall be provided in report form. When parts are serialized, the serial numbers must appear on the report (and film if for x-ray) with the control number. NDT records shall be submitted with each shipment to the Buyer and shall include x-ray film when required by the Purchase Order.

120. Control of Special Processes and Certification

The Supplier shall not perform, or subcontract to perform any "Special Processes" without written approval from the Buyer. Special Processes are defined as a method controlled by a contractually required specification where:

- When a product undergoes a physical, chemical or metallurgical transformation or inspection, conformance to the specification cannot be readily verified by normal inspection methods

- or -

- The quality of the product depends on use of specific equipment operated in a specific manner, under controlled conditions, by trained personnel with instructions, procedures and standards.

Special Processes that require certification are: radiography (x-ray), magnetic particle, heat treating, plating, anodizing, chemical conversion coating (chem film), passivation, abrasive blasting, oxide coating, painting, nitriding, case hardening, casting, forging, welding, brazing, soldering and others as may be specified.

The Supplier, or their subcontractor, must be certified to perform the specified Special Process through an Accredited Certification Body, A2LA, NADCAP, or specific Thaler Machine Company Customer. The Supplier shall contact the Thaler Machine Company Buyer for a specific listing of Special Processes that are approved for use (during the RFQ process).

Inspection may also be included as a Special Process if the Supplier does not have the in-house capability, or resources, to perform inspections as specified on the Purchase Order. If the Supplier is required to use subcontracted inspection, the use of any subcontracted inspection must be approved by the Buyer with enough advanced notice to not delay the delivery schedule shown on the Purchase Order.

A Certificate of Conformance (CofC) is required to be submitted during source inspection and FAI, and it must meet the requirements detailed in the specification for that special process.

121. Inspection Equipment – Supplier Furnished

The Supplier (and any sub tier) shall provide and maintain all acceptance inspection equipment necessary to assure conformance of items to the requirements of the Purchase Order. The Supplier shall perform inspection and/or test on end items covered by the Purchase Order prior to submission to Buyer or prior to delivery. Inspection/test of material, which cannot be readily examined in the end items, must be performed at the appropriate in-process stages of manufacturing. All such equipment and records shall be subject to review by the Buyer (and possibly the Government) and shall be available for use at the time of First Article submission, or on-site Source Inspections. The Supplier shall maintain the acceptance inspection equipment within a controlled calibration system that requires established intervals (5-year maximum) for calibration against certified standards traceable to the National Institute of Standards and Technology (NIST).

Any special inspection equipment designed and procured must be validated prior to use. This is typically completed by performing a modified Gage Repeatability & Reproducibility Study (Gage R&R) or some other validation plan that meets the usage.

The environment of the calibration areas shall be controlled to the extent necessary to assure measurements of the required accuracy. All calibrated items shall be transported, stored, used, and calibrated in an environment controlled to the extent necessary to assure the calibration integrity.

Supplier must have a written description of their standards and calibration program.

Calibration procedures must be controlled, available, used, and must contain sufficient detail to ensure calibrations are performed properly. Procedures that are obtained from a U.S. Government agency, an equipment manufacturer, or a published standard may be used if none are furnished by the Buyer.

Personnel performing calibrations must be trained and technically qualified for the assigned tasks. Records of qualifications must be maintained for all calibration personnel.

Selection of M&TE/standards must be based on the measurement type, range and accuracy required to determine conformance to requirements containing acceptance parameters and/or tolerances. The accuracy of acceptance equipment shall be of a ratio of at least 10 to 1 greater than the tolerance of the characteristic or feature to be measured unless directed by the PO. The calibration method and frequency of calibration for M&TE/standards must be defined, based on the type of equipment, stability characteristics, accuracy, intended use, and other conditions affecting capability.

When measurement standards or M&TE are either removed from service, removed from periodic calibration, or placed in storage, and they have been used since their last calibration, a final calibration (cross-check/loop closure) must be performed. In the event that measurement M&TE/standards are found out-of-tolerance (OOT) during recalibration or loop closure the Supplier must perform an evaluation of impact to the Buyer's product/data and provide notification to the Buyer in writing if there is an impact to the Buyer's product/data.

For lost or damaged equipment, the Supplier must notify the Buyer in writing of the lost or damaged equipment and the potential impact to the Buyer's product/data.

122. Inspection Equipment – Buyer Designated

The Supplier (and any sub tier) shall only use the equipment (or designs) mandated by the Purchase Order for the designated characteristics specified on the Purchase Order. The Supplier shall perform inspection and/or test on end items covered by the Purchase Order prior to submission to Buyer or prior to delivery. Inspection/test of material, which cannot be readily examined in the end items, must be performed at the appropriate in-process stages of manufacturing. Records of inspection/tests must be maintained by the Supplier. All such equipment shall be subject to review by the Buyer (and possibly the Government) and shall be available for use at the time of First Article submission, or on-site Source Inspections. The Supplier shall maintain the acceptance inspection equipment within a controlled calibration system that requires established intervals for calibration against certified standards traceable to the National Institute of Standards and Technology (NIST). The accuracy of acceptance equipment shall be of a ratio of at least 10 to 1 greater than the tolerance of the characteristic or feature to be measured unless directed by the PO.

Any special inspection equipment designed and procured must be validated prior to use. This is typically completed by performing a modified Gage Repeatability & Reproducibility Study (Gage R&R) or some other validation plan that meets the usage.

The environment of the calibration areas shall be controlled to the extent necessary to assure measurements of the required accuracy. All calibrated items shall be transported, stored, used, and calibrated in an environment controlled to the extent necessary to assure the calibration integrity.

Personnel performing calibrations must be trained and technically qualified for the assigned tasks. Records of qualifications must be maintained for all calibration personnel.

Selection of M&TE/standards must be based on the measurement type, range and accuracy required to determine conformance to requirements containing acceptance parameters and/or tolerances. The accuracy of acceptance equipment shall be of a ratio of at least 10 to 1 greater than the tolerance of the characteristic or feature to be measured unless directed by the PO. The calibration method and frequency of calibration for M&TE/standards must be defined, based on the type of equipment, stability characteristics, accuracy, intended use, and other conditions affecting capability.

When measurement standards or M&TE are either removed from service, removed from periodic calibration, or placed in storage, and they have been used since their last calibration, a final calibration (cross-check/loop closure) must be performed. In the event that measurement M&TE/standards are found out-of-tolerance (OOT) during recalibration or loop closure the Supplier must perform an evaluation of impact to the Buyer's product/data and provide notification to the Buyer in writing if there is an impact to the Buyer's product/data.

For lost or damaged equipment, the Supplier must notify the Buyer in writing of the lost or damaged equipment and the potential impact to the Buyer's product/data.

123. Safety Critical Characteristic Calibration Period and No Due Date Extension

All Measuring and Test equipment used to verify Safety Critical Characteristics shall have a calibration period no longer than 1 year and no extensions shall be granted.

124. Statistical Process Control / Capability Analysis

The Supplier is required to validate the quality of their product, whether produced at the Supplier's facility or at a subcontracted facility, using Statistical Process Control (SPC) techniques as defined within ISO 11462 (current revision). Application of SPC techniques shall be considered for characteristics identified as Key, Critical, Major, and Special on the drawing or other document. The Supplier shall provide written justification for all such characteristics where SPC is determined to be inappropriate.

A plan for the implementation of SPC shall be submitted by the Supplier for review and approval by the Buyer prior to the initiation of production. Where FAI is contractually required, the SPC plan shall be submitted to and approved by Thaler Machine Company prior to First Article inspection by Thaler Machine Company. Unfortunately, many Suppliers may not be able to implement true SPC on their shop floor for various reasons; i.e. data taken at the end of the manufacturing process or final inspection. When a Supplier is not able to react immediately to data, then true SPC is not implemented at the facility and this situation must be explained in the SPC Plan.

The SPC plan shall detail the process capability studies to be performed, the SPC methods to be applied and a time-phased schedule for total implementation. The SPC plan shall also identify the operations where SPC will be implemented; the sample size and frequency of measurements; the criteria to be used for modifying the sample size and frequency; the Quality Assurance procedures to be used to validate the accuracy, adequacy, and interpretation of the data; criteria to be used for determining an out of control condition; identification of the responsibility for performing measurements and corrective actions; and the corrective action procedures to be used and actions to be taken upon statistical signal or detection of an out of tolerance item.

Statistical evidence of item quality in the form of control charts shall be prepared and maintained for each characteristic identified in the plan. The recording of data and plotting of charts shall be updated at each sampling interval. The charts shall identify all corrective actions to be taken upon statistical indication that an item is moving toward an out of control condition. All charts shall be considered quality records to be retained by the Supplier in accordance with requirements as stated in the Purchase Order and shall be made available for review or provided upon the request of Thaler Machine Company.

When SPC has been implemented and the processes have demonstrated a state of statistical control and the item(s) conform to final acceptance specifications, the Supplier may request that sampling in accordance with the specification be reduced for acceptance purposes on those controlled characteristics. Upon approval by Thaler Machine Company, acceptance shall then be based upon the reduced sampling, the control charts, and the SPC plan approved by Thaler Machine Company. Thaler Machine Company shall not unreasonably withhold approval. At the discretion of Thaler Machine Company, should the process warrant, the authorization for reduced inspection may be withdrawn.

A mitigation plan is required for those features not meeting the following requirements (unless specified in another document):

- Cpk/Ppk Requirement for Plastic Parts ≥ 1.0
- Cpk/Ppk Requirement for Metal Parts ≥ 1.33 (Majors, Minors)
- Cpk/Ppk Requirement for Metal Parts ≥ 1.67 (Criticals)

125. Characteristics Not Verifiable Upon Receipt

The supplier shall provide adequate controls, within the quality system, to ensure that characteristics not verifiable upon receipt are adequately controlled.

126. Inspection Sampling Plan C=0

The Supplier shall perform lot sample inspection on items to be delivered under the Purchase Order, in accordance with the Thaler Machine Company C=0 Inspection Plan and the below listed AQLs based on the classification of characteristics. If the inspection reports are required to be submitted, the data shall be reported for each unit requiring inspection in accordance with the sampling plan herein.

In all cases where defective items are found within the sample the supplier shall notify the Thaler Machine Company buyer for instructions on how to proceed with inspection. At a minimum the entire lot shall be inspected 100% for the characteristic found to be out of specification. The instructions may also require additional characteristics to be inspected to ensure conformity of the entire part. All defective items found shall be either corrected or removed from the lot. Reference Thaler Machine Company C=0 Sampling Plan, Table 1; sample size is based on lot size.

Unless otherwise noted, Classification of characteristics shall be as designated on applicable drawings, or specifications. If not so designated, it shall be in accordance with the following:

Critical Characteristics – 100% Inspection Required

- a. Pressure tightness or leak rate requirements (on such items as pressure vessels, vacuum chambers, tanks, capacitors, fluid line, and as otherwise called out on drawings and specifications).
- b. Surface finish of better than $16\sqrt{\text{in}}$ (microfinish) [$0.4\sqrt{\text{metric}}$].
- c. Total dimensional tolerance less than .001 in. or 0.025 mm.
- d. Purchase order, drawing or specification required functional characteristics.

Major Characteristics – AQL 1.0 Inspection Required

- a. Total angular tolerance of less than $0^{\circ} 30'$.
- b. Total dimensional tolerance, including form (perpendicularity, parallelism, run-out, contour, etc.) from .001 in. or 0.025 mm up to but not including .005 in. or 0.125 mm.
- c. Surface finish from $16\sqrt{\text{in}}$ [$0.4\sqrt{\text{metric}}$] up to but not including $63\sqrt{\text{in}}$ [$1.6\sqrt{\text{metric}}$] (microfinish).

- d. Class 3 or modified form threads.
- e. Weld, braze or solder joints (visual inspection unless otherwise specified)
- f. Electrical characteristics such as capacitance, resistance, inductance, voltage, amperage, etc.
- g. Weight with tolerance of less than 1% of total weight; e.g., 100g ± 0.95g.

Minor Characteristics – AQL 4.0 Inspection Required

All characteristics not specified above except reference dimensions.

Thaler Machine Company C=0 Sampling Plan

Conformance = Zero Defects
1 Defect = Rejection of entire lot.

AQL			0.4	0.65	1.0	1.5	2.5	4.0	6.5	10
Lot Quantity			SAMPLE SIZE							
2	to	8	*	*	*	*	5	3	2	2
9	to	15	*	*	13	8	5	3	2	2
16	to	25	*	20	13	8	5	3	3	2
26	to	50	32	20	13	8	5	5	5	3
51	to	90	32	20	13	8	7	6	5	4
91	to	150	32	20	13	12	11	7	6	5
151	to	280	32	20	20	19	13	10	7	6
281	to	500	48	47	29	21	16	11	9	7
501	to	1,200	73	47	34	27	19	15	11	8
1,201	to	3,200	73	53	42	35	23	18	13	9
3,201	to	10,000	86	68	50	38	29	22	15	9
10,001	to	35,000	108	77	60	46	35	29	15	9
35,001	to	150,000	123	96	74	56	40	29	15	9
150,001	to	500,000	156	119	90	64	40	29	15	9
500,001	&	over	189	143	102	64	40	29	15	9

NOTE: *indicates entire lot must be inspected

127. Honeywell SPOC 128 Inspection Sampling Plan

This clause is for all material where Honeywell is the customer of Thaler Machine Company and is superseded by Honeywell SPOC 128 and Honeywell SPOC 128 Supporting documentation

Critical Characteristics - inspected to 100 percent

- Structural Critical (SC)
- Hardness Critical (HC)
- Any characteristic defined as Critical Per Engineering B/P or specification Structural

Major Characteristics - Inspected to 97 percent AQL

- Dimensional total tolerances equal to .010 inch or less
- Any characteristics classified as Major Per Engineering B/P or specification
- Angular Characteristics tolerance of +/- 0 degrees, 30 minutes or less
- Surface Finish Characteristics 32 finish or less

Minor Characteristics - Inspected to 92 percent AQL

- Dimensional total tolerances equal or greater than .0101 inch
- All characteristics not otherwise classified Per Engineering B/P or specification

Non-Linear Characteristics – Inspected to 100 percent

- All notes, materials, processes, functional testing, part marking & traceability related evidence

Initial Reliability Requirement (IRR) - The degree of confidence that a part will conform after completion of all manufacturing steps, or, the expected rate at which defect-free parts are produced. Operationally, it is the number of consecutive units of product that must conform to requirements before the supplier is eligible to perform acceptance sampling.

IRR Table

Critical	IRR: 100%	Establishing Inspection of a Characteristic: 100% Inspection
Major	IRR: 97%	Establishing Inspection of a Characteristic: 76 Accepted - in a row
Minor	IRR: 92%	Establishing Inspection of a Characteristic: 28 Accepted - in a row

First time production must establish IRR level prior to sampling.

If sampling inspection reported nonconformance results in even one (1) reject (c=0), the lot shall be rejected and 100% inspected. Any reject of any characteristic resets the IRR for the complete part unless the supplier petitions and receives relief from Thaler Machine Company through an authorized Honeywell representative (i.e., FQE, site SQE or Site QA Manager, etc.). Rejects coded for administrative issues that do not affect the form, fit or function of the part will not affect the IRR.

Once a non-conformity is detected, the IRR must then be re-established on the next consecutive production lot(s) prior to resuming of Lot or Continuous sampling methodologies.

Thaler Machine Company through the Honeywell Quality Manager of the site issuing the purchase order may relax the 100 percent sampling requirement while establishing (or re-establishing) the IRR if the measurement is determined to be not practical or places an undue burden on the supplier to perform. This approval must be obtained in writing and be maintained as part of the suppliers sampling inspection records.

Acceptance Sampling Requirements

Critical Characteristics IRR = 100% Reliability
Critical characteristics are inspected 100%

Major Characteristics IRR = 97% Reliability
76 in a row to establish IRR

Lot Sizes	Sample Sizes
up to 9	All
10	9
11	10
12 to 13	11
14 to 15	12
16 to 17	13
18 to 20	14
21 to 24	15
25 to 29	16
30 to 35	17
36 to 44	18
45 to 57	19
58 to 78	20
79 to 118	21
119 to 233	22
234 to 2536	23
2537 & up	24

Minor Characteristics IRR = 92% Reliability
28 in a row to establish IRR

Lot Sizes	Sample Sizes
up to 5	All
6 to 7	5
8 to 11	6
12 to 19	7
20 to 53	8
54 & up	9

128. Non-destructive Evaluation (NDE)

Non-destructive Evaluation (NDE) shall be per the requirements of this order, referenced codes, standards, drawings, and specifications. NDE controls shall include qualification/certification of personnel, material, and calibration of equipment. Prior to production, the supplier shall submit a copy of nondestructive evaluation procedures and technique sheets to the Thaler Machine Company buyer, who will coordinate Thaler Machine Company Quality Assurance review and approval. Formal approval will be returned to the supplier. The supplier shall make no changes to any technique sheet that has been formally approved by Thaler Machine Company. All proposed changes shall include specific details and effectivity of the changes. No changes shall be implemented without prior written approval from the Thaler Machine Company buyer. As Thaler Machine Company is typically a make to order entity, approval from Thaler Machine Company's customer is also typically required.

129. No Glass Beads

Items on this purchase order (or parts used to make items on this purchase order) shall not be cleaned using glass beads.

130. Weld Schedule

The supplier shall develop a Weld Process Specification (WPS). Weld samples must be produced from this WPS which meet all requirements. The WPS must be approved by Thaler Machine Company prior to start of production. A WPS will be required for every weld joint and weld type. The WPS shall identify the process parameters and settings required for acceptable production including any information required by the engineering drawing or any applicable specifications. All WPS must be developed by either an AWS (American Welding Society) certified weld inspector or equivalent, and/or an AWS certified weld engineer or equivalent. Certificate must include the AWS with qualifying level credentials of operator or include the AWS qualifying training record with level for operator.

131. No halogenated Solvents

The primary concerns addressed by titanium compatibility evaluation are:

Stress Corrosion Cracking: due to exposure to liquid materials that may contain solvents, acids, or other chemicals that attack titanium alloys

- Hydrogen Embrittlement: due to improper exposure to acids or other hydrogen-imparting chemicals
- Solid Embrittlement: due to exposure to incompatible metals such as plating or other materials containing these metals as fillers, etc.

Solid materials that may be used in titanium hardware processing or end item assemblies that are known to be free from incompatible metallic elements and/or do not liberate incompatible liquids are considered non-applicable to the requirements of this specification. Examples of materials that do not require compatibility testing include ceramic/oxide abrasive media, industry-standard nitride-based coatings on cutting tools, plastic tooling, polymeric sealing materials and EPDM insulation.

132. Supplier Record Retention – X years

The Supplier (and any sub tier) shall maintain adequate records of all required inspections and tests, including such records or certifications provided to the Supplier by its subcontractors, for "x" years after final payment. Thaler Machine Company to select from the following:

- Not required
- 10 years (Only applicable to commercial products)
- 15 years (Only applicable to commercial products)
- 20 years (Minimum record retention for aerospace and defense products)
- 25 years
- 30 years
- Indefinitely

Supplier (and any sub tier) shall keep on file records reflecting that all materials and finished items were controlled and tested in accordance with and met the specifications detailed on the purchase order. Supplier (and any sub tier) shall maintain complete books and records, including inspection records, with respect to all goods and services, which records shall be available to Buyer during performance of this Order and until the later of designated years after final payment; final resolution of any dispute involving the goods or services delivered hereunder; or the latest time required by applicable law or regulation.

Supplier and its subcontractors shall at any time, and after notice by Buyer,

- Grant to Buyer, Buyer's customers and/or to any applicable regulatory authority, unrestricted access to (or if Buyer so requests, provide to Buyer copies of) such books and records, wherever such books and records may be located (including third-party repositories), and
- Provide Buyer, Buyer's customers and/or any such authority the right to access, and to perform any type of inspection, test, audit or investigation at Supplier's premises, including manufacturing and test locations, for the purpose of enabling Buyer to verify compliance with the requirements of this Order or for any other purpose indicated by Buyer's customers or said authority in certification, manufacture, use and/or connection with the design, development or support of the goods or services.
- Shall furnish all reasonable facilities and assistance for the safe performance of the inspection, test, audit and/or investigation.

Records shall be retained the designated years after final payment unless otherwise stated in PO. Records shall be maintained for the retention period in a manner that prevents damage from fire, moisture, pests, power interruption, or any other deteriorating effects. Supplier shall notify the Thaler Machine Company buyer if conformance to this requirement cannot be met. In such an instance, copies of records shall be provided to Thaler Machine Company buyer, who shall retain such records for the required record retention period or forward to Thaler Machine Company customer.

Thaler Machine Company buyer shall be notified thirty days prior to destruction of documentation related to Thaler Machine Company buyer orders.

A supplier (and any sub tier) who ceases operations (i.e., goes out of business) shall contact the Buyer to plan for the transfer of all quality records Thaler Machine Company for storage. A supplier (and any sub tier) who discontinues acceptance of Thaler Machine Company purchase orders, but whose business remains intact, shall be responsible for the archival of all quality-related records for the time periods specified on the PO.

Legible and reproducible electronic copies of records are acceptable. If computer generated data is supplied, it shall be the responsibility of the Supplier to provide any cyber records in readable condition utilizing a current, generally accepted method or program. If needed, the supplier shall submit to Thaler Machine Company, an interpreter instruction listing describing test or sequence number versus drawing parameters.

133. Military Specification Cancellation

DoD Acquisition Reform has resulted in the obsoleting or cancellation of some military specifications, and in some cases no replacements are noted. In some cases, the obsolete specification is not for new designs but is still valid for existing applications. Thaler Machine Company encourages its suppliers to request approval for use of alternate specifications that replace cancelled specifications. If a cancelled specification lists an alternate, please notify Thaler Machine Company Buyer for alternate specification use. As Thaler Machine Company is typically a make to order entity, direction from Thaler Machine Company's customer is also typically required.

134. Foreign Object Damage or Debris Prevention (FOD)

The supplier (and any sub tier) shall establish and maintain an effective Foreign Object Elimination (FOE)/Foreign Object Damage/Debris (FOD) Program to reduce/eliminate FOD using NAS-412 as a guideline. The program shall be proportional to the sensitivity of the design of the product(s) to FOD as well as to the FOD-generating potential of the manufacturing methods. The supplier will document and investigate, determine root cause, and eliminate repetitive nonconformances related to FOD incidents. The written procedures developed by the supplier shall be subject to review and auditing by Thaler Machine Company and disapproval when the supplier's procedures or policies do not accomplish their objectives.

Supplier (and any sub tier) shall utilize only packaging material to prohibit Foreign Object Damage (FOD), part contamination, part obstruction or non-preservation residue.

Supplier (and any sub tier) shall provide training to associates and provide records as evidence of training upon request.

135. Plated Components, Assemblies and Mechanical Items

The Supplier shall ensure that items delivered under the Purchase Order do not contain any pure tin finishes, or any tin-lead (SnPb) plating shall result in a finish of no less than 3% lead.

This does not apply to any MIL-SPEC items or any Buyer supplied drawings, specifications, and/or other applicable documents that allow the use of tin (Sn) with less than 3% lead (Pb).

The Supplier shall provide a Certificate of Conformance with each shipment stating that the Supplier has verified that the delivered items meet the above listed composition requirements.

136. Packaging Time, Temperature, Static Discharge, or Environmentally Sensitive Items

Items described in their design, specification, or manufacturers' documentation as sensitive to time, temperature electrostatic discharge, or other environmental conditions and have special packaging, marking, and handling requirements and controls specified, shall be packaged, marked, and handled in accordance with those requirements and controls to preclude damage or deterioration to the product during shipment and upon receipt.

137. Packaging Returned Product and Test Articles/Coupons, etc.

Parts, samples, items, test coupons that are shipped as required for testing or destructive testing or have been expended in testing shall be packaged separately and uniquely identified as samples or test articles and not for flight or production usage.

138. Electrostatic Discharge Protection (ESD)

The items to be delivered under the Purchase Order may be sensitive to electrostatic discharge. The Supplier (and any sub tier) shall ensure that ESD protection criteria are in accordance with approved common practices.

139. As-Built Configuration List

The supplier shall furnish with each unit a legible and reproducible copy of the "as-built" parts list (including Thaler Machine Company furnished parts), identifying all part numbers, configuration, serial numbers (when required), lot numbers, and quantities.

140. Shelf Life Requirements – Thaler Machine Company Consumable Material

The Supplier shall provide shelf life information with the shipment. The information shall include:

- Product Name
- Manufacturer's name
- US Hazardous Materials Identification System (HMIS) information
- Manufacturer's compound/batch/lot number (as applicable)
- Manufactured, cure, and/or shelf life start date as applicable
- Suggested expiration date
- The suggested expiration date format shall be MM/DD/YYYY or YYYY/MM/DD.
- Specification to which the item is purchased, with type and class (if applicable)
- Storage temperature (if applicable)
- If the material is temperature sensitive, storage requirements must be labeled on the exterior surface of each package shipped.

For non-Supplier Managed Inventory contracts, the Supplier shall provide material with at least 75% of the specified shelf-life remaining. Supplier shall not ship material that cannot meet this requirement without prior written approval from Thaler Machine Company Buyer.

For Supplier Managed Inventory contracts, the minimum remaining shelf life upon delivery will be set at 25%, in consideration of the Just-In-Time (JIT) delivery process.

141. Shelf Life Reporting for Supplier Used Material

The Supplier (and any sub tier) maintain a system to manage shelf life material. The Supplier shall provide shelf life information (Including sub tier information) with the shipment. The information shall include:

- Product Name
- Manufacturer's name
- Manufacturer's compound/batch/lot number (as applicable) or Supplier lot number
- Expiration date
- The suggested expiration date format shall be MM/DD/YYYY or YYYY/MM/DD.
- Specification to which the item is purchased, with type and class (if applicable)
- Statement of compliance that all materials used were within shelf life.

For non-Supplier Managed Inventory contracts, the Supplier shall provide material with at least 75% of the specified shelf-life remaining. Supplier shall not ship material that cannot meet this requirement without prior written approval from Thaler Machine Company Buyer.

For Supplier Managed Inventory contracts, the minimum remaining shelf life upon delivery will be set at 25%, in consideration of the Just-In-Time (JIT) delivery process.

142. Hazardous Materials

Supplier shall package, label, transport and ship hazardous materials or items containing hazardous materials in accordance with all applicable federal, state and local laws and regulations, including but not limited to Title 49 of the Code of Federal Regulations.

Supplier, prior to each hazardous material shipment, shall notify Thaler Machine Company Buyer of its nature and shipment data by such means of communication as will allow for proper preparation for acceptance of delivery by the carrier of the material and shall identify same on all shipping documents.

Supplier represents that each chemical substance constituting or contained in work delivered to the Company is included on the current inventory of chemical substances published by the Administrator of the Environmental Protection Agency pursuant to the Toxic Substances Control Act, as amended.

Supplier will provide Thaler Machine Company with each delivery any Safety Data Sheet applicable to the Work that conforms with, and contains the information required by, the Occupational Safety and Health Act of 1970 and its implementing regulations, or a state approved counterpart, as it may be amended.

143. Training

The supplier must have written procedures that ensure:

- Personnel are trained and/or qualified to be capable and competent prior to performing their assigned work;
- Personnel are provided continuing training to maintain job proficiency;
- Evidence of training, qualification, or certification are maintained; and
- Qualification is based on a combination of factors including education, training, skills, and experience.

Evidence of personnel training, qualification, or certification must also be retained for a minimum of 3-years or life of the qualification or certification whichever is later.

144. Sub Tier Procurement

Suppliers are responsible to ensure that purchased products and services conform to all Buyer Purchase Order requirements. The Supplier must have written procedures to ensure that:

- Procurement documents, including contracts, contain correct requirements
- Prospective sub tiers are evaluated and selected based on specified criteria, technical capabilities and rigor of their QMS
- Procured items and services must meet the requirements defined in the Buyer's Purchase Order
- The supplier must have an established process for the prevention of Counterfeit Components/Parts from being sold to the Buyer as follows:
 - The supplier must provide counterfeit component/parts awareness training to its personnel

- The supplier must flow down requirements to their suppliers to reduce the risk of receiving suspect/counterfeit parts
- If suspect or counterfeit components/parts are identified/received the process must address the containment, evaluation, disposition and disposal of the components/parts
- Any receipt of suspect or counterfeit components or parts in support of a Buyer's Purchase Order must be reported to the Buyer and immediately forwarded to Thaler Machine Company Buyer

145. Sub tier Supplier Evaluation, Selection, and Monitoring

The Supplier must select any sub tier based on assessment of ability to supply product in accordance with requirements, including quality requirements and technical capabilities for the product(s) and service(s) being procured.

Any sub tier evaluation and selection must be documented.

Any sub tiers must be monitored regarding the effectiveness of their QMS and the quality of their product.

The Supplier's purchase orders or contracts to any sub tier must provide for Thaler Machine Company, Thaler Machine Company customers, and/or regulatory agencies, government representatives to perform quality surveys and inspections at sub tier locations where materials or services are rendered.

146. Annual Validation

At least annually, for procurements that support Thaler Machine Company Purchase Orders, The Supplier (and any sub tier) shall verify the validity of their supplier's Certificate of Conformance through independent testing on a minimum of one (1) part number per Supplier by any of the following methods

- Testing can be performed by an independent test house approved by the Buyer, or
- Testing can be performed internally by the Buyer or designated representative using capable test equipment, or
- The Buyer or designated representative can perform an onsite audit of each sub tier providing material to verify the validity of that sub tier's Certificate of Conformance.

Annual validation requirements are not applicable to Commercial (COTS) products, such as, nuts, bolts, screws, resistors, diodes, chemicals, etc. unless dictated by the PO. It is also not required for Buyer Furnished Materials.

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**Revision
History:**

Rev.	Date	Description
01	8/13/2019	Original
02	7/16/2019	Updated Packaging, Preservation and Product Safety

TMC Form Review _____ Date _____

And

TMC Form Authorization _____ Date _____