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PURCHASING TERMS AND CONDITIONS

Applies to all PO's issued by H&R Parts (HRP)

H1) Acceptance:

Supplier's acceptance of HRP purchase orders shall constitute an agreement to all terms and conditions therein; including but not limited to purchase order price, quantity shown on packing slips, delivery date, specification, terms, quality requirements, and regulatory requirements.

H2) Acknowledgement:

A signed acknowledgment MUST be returned to the HRP buyer upon receipt and review of the order to show acceptance.

H3) Material Substitutions / PO Amendments:

- a) Supplier is required to notify HRP of changes to products, processes, suppliers, manufacturing facility locations and where required, obtain approval from HRP for those changes.
- b) Supplier is responsible to verify receiving documents supplied by HRP and notify HRP of any discrepancies as needed for PO/Packing slip amendment.

H4) Right of Entry:

H&R Parts, our customers, and regulatory authorities, reserve the right of access to the applicable areas of all facilities, at any level of the supply chain involved in the order and to all applicable records.

H5) Schedule:

Delivery schedule will be the responsibility of the supplier. The supplier will not be held liable for damages in respect to delivery delay due to causes beyond supplier's reasonable control. However, if the supplier does not meet the delivery date if/as directed on the face of the order, the buyer may approve a revised delivery schedule, or terminate the order without liability for such termination.

H6) Flow down of Requirements:

- a) Order may be subject to being assigned a priority rating under the Defense Priorities and Allocations System (DPAS) regulations which requires contractors to utilize the assigned rating in obtaining the products, material, and supplies needed to fill our orders.(see PO for DPAS Rating)
- b) Buy American Act and Balance of Payments Program
- c) Qualifying Country Sources as Subcontractors
- d) Supplier must flow down to the sub-tier suppliers any applicable requirements referenced in the purchase order including specification, key characteristics, critical safety items, terms and conditions, and/or HRP customer contractual requirements.

H7) Materials Furnished by HRP:

- a) All materials furnished by HRP, including parts, drawings, tooling, test pcs, etc. are to be returned with the product upon completion of the order unless the PO specifies otherwise.
- b) HRP supplied materials shall be maintained in good working conditions and in a protected environment to prevent damage. Damages to the materials while in care of the supplier shall be reported to HRP buyer in writing and obtain disposition prior to further processing.

H8) Hazardous Material:

- a) Supplier agrees to furnish the applicable Material Safety Data Sheets (MSDS) with each shipment for products designated by industry, state, or federal agencies as hazardous material.

H9) Quality Assurance / Inspection and Test Equipment:

- a) The supplier shall comply with HRP Quality System requirements as specified by the HRP supplier survey or purchase order.

b) Supplier's signed Packing Slip and/or Certification of Conformance required for all products and/or processes indicating the PO number, specification number to include revision, type, class of materials as needed, name of supplier and quantities accepted and rejected. ***continued page 2

c) Record retention required for a minimum of 10 years for all purchase orders processed to include the certification provided to HRP as well as supporting documents of the certification.

d) Raw Material suppliers shall furnish complete physical / chemical analysis and test reports with each shipment.

e) Suppliers will be accepted based on the following criteria, and will be maintained under approval status determined by supplier evaluations, audits, on-site visits, and/or additional testing, inspection or verification requirements as needed. (Availability of products or services; On-time delivery; Quality of products or services delivered; and relevant industry references).

f) Supplier evaluation surveys may be distributed to assess supplier competence.

g) If supplier facility source inspection is required by the PO prior to shipment, supplier shall contact HRP at least 48 hours prior to planning inspection / shipment. HRP will place an Inspection stamp on the supplier's shipper to indicate acceptance.

h) Supplier shall maintain inspection and test equipment pertinent to the supplies on order to assure calibration traceable to known National or Intl. standards. Calibration records must be maintained and made accessible to HRP, if required.

i) Inspection is to be performed and certified prior to release of product or service. New production runs on manufactured parts require a First Article Inspection report per AS9102 or similar format if required by HRP on the PO.

H10) Personnel:

Personnel performing special processes must be qualified and/or certified per applicable specifications required by the purchase order. Personnel performing work demonstrate the necessary competence to complete the task and must show awareness of their contribution to product/service conformity, product safety, and the importance of ethical behavior.

H11) Foreign Object Damage:

Supplier shall maintain foreign object damage or contamination prevention policies during manufacture, assembly, inspection and/or shipment.

H12) Product Conformance:

Documentation, certifications, products, materials received are subject to HRP inspection, and review as needed giving consideration to the nature of and information included within, and may be subject to periodic inspection and testing by HRP or subcontracted labs possessing demonstrated competencies or accreditations for the scope of inspection or testing activities performed.

H13) Counterfeit Part Prevention:

Suppliers shall plan, implement and control processes as appropriate to the product and services provided for the prevention of counterfeit or suspected counterfeit parts and their inclusion in products provided to H&R Parts. The supplier shall take action to quarantine and report suspect or detected counterfeit items before, during and after delivery as necessary.

H14) Nonconformance:

a) Product or process nonconformities related to supplier performance may result in the following actions, as deemed appropriate. (Placing suppliers on probationary status until issues are satisfactorily resolved; Disqualifying the supplier or subcontractor; Additional audits or on-site visits of the subcontractor's premises; Further controls for production, verification, inspection and testing; and Requests for corrections or formal corrective action).

b) Supplier is to notify H&R Parts of non-conforming products immediately upon findings, and obtain H&R Parts approval of nonconforming product disposition.

c) Nonconforming products are to be segregated immediately and identified to prevent unintended use or distribution.

H15) Packaging / Shipment:

a) Shipping tolerance must be complied with (see PO for qty tolerance). Any exceptions to quantity shall be reported immediately to the buyer.

b) Products shipped shall be in a manner that prevents damage and deterioration during shipping.

c) Supplier shall notify HRP of any anticipated delays to scheduled deliveries and/or if the shipping instructions on the PO cannot be complied with.

Supplier to record and maintain receipt of HRP T&C as needed for application to any purchase orders received after date of receipt.

Received by: _____

Date: _____