
 Systems 3, Inc. <small>1515 W. 17th Street Tempe, Arizona 85281</small>	Title: Purchase Order Flow-Downs	
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1. **SOURCE INSPECTION:** Source Inspection by a Systems 3, Inc. Quality Assurance Representative is required at the Seller's facility. The Seller shall provide all test reports, inspection records, facilities, and equipment necessary to perform the appropriate inspection of product. The Systems 3, Inc. Quality Assurance Representative shall be notified at least 48 hours in advance of performing acceptance test or of intent to ship. Shipment shall be withheld pending necessary action by the Systems 3, Inc. Representative. Waiver of Source Inspection must be requested in writing and sent with build and inspection documentation for approval by Systems 3, Inc. Quality Assurance Management. The approved request shall accompany each applicable shipment.
- 1A. **GOVERNMENT INSPECTION:** Government inspection is required prior to shipment from the Seller's facility. Upon receipt of this order, promptly notify the Government representative who normally serves the Seller's facility so that appropriate planning for Government inspection can be accomplished.
2. **FIRST ARTICLE INSPECTION:** The Seller shall perform an AS9102 First Article Inspection (FAI) on the initial part or lot at the detail, sub-assembly and/or assembly level and supply a copy of the ballooned drawing used. A copy of the FAI documentation shall accompany the initial shipment. The documentation shall include a list of the characteristics required by the design data and any required tolerances, the actual results and, when testing is required, the results of the test(s). The FAI shall be updated to include production process, or configuration changes. FAI documentation shall be retained in accordance with the record retention requirements of this Purchase Order. First Article Inspection is defined as a verification of two key elements:
 - Conformance to all engineering requirements
 - Demonstration of stable, repeatable processes
3. **APPROVED PROCESSING SOURCES:** All processing sources shall be approved by Systems 3, Inc.'s Customer (See Purchase Order text for specific Customer) prior to performing the process specifications. The Seller is responsible for assuring that the subcontracted processing source has in their possession a current customer approval for all processes to be performed by the processor. Seller shall flow down to sub-tier supplier(s) the applicable requirements and any key characteristics where required.
4. **TEST REPORTS, PHYSICAL/CHEMICAL:** A physical/chemical test report for metallic raw material is required and shall contain the name/number of the specification with which the material is in compliance, the melt/heat lot number or other traceable designation (i.e. Purchase Order number, invoice number, etc.). the report shall indicate the percentage of each element that makes up the chemical composition, the physical properties of the raw material, and a statement of conformance to the applicable specification.
5. **IDENTIFICATION:** This product shall be individually identified as specified on the engineering drawing specification if not specifically called out on the Purchase Order. When items are too small to easily identify, they may be bagged and tagged.
6. **CERTIFICATE OF CONFORMANCE:** Seller must submit a Certificate of Conformance (C of C) with a unique certification number containing the following information:
 - 1) General C of C Requirements
 - a) A statement asserting that the items contained within the shipment are in total compliance with requirements of the PO.
 - b) Title and specification number (including revision letter) of the process
 - c) Date of C of C issuance
 - d) Purchase Order number and Part Number
 - e) Quantity of parts (include both the quantity accepted and the quantity rejected)
 - f) Signature and title of authorized quality agent of Seller
7. **QUALITY RECORD RETENTION:** The Seller shall retain Quality Assurance/Inspection records and maintain a system with the ability to recall these records upon request by Systems 3, Inc., their Customer, or the U.S. Government. Additionally, distributors shall assure that manufacturers maintain quality assurance/inspection records and, upon request, forward records to Buyer at no additional cost, price, or fee to Buyer.
- 7A. Unless otherwise stated in this Purchase Order, the quality record retention period shall be ten (10) years following the end of the year in which this Purchase Order is accomplished and/or as required by Customer.

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7B. Maintain records of all QCS-001 “Work” performed and/or procured in accordance with Appendix QX, 2.5 for at least ten (10) years after completion of this PO or for longer periods if specified elsewhere in this PO. Seller shall maintain complete records of the following:

- All manufacturing, inspection, test, C of C, and shipping records;
- Process capability or tooling controlled per TMS-MC-015, if applicable; and
- All nonconforming material, dispositions, assignable causes, corrective and preventive actions, and effectiveness of corrective actions.

8. FLIGHT SAFETY PARTS PROGRAM: This part is designated as “Flight Safety Part” and/or “Contains Flight Safety Parts Program (FSPP) Critical Characteristic” and accordingly requires control during manufacturing per EPB 17-119, FSPP Requirements. The Seller shall certify the part has been made to an approved FSPP Production Planning Package and maintain as historical record material control number or serial number traceability from raw material to purchase order end item. A completed inspection record with actual results for each FSPP critical characteristic shall be included with product shipment.

9. CERTIFIED TEST DATA: The test report shall show quantitative test results versus quantitative requirements and tolerance(s) for values measured and shall include information to demonstrate conformance to the requirements of the engineering drawing/procurement specification or Purchase Order. Each shipment shall include a copy of the test report.

10. FURNISHED MATERIAL: The Seller is required to use the Systems 3, Inc. or their customers supplied material in the performance of this Purchase Order and deliver a product containing the material supplied to the Seller. Certification that the furnished material is contained within the delivered product shall be provided.

11. MATERIAL/STANDARD PART CERTIFICATION: Material or Standard Parts on this Purchase Order shall be procured from an approved supplier as indicated on the applicable customer Approved Vendor List (AVL) (See Purchase Order text for specific customer) or Government Qualified Product List (QPL). A certification stating the name and address of the customer AVL source or the

Government QPL source and the specification number shall accompany each shipment.

12. RAW MATERIAL TRACEABILITY

REQUIREMENTS: The material described by this line item may be used in a Flight Safety or Priority Part. The Seller shall provide and maintain a system of material traceability by Material Control (MC) number per the requirements of HP8-8. The MC number shall be marked on the material, shipping documents and certifications, and maintained as historical records per the requirements for record retention. Shipment documentation shall identify the MC number of all material delivered. All processing done to specification shall be certified by the processor in writing with each shipment. Certifications must reference the applicable specifications, the revision of the specification, the requirements of the specification and the quantity and MC number of each lot processed.


13. QUALITY & CALIBRATION SYSTEM FOR PRODUCTION, INSTALLATION AND SERVICING

(AS9100 REV. D/ AS9110): Seller shall maintain a quality system that complies with AS9100 Rev. D/AS9110 – Model for Quality Assurance in Production and Installation.

Calibration: Seller shall maintain a documented calibration system for the calibration and maintenance of tools, jigs, inspection and test resources. Seller shall have and maintain a calibration system compliant to ISO 17025, ISO10012-1, or ANSI Z540.

14. OZONE: Ozone depleting substance warning statement is required on delivery documentation, when applicable; in accordance with EPA final rule located at 40 CFR Part 82, “Protection of Stratospheric Ozone,” Subpart E, “Labeling of Products Using Ozone-Depleting Substances”.

15. DELIVERY STRETCH-OUTS: Notwithstanding any provisions of this Purchase Order to the contrary, Seller agrees that in the event Systems 3, Inc. finds it necessary to direct extensions in material and/or supply deliveries under this Purchase Order, any such extensions in delivery schedules will be accomplished by Seller at no increase in Purchase Order price, provided that such extensions in delivery schedules do not exceed four (4) months for this Purchase Order. In the event such direction from Systems 3, Inc. exceeds four (4) months, Seller will be entitled to claim such equitable price adjustment, as may be appropriate, but only for the period of deliveries that exceeds the aforementioned

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four (4) month extensions in schedule. However, it is noted that the provisions of this clause do not limit Systems 3, Inc.'s right to direct changes in delivery schedules as a result of Seller's failure to meet milestone dates included in this Purchase Order.

16. DELIVERY DELAYS: If a material shortage should develop, which will affect Seller's ability to meet System 3, Inc.'s delivery schedules, Seller shall immediately notify the Systems 3, Inc. Purchasing Representative who will determine whether Systems 3, Inc. has such material available.

17. ACCOUNTABILITY OF SPECIAL TOOLING: Special Tooling acquired on this or prior Purchase Orders used to perform this Purchase Order/Subcontract shall be used only for this Purchase Order/Subcontract. The Seller is responsible for maintaining accountability and maintenance records of Special Tooling in accordance with their approved property control system. Records are to include: accountability transfer from one Purchase Order/Subcontract to another, packing sheet on which the tool was received or shipped, tool number, serial number, (if any), nomenclature or description. The Seller assumes the risk and shall be responsible for any loss, destruction or damage of special tooling while in the Seller's possession, custody or control. All special tooling shall be maintained from the time of receipt until properly relieved of responsibility, in accordance with sound industrial practice. The Seller will, upon request, promptly review, update, sign, and return copies of the Buyer's tool inventory schedules or related reports submitted for processing. When the subcontractor is using Boeing / Government tooling and/or fixturing, the subcontractor must comply with Boeing requirement D950-11059-1.

18. SPECIFICATION REVISION: Seller shall review all applicable material processes, standards, and other specifications (including referenced drawings and planning documents), hereafter referred to as "specifications" called out elsewhere in this purchase order. If a listing of revisions for the specifications required by this purchase order is not provided, then the current revision level of such document, as of the date of this purchase order, shall be determined and used in the performance of this contract. Seller shall maintain a system to ensure removal of obsolete documentation from the manufacturing, inspection and test areas.


19. ADMINISTRATION OF PURCHASE ORDER RESPONSIBILITY: The responsibility for the contractual administration of this Purchase Order is vested in Systems 3, Inc. Accordingly, the Purchase Order and any Change Orders and/or amendments thereto shall require the signature of Systems 3, Inc.'s Purchase Representative. Any effort on Seller's part in performing a change to the scope of work prior to receipt of authorization from Systems 3, Inc.'s Purchasing Representative or higher authority will be at the Seller's risk.

20. AVAILABLE FOR CONFERENCES: During the progress of work called for herein, the Seller shall make availability for conference(s) with any of Systems 3, Inc.'s personnel, customer, or other subcontractor personnel engaged in the performance of the work at no change in contract price.

21. RIGHT OF ENTRY: It is mandatory on this order to allow Systems 3, Inc., their customer, their customer's customer and/or any regulatory authorities, surveillance at Seller's facility.

22. HANDLING, PRESERVATION, CLEANLINESS, AND PACKAGING: All material is to be protected against handling damage, corrosion, the introduction of foreign object debris (FOD) per AS9146, deterioration, contamination or other spoilage at the supplier's plant, during manufacturing, assembly, processing, test, and inspection operations as well as transit and upon receipt.


- 23. TERMINATION:** For default, the Buyer may terminate this order or any part thereof by FAX, e-mail, or written notice of default under any of the following circumstances:
- A.** If Seller refuses or fails to make deliveries or perform the services within the time specified or extension thereof.
 - B.** If Seller fails to comply with the various provisions of the order, or so fails to make progress as to endanger performance of this order in accordance with its terms.
 - C.** If Seller becomes insolvent, or makes a general assignment for the benefit of or relief from creditors, pursues any remedy under any law relating to benefit for or relief from debtors, or in the event a receiver is appointed for the Seller's property and to the extent Buyer may lawfully exercise such right of termination.

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- D. In the event of such termination, Buyer may purchase or manufacture similar supplies or require Seller to transfer title and deliver to Buyer any and all property produced or procured by Seller under this Purchase Order. Seller shall be liable to Buyer for any excess costs to Buyer. However, the Seller shall not be liable to Buyer for such excess costs when the default of Seller is due to causes beyond the control, or without fault and negligence of the Seller. Seller shall not be excused from liability unless Seller has notified Buyer in writing of existence of such cause within ten (10) days of the beginning thereof.
- E. The Buyer may terminate this order in whole or in part, at any time for its convenience, by notice to the Seller in writing. On receipt by Seller of such notice, Seller shall to the extent specified therein, stop work and the placement of subcontracts thereunder, terminate work under subcontracts outstanding thereunder, and take any necessary action to protect property in Seller's possession in which Buyer has or may acquire an interest. In such event, Buyer shall pay to Seller, without duplication.
- F. The amounts due for articles delivered and accepted or services completed in accordance herewith prior to the effective date to termination.
- G. The actual costs incurred by Seller if property allocable or apportionable under recognized commercial accounting practices to the terminated portion of this order, including liabilities to subcontractors which are so allocable, and excluding any charges for interest or material or parts which may be delivered to other Purchase Orders.
- H. The reasonable cost of settlement provided that the total settlement shall not exceed the order price, and provided further that if it appears that the Seller would have sustained a loss on the entire order had it been completed, no profit shall be included or allowed and an appropriate adjustment shall be made reducing the amount of the settlement to reflect the indicated rate of loss. Such termination claim shall be submitted to the Buyer within sixty (60) days after the effective date of the termination. If after notice of termination of this order under the provisions of paragraphs 23A – 23D (for default) above, it is determined for any reason that the Seller was not in default under the provisions of that

paragraph, or that the default was excusable, the right and obligations of the parties shall be the same as if the notice of termination had been pursuant to the convenience termination clause contained in paragraph 23E above for termination. Any termination by the Buyer, whether for default or otherwise, shall be without prejudice to any claims for damages or other rights of Buyer against Seller. Buyer shall have the right to audit all elements of any termination claim and Seller shall make available to Buyer in request all books, records, and papers relating thereto. Seller shall continue performance on this order to the extent not terminated any provisions for delivery or acceptance of the articles in installments shall not make severable the obligation of Seller.

- 24. **PRODUCT MANAGEMENT:** Systems 3, Inc. must be notified of any changes to the product and/or process definition. When required, supplier must have written approval of changes from Systems 3, Inc.
- 25. **NONCONFORMING MATERIAL:** No known nonconformance shall be shipped to Systems 3, Inc. without permission from Systems 3 Quality. The product shall be held at the supplier pending instruction from S3. If nonconforming product is found by supplier after shipment to S3 the supplier shall notify S3 within 24 hours of discovery. If material was supplied by Systems 3, the material is to be tagged as scrap and returned with the job.
- 26. **COUNTERFEIT PARTS:** Seller shall only purchase products to be delivered or incorporated as Work to Buyer directly from the Original Component Manufacturer (OCM)/Original Equipment Manufacturer (OEM), OCM/OEM authorized distributor chain Aftermarket Manufacturer, or Authorized Reseller per AS6174. Seller shall have a process in effect to cover all requirements of AS6174 and AS5553. These products shall have verification that Work is traceable to OCM/OEM; OCM/OEM authorized distributor chain per, Aftermarket Manufacturer, or Authorized Reseller that identifies the name and location of all the supply chain intermediaries from the part manufacturer to the direct source of the product for the Seller. Work can only be acquired from independent distributors or brokers in cases of diminishing material supply (DMS) or obsolescence and shall be subjected to a screening process appropriate to the commodity in accordance with the Counterfeit Parts / Material Prevention and Control Plan. If traceability is not

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obtainable, product is of no use to Systems 3. Written notice is not required for raw material and standard hardware purchased from independent distributors or brokers, but products must be able to provide commodity level traceability to the Original Manufacturer. If parts are suspected of being counterfeit, S3 purchasing is to contact customer and GIDEP Help Desk 951-898-3207 for guidance.

27. Product Safety & Ethical Behavior: As a supplier involved in supplying Aerospace and Defense products, it's imperative that supplier communicate the following with their team members:

- Their contribution to product or service conformity;
- Their contribution to product safety;
- The importance of ethical behavior.

28. Prohibition of Human Trafficking: Systems 3, Inc. must adhere to Federal Acquisition Regulation requirements. As a result, we insist that all our

agents, contractors and subcontractors abide by restrictions in FAR 52.222-50, Combating Trafficking in Persons. Systems 3, Inc. suppliers are expected to not engage in the use of slavery or human trafficking, which includes sex trafficking, involuntary servitude, indentured labor, debt bondage or forced labor. This includes the recruitment, harboring, transportation, provision or obtaining of a person for labor or services through the use of force, fraud, coercion or abduction for the purpose of exploitation. Contract Terms and Conditions for all purchase orders will include:

- A.** Seller, in the performance of this Contract, shall comply with all applicable local, state, and federal laws, orders, rules, regulations, and ordinances. Seller shall procure all licenses/permits, pay all fees, and other required charges and shall comply with all applicable guidelines and directives of any local, state and/or federal governmental authority.

Revision History

REVISION	DATE	SECTION	DESCRIPTION OF REVISION	APPROVAL
	3/18/16	7.0	Revised List 7.0 sect 7A & 7B from (4) to (10) years and/or as customer required.	Marshall Hodge
	10/27/17	27.0	Added Flow down requirement 27 Product Safety and Ethical Behavior	R. Kokorda
A	7/30/2019	13	Change Document Number to align with AS9100D; Changed references from AS9100C to AS9100D.	A. Ellis
B	10/30/2019	Header & Footer	Reverted Document Number back to List 7.4-001. Formerly List 8.4.3-001	D. Bolen
C	6/16/2021	8, 12, 22, 28 and 28A	Removed reference to (DID) MDQ-1104 in Clause 8; Added revision requirement in Clause 12; Changed reference from NAS-412 to AS9146 in Clause 22; Added Clause 28; Minor text edits throughout.	D. Bolen