

NORTH ATLANTIC INDUSTRIES QUALITY CLAUSES

NOTES: **Clauses 1 to 16** apply to all Purchase Orders.
 Clauses 17 and 18 apply to all Purchase Orders for calibrated equipment or calibration services.
 Clause 19 applies to all Purchase Orders for raw material.
 Clause 20 applies to Purchase orders containing specialty metals.
 Clause 21 Information Technology

Receipts against this purchase order will not be accepted if greater than 10 days of required due date without authorization by NAI buyer.

1 QUALITY/INSPECTION SYSTEM

The supplier shall maintain a quality/ inspection system which is in conformance with the requirements of AS9100 and/or ISO9001 to include: Receiving, First Article, In-Process and Final inspection including Inspection and Test Records supplied to NAI at the point of First Article Inspection (if requested via NAI's Purchase Order) and upon completion and shipment of said order.

2 CERTIFICATION OF CONFORMANCE

(C of C) attesting to the conformance of material, (which shall include chemical and/or physical reports with "actual" or "typical" as contractually required results of tests conducted on all materials shipped, verifying conformance to an specifications referenced on drawings and/or purchase orders) outside services performed, hardware, machining/manufacturing, etc. The C of C shall include at a minimum date, purchase order number, suppliers name, part number, drawing number and/or representative, lot, batch, serial number or other identification be signed by an authorized representative of the Supplier and shall accompany an order upon receipt of said items to NAI.

3 CONTROLS OF SPECIAL PROCESSES

In addition to the requirements of clause 3, both the vendor (supplier) and any subcontractor(s) used shall be a NAI and/or Customer approved source for said Processes. These include operations subject to process controls such as: coating, joining, heat treating, cleaning, non-destructive test, etc. The vendor (seller) shall be approved as per above to perform specific required Special Processes, or use Special Process vendors acceptable to NAI and NAI'S customer.

4 RIGHT TO VERIFY

NAI's customer shall be afforded the right to verify at the vendors (sellers) premises that the subcontracted product conforms to specified requirements,

5 RIGHT OF ENTRY

The Supplier shall include provisions in the subcontracts to allow the Supplier, Customer, and Regulatory agencies Right of Entry to any place necessary to determine and verify the quality of contracted work, records and material. Note: Delegation of supplier verification to subcontractor is not practiced at NAI.

6 RECORD RETENTION AND CERTIFICATIONS

Records must be maintained for a period of 7 years and must be retrievable within 48 hours of a request by NAI. Certification test data shall be traceable to the organization performing the testing, special processing and/or inspection(s) requested via NIA's Purchase Order. All factual information shall be included to demonstrate conformance of specification and/or Purchase Order requirements.

7 REPORTS OF NON-CONFORMITIES OR INCONSISTENCIES WITH PRODUCT AND/OR PURCHASE ORDERS

The supplier shall review the Purchase Order and product manufacturing, processing, and/or testing requirements prior to its initiation. If errors or inconsistencies are noted with the P.O., Part and or other document referenced by the Purchase Order the supplier must immediately notify NAI or its acting delegation. Supplier proceeding with work without written concurrence does so at his own risk. Product will not be accepted by NAI's Quality Assurance Department until the Purchase Order and all documentation referenced there on properly describe the comply with product delivered.

8 CORRECTIVE ACTION REQUEST

Acceptance of this purchase order obligates the seller to perform, upon request, a corrective action investigation when discrepant material is received by the buyer. A written report shall be furnished, within a period of five business days which is specific and conclusive to prevent a reoccurrence of the discrepancy.

9 IDENTIFICATION-LIMITED SHELF LIFE

Materials with limited shelf life (epoxy, paint, adhesives, etc.) shall indicate the date of manufacture, lot number and applicable specification on the container. Time lapse "between cure or manufacturing date and date of scheduled receipt shall be consistent with applicable specification or Purchase Order requirements. At a minimum, product receipt shall not have less than 75% of its shelf life remaining.

10 PROHIBITED PRACTICES

The supplier does not have material review authority and shall not make any unauthorized repairs by any means without NAI or NAI's customer' approval. Also:

- No outsourcing without prior approval from North Atlantic Industries, Inc.

11 PROHIBITED MATERIAL USES

Parts supplied on this Purchase Order shall not, and indicate, "have not been exposed to functional mercury or mercury compounds".

- Note: Hex Chrome may not be used in any product supplied to NAI.

12 EMPLOYMENT

All suppliers are required to comply with the Equal Employment Opportunity requirements of FAR 52.222-22. The Equal Opportunity Clauses required by Executive Order 11246, as amended, the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended, 38 U.S.C. 4212 (formerly 2012), Section 503 of the Rehabilitation Act of 1973, as amended, and the implementing regulations at 29 CFR 471 Appendix A to Subpart A. 41 CFR Chapter 60 (41 CFR 60-1.4, CFR 60-300.5 and 41 CFR 60-741.5 respectively) are part of this purchase order and binding upon the Seller (Subcontractor, Vendor, or Supplier) unless exempted by rules, regulation or orders of the Secretary of Labor. This contractor and subcontractor 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 their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, 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, national origin, protected veteran status or disability.

13 FOREIGN OBJECT DEBRIS / DAMAGE (FOD)

The supplier shall employ appropriate housekeeping practices to assure timely detection and removal of residue/debris generated, if any, during operations and/or normal daily tasks and shall ensure FOD requirements are flowed down to sub-contractors and suppliers at every tier.

14. PACKAGING

As a minimum, the supplier shall package all material in a manner that will ensure protection against corrosion, oxidation, deterioration and physical damage during shipment. Due to inadequate packaging will be rejected and returned to the supplier. In addition, when materials delivered is lot-controlled and multiple material lots are shipped, each lot shall be separately packaged and identified.

15 FLOW-DOWN

The supplier shall flow-down all applicable requirements to subcontractors and suppliers at every tier.

16 AUTHENTIC PARTS

Unless otherwise approved by NAI Quality, seller shall only purchase authentic parts/components directly from the Original Equipment Manufacturers ("OEMs") / Original Component Manufacturer ("OCM") or through the OEM's/OCM's authorized distributor(s). The supplier must notify North Atlantic, in writing, prior to making any process changes that may affect form, fit, or functionality of the product. Facility relocation must also be reported. All date codes must be within 2 years of the current calendar year unless otherwise authorized by North Atlantic Industries.

17 CALIBRATION SYSTEMS

Seller's (herein referred to as supplier) calibration system shall meet the requirements of: ISO 17025, ISO 10012-1, AS9100, ANSI-Z540-1, MIL-STD-45662 or greater.

18 CERTIFICATION OF CALIBRATION

The calibration service shall provide a certificate attesting to the accuracy of the items procured and be supplied with each shipment. This certification must contain all the test parameters necessary to demonstrate conformance to the manufactures specifications and shall be traceable to National Institute of Standards and Technology (NIST).

19 MATERIAL TEST REPORT

The supplier shall provide chemical and physical analysis of raw material demonstrating compliance to the applicable material specification.

20 SPECIALITY METALS and FINISHES

Supplier-Furnished Specialty Metals: In the case where specialty metals, as defined in DFARS 252.225.7014(a)(2), are furnished as raw material, the supplier shall certify that the specialty metal(s) meet(s) DFARS 252.225-7008 and DFARS 252.225-7009, Restriction on Acquisition of Certain Articles. Containing Specialty Metals (excluding Paragraph (d)). The supplier shall maintain all applicable chemical and physical test reports, including the country where the specialty metals were melted. These requirements shall be flowed down to all sub-tier suppliers.

FINISHES

- Pre-Treatment: Chemical conversion coating, Per MIL-DTL-5541 Type 1, Class 3 all over.

21. INFORMATION TECHNOLOGY

(xvii) IN ACCORDANCE WITH DFARS 252.204-7008 "COMPLIANCE WITH SAFEGUARDING COVERED DEFENSE INFORMATION CONTROLS" SELLER SHALL INDICATE WHETHER DEVIATION FROM ANY OF THE SECURITY REQUIREMENTS IN THE NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY (NIST) SPECIAL PUBLICATION (SP) 800-171, "PROTECTING CONTROLLED UNCLASSIFIED INFORMATION IN NONFEDERAL INFORMATION SYSTEMS AND ORGANIZATIONS", <http://dx.doi.org/10.6028/NIST.SP.800-171> THAT IS IN EFFECT AT THE TIME THE PRIME CONTRACT SOLICITATION IS ISSUED IS ANTICIPATED IN THE PERFORMANCE OF THE PURCHASE ORDER BY SELLER OR CONTRACTORS AT ANY TIER.

(xviii) IN ACCORDANCE WITH DFARS 252.239-7009 "REPRESENTATION OF USE OF CLOUD COMPUTING" SELLER SHALL INDICATE WHETHER THE USE OF CLOUD COMPUTING IS ANTICIPATED IN THE PERFORMANCE OF THE PURCHASE ORDER BY SELLER OR CONTRACTORS AT ANY TIER.

FAR CLAUSE(S) FLOW DOWN

(b) (1) Notwithstanding the requirements of any other clause in this contract, the Contractor is not required to flow down any FAR clause, other than those in this paragraph (b)(1) in a subcontract for commercial items. Unless otherwise indicated below, the extent of the flow down shall be as required by the clause—

(i) 52.203-13, Contractor Code of Business Ethics and Conduct (Apr 2010) (Pub. L. 110-252, Title VI, Chapter 1 (41 U.S.C. 251 note)).

(ii) 52.219-8, Utilization of Small Business Concerns (Dec 2010) (15 U.S.C. 637(d)(2) and (3)), in all subcontracts that offer further subcontracting opportunities. If the subcontract (except subcontracts to small business concerns) exceeds \$650,000 (\$1.5 million for construction of any public facility), the subcontractor must include 52.219-8 in lower tier subcontracts that offer subcontracting opportunities.

(iii) 52.222-17, Nondisplacement of Qualified Workers (Jan 2013) (E.O. 13495). Flow down required in accordance with paragraph (1) of FAR clause 52.222-17.

(iv) 52.222-26, Equal Opportunity (Mar 2007) (E.O. 11246).

(v) 52.222-35, Equal Opportunity for Veterans (Sep 2010) (38 U.S.C. 4212).

(vi) 52.222-36, Affirmative Action for Workers with Disabilities (Oct 2010) (29 U.S.C. 793).

(vii) 52.222-40, Notification of Employee Rights Under the National Labor Relations Act (Dec 2010) (E.O. 13496). Flow down required in accordance with paragraph (f) of FAR clause 52.222-40.

(viii) 52.222-41, Service Contract Act of 1965, (Nov 2007), (41 U.S.C. 351, *et seq.*)

(ix) 52.222-50, Combating Trafficking in Persons (Feb 2009) (22 U.S.C. 7104(g)). Alternate I (Aug 2007) of 52.222-50 (22 U.S.C. 7104(g)).

(x) 52.222-51, Exemption from Application of the Service Contract Act to Contracts for Maintenance, Calibration, or Repair of Certain Equipment--Requirements (Nov 2007) (41 U.S.C. 351, *et seq.*)

(xi) 52.222-53, Exemption from Application of the Service Contract Act to Contracts for Certain Services--Requirements (Feb 2009) (41 U.S.C. 351, *et seq.*)

(xii) 52.222-54, Employment Eligibility Verification (Jul 2012).

(xiii) 52.226-6, Promoting Excess Food Donation to Nonprofit Organizations. (Mar 2009) (Pub. L. 110-247). Flow down required in accordance with paragraph (e) of FAR clause 52.226-6.

(xiv) 52.247-64, Preference for Privately-Owned U.S.- Flag Commercial Vessels (Feb 2006) (46 U.S.C. Appx 1241(b) and 10 U.S.C. 2631). Flow down required in accordance with paragraph (d) of FAR clause 52.247-64.

(xv) 2.5.2.204-7012, Safeguarding Covered Defense Information and Cyber Reporting (Dec 2015)

(xvi) 252.204-7009 Limitations on the use or disclosure of Third-party Contractor Cyber Incident Information.