

LLAMAS PLASTICS, INC - PURCHASE ORDER TERMS AND CONDITIONS

i. Purpose

This document establishes basic quality assurance requirements to assure products delivered by suppliers (seller) are of the required quantity and reliability levels; while assuring that all of the requirements as stated within this document have been properly addressed. This document provides general information and requirements applicable to all purchase orders, any special requirements applicable shall be designated in the individual purchase orders.

The seller is responsible for contacting Llamas Plastics, Inc to request any deviation and/or exception from any of the following requirements.

ii. Definitions and Abbreviations

- "Purchase Order" means any purchase order, subcontract or other written agreement with suppliers to deliver materials, suppliers, services or equipment.
- The term "Buyer" shall mean Llamas Plastics, Inc
- The Term "Seller" shall mean the individual, partnership or corporation obligated to furnish the articles and services as described in the purchase order

Notice please review the entire document - General section applies to all suppliers

iii. General Section

1. **Right of Entry:** Supplier shall provide right of access to Llamas Plastics, Inc, its customers and regulatory authorities to the applicable areas of all facilities at any level of the supply chain, involved in the order and to all applicable records.
2. **Right to Verify:** Llamas Plastics, Inc and its Customers shall be afforded the right to verify at the Supplier's premises that the subcontracted product conforms to specified requirements
3. **Flow Down:** The flow down as described within this document (latest revision) and purchase orders shall be flow down to any and all subcontractors, and to each sub-tier supplier and through the entire supplier chain for any services or product that affect the product produced for Llamas Plastics, Inc.
4. **Record Retention:** Supplier shall retain records for 10 years or as defined by the purchase order.
5. **Supplier Performance:** Suppliers affecting the Form - Fit - Function of the product shall be monitored on Quality and Delivery and must meet the Goal of 95% or better. Suppliers not meeting the goal may be issued corrective actions for improvement.
6. **Unauthorized Repairs:** Seller may not repair by welding, brazing, soldering or adhesives, parts damaged or found to be faulty during fabrication without buyers quality control prior approval. Defects in castings or forgings shall not be repaired by any method unless authorized by buyer in writing.
7. **Changes in Approved Processes; Procedures and/or Price:** Seller shall not change any process; procedure and/or price without prior written approval from Llamas Plastics, Inc.
8. **Improper Re-submittal:** Articles rejected by the buyer may not be resubmitted without clear and proper identification as resubmitted articles, indication of the cause for buyer rejection, and statement of action taken by the seller to correct the deficiencies.
9. **Unauthorized Submittal of Production Parts:** Seller shall not submit parts from a production run for buyer inspection and acceptance prior to buyer's acceptance of first article sample.
10. **Manufacturing Process:** Supplier shall maintain control of manufacturing processes to the extent necessary to ensure that the product quality is planned, approved, monitored and controlled.
11. **Contract Review:** Supplier shall maintain a process for contract review activities that ensures requirements for quality are defined prior to the acknowledgement of the order and those special requirements and drawing revision updates are taken into account.
12. **Training Program:** Supplier shall maintain a training program and assure that any employees and/or subcontractors are qualified through education, experience, certification training to perform

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required functions as appropriate to the product and/or process. The training program shall ensure that the organization's personnel is aware of the following:

- i. Their contribution to product or services conformity
 - ii. Their contribution to product safety
 - iii. The importance of ethical behavior
- 13. Notification of Organization Changes:** Changes to the supplier's organization that may affect quality and/or finance, shall be communicated in advance to Llamas Plastics, Inc. These changes may include; company ownership, company name, manufacturing location, quality approvals, significant changes to process or inspection techniques
- 14. Price:** Price as quoted shall include all processes; documentation; packaging and shipping; unless otherwise approved by Llamas Plastics, Inc.
- 15. Safety Data Sheet (SDS):** Safety Data Sheet also known as Material Safety Data Sheet; shall be provided with the shipment as applicable to the product.
- 16. Packaging:** Seller shall ship the product in such a manner to prevent damage and at the most cost effective method.
- 17. Order Cancellation:** Llamas Plastics, Inc reserves the right to cancel any orders at any time without additional charges or penalties.
- 18. Disaster Recovery Plan:** Llamas Plastics, Inc requires our suppliers to prepare contingency to reasonable protect Llamas Plastics, Inc supply of product in the event that a supplier's facility cannot continue to operate due to a catastrophic event (e.g. utility interruptions, fire, flood, storm damage, temporary or limited data loss, chemical spills, air/water contamination, earthquakes, tornados, hurricanes, storm surges, complete data loss). Plans should be reviewed on a frequent basis to ensure that the contingencies listed are still valid. A copy of your Disaster Recovery Plan should be provided to Llamas Plastics, Inc.
- 19. Protection of Llamas Plastics, Inc and its Customers' Proprietary Information:** Any information the supplier receives from Llamas Plastics, Inc must be kept confidential and not disclosed to any third party without the proper written agreement of Llamas Plastics, Inc. The proprietary information can include, but is not limited to, all versions of electronic data, drawings and documentation, tooling and material.
- 20. Non-Conforming Product**
1. Non-conforming product shall be properly controlled and documented. When processing non-conforming for scrap using Llamas Plastics, Inc material, supplier must contact Llamas Plastics, Inc Buyer for disposition authority.
 2. When processing non-conforming product for rework, product shall meet the purchase order requirement (in addition refer to section A under "General Requirements").
 3. In the event a product which has been shipped is determined to be non-conforming, this is the responsibility of the supplier to notify Llamas Plastics, Inc within 48 hours of discovery.
 4. When required by purchase order or flow down by customer requirement, the supplier shall obtain approval from Llamas Plastics, Inc prior to proceeding with disposition of product.
 5. Flow down to the supply chain the applicable requirements including customer requirements.
- iv. Calibration and Testing Suppliers**
1. Calibration suppliers are required to perform the calibration traceable to NIST.
 - a. Calibration certificates must include a statement that the measurement is traceable to the National Institute of Standards and Technology (NIST).
 2. Testing Suppliers
 - a. Testing suppliers shall provide the appropriate test report.

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v. Outside Processing and Raw Material Suppliers

1. **Shelf Life:** The seller shall have an effective system of age control whose acceptability is limited by maximum age. They system must include a method of identifying the age of such items and provisions for the rotation of stock.
2. **Responsibility for Conformance:** Neither surveillance, inspection and/or tests made by the buyer; at either the sellers or buyers facility, or the seller's compliance with all the supplier quality assurance requirements shall relieve the seller of the responsibility to furnish items which conform to the requirements of the purchase orders.
3. **Documentation:** The buyer may refuse to accept items delivered under the purchase order if the seller fails to submit the certifications, documentation, test data or reports requested by the purchase order. All documentation shall be in the English language. All paperwork submitted must tie together with an applicable reference (i.e.: PO# or Lot#)
4. **Certificate of Conformance:** With each shipment of items supplied on this purchase order, seller shall submit a certificate of conformance signed by a responsible representative, which shall constitute a representation by the seller that:
 1. Materials used are those which have been specified by buyer and the items delivered were produced from materials for which the seller has on file reports of chemical or physical analysis and any other required evidence of conformance of such items to the applicable specs.
 2. Processed used in the fabrication of items delivered were in compliance with applicable specifications as referred to on the PO
 3. Specifications and all other requirements applicable to the items delivered have been compiled with by the seller. These records shall be made available for review upon request and will be maintained by the seller for minimum of 10 years or unless otherwise specified in the purchase order.
5. **Counterfeit** - Llamas Plastics, Inc has adopted this Anti-Counterfeit Policy to eliminate the impact of counterfeit products on Llamas Plastics, Inc and its customers. This is a zero tolerance Policy against knowingly and intentionally trafficking in counterfeit goods. To support this policy of ensuring that there is a low risk of counterfeit products entering our supply chain, Llamas Plastics, Inc ask that suppliers maintain processes to ensure purchases are only made directly from the Manufacturer or Manufacturer approved sources. This is accomplished through compliance with SAE AS6496 Fraudulent/Counterfeit Electronic Parts: Avoidance, Detection, Mitigation, and Disposition – Authorized/Franchised Distribution or AS6174 “Counterfeit Materiel; Assuring Acquisition of Authentic and Conforming Materiel”. Should a suspect counterfeit or counterfeit product be found, Llamas Plastics, Inc shall quarantine such material and report the finding to the supplier and appropriate authorities. This policy shall be communicated, understood, implemented, and maintained at all levels of the Organization. Llamas Plastics, Inc are responsible for implementing and managing a program to assure proper counterfeit prevention and assuring that the same requirement is flow down to its sub-tier suppliers and through the supply chain involved in processing purchase orders as issued by Llamas Plastics, Inc.

Counterfeit Prevention

1. Electronic Components or any other type of product, where there is a potential for counterfeiting, should only be purchased from the Original Equipment Manufacturer (OEM) or a franchised distributor of OEM.
2. The Original Equipment Manufacturer (OEM) or a franchised distributor of the OEM, should provide, with the shipment a certificate of conformance, certifying that the component provided is the part number being procured on the Purchase Order.
3. A certificate of Conformance is used to establish traceability to the OEM.
4. It is not recommended that electronic components or any other type of product, where there is a potential for counterfeiting, be purchased from a broker that is not a franchise distributor. In the even such a purchase should be made, it is the responsibility of the supplier to assure that the proper certifications are available, to provide traceability to the OEM.

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6. Supplier Request for Deviation:

1. There may be circumstances when the Supplier discovers out-of-tolerance conditions within their facility that they believe can be deviated. If the supplier feels the condition does not affect fit, form or function, a one-time deviation may be requested from Llamas Plastics, Inc. At Quality discretion, Llamas Plastics, Inc may grant a deviation based on established procedures and requirements.
2. The supplier will always request, in writing, a formal deviation (or concession) and receive approval before shipping non-conforming material to Llamas Plastics, Inc. The supplier must fill out a Supplier Request for Deviation form, or an appropriate supplier equivalent form and return it for approval. If the deviation is approved by Llamas Plastics Inc. Quality, a copy of the signed request for deviation must be placed in each pack being delivered to Llamas Plastics, Inc. Otherwise parts will not be accepted. A plan to return to normal production and the time required to do so may also be required at the same time as the written request.
3. When accepting a deviation, Llamas Plastics, Inc reserves the right to pursue cost recovery if costs above normal production are incurred due to the deviation and supplier agrees they will be responsible for such cost. Rejection of a deviation request is not an acceptable reason for missed delivery.

7. Llamas Plastics, Inc Owned Tooling and Supplied Product: All material, tools, manufacturing, test or inspection equipment belonging to Llamas Plastics, Inc or their customers, will be permanently marked to clearly show that they are property of Llamas Plastics, Inc or the customer. These tools will only be used for Llamas Plastics, Inc products unless an authorization in writing exists. Contact your buyer for information regarding this subject. Supplied product can include intellectual property such as data used for design, production, or inspection. Tooling used to produce any product for Llamas Plastics, Inc shall be properly store; protected and maintained to assure conforming to the product.

8. Material Obsolescence: Supplier shall notify Llamas Plastics, Inc at least two (2) years in advance if Supplier anticipates discontinuing the manufacture of any of the materials or spare parts. Supplier shall make discontinued material and spare parts available for five (5) years after the material or spare parts are discontinued by:

1. Finding an acceptable source to provide the discontinued material or spare parts to buyer, or
2. Finding a substitute for the discontinued material or spare parts which is acceptable to Llamas Plastics, Inc, or
3. Carrying an inventory of the material or spare parts as required to support Llamas Plastics, Inc, or
4. After exhausting the above alternatives, providing Llamas Plastics, Inc with the opportunity to make a last-time buy after allowing Llamas Plastics, Inc a reasonable time to assess its needs.

9. California Transparency in Supply Chains Act: The California Transparency in Supply Chains Act requires manufacturers doing business in the state of California to disclose their efforts to eradicate slavery and human trafficking from their direct supply chains. All suppliers to Llamas Plastics, Inc are required to certify that materials incorporated into the product comply with the laws regarding slavery and human trafficking of the country or countries in which they are doing business. (Refer to the following for additional information <https://oag.ca.gov/SB657>)

10. Approved Facilities/Sub-processors: It is the supplier/subcontractor responsibility to utilize only approved facilities/sub-processors for processing (i.e., Magnetic, X-ray, or Zyglol inspection, heat treating, plating, anodizing, etc.) used in performance of work relating to this order. Special certifications may be required, see purchase order and attachments. These facilities/sub-processors should be also approved by Llamas.

11. LPI Inspection at Source: When Required Supplier or Subcontractor shall request LPI Source Inspection for product verification prior to shipment from their facility. All requests shall be made by calling LPI's Quality Manager 24 to 48 hours in advance for scheduling purposes. Acceptance of product by LPI source Inspector does not relieve the supplier or subcontractor of the responsibility for manufacturing to the purchase order requirements.

12. DPAS Rated Orders: As a Supplier to the US Department of Defense, Llamas Plastics, Inc will, from time to time, accept orders or contracts that fall under the provisions of the Defense Priorities and Allocation System (DPAS). The Purpose of DPAS is to:

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1. Assure Timely Delivery of materials and services from private industry to meet National Defense needs; and
2. Provide an operating system to support rapid industry response to Government Procurement needs in times of need. Llamas Plastics, Inc designates individual POs as DPAS rated or not, Suppliers to Llamas Plastics, Inc must be aware of and prepare to meet the requirements of DPAS for all POs.
3. **Mandatory Purchase Order Documented Acceptance:**
 - This is a defense priorities & allocations system (DPAS) rated order, certified for national Defense use. You are required to follow all the provisions of the defense priorities and Allocation system regulation (15 CFR700) including providing written notice of acceptance Or rejection of this order and flow-down to lower-tier suppliers.
 - Written acceptance/rejection for;
(DO rated order) - within fifteen (15) business days after receipt of order.
(DX rated order) - within ten (10) business days after receipt of order.
 - Penalties for willful violation of DPAS
Willful violation of DPAS is a crime, punishable by a \$10,000 fine, or one year in prison, Or both (per occurrence).
4. Refer to for additional information <https://www.bis.doc.gov/index.php/other-areas/strategic-industries-and-economic-security-sies/defense-priorities-a-allocations-system-program-dpas>
13. **FAI Requirements:** Supplier shall use the AS9102 (Latest Revision) for completion of 1st Article. All First Articles must be completed through Net-Inspect. If Supplier does not have a license for Net-Inspect, Llamas will provide access at no additional charge. First Article records shall be provided with the related supporting documentation to any raw material and outside processing certifications. (Refer to the following for additional information <https://www.sae.org/standards/content/as9102/>)
A 1st article shall be provided by the supplier, at no additional cost, price, or fee on the purchase order issued to the Seller; for any of the following:
 - A change in Location, Equipment or process
 - A change in suppliers
 - Part Revision
 - New Part
14. **Conflict Material:** If seller is providing goods to buyer under this purchase order, seller agrees to comply with the conflict mineral policy outlined in section 1502 of the Dodd-Frank Act and to use commercially reasonable efforts to: a) Identify whether such goods contain Tantalum, Tin, Tungsten or Gold b) Conduct a reasonable country of origin inquiry regarding the origin of such minerals in such goods to determine whether the minerals originated in the covered countries, as defined in section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act: and c) If such minerals originated in covered countries, conduct due diligence on the chain of custody of the source of such mineral for the purpose of identifying the smelter of the minerals and d) Assist buyer in conducting reasonable due diligence concerning the smelters of such minerals. Seller shall include the substance of this section in any agreement between seller and its lower tier suppliers. Seller shall provide buyer with reasonable documentation of seller's and its lower tier suppliers' due diligence efforts.
15. **RoHS Compliance:** Deliverables supplied under this purchase order must be RoHS compliant to the latest RoHS directive. Certificate of RoHS Compliance is required with each shipment. Refer to the following for additional information https://ec.europa.eu/environment/waste/rohs_eee/index_en.htm
16. **Obsolescence:** When Supplier has knowledge that any material or hardware item to be provided in performance of this purchase order is obsolete, is marked for impending obsolescence, or has an established end of production date, Supplier shall immediately give initial notice thereof, including all relevant information with respect thereto, to Buyer. Such notice shall include, but not be limited to (1) complete details of which parts are affected; (2) date of obsolescence; (3) end of production date; (4) reason for obsolescence; (5) pricing and availability of last-time buy; and (6) Supplier's recommendation for replacement parts inclusive of known impacts to performance, pricing, availability, and lead time.

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17. **ITAR - INTERNATIONAL TRAFFIC IN ARMS REGULATIONS:** When required by purchase order, the supplier shall comply with the ITAR regulations as defined by the US Department of State. Refer to the following for additional information

https://www.pmddtc.state.gov/ddtc_public?id=ddtc_public_portal_itar_landing

1. **Pursuant to the requirements referenced in** DDTC registration requirement, outlined in Part 122.1(a); the supplier shall comply with the following when imposed via purchase order and/or when processing ITAR Controlled orders:
 - Any person who engages in the United States in the business of manufacturing or exporting or temporarily importing defense articles, or furnishing defense services, is required to register with the Directorate of Defense Trade Controls under § 122.2. For the purpose of this subchapter, engaging in such a business requires only one occasion of manufacturing or exporting or temporarily importing a defense article or furnishing a defense service. A manufacturer who does not engage in exporting must nevertheless register. (See part 129 of this subchapter for requirements for registration of persons who engage in brokering activities.)
 - *Exemptions.* The registration requirements of paragraph (a) of this section do not apply to:
 - Officers and employees of the U.S. Government acting in an official capacity;
 - Persons whose pertinent business activity is confined to the production of unclassified technical data only;
 - Persons all of whose manufacturing and export activities are licensed under the Atomic Energy Act of 1954, as amended; or
 - Persons who engage in the fabrication of articles solely for experimental or scientific purposes, including research and development.
 - a. *Purpose.* Registration is primarily a means to provide the U.S. Government with necessary information on who is involved in certain manufacturing and exporting activities. Registration does not confer any export rights or privileges. It is generally a precondition to the issuance of any license or other approval under this subchapter, unless an exception is granted by the Directorate of Defense Trade Controls.
2. **ITAR Compliance:** International Traffic in Arms Regulations (ITAR) compliance applies to all Suppliers of parts with any potential to be used in Military Applications. Any purchase order, quote, specification, print/document may contain TECHNICAL DATA WHOSE EXPORT IS RESTRICTED BY ARMS EXPORT CONTROL ACT (TITLE 22, U.S.C. SEC. 2778-2780). VIOLATIONS OF THESE EXPORT LAWS ARE SUBJECT TO SEVERE CIMINAL PENALTIES. DISSEMINATE IN ACCORDANCE WITH THE PROVISIONS OF DOD DIRECTIVE 5230.25 ASSIGNEMNT OF NON-US PERSONNEL.
 - In order to assist Llamas Plastics, Inc with the compliance with US security and Export requirements, Seller shall not assign any persons who are not United States Citizens or aliens granted permanent residency in the United States to work on projects or supply the material covered under any purchase order without first obtaining Llamas Plastics, Inc written approval, which approval shall not be unreasonably withheld.
 - Seller shall be responsible for ensuring that all personnel it assigns to this work on behalf of Buyer has all the appropriate and current licenses and State Department approved documents necessary to perform the work. Seller shall produce such records at any reasonable time upon Llamas Plastics, Inc request.
 - If Seller is not sure whether or not the products they provide fall under the ITAR category they are responsible for getting with Buyer and ensuring compliance. In accordance with ITAR/EAR requirements, all visitors to our facility may be subject to a background check.