

BDS Terms and Conditions

Clause Number: Q045

Effective: 02/04/2016

Page 1 of 2

SUPPLIER FUNDED SUPPLEMENTAL INSPECTION

Seller is responsible for furnishing Goods in accordance with the Contract delivery schedules that conform to the requirements of the Contract. Buyer reserves the right to perform inspection and product verification on Goods affected by this clause.

Buyer's Authorized Procurement Representative may provide written notification that it is invoking the requirement that Seller purchase supplemental inspection services ("Services") on Goods, identified at the part number level, from a Buyer-designated third party inspection services provider (ISP) until such time as Buyer notifies Seller that such Services are no longer required for such Goods, if any of the following conditions apply:

- (i) Seller fails to achieve and maintain a quality acceptance rating of bronze or higher for three (3) consecutive months, as measured in Buyer's Boeing Enterprise Supplier Tool (BEST) at the Boeing Defense, Space & Security (BDS) Business unit level and/or the BDS Site level
- (ii) Seller loses Boeing Quality System approval
- (iii) Seller has a significant quantity of Notifications of Escapements (NoE) (notifications from Seller to Buyer that Goods delivered or to be delivered to Buyer and or shipped to Buyer's Customers are known to be or suspected to be non-conforming) or Customer identified nonconformances of Goods reported by Buyer's Customer to be known or suspected to be non-conforming
- (iv) The quantity of Boeing rejections of a part number have, or are likely to have, a material business impact on Buyer
- (v) Seller repeatedly fails to implement effective corrective action or is nonresponsive to requests for corrective action on non-conformances resulting in the recurrence of the non-conforming condition(s)

Prior to invoking the requirement that Seller obtain Services, Buyer will provide Seller with written notification that one or more of the conditions listed above apply. Buyer and Seller will first work together to resolve the quality performance issues, which efforts will include the timely, progressive escalation of the quality performance issues through the management of both Parties, as necessary. Seller will have sixty (60) days following the date of Boeing's written notification to meet the criteria specified in the written notification. If after the sixty (60) day period, or any extension thereof as may be agreed between the Parties, Seller fails to meet the criteria specified in Boeing's written notification, Buyer may then invoke the requirement that Seller obtain Services for the Goods identified by part number in Buyer's notification. The requirement that Seller obtain Services may be invoked by Buyer at any time during the performance of this Contract in accordance with the foregoing, notwithstanding any clause in the Contract which provides Seller with quality delegation.

Buyer's written notification to Seller invoking the requirement that Seller obtain Services shall include the criteria that must be met in order for Buyer to rescind such notice. In the event Buyer invokes this requirement, Seller shall be fully responsible for:

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Page 2 of 2

- (i) Selecting an ISP that is qualified to perform the Services required from the list of ISPs authorized or preapproved by Buyer
- (ii) Ensuring that the ISP personnel selected to provide Services are qualified to perform the Services required
- (iii) Contracting directly with an ISP for the performance of Services in a timely manner
- (iv) Providing the ISP with reasonable cooperation, including furnishing all required specifications, drawings, planning documents, acceptance test procedures and other relevant documentation, access to Seller personnel, the use of measurement tools and any other Seller facilities as may be necessary for the ISP to perform the Services

During the time that Services are being provided by the ISP, Buyer will work with Seller and the ISP to monitor and measure Seller's progress towards meeting the criteria set out in Buyer's notification that must be met in order for Buyer to rescind the requirement that Seller obtain Services.

Seller is solely responsible for all costs associated with Seller's purchase of Services, including making payments to the ISP for Services provided in accordance with the terms of Seller's contract with the ISP, as well as all necessary and reasonable costs incurred by the ISP in performing the Services.

In no event shall Buyer be liable for any direct, consequential or incidental damages arising from or related to any ISP provided Services under the contract between the ISP and Seller, including, without limitation any acts or omissions of the ISP, even if the possibility of such damages has been disclosed in advance or could have been reasonably foreseen. Seller shall defend, indemnify and hold harmless The Boeing Company, its subsidiaries, and their directors, officers, employees, agents from and against all actions, causes of action, liabilities, claims, suits, judgments, liens, awards and damages of any kind and nature whatsoever arising from or related to any claims by the ISP against Buyer as they relate to the contract between the ISP and Seller.

Any disagreement between the Parties regarding: (i) Boeing's invocation of the supplemental inspection requirement, (ii) the data upon which Boeing's invocation of the supplemental inspection requirement is based, or (iii) whether Seller has met the criteria necessary for Buyer to rescind the requirement to obtain Services, will be subject to resolution in accordance with the Disputes article of the Contract.

Buyer's requirement that Seller purchase Services shall not be deemed to be a change under the Changes article of the Contract.