

Arbor Industries Inc.

6830 Patterson Dr., Mentor, OH 44060
Ph: 440 255 4720

Purchasing Process: Terms & Conditions, Form C2f4-7

This document, purchasing Terms & Conditions shall be considered as an addendum to the Arbor Industries Inc. (The Company) Purchase Order document if and when the following statement “**Subject to Terms & Conditions Form C2f4**” appears on the Purchase Order.

Terms & Conditions

All persons doing work under the organization’s control must be aware of the following:

- a. **Arbor’s quality policy:** “ Arbor Industries is committed to delivering high quality product, on-time delivery and excellent customer service while continually improving our quality management system.”
 - b. **Relevant Quality Objectives:** Delivery, Cost of Scrap and PPM
 - c. **Contribution to the effectiveness of the quality management system, including the benefits of improved performance:** Improvement in on-time delivery, quality products and lower PPM by performing your job to the highest standard.
 - d. **Implications of not conforming with the quality management system requirements:** Poor quality of work results in poor customer satisfaction due to missed lead times, rejected product and increased cost.
 - e. **Relevant quality management system documented and documented changes:** Arbor has upgraded their quality management system and certification to comply with AS9100D.
 - f. **Your contribution to product or service conformity:** Your quality of work effects the conformity of end products.
 - g. **Your contribution to product safety:** Product quality and safety are related. Your quality of work effect the safety of product and workers.
1. All purchases by the Arbor Industries Inc. from your company (the supplier/seller) shall be subject to verification (incoming inspection). If nonconformity is detected during the incoming inspection, purchased product shall be subject to immediate return to the supplier, with the appropriate Corrective Action Request (CAR). All CAR’s must be completed and returned to the Company’s Quality Manager within 30 days.
 2. Verification activity may include:
 - a) Obtaining objective evidence of quality – test reports, certifications,
 - b) Audit and inspection at supplier’s premises
 - c) Review of required documentation
 - d) Inspection of product upon receipt, including delivery on time
 - e) Delegation of verification to the supplier or supplier certification
 3. All suppliers shall be subject to the annual performance review, and shall be notified if and when they have been dismissed as a preferred supplier to the Company.
 4. All suppliers should carefully review the Purchase Order for the following:
 - a) Requirements for approval of product, procedures, processes and equipment.
 - b) Requirements for qualification of personnel.
 - c) Quality Management System requirements.
 - d) Name or other positive identification – specifications, inspection instructions
 - e) Requirements for test, examination, inspection, and related instructions regarding acceptance by the Company.
 - f) Requirements for test specimens, for design approval, inspection, or auditing.

- g) Requirements relative to notification of the Company of nonconforming product and Company's approval of nonconforming product.
- h) Requirements to notify the Company of changes in product and/or process definition previously successfully utilized, and, where required, obtain Company's approval.
- i) Supplier shall give the right of access to the Company, their customer, and regulatory authorities to all facilities involved in the order and to all applicable records generated by such order. Records shall be filed under Arbor Industries Inc. name and records retention shall be 40 years unless otherwise specified.
- j) It shall be supplier's responsibility to flow down to sub-tier suppliers (your supplier) the applicable requirements in the Purchasing Order document and in this document, including key characteristics where required.

5. The Company shall randomly, periodically validate test reports and certificates for raw materials.

6. Where the Company delegates verification activities to the supplier, the requirements for delegation shall be defined and a register of delegations maintained.

7. Where the Company or its customer intends to perform verification at the supplier's premises, the company shall state the intended verification arrangements and method of product release in the Purchasing Order.

8. Where specified in the Purchase Order, the customer or the customer's representative shall be afforded the right to verify at the supplier's premises that subcontracted product conforms to specified requirements.

9. Material supplied against this contract must be purchased from approved sources of the end item users (Arbor Industries Inc.).

10. Latest Revisions: The product being manufactured and/or service being performed must be completed per the latest revision. At no time will other revisions be used other than what is indicated on the drawing or purchase order, without the express, written permission of authorized representative of Arbor Industries Inc.

11. Control of nonconforming product: Nonconforming product produced from Arbor Industries' supplied material will be segregated, tagged and returned to Arbor Industries Inc. along with completed internal non-conformance report. Documented cause and corrective action is required.

12. Arbor Industries supplier shall use appropriate methods of handling, packaging and preservation to prevent damage of product in process and during delivery.

13. Product certification: Seller shall certify that all parts which are supplied conform to purchase order requirements, applicable specifications, finished, dimensions, etc. and records are on file subject to examinations by Arbor Industries Inc.

14. Certificate of Compliance shall accompany all shipments. The certificate of compliance must be signed by an authorized representative and reflect all information necessary to identify the product, quantity, current revision, and whatever services or processes you have performed. All documents must be 100% legible.

15. Traceability / Lot Shipment Requirements: Lots and/or batches shall not be commingled.

- A casting, forging, machined part or stamping lot/batch consists of the same part number, of one alloy, produced using the same processing parameters (including heat treat) and contains a homogeneous heat pour, or same basic material.
- A production lot/batch shall consist of parts that are all the same configuration fabricated under same conditions, from the same material type, processed together and produced as one continuous run.
- A plating lot/batch (cadmium, anodize, chemical milling, etc) shall consist of treated articles on the same order, treated under same conditions, from the same chemical composition, from the same tank.
- A coating lot/batch (paint, dry film lube, etc.) shall be processed as one batch, on the same part, on the same order. A batch is defined as the end product of all the raw materials mixed or blended in a single or continuous operation and typically containered, (in bins, baskets, crates etc) shipped and tagged as a specific entity.

- All bins/baskets/batches/lots of parts received from Arbor Industries for processing shall maintain their respective tags and labels identification throughout processing.

16. Product verification: Verification (inspection) by Arbor Industries shall not absolve the seller of the responsibility to provide acceptable product, nor shall it preclude subsequent rejection by Arbor Industries Inc.

17. FOD – Foreign Object Detection: The Seller shall ensure that Foreign Object Damage/Debris control process is a part of their final inspection methodology, assuring Arbor Industries that work is accomplished in a manner preventing foreign objects or material from entering and remaining in the deliverable items. Maintenance of the work area and control of tools, parts, and materials shall preclude the risk of FOD incidents.

CODE OF BUSINESS CONDUCT AND ETHICS

A. Scope

This Code of Business Conduct and Ethics applies to all Arbor Industries Inc directors, officers and employees, as well as to directors, officers and employees of each subsidiary and affiliate of Arbor Industries Inc. Such directors, officers and employees are referred to herein collectively as the “Covered Parties”. Arbor Industries Inc. and its subsidiaries and affiliates are referred to herein collectively as the “Company”.

B. Purpose

The Company is proud of the values with which it conducts business. It has and will continue to uphold the highest levels of business ethics and personal integrity in all types of transactions and interactions. To this end, this Code of Business Conduct and Ethics serves to

(1) emphasize the Company’s commitment to ethics and compliance with the law; (2) set forth basic standards of ethical and legal behavior; (3) provide reporting mechanisms for known or suspected ethical or legal violations; and (4) help prevent and detect wrongdoing.

Given the variety and complexity of ethical questions that may arise in the Company’s course of business, this Code of Business Conduct and Ethics serves only as a rough guide. Confronted with ethically ambiguous situations, the Covered Parties should remember the Company’s commitment to the highest ethical standards and seek advice from supervisors, managers or other appropriate personnel to ensure that all actions they take on behalf of the Company honor this commitment.

C. Ethical Standards

1. Conflict of Interest

A conflict of interest exists when a person’s private interest interferes in any way with the interest of the Company. A conflict can arise when a Covered Party takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively. Conflicts of interest may also arise when a Covered Party, or member of his or her family, receives improper personal benefits as a result of his or her position at the Company. Loans to, or guarantees of obligations of, Covered Parties and their family members may create conflicts of interest. It is almost

always a conflict of interest for a Covered Party to work simultaneously for a competitor, customer or supplier.

Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with your supervisor or manager or, if circumstances warrant, the chief financial officer or chief legal officer of the Company. Any Covered Party who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or appropriate personnel.

All directors and executive officers of the Company shall disclose any material transaction or relationship that reasonably could be expected to give rise to such a conflict to the management. No action may be taken with respect to such transaction or party unless and until such action has been approved by management.

2. Corporate Opportunities

Covered Parties are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information or position without the consent of the Board of Directors of the Company. No Covered Party may use corporate property, information or position for improper personal gain and no employee may compete with the Company directly or indirectly. Covered Parties owe a duty to the Company to advance its legitimate interests whenever possible.

Covered Parties who have access to confidential information are not permitted to use or share that information for any other purpose except the conduct of the Company's business.

3. Fair Dealings

Covered Parties shall behave honestly and ethically at all times and with all people. They shall act in good faith, with due care, and shall engage only in fair and open competition, by treating ethically competitors, suppliers, customers, and colleagues. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. No Cover Party should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair practice.

4. Requirements

All suppliers shall have the following in place:

- Implemented quality management system
- A policy in place to use customer designated or approve external suppliers, including process sources.
- A counterfeit parts prevention program
- Must be able to provide test specimens for design approval, inspection/verification, investigation or auditing when requested
- Ensure employed persons are aware of their contribution to product or service conformity and product safety and the importance of ethical behavior.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gifts or entertainment should ever be offered or accepted by a Covered Party or any family member of a Covered Party unless it (1) is consistent with customary business practices, (2) is not excessive in value, (3) cannot be construed as a bribe or payoff and (4) does not violate any laws or regulations. The offer or acceptance of cash gifts by any Covered Party is prohibited. Covered Parties should discuss with their supervisors, managers or other appropriate personnel any gifts or proposed gifts which they think may be inappropriate.

5. Confidentiality

Covered Parties must maintain the confidentiality of confidential information entrusted to them, except when disclosure is authorized by an appropriate officer of the Company or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors or harmful to the Company or its customers if disclosed. It also includes information that suppliers and customers have entrusted to the Company. The obligation to preserve confidential information continues even after employment ends.

6. Protection and Proper Use of Company Assets

All Covered Parties should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. The Company's equipment should not be used for non-Company business, though incidental personal use is permitted.

The obligation of Covered Parties to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business marketing and service plans, engineering and manufacturing ideas, designs, databases, records salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy. It could also be illegal and result in civil or criminal penalties.

7. Compliance with Laws, Rules and Regulations

Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. In conducting the business of the Company, the Covered Parties shall comply with applicable governmental laws, rules and regulations at all levels of government in the United States and in any non-U.S. jurisdiction in which the Company does business. Although not all Covered Parties are expected to know the details of these laws, it is important to know enough about the applicable local, state and national laws to determine when to seek advice from supervisors, managers or other appropriate personnel.

D. Violations of Ethical Standards

1. Reporting Known or Suspected Violations

All Covered Parties should talk to supervisors, managers or other appropriate personnel about known or suspected illegal or unethical behavior. No retaliatory action of any kind will be permitted against anyone making such a report in good faith.

2. Accountability for Violations

If the Company determines that this Code has been violated, either directly, by failure to report a violation, or by withholding information related to a violation, the offending Covered Party may be disciplined for non-compliance with penalties up to and including removal from office or dismissal. Such penalties may include written notices to the individual involved that a violation has been determined, demotion or re-assignment of the individual involved and suspension with or without pay or benefits. Violation of this Code may also constitute violations of law and may result in criminal penalties and civil liabilities for the offending Covered Party and the Company. All Covered Parties are expected to cooperate in the internal investigations of misconduct.

E. Counterfeit Parts Prevention

Suppliers shall establish and maintain a counterfeit prevention and control program using AS6174 to ensure that no counterfeit work is delivered to Arbor Industries. Suppliers shall provide chain traceability to the original manufacturer or distributor upon Arbor request.

These Terms & Conditions are subject to modification as per Arbor Industries' requirements and the requirements of the AS9100 International Standard which standardized, to the greatest extent possible, quality management system requirements for the Aerospace Industry for the purpose of improved quality, decreasing costs and improving safety in design & function of U.S military aircraft, defence technologies and commercial Airline services .

Approvals: Arbor Industries Inc. Quality Manager AJS