Quality Assurance Agreement

between

Preh GmbH, Schweinfurter Strasse 5 - 9, 97616 Bad Neustadt an der Saale, Germany
Preh ,

- hereinafter referred to as the "**Customer**" –

and

,

- hereinafter referred to as the "**Supplier**" –

Preamble

This Quality Assurance Agreement stipulates the technical and organisational framework and processes between the Parties. It describes the minimum requirements for the Supplier's quality management system and sets out the rights and obligations concerning quality assurance for the products to be supplied. In particular, the Quality Assurance Agreement stipulates special requirements for the production and part approval processes.

Section 1 Scope, Object of the Agreement

(1) Unless provided otherwise herein, this Agreement shall supplement all supply agreements concluded between the Parties. The Agreement applies to all existing and future agreements between the Supplier and the Customer. The terms of this Agreement shall prevail in the event of conflict. The terms of this Agreement shall also apply to all Related Companies of the Customer that may participate directly or indirectly in this Agreement. As used herein the term "Related Company" shall mean in relation to any Party, any corporation or entity directly or indirectly controlling, controlled by, or under common control with that Party. For purposes of this definition, "**Control**" means the ownership of greater than 50% of the voting securities of that Party.

(2) The object of this Agreement is the assurance of a consistently high quality for the services/products to be supplied by the Supplier and a reduction in double checks. The Agreement contains the basic quality requirements and regulations which arise from the supply relationship between the Parties.

Section 2 Quality Management System of the Supplier

(1) The Supplier undertakes to set up, permanently use and continue to develop a quality management system in accordance with **ISO TS 16949:2009**. Moreover, the Supplier must observe the **EU Directive on End-of-Life Vehicles 2000/53/EC** and the **GADSL** (Global Automotive Declarable Substance List). An entry shall be made in the **IMDS database** (International Material Data System).

(2) The Supplier must adhere to the **zero defect objective.** The Supplier shall continuously optimise its services in order to achieve the zero defect objective and commits on its part its subcontractors to the zero defect objective.

(3) If the Customer provides the Supplier with production and testing equipment, and in particular with instruments and equipment within the context of the purchase of supplies, the Supplier must include this equipment in its quality management system as it does its own production and testing equipment.

(4) The Supplier shall notify the Customer without delay of any changes to its management systems, certification status and the responsible contacts.

Section 3 Subcontractors' Quality Management System

(1) If the Supplier subcontracts orders, it undertakes to subject any subcontractors that perform services that are relevant from a quality point of view to the obligations it has assumed in this Agreement, and to endeavour to conclude a corresponding agreement.

(2) The Supplier may only change its subcontractor with the prior written approval of the Customer. If subcontractors are commissioned without such written permission, the Customer is entitled to cancel the corresponding order (termination for cause). The Supplier shall bear any costs incurred by the Customer as a result of any unauthorised change in subcontractor. No deadline postponements shall be accepted. Any proof of the agreed quality level that has already been provided within this context must be furnished again.

Section 4 Audits

(1) The Customer is entitled, after prior consultation, to perform audits to determine whether the Supplier's quality assurance measures meet the Customer's requirements. The audits may be performed as system, process or product audits. To this end, the Supplier shall grant unhindered access to all production and testing sites, warehouses and adjacent areas, as well as to all quality-related documents, and in particular to the Failure Mode and Effect Analyses (FMEAs) to be prepared by the Supplier, to the Customer, the Customer's customer, or persons commissioned by the Customer, during normal operating and business hours. The auditor is entitled to make and retain copies of quality-related documents – with the exception of FMEAs. Appropriate limiting measures taken by the Supplier to safeguard its business secrets shall be accepted. Unless otherwise agreed, the auditing system to be used is that specified in Volume 6.3 published by the German Association of the Automotive Industry (*Verband der Automobilindustrie* - VDA).

(2) If quality problems arise that are caused by services provided by and/or products supplied by subcontractors, the Supplier shall, upon the request of the Customer, look into the possibility of performing a joint audit of the subcontractor. The Supplier shall notify the Customer of the result of the audit. If deviations are detected, the Supplier undertakes to prepare and implement an approved plan of measures including deadlines.

Section 5 Documentation

The Supplier shall retain the testing documentation in accordance with VDA requirements for a minimum period of 3 years for standard parts and a minimum of 15 years for parts requiring special archiving (A parts). To this end, the Supplier shall consult the respective current version of the VDA brochure 1 "Quality Evidence" (Guidelines for the Documentation and Archiving of Quality Records). With respect to those documents that contain statements on the production process or on the quality of a specific component, the retention period shall start on the date of production of the specific

individual component. With respect to those documents that were produced before, at the same time as, or just after the start of series production and which are of relevance during the entire series production phase, the retention period starts at the end of the serial production phase.

Section 6 Development Phase

(1) If the order to the Supplier includes development tasks, the Customer shall set out its required specifications in writing, e.g. in a specification book. The Supplier undertakes to adhere to the agreed quality management systems even in the planning phase for products, processes and other cross-functional tasks. Moreover, the Parties shall use preventive quality planning methods in the development phase, such as producibility analyses, fault tree analysis, reliability calculation, FMEA etc. Experiences (procedures, process data, capability studies etc.) gained from similar projects are to be taken into account wherever possible. Characteristics with particular requirements as to documentation and archiving are to be determined jointly by both Parties. The specifications contained in the prevailing version of the specification book must be adhered to.

(2) The Supplier shall check all technical documents required to support series development, such as specifications, drawings, parts lists, and CAD data upon receipt for completeness, consistency, feasibility and appropriateness for the intended application, and shall report any shortfalls it detects to the Customer without delay.

(3) The Supplier is fully responsible for ensuring that its products, including those of his subcontractors, correspond to the currently documented release status and comply with all applicable technical requirements at all times in both the development and series production phases.

(4) The Supplier undertakes to perform relevant risk analyses (e.g. system, product and process FMEAs, reliability tests, etc.) for all new and changed products and processes, including any variations in quality.

(5) A process plan (machinery, tools, production and testing equipment, procedural guidelines, testing plans, etc.) shall be drawn up based on the results of the risk analysis. Based on the results of the risk analysis, any special characteristics – e.g. critical characteristics (CCs) and significant characteristics (SCs), including the influencing parameters are to be specified for the prototypes, pre-series and series. These are then to be documented in a testing plan and approved by the Customer's quality assurance department.

(6) The Supplier shall be responsible for developing the required testing equipment, taking business-related and technical production-related aspects into account, in accordance with VDI/VDE/DGQ guideline 2619 or AIAG MSA – measurement systems analysis.

(7) The production facilities' capability to achieve the special characteristics must be checked and statistically verified, taking into account process-relevant parameters.

(8) Quality checks, including capability analyses for dimension, material, functionality and usability shall be performed in accordance with the respective project stage; these checks shall be documented, indicating the target and actual values at all times, and shall be included in the respective delivery in consultation with the Customer (e.g. VDA Volume 2 or AIAG (Automotive Industry Action Group) PPAP(QS 9000). This also applies to the production of prototypes, test prototypes and initial prototypes. Appropriate error analyses are to be performed in the event of any deviations (process/tools/material/function). With respect to process and product releases, the Supplier must clearly list all deviations in its assessment report, stating the reasons for the deviations, which must have been permitted by the Customer.

(9) Before the start of serial delivery, the Supplier shall perform in paper the process and product approval in accordance with AIAG PPAP (QS-9000) or VDA Volume 2. If the Customer requires a design release, this must be issued prior to the production process and product approval.

Section 7 Series production phase

(1) The Supplier shall ensure systematic production monitoring using appropriate testing methods in accordance with its test plan. The Parties may agree on further programme and product-specific concepts for series monitoring, if necessary. During the series production phase, the Supplier shall ensure that the product is manufactured in accordance with the technical requirements by performing testing on dimensions, materials and suitability with respect to both functionality and use, and shall mark all packages, containers and transport frames clearly with the test status.

(2) The procedures are to be statistically guaranteed as part of the zero defect strategy. Characteristics corresponding to the production processes of the Customer are to be determined as part of the quality improvement process (QIP); evidence must be furnished as to the capability of these characteristics. The documentation shall be verified using control charts (Cpk $\geq$ 1.33; Cmk $\geq$ 1.67). Evidence of process and machine capability must also be furnished for subcontractors. 100% testing shall be performed automatically if the required capability is not achieved - assuming no agreement has been made to the contrary in a specific case. At the same time, the Supplier shall implement measures to achieve the required capability. The Supplier must notify the Customer of these measures without delay, including a timetable for their implementation.

(3) The Supplier must notify the Customer immediately of any production disruptions or events that could have a negative impact on the quality, delivery date or delivery quantity of the production materials ordered, stating the appropriate corrective action to be taken to ensure controlled processes, and to guarantee a continuous materials and parts supply.

(4) The Supplier shall ensure that no defective products are delivered by performing appropriate tests. If the Customer faces production downtime as a result of defective deliveries, the Supplier must take action without delay to remedy the situation (replacement deliveries, sorting or night work).

(5) The Supplier undertakes to label defective parts appropriately and to separate them from those that meet specifications.

(6) If, in exceptional cases, the Supplier is unable to supply products that meet the specifications, it undertakes, in all cases, to obtain a special written release from the Customer, which is limited to a timeframe or number of parts prior to delivery. In all cases, the Supplier undertakes to restore production to specification in accordance with the agreements with the Customer and without delay. The Customer reserves the right, under certain circumstances, to insist that 100% testing be performed at the Supplier until the original process level has been restored. The Supplier shall bear the costs of this 100% testing.

(7) Within a minimum yearly recurring test of all parts and components delivered to the customer, all characteristics (in particular function, material and geometry) have to be verified. The extent of these tests can only be reduced with customer's agreement. Testing proofs have to be handed out free of charge to the customer on request.

Section 8 Traceability

(1) The Supplier undertakes to ensure the traceability of the products it supplies. In the event that a defect has been detected, traceability must be such that the quantities of defective parts/products can be limited.

(2) The delivery documents and packaging labelling must ensure the traceability of the goods.

Section 9 Transport

(1) The Supplier shall ensure that the goods are delivered by appropriate means of transport agreed with the Customer, in order to avoid damage and quality impairment (e.g. contamination, chemical reactions).

(2) The Supplier must label products and packages in accordance with the requirements agreed with the Customer. The Supplier shall ensure that the labels on the packaged products remain intact even during transportation and storage.

(3) Any deviations from the existing labelling obligations shall require a written agreement between the Parties.

(4) Deliveries shall be made in a manner that adheres to the delivery schedule. Special shipments are to be avoided.

Section 10 Outgoing Goods Inspection/Inspection of Received Goods

(1) All series products shall be exclusively inspected by the Supplier.

(2) After the products have been received by the Customer or at a Customer-specified unloading point, they shall only be inspected for type and quantity as stated in the delivery notice and any externally visible damage that may have occurred during transport. If damage is detected during the inspection of received goods described above, the Supplier shall be notified immediately and in writing. The Customer is not obliged to perform any additional checks of the goods upon receipt and is thus released from the remaining immediate duties to examine and object to defects.

(3) The Customer shall notify the Supplier without delay of any defects relating to a delivery that are detected in the normal course of business. Defective parts shall be returned to the Supplier for analysis.

Section 11 Environmental Management

(1) As part of the optimisation of our environmental management system, we want to enter into open, constructive dialogue with our suppliers. We expressly ask our suppliers to work actively with us to continuously reduce the burden placed on the environment by our business activities as we develop products, plan production processes and package and transport products.

(2) The Supplier undertakes to comply with the negative list and the instructions specified in the GADSL. In signing this agreement, the Parties ensure that they will observe and comply with the negative list.

(3) The supplier medium-termed undertakes to set up, permanently use and continue to develop an environmental certification according to ISO EN 14001 in the prevailing version.

(4) The Supplier undertakes to obtain all of the necessary official permits for the facilities and ancillary facilities it uses to manufacture the products supplied to the Customer.

Section 12 Customer Rights

(1) In the event that the Supplier does not fulfil key requirements relating to the quality assurance procedure specified in this Agreement, or if the Supplier refuses, without having legal grounds to do so, to supply essential information in accordance with its contractual obligations, or if the Supplier refuses, without having legal grounds to do so, to perform an audit contractually agreed upon or rightfully demanded by the Customer, or if the Supplier violates other key obligations to cooperate, the Customer may, without prejudice to its statutory rights:

a) refuse to accept the products ordered until the Supplier fulfils its obligation to cooperate or proves that it is complying with the contractually agreed quality assurance procedure or submit a proposal to the Customer on specific remedial action to be taken with respect to the negative result of the audit performed.

b) rescind, be it in full or in part, the series supply agreement after the expiry of an extension period.

c) demand reimbursement of the additional expenses the Customer incurs for the inspections of received goods it has performed due to the aforementioned contractual breaches.

(2) This does not apply if the Supplier is not liable for the aforementioned contractual breaches.

(3) If the Supplier breaches this Agreement for grounds other than those set out above, all statutory rights are available to the Customer.

Section 13 Confidentiality

(1) Each party shall use all documents and knowledge that it receives in connection with this Agreement for the purpose of this Agreement only, and shall maintain confidentiality vis-à-vis third parties with the same care that it would apply to its own documents and knowledge, if the other Party has identified this material as confidential, or if maintaining confidentiality would obviously be in its interest. This obligation begins upon receipt of the documents or knowledge in question and ends five years after this Agreement terminates.

(2) The obligation does not apply to documents and knowledge that are public knowledge or were already known to the Party prior to receipt, without the latter being obligated to treat them as confidential, or that were conveyed afterwards by a third party authorised to do so, or which were developed by the receiving party without using confidential documents or knowledge of the other partner.

Section 14 Term

(1) This Agreement shall come into force when it is signed and shall run for an unlimited term. It may be terminated by either Party by giving three months' written notice to the end of a quarter.

(2) Termination only applies, however, to projects that were not yet agreed upon by the Parties with legally binding effect at the date of the termination. This Agreement can only be terminated for cause during the duration of one or several projects with effect for the ongoing project(s).

(3) Termination of this Agreement does not affect the validity of other agreements concluded under the supply relationship until the latter have been performed in full.

Section 15 Agreement on Objectives, PPM, Supplier Manual

PREH is committed to a **zero-defect objective** and expects the same from its suppliers. PREH therefore does not determine individual PPM target rates but continuously monitors the performance of its suppliers by means of certain quality and logistics factors laid down in the PREH Supplier Manual.

Section 16 Final Provisions

(1) The Customer recommends that the Supplier takes out appropriate liability insurance to cover the risks concerning product liability that arise from this Agreement.

(2) In exceptional cases, and in particular for the implementation of special requirements, the Parties may agree on supplemental or deviating terms to this Agreement. Such supplemental or deviating terms shall be set out in a separate appendix to this Agreement. This appendix 1 shall then form part of this Agreement. In the case of contradictions, the provisions in the appendix 1 shall prevail over those set out in this Agreement.

(3) The current valid version of the Customer's purchase terms and Supplier manual, both published and available for download on the Customer's website http://www.preh.com, "Download area" - "Suppliers", shall also apply. In the case that this Agreement contradicts Customer's purchase terms and/or Supplier Manual, the provisions of this Agreement shall prevail.

(4) The section headings in this Agreement are for convenience of reference only; they do not represent contractual provisions and do not carry any legal significance.

(5) Any assignment or transfer of rights and obligations arising from this Agreement shall require the prior written consent of the other Party.

(6) This Agreement comprises all agreements between the Parties relating to the object of the Agreement and replaces any agreements made between the Parties prior to this Agreement. No supplementary oral agreements have been made. Amendments and supplements, as well as the termination and cancellation of this Agreement must be made in writing; this also applies to the cancellation of this requirement of written form.

(7) No agreed rights may be changed or cancelled, nor may new rights and obligations be created as a result of conduct that does not comply with this Agreement.

(8) This Agreement and any additional agreements are governed exclusively by the law of the Federal Republic of Germany, excluding German International Private Law. Application of the UN Convention of April 11, 1980 regarding Contracts for the International Sale of Goods (CISG) is expressly excluded.

(9) The place of jurisdiction for any disputes resulting from and in connection with this Agreement, insofar as this Agreement is permitted by law, is Schweinfurt, Germany.

(10) If any provision(s) of this Agreement should be or become invalid, the validity of the remaining provisions shall not be affected. The Parties shall replace the invalid provision with a valid provision which comes as close as possible to the economic purpose of the invalid provision. The same applies for missing provisions.

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CUSTOMER:

Preh GmbH

Bad Neustadt/Saale, (date) _____

_____	_____
Executive Director Strategic Purchasing	Head of Supplier Quality Assurance

Preh

, (date) _____

_____	_____

SUPPLIER

, (date) _____

_____	_____
Signature	Signature