

Quality Assurance Agreement

between

**BOWA-electronic GmbH & Co. KG
Heinrich-Hertz-Strasse 4-10
D-72810 Gomaringen**

hereinafter referred to as "BOWA"

and

the company named and based as follows:

**Company Name
Street
Place**

hereinafter referred to as the "Supplier"

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1.0 General

1.1 Objectives and Scope of Application

The present Quality Assurance Agreement describes and governs the specified quality-assurance activities between the contractors and applies to delivery/performance of the ordered products or services (hereinafter referred to as "products").

The supplier may not derive a claim to placement of orders for products from conclusion and execution of the Quality Assurance Agreement.

Unless otherwise agreed, the Quality Assurance Agreement shall be considered an integral part of the respective individual agreements regarding delivery (or performance) of products. BOWA's General Terms and Conditions of Purchase, as amended, shall apply in supplement. In case of conflict between the provisions of the Quality Assurance Agreement and the General Terms and Conditions of Purchase, the provisions of the Quality Assurance Agreement shall prevail. We do not agree to application of the contractor's deviating general terms and conditions unless they were explicitly acknowledged in writing.

The supplier shall make sure that its sub-suppliers also observe the obligations undertaken by the supplier on the basis of this Quality Assurance Agreement. BOWA may ask the supplier to furnish documentary evidence for the supplier having checked the efficacy of its sub-suppliers' quality management systems. BOWA may also request that the supplier submit to BOWA written test and other quality certificates for its sub-suppliers.

The validity of this Agreement as a whole shall not be affected by the invalidity of individual clauses of this Agreement. To the extent these terms do not become an integral part of the contract, the contents of this Agreement shall be governed by legal regulations.

1.2 Term of Application

This Quality Assurance Agreement shall come into effect after having been signed by both contractors. It shall initially have a term of one (1) year which shall be extended by another year unless terminated by one of the contractors at least four (4) months prior to expiry.

The Agreement shall apply to any delivery agreed or effected during the term of application of this Agreement.

If the supplier, after having received a corresponding written request, fails (within a reasonable time frame) to remedy any defects in the quality management system, the manufacturing process or documentation that may have been discovered, BOWA may cancel this Agreement subject to two (2) months' notice to any date and also cancel purchase orders placed without having to pay compensation.

1.3 Technical Documents

The supplier undertakes to provide supplies in line with BOWA's technical documents such as delivery specifications, drawings, process descriptions, test instructions and factory standards. The requirements and characteristics mentioned in these documents must, as a general rule, be adhered to and complied with. Changes in agreed characteristics may in any case only be implemented subject to BOWA's written approval. The supplier must promptly notify BOWA of supplier's deviations from specifications - regardless of the reason for such deviation.

The supplier undertakes to prepare and supplement any technical documents that may be necessary and/or expedient unless already provided by BOWA (e.g. manufacturing plans, test plans, FMEA etc.). The documents shall be made available for start of series production at the latest.

BOWA must be promptly notified of changes or additions to these documents unless these changes do not have an effect on the design, appearance, functionality or identification of products.

To the extent this is relevant, the supplier undertakes to support BOWA with the performance of all requirements which constitute a condition for CE marking. On BOWA's request, the supplier shall, in particular, place the technical documentation required for such CE marking at BOWA's disposal.

The supplier undertakes to store the technical documentation for fifteen (15) years after termination of this Agreement.

1.4 Assessment of Quality Management System

The supplier undertakes to maintain a quality management system which, as a minimum, has been certified subject to the following standards:

Supplied items integrated in automotive products: ISO 9001
Aim: ISO/TS 16949

Supplied items integrated in medical devices: ISO 9001
Aim: DIN EN ISO 13485

Supplied items integrated in other products: Aim: ISO 9001

In any case, suppliers whose items are integrated by BOWA in automotive products must have a quality management system in line with the requirements of ISO/TS 16949 (regardless of whether it is certified or not).

The supplier shall let BOWA's agents inspect its quality management system upon ten (10) work days' prior notice.

In this quality audit, the supplier shall place any non-confidential documents that may be required for determining necessary information and provide insight into the supplier's testing facilities at the disposal of BOWA's agent for inspection.

BOWA's agent must be given access to the documentation.

If the delivered items are integrated by BOWA into medical devices, the competent supervisory authorities or the "designated authority" competent for BOWA in line with the Medical Device Act shall at any time (subject to prior notice) be entitled – e.g. in case of incidents – to inspect the production plants in which products are manufactured and audit the supplier's quality management system and inspect any technical documents relating to the products or the quality management system.

1.5 Zero Defect Strategy

The supplier shall be required to pursue a zero defect strategy. The supplier must make sure that all of its products fully comply with the defined requirements. If the zero defect target cannot be reached right from the start, intermediate targets may be agreed. The supplier must promptly inform BOWA if it has become apparent that there will be deviations from agreed targets. In this case, the supplier undertakes to define suitable action for eliminating the deviation and present such action items to BOWA.

The supplier's liability for warranty and claims for damages that may be asserted by BOWA for defects in performance shall not be affected by the set target.

Specifications for the product must be complied with at any rate. Based on the contractual agreements, the supplier shall also assume liability for any defects if defectiveness is within the set target.

1.6 Confidentiality

Every contractor undertakes to keep information received from the other party and the contents of this Agreement confidential and conceal it from third parties and to refrain from using it for purposes beyond the scope of cooperation under this Agreement.

The confidentiality obligation shall not apply to information which apparently is not classified. If in doubt, the supplier shall contact BOWA to find out whether such information is actually classified.

If this Agreement is terminated, the contractors undertake to return, on request, any documents that may have been made available. The aforementioned confidentiality obligation shall also survive termination of this Agreement.

If the parties have concluded a separate confidentiality agreement, the terms agreed under such a confidentiality agreement shall prevail over the aforementioned terms and conditions.

1.7 Sub-contractors

The supplier may only subject to BOWA's prior consent pass on orders to subcontractors. BOWA shall grant its approval unless there are objective reasons why BOWA may not grant it and the necessary scope of quality assurance would not be safeguarded.

Even if the supplier has passed on orders to subcontractors approved by BOWA, the supplier shall not be released from its responsibility to safeguard the quality of subcontracted components, materials and services.

1.8 Materials Used

Materials purchased and used for component manufacturing must comply with legal and security requirements. This shall apply to requirements applicable in the country in which materials are manufactured as well as the country to which materials are delivered.

Unless otherwise agreed, the delivered goods must be traceable back to raw materials.

2.0 Quality Assurance in Pre-production Phase

2.1 Initial Sample

Before initial delivery of new or modified products or products made with new or modified tools or manufacturing processes, the supplier shall submit to BOWA initial samples with an initial sample test report. The following requirements must be complied with:

Delivered items integrated in automotive products

Initial sample test report according to VDA volume 2 submission level 3 or according to PPAP level 3 or as separately agreed between BOWA and the supplier.
The necessary type of sampling must be agreed with BOWA's quality management on a case-by-case basis.

Delivered items integrated in medical devices or other products

Initial sample test report with dimension and materials report as well as process workflows. Any characteristics indicated in BOWA's drawings or specifications must be taken into consideration and indicated in the test report.

As a general rule, initial samples must be manufactured under series manufacturing conditions. Unless otherwise agreed with BOWA, at least ten (10) specifically marked initial samples must be delivered. If a special initial sample order was placed by BOWA, the initial samples must be delivered on the basis of this order.

Unless otherwise agreed with BOWA; at least ten (10) parts from every cavity must be sampled for components from multiple dies.

BOWA shall check whether the initial samples conform to data from technical documents. The supplier will be notified of the test result.

Series delivery must only be effected after the initial sample was released. Design, materials and process workflows of series production parts must conform to released initial samples.

2.2 Evaluation of Process Capability

If it cannot be determined by testing the finished product whether key product characteristics have been complied with (e.g. gluing, welding), the manufacturing process on which the characteristic is based must be inspected and evaluated as to capability. The parameters required for a positive process result, including parameter values, must be documented. On request, documentation of the manufacturing process inspection must be submitted to BOWA.

As far as evaluation of process capability is concerned, BOWA reserves the right to determine the inspection requirements essential for evaluation separately in a process validation order. Separate agreements shall be made to define the nature and scope of such inspections and as to who will bear the associated costs.

3.0 Quality Assurance in Production Phase

3.1 Incoming Inspection

The supplier is aware of the fact that BOWA, for the purpose of manufacturing BOWA products, may use the products delivered by the supplier without incoming inspection, without having to give prior notice to the supplier verbally or in writing. Before dispatching the goods, the supplier must make sure that the products delivered by it conform to quality requirements. The supplier shall prepare an inspection plan for performing tests which defines the nature and scope of the testing sequence to be implemented, the testing equipment to be used and the criteria for acceptance or rejection. The supplier shall, on BOWA's request, add further test characteristics in the inspection plan to be applied for the product.

BOWA shall promptly after receipt of products verify whether the incoming products have been delivered in the ordered quantity and the quality and inspect the products as to damage from transportation visible from outside or patent defects.

BOWA shall not have a duty vis-à-vis the supplier to carry out any other tests and give other notice than mentioned above.

3.2 Test Certificates

The supplier shall keep records of the results of input material, final product and in-process checks as well as the implementation of other batch-related quality assurance measures necessary according to the supplier's quality management system; such records shall be stored for a period of at least fifteen (15) years after delivery to BOWA. If BOWA so requires, additional retained samples shall be stored for the same period.

The supplier shall on BOWA's request enclose a copy of the factory test certificate to the consignment. Test reports must be suitable for microfilming. They must conform to the requirements of DIN EN 1024 (for metal products) or comprise the following information.

The following data must be comprised as a minimum:

- Number and revision status of the inspection plan on which the test was based;
- item number with revision index of tested unit(s);
- number of BOWA's related purchase order;
- total number of units in lot;
- result of individual tests.

3.3 Tests in the Course of Manufacturing

The supplier represents that the contract products have been manufactured in line with pertinent legal regulations and the accepted state of the art.

The supplier must identify manufacturing processes which have a material influence on the quality of the products delivered to BOWA and warrant secure and reproducible performance. Such processes must be monitored as to whether

- they safeguard the accuracy and invariability of facilities used for manufacturing or measuring the products, including setting and adjustment.
- the skills, knowledge and know-how of operating staff conforms to requirements;
- factors which influence process management such as timing, temperature and special environmental conditions are determined, complied with and recorded.

3.4 Deviations and Concessions

The supplier warrants that it does not supply any products that deviate from technical documents or do not comply with agreed quality requirements for other reasons. In exceptional cases, the supplier may turn to BOWA for a concession with BOWA. An unauthorised deviation must be reported to BOWA at an early stage, i.e. promptly after the supplier has become aware of it. The nature of deviation, causes, corrective action and the number of units affected by the defect must be indicated. A concession shall, as a general rule, only be applicable for a limited number of units. It shall neither be considered a concession as to quality nor an exception from tests.

3.5 Changes in Released Products or Manufacturing Processes

The supplier must submit changes in released products such as changes in materials, dimensions, colour, supplier changes etc. to BOWA for approval prior to execution. Changes in the released manufacturing process such as changes in the process sequence, test sequence, manufacturing process, relocation of production to a different location etc. are also subject to HOWA's approval. BOWA shall decide on a case-by-case basis whether new initial sampling as described under 2.1 is necessary.

3.6 Defects/ Elimination of Defects

BOWA's other rights notwithstanding, the supplier undertakes to rework products which do not conform to agreed quality requirements or furnish substitutes. The supplier undertakes to promptly eliminate the causes of quality defects. Shipments subject of complaint which have been sorted or reworked by the supplier shall be specifically marked upon repeat delivery.

In urgent cases, BOWA shall subject to prior notification by the supplier be entitled to replace, rework or eliminate defects in damaged parts or have them replaced, reworked or defects in them eliminated by third parties at the supplier's expense.

3.7 Warranty

BOWA shall have the warranty rights granted by law, without limitation. In addition to that, BOWA shall be entitled to request free-of-charge delivery of a replacement or, if the supplier is capable thereof without outside assistance, free of charge rework. If charges are increased in the event of rework because the purchased object had been taken to a place other than the destination, the supplier shall have to bear the costs unless transportation would be the destined purpose of use of the object. If the defect is based on the supplier's negligence or if the defect is in the absence of warranted characteristics or if the defect constitutes an infringement against the German Product Liability Act, the Device Safety Act or the Medical Device Act, the supplier shall also indemnify BOWA against consequential loss or damage not inherent in the object itself. Consequently, if the supplier is responsible for a production defect, the supplier shall also be required to bear consequential damages caused by a defect (e.g. costs of rework or scrapping of products already used).

BOWA's warranty claims to the supplier shall become statute-barred after two (2) years, if Section 438 I no. 2 BGB [German Civil Code] applies, after five (5) years. The time relevant for barring action shall start with delivery of the object. BOWA's warranty claims as well as BOWA's claims for defects in the object of purchase sold or disposed of otherwise by BOWA to a third party shall become statute-barred two (2) months after the date BOWA has satisfied the third party's claims at the earliest. This

suspension of the running of time shall end five (5) years after the date on which the supplier delivered the object to BOWA at the latest. The aforementioned provisions shall also be applicable in full if the supplier has called in a subcontractor for delivery and performance.

4.0 Product Liability

If the supplier is held liable for a product defect in line with general principles, the supplier undertakes to indemnify BOWA against third-party claims to the extent recourse is taken to BOWA from outsiders. If recall campaigns are necessary within the framework of this responsibility, BOWA shall implement them on agreement with the supplier. The supplier shall indemnify BOWA against associated costs.

The supplier shall adjust the reasons for exclusion of coverage under its product liability insurance in line with this agreement. If the supplier has not yet taken out such an insurance, BOWA recommends that the supplier take out such an insurance.

Date:

Supplier
Legally binding signature

BOWA-electronic GmbH & Co. KG