

Quality Assurance Agreement (QAA)

Between

MAHLE Behr Industry GmbH & Co. KG
Heilbronner Str. 380
70469 Stuttgart

Or

MAHLE Behr Industry America LP
5858 Safety Dr. NE
Belmont, MI 49306

Hereinafter referred to as "**MBI**" –

And

Supplier

Hereinafter referred to as the "**supplier**" –

Concerning the performance of cooperative quality management with the aim of ensuring the quality of co-produced products – hereinafter referred to as "**QM**".

Change status 7, 9/9/2010

Preamble

This quality assurance agreement (hereinafter referred to as "QAA") contains the contractual specification of the basic technical and organizational parameters and processes between the customer and supplier.

It specifies the minimum requirements that will apply to the contractual partner's management system and defines rights and obligations with respect to the quality assurance of any products to be supplied to MAHLE Behr Industry.

1. Aim of Quality Assurance Agreement (QAA)

This QAA specifies and defines any quality assurance measures foreseen between the parties to this contract. Additionally, the supplier promises to undertake any and all appropriate measures to achieve the quality standards agreed upon or specified by delivery contract.

2. Supplier Pre-Requisites & Quality Management System

The deployment of a QM system in compliance with ISO 9000, or an equivalent QM system covering the same requirements as ISO 9000, is a pre-requisite to any contract.

The following evidences are valid for a functional QM system:

- Valid ISO 9001 certificate, issued by an accredited institution.
- QM system audit by MBI Quality Assurance.
- Positive audit to ISO 9001 / 9002 (or an equivalent QM system) – provided no less than 2 years have passed since completion of audit – by other well-known customers of supplier (assumes approval by MBI, subject to inspection).

Purchased products for the automotive industry that are subject to the scope of ISO TS 16949, then the QM-System requirements are:

- Valid certificate per ISO 9001, issued by a an accredited institution
- Certification per ISO TS 16949. If not TS 16949 certified, supplier must commit to become certified within two years.

Products within the TS 16949 scope are clearly marked in our purchasing documents / specifications (i.e. drawing).

3. Scope

This QAA applies to any and all parts purchased by MAHLE Behr Industry where reference is made to the VA 4.2 (see section 4). Valid for PPAP samples and serial production parts.

This agreement is valid for supplier relationships between suppliers and associated companies, of which MAHLE Behr Industry GmbH & Co. KG directly or indirectly holds the majority.

The requirements of the QAA are valid together with the VA 4.2 and also in addition, if applicable, with documents AA 4.2, AA 6.3.6-1 and VA 7.3-4, (see section 4). The most current version of these documents can be found via the Supplier Portal on our internet site (www.mahle-behr-industry.com).

The supplier guarantees to obligate his sub-suppliers to comply with supplier's contractual obligations arising from this Agreement. MBI reserves the right to require written proof that the supplier has verified the effectiveness of sub-suppliers quality management systems. Additionally, MBI reserves the right to require inspection results or any other quality assurance documents from sub-supplier.

4. Quality Requirements

Specific quality requirements are determined in the individual supply contracts; in particular by technical specifications, technical documentation, drawings, bill of materials, inspection documents, etc... The supplier agrees to implement the quality requirements submitted by MAHLE Behr Industry.

The additional applicable document, VA 4.2 contains basic quality requirements for any purchased parts, for example with regards to:

- Production Part Approval Process (PPAP) submission-per AIAG requirements.
- Quality documentation: Material Certificates
- Quality Planning Process (APQP), Inspection instructions, Inspection result records.
- Labeling & Traceability.

Products within the scope of ISO TS 16949 are clearly labeled in our purchasing documents / specifications (i.e. drawing). In addition a Kick-Off-meeting with the suppliers takes place, which is initiated by MBI Purchasing Department.

Where MBI drawings have attached "diamond markers or ovals" (where a \diamond or \bigcirc symbol appears next to a feature or measurement in a drawing), the requirements outlined in AA 6.3.6-1 additionally apply.

The supplier agrees to request AA 6.3.6-1 from MBI (before tendering for contract), if "diamond markers or ovals" occur in a drawing.

For all welded parts, the requirements per work instructions AA 4.2 are valid (supplier Welding Dept). If the requirements are relevant for the supplier, please request them from MBI Purchasing.

For all brazed parts that are manufactured manually (by hand), the requirements per work instruction VA 7.3-4 (special processes) are valid. If the requirements are relevant for the supplier, please request them from MBI Purchasing.

5. Inspection Instructions

The supplier agrees to draw up inspection instructions for any inspections to be performed, specifically any and all receiving, intermediate, and final inspections. The inspection instructions and guidelines must contain the following:

Inspection features, inspection frequency, inspection methods (where appropriate), and equipment required performing the inspections.

Inspection instructions must be drawn up so as to prevent any potential errors that may occur within the manufacturing process of the supplied product.

The supplier agrees to implement a change management system to ensure that only current, valid inspection instructions are implemented.

MBI will provide inspection instructions for some parts (see VA 4.2, Table 5.1, Item 14 / 15). The supplier can refer to the design documents (e. g. drawing or bill of materials) for details.

6. Inspection Equipment

The supplier guarantees the availability of inspection equipment required to perform testing of products manufactured for MBI at all times.

Such inspection equipment is subject to ongoing monitoring, calibration and servicing as stipulated by the QM-System of the supplier.

7. Production Part Approval Process or First Article Inspection (PPAP or FAI)

In the case of new components, technical modifications, and any changes in the manufacturing process or location, initial PPAP or FAI samples are to be placed at the disposal of MBI. These must be tested for compliance with technical drawings and specifications and labeled as initial samples, accompanied by complete documents / reports (signed by responsible quality personal at supplier).

Requirements for PPAP or FAI are listed in the attached document, VA 4.2. If parts procured by the supplier are subject to PPAP first sampling inspection (as specified in VA 4.2, Table 5.1, Column 3 / 4), the supplier is responsible for performing PPAP or FAI procedures for sub-suppliers based on the guidelines stipulated in this QSV, and commences to retain the quality documents / results of such testing. Any questions regarding PPAP or FAI, contact MAHLE Behr Industry America Quality Department.

PPAP first sampling inspection reports are to be in Automotive Industry Action Group (A.I.A.G.) format and attached to shipment delivery documents with PPAP samples. The item numbers of the initial sample inspection report are to be disclosed on the attached drawing (Ballooned drawing with identifiers matching the dimensional layout report).

8. Quality Records / Quality Certificates / Acceptance Code ("AK")

The supplier agrees to document the inspection results in the inspection sheets provided by MBI (in compliance with VA 4.2, Table 5.1, Position 14). This also applies to documentation of "diamond markers" (see section 4 above). In the case of "diamond markers" process capability indices (C_p / C_{pk}) in compliance with the stipulations of AA 6.3.6-1 are to be attached (to shipping documents) for serial production.

The supplier and any sub-suppliers must retain quality records (inspection results) for a period of no less than 20 years. Legal requirements for retention periods for any other quality assurance documentation are to be followed. MBI reserves the right to inspect quality assurance documents at any time.

On request by MBI, material certificates (e.g. according to EN 10204) should be provided by the supplier and attached to the shipping documents. The required type of certificate is specified in the "AK" number and the accompanying purchase order text.

Required material certificates for parts / semi-finished goods procured by the supplier are specified in the bill of materials (see "AK" number). All certificates must be available at the supplier's locations for any parts / semi-finished goods procured by the supplier.

In case of products with material certificates, which are delivered directly to MBI customers by the supplier (that is where delivery is not routed via MBI), a certificate of compliance is to be issued by MBI Quality Assurance. The following procedure applies:

- Manufacturing of product including all inspections by supplier.
- Supplier inspection results to be sent to MBI (incl. all Q-documents in compliance with VA 4.2 / Table 5.1, Items 12, 13, 14). Material certifications for parts / semi-finished products to be retained by supplier (see above).
- MBI to inspect Quality documents including certificate of compliance provided by supplier.
- MBI to issue MBI certificate of compliance and forward certificate to supplier (including shipping documents).
- Supplier to deliver shipment (including MBI shipping documents and MBI certificate of compliance).

9. Provision of Material

In case of provision of materials to the supplier by MBI, the supplier is required to perform incoming inspection of such materials with respect to completion, appearance, and damage. Should supplier determine any discrepancies / damage, supplier commences to document discrepancies / damage and inform MBI Quality Assurance (in form of a non conforming product report (NCR)).

In case of provision of materials with material certificates to supplier by MBI, material certifications will not be sent to supplier by MBI.

10. Labeling, Lot Control, and Traceability

Products are to be labeled in compliance with VA 4.2 (Table 5.1, Column 16 / 17) and the drawing.

All shipments are to be labeled to permit unique identification of all products at all times (non-ambiguous traceability with packing slip, purchase order number, manufacturing date, lot number, etc.).

Parts subject to external initial sample approval (see VA 4.2, Table 5.1, Item 4) may not be delivered until approved by MBI Quality Assurance. This applies to any serial manufacturing shipments. Supplier is required to request approval in good time before foreseen delivery date (delivery date to be arranged approx. 5 working days before delivery of shipment).

Within the scope of supplier's QM, supplier must ensure that the quality of products is not negatively affected by transportation until use of material in MBI facility. At a minimum all parts shipped to MBI must be packaged in a way that they are protected from moisture, debris, and damage.

The supplier agrees to adhere strictly to stated delivery dates and quantities, and commences to implement such process and control mechanisms necessary to guarantee this. In case of discrepancies with regard to delivery date or delivered quantities, any additional expenses, particularly with respect to additional freight charges are to be determined and MBI is to be informed of such. The cause of stated discrepancy is to be determined. Should the discrepancy be caused by defects in the manufacturing process, corrective action (8D) is to be undertaken immediately and submitted to MBI Quality Department.

Supplier agrees to use only transportation means and packaging materials as specified in requirements. MBI reserves the right to agree to transportation means and packaging materials with the supplier.

11. Receiving Inspection

As this QAA foresees performance of required inspections by the supplier only, incoming inspection by MBI serves only to ascertain whether the quantities and type of incoming goods corresponds to the ordered quantities and types, and to check for damaged packaging or other externally visible damage resulting from transportation. Additionally, MBI performs regular spot tests on the quality documents and material certificates.

MBI will perform quality assurance checks (i.e. dimensional inspections) only in suspicious cases.

In case of goods ordered by MBI for delivery by the supplier to a third party, MBI reserves the right to assign authority for incoming inspection to a third party. Supplier agrees to submit to inspection by such third party, and to accept any complaints by said third party.

MBI reserves the right to attend any routine inspection at supplier or sub-suppliers or to authorize a 3rd party to monitor such.

Discrepancies / defects of supplier's products are covered in the section "Non-Conformance Management".

12. Non-Conformance Management

Suppliers are expected to ship 100% conforming product.

In case of complaint, the supplier will be immediately informed about the non-conformance by means of a Non-Conforming Product Report (NCR). Supplier agrees to submit a written 8D report on the cause of the defect and the implemented corrective actions without any delay. Initial response must be made within 24 hours. Completed 8D report within 30 days.

If a supplier determines product does not meet drawing specifications, a deviation request may be made using a MBI Deviation Request form or supplier Deviation Request Form. The Deviation Request Form must be forwarded to MBI Quality Department. Only after Deviation Request form is APPROVED and returned to the supplier, may the supplier begin to ship the deviated product. Each container of deviated product must be clearly labeled before shipment to MBI. The deviation request must be added to packing slip.

If MBI finds non-conforming parts or a shipment which is not complete then a NCR report will be filed to the supplier. Non-conformances or deviations that lead to rejection will be at the supplier's cost.

In exceptional circumstances – depending on costs, deadlines, and capacities – an agreement on the following measures may be negotiated regarding non-conforming product found at MBI:

- Sorting or re-working by MBI staff or supplier's staff.
- Approval with deviation from drawing specifications.

- All reworked / sorted parts that are being shipped back to MBI for production use must be labeled as “Certified Stock”.

Should MBI find defective parts or short delivery, MBI will reject the delivery. Rejection will typically result in goods being returned with a request for an immediate replacement delivery.

Deliveries missing PPAP / FAI or material certificates will be deemed incomplete. If the missing quality documents are not submitted within 2 working days after notification, the shipment will be returned at supplier's expense.

Non-conformances cost unnecessary time, money, and effort. It is MBI's goal that suppliers will not ship non-conforming product. If non-conforming product is found at MBI, the supplier will be charged an administration fee plus any additional related costs. See Section 20.

13. Supplier Evaluation Rating

Based on the quality of the products supplied, MBI performs regularly assessments of suppliers. The assessment will be based on NCR's submitted to supplier because of non-conforming purchased parts received by manufacturing, customers, or incoming inspection.

Suppliers with substandard quality of product will be informed of their current quality rating by. At the beginning of each year, quality goal agreements are to be completed with these suppliers.

In addition to product quality, on time delivery, and performance will be assessed for all suppliers. Selected suppliers will receive a regular report on their delivery performance.

For the strongest suppliers according to sales, an annual comprehensive evaluation according to defined criteria's (Quality, Logistics, Purchasing, and Design) is conducted. The results of this evaluation are the basis for goal agreements, which are agreed upon with supplier.

MBI Purchasing monitors suppliers with respect to product quality and on time delivery. If these efforts do not lead to required improvements, MBI Purchasing will further discuss steps with suppliers, e.g. reduction of supplied quantities, or elimination of supplier. The high quality standards demanded by our customers can only be achieved by an ongoing enhancement of MBI product quality and delivery performance, which relies heavily on the quality of the products supplied to us.

14. Product Specification Changes

MBI will inform suppliers in writing and in good time, in case of change in contractual specifications or subjects. The supplier agrees to inform MBI of any changes in materials, manufacturing or inspection methods, purchased parts, re-location of processes or work-shops, and changes in quality assurance methods.

Supplier agrees to inform MBI of such changes in good time and in full detail, to allow MBI to investigate the planned change. Should MBI suspect a negative impact and thus refuse a planned change, the supplier agrees not to undertake such change. Changes of the type specified are subject to PPAP / FAI (see Section 7 above).

Approval of a change by MBI does not disburden supplier from their responsibility for the compliance and reliability of the goods supplied according to contract.

15. Quality Audits

Supplier assures MBI the right to perform audits, as far as such audits concern the QM System and manufacturing process of the components to be supplied.

MBI, or a third party authorized by MBI, or MBI customers, reserve the right to investigate and evaluate supplier's quality assurance measures at any time, and to demand cooperation by supplier, particularly with respect to the QM System, process and product.

Supplier agrees to perform audit at sub-supplier, by MBI, a third party authorized by MBI, or MBI customers.

Auditing of supplier's QM system will be performed in compliance with ISO 9001 or for products that are subject to the scope of ISO TS 16949 according to the appropriate rules and regulations (see section 2). Auditing of processes, technologies and the manufacturing process will be performed on the basis of a catalog of questions drawn up by MBI.

16. Training

Supplier is responsible for necessary training within the requirements of their QM process standards, and will train all staff members, whose tasks may influence quality. Staff with special assignments must be qualified for that assignment and possess appropriate qualifications, training, and / or experience, as appropriate to the demands of the assignment.

This applies in particular to staff members involved with special processes, such as welding or brazing (see Section 4 above).

Records of training measures must be retained.

17. Non-Disclosure

Both parties to this contract agree to handle any non-public commercial or technical details that become known to them through their business relationship as company secrets. Sub-suppliers must also be bound to this condition.

18. Ineffectiveness of Individual Provisions

If individual provisions of the contractual agreements – including the conditions of business should prove to be ineffective, this does not affect the effectiveness of the remaining provisions. The parties shall without delay replace the ineffective provisions by others which as closely as possible approximate to the intentions of the ineffective provisions

19. Period of Validity

This QAA is to be valid for an unlimited period and can be terminated by written notice 6 months before the end of each calendar year, by registered mail with return receipt, but at the earliest two years after signing this Agreement. This Quality Assurance Agreement applies to any shipments resulting from delivery agreements entered into before terminating the QAA.

In the case of revisions, the contract partner is informed by means of an explicit notice by e-mail and is then required to confirm by sending a written form of approval.

20. Supplier Quality Goals & Charges

QUALITY GOALS:

Delivery Performance Goal:	100% On-Time
On-Time Delivery:	3 days early / 0 days after due date
Corrective Action (8D) Requests:	
Initial Containment Action:	Within 24-48 hours
Formal Written Response:	5 Days
Closure & Updates:	TBD, as required

QUALITY DEFECT COST: Determined case by case basis.

Non-Conformance Administration Fee:	\$150.00
Sorting and Repacking:	\$60.00 / hour per person
Product/Customer rework:	\$60.00 / hour per person
Premium Freight due to NCR:	TBD by incident
Shut down (BIA production):	\$800.00 / day
Shut down (BIA customer):	Varies by customer
Temporary Labor:	Paid for by supplier.

21. Written Form

This is a written agreement. This also applies to waiving the exigency of written form. Supplementary agreements, changes, and additions to this Agreement must also be in writing.

MAHLE Behr Industry GmbH & Co. KG

MAHLE Behr Industry America LP

(Address)

(Address)

(City), (Date)

(City), (Date)

(MBI Quality Management)

(MBI Purchasing Management)

MAHLE Behr Industry SUPPLIER:

(Name)

(Address)

(City), (Date)

(Supplier Signature)