

Quality Assurance Agreement

between

Tratter Engineering GmbH
Waltraud Gebert-Deeg Str. 10
I – 39100 Bozen
VAT number: IT01674780216

(hereinafter referred to as „Tratter“)

and

(Hereinafter referred to as “supplier”)

1. Area of Application, Object of Agreement, PPM –Sector

This Agreement applies all sealed purchase contracts between Tratter Engineering and the supplier if no other agreements (as enclosure to this agreement) are made. PPM – Values are normally not general but explicit and individually specified. A PPM – Sector is defined whereupon the series delivery in the second year has to be: 0 to 50 ppm.

To take account of specific needs, there can additionally be covenanted specific changes as enclosure for this quality assurance agreement.

2. Quality Management System of suppliers

The supplier is obligated to ensure a permanent application of a quality management system according to DIN ISO 9001:2008 or IATF 16949 and VDA.

The supplier is obligated to respect the Zero-Defect-Goal and must optimize his achievements continuously.

If Tratter Engineering provides resources and testing equipment, particularly resources and facilities within the reference of the shipment, the suppliers must include those in their quality management system as their own resources and testing equipment.

3. Quality Management System of Sub-Suppliers

The supplier oversees his suppliers too, to comply with adopted responsibilities of this contract. Tratter Engineering can demand documented verification from the supplier, that the supplier was convinced of the effectiveness of their quality management system after verification from his sub-suppliers.

4. Audit

Tratter Engineering is authorized to establish through an audit, whether the quality assurance measures of the supplier ensure the customer's requirements. In this context he acquires an insight into the Failure Mode and Effects Analyses (FMEA's), and there will be made available all quality records duly created by the supplier. The audit can be executed as a system audit, process audit or product audit and is to be arranged in time for the execution.

Reasonable restrictions for the supplier are accepted for assurance of his industrial secrets. The applicable audit system is set out in the additional agreements.

If quality problems which are caused from services and/or shipments of sub-suppliers occur, the supplier is given the opportunity from Tratter Engineering for a combined audit to clarify with the sub-supplier, otherwise the supplier is then obligated to make an audit with the affected sub-supplier.

The result of the audit is announced from the supplier. If deviations are determined the supplier is obligated to prepare a balanced action plan with specific deadlines and to implement it.

5. Documentation and Information

An obligation exists for the storage of specifications and demonstration documents with specific archiving, and upon recommendation of VDA-Band 1 is 15 years. The supplier must provide the customer access to these documents as requested.

If it becomes evident that the agreements (example: on quality features, deadlines, quantities delivered) cannot be complied with, the supplier is obligated to inform Tratter Engineering about it. In the interest of finding a quick solution the supplier is obligated to a publication of the data and the facts.

All changes to the product and product-related changes in the process chain are to be documented in a product life cycle and handled accordingly to VDA Volume 2 "Quality Assurance of Supplies".

6. Development and Planning

If the contract includes development duties for the supplier, the requirements specification is to be defined in writing with the contracting party for example in the form of a specification.

The supplier is already obligated in the planning-phase that the products, processes, and other cross functional duties are applied to the project management and to automatically provide the project schedule to Tratter Engineering.

To ensure a constant support in the development phase, the relevant technical documents such as specifications, drawings, item lists and CAD-data, are to be checked immediately upon receipt from the suppliers with respect to completeness and consistency in general and for designated application; Tratter Engineering must be informed immediately should there be recognized any scarcities.

The contracting parties must apply a suitable preventative method during the development phase, to ensure the necessary quality in planning such as a feasibility study, a calculus of reliability, FMEA etc. Past experiences (process flows, process data, capability studies etc.) of similar schemes must be considered. Features with special demands for documentation and archiving are to be defined.

Production and inspection conditions for prototypes and pre-series are to be matched and documented between the customer and the supplier. The goal is to produce under near-series conditions.

For all functionally relevant features (see Additional Agreement - Special Features), the supplier must perform analyses of the suitability of the production equipment in use and document it. If the determined capability characteristics are not achieved, the supplier must either optimize his parameters appropriately or else execute an appropriate test for the produced products to eliminate bad deliveries.

Before the start of the series production, the supplier must execute the process release and the product release according to VDA-Font 2. The mode of the initial sample test report (initial sample test report VDA) is applied to the Additional Agreement. If the customer demands a construction release this must be preceded by the production process and the product release.

In the production process and production release, it is the machine capability index and / or the process capability index for agreed features that are to be reported.

If there are any process disruptions or quality deviations, the causes must be analysed. Measures for improvement must be initiated and the effectiveness must be checked. There must be obtained in advance, a special release from Tratter Engineering, who must also be informed immediately should there be any belated deviations.

The complaint processing is carried out with the 8D – Technology (8D – Report).

The supplier obligates to ensure the traceability of the products delivered by him. In case of a detected mistake there has to be traceability so that a containment of the amount of faulty parts/products can be executed.

The supplier ensures that the products are delivered using a suitable means of transport as approved from Tratter Engineering, thus ensuring against any damage and quality impairments (example: pollution, chemical reactions).

Agreement is to be made to the compliance of the requirement by Tratter Engineering regarding the labelling of products and packaging, namely that the labelling of the packed products remains the same during the transportation and the storage of said items.

Deviations from existing labelling duties require a written agreement between the supplier and Tratter Engineering.

7. Examinations, Interceptions, Measures

The supplier carrying the responsibility defines an inspection concept to fulfil the agreed goals and specifications. Both contracting partners obligate to the Zero-Defect-Goal.

In the current series the supplier must verify the process suitability for all functionally relevant features with an appropriate procedure (example: statistical process control or manual control card technology) over the entire production time.

If the required process ability is not reached, then the quality is to be ensured with a suitable test method and the product process is to be optimized accordingly so that the required ability is reached.

After this quality assurance agreement all products are solely checked by the supplier; Tratter Engineering checks the products at their delivery only regarding to their product type and checks for any visible damage.

Insofar as is possible in the ordinary business development, Tratter Engineering is either going to inspect the products made for delivery before starting the next manufacturing segment or effect an examination of a finished product sampled from the delivered products.

Shortcomings in a delivery are to be shown to the supplier from Tratter Engineering immediately upon discovery according to the ordinary business development. Insofar the supplier passes on the objection of late complaint.

The supplier gets failed parts for analyses in return.

If it comes to a supply stoppage at the end customer because of the faulty delivery, the supplier must remedy the situation immediately (Replacement, sorting work, rework).

Insofar the supplier delivered a faulty product, it is the sole responsibility of the supplier to take appropriate remedial measures for this, for example repairing the damage and minimising any consequential damage.

The term "defective product" also includes:

- Underdelivers of products
- Products delivered to the wrong place

8. Cost deficient delivered products

The supplier bears the following costs in relation with a deficient delivery:

- Administration fee per incident € 150,00.
- Also required by the customer certain activities as sorting, inspection of incoming products, repacking, special transportation at cost.
- Heavy load by conveyance like Tratter Engineering, activities at the end customer in connection with defective delivered products at cost excl. travel expense.

Tratter Engineering reserves the right to charge any further demands to the suppliers, those imposed by third parties.

In addition, it applies the contract and going beyond statutory warranty regulations.

9. Cross-Check / Requalification

Once a year Tratter Engineering requires the supplier to carry out a cross-check from all the products delivered to Tratter Engineering. This Cross-check must confirm that the products fulfil the shared state for initial sampling and at least contain geometric dimensional checks and security-related features. The test results are to be delivered annually by the deadline in the document released with the initial sampling forwarded to Tratter Engineering in the form of a cover sheet sampling.

10. Environmental Management

As part of the optimisation of our environmental management system we want to enter an open and constructive dialogue with our partners. We require our supplier specifically to participate actively with us in the ongoing reduction of operational pollution in the development of products, in the planning of production processes, and with the packaging and transportation of products.

11. Law Conformer Operation of Establishments

The supplier obligates that all required regulatory permissions for the establishments and secondary equipment are available with which delivered products are made for us.

12. Liability/Warranty

The supplier guarantees that the delivered item is free from visible and hidden defects and with the agreed specifications.

When a delivery is not of the specified quality (section 2.2) or if it is otherwise defective in any way, or if it lacks a guaranteed feature, the supplier is obligated to immediately provide replacement and cover any costs and damages on the part of Tratter Engineering and possibly in addition, on the part of end customers due to the lack of delivery. This also includes costs for possible returns of defective items. If the supplier does not fulfil the subsequent improvement or replenishment request by Tratter Engineering immediately after or if the repair fails, Tratter Engineering may withdraw from the order and leave the supplier's expense for the order carried out by a third party.

The warranty period is, in accordance with the usual warranty period in the automotive industry, 48 months.

13. Insurance

Tratter Engineering recommends the supplier to contract liability insurance for resulting risks regarding to the product liability. The supplier will show Tratter Engineering the conclusion of the adequate product liability insurance.

14. Retention of the Agreement

The Quality Assurance Agreement is permanent. It can be terminated after the period of three months if both business partners sign a written agreement. The termination of this agreement leaves the effectiveness of current single supplies untouched until full settlement.

15. More customer-specific/product-specific Requirements

More customer-specific/product-specific Requirements are defined in the Additional Agreement.

Bozen, on the ____/____/____

_____, on the ____/____/____

(Legally binding signature
Tratter and stamp)

(Legally binding signature
Supplier and stamp)

In accordance with and pursuant to articles 1341 and 1342 of the Italian Civil Code, the supplier declares to have understood and agrees with the provisions exposed in the following articles of the General Conditions of purchase, which are considered and agreed to be an integral part of the Contract.

_____, on the ____/____/____

(Legally binding signature
Supplier and stamp)