Quality Assurance Agreement

between

HBPO GmbH

Rixbecker Str. 111, 59552 Lippstadt/Germany

- hereinafter called HBPO -

and

- hereinafter called Supplier -

Concerning the realisation of a joint quality management system aimed at ensuring product development and product quality.

Preamble

This quality assurance agreement constitutes the contractual regulation of the technical and organisational framework and processes between HBPO and Supplier that are required for meeting the intended quality objective.

It specifies the minimum requirements for the management system of the contractual partners, with particular regard to product and production process quality assurance.

General Agreements

Scope of Applicability, Object of Agreement

- This agreement applies to all HBPO-locations.
- This agreement specifies the quality requirements for all development services and/or products that are specifically rendered and/or supplied to the contractual partner during the contractual period.
- Individual clauses of this agreement become void if contracts individually negotiated between the parties stipulate other regulations. This agreement as well as any changes and additions are required to be in written form.
- This contract applies in addition to and supplements the development and supply contract to be concluded between HBPO and the Supplier. If a development and supply contract is not concluded, the HBPO Purchasing Conditions also apply.

- In addition, the co-operation between both sides is based on the HBPO "Guidelines for Co-operation on Purchased Parts". The Supplier agrees to these guidelines as a component of the agreements with HBPO. The current version of the guideline is available at the HBPO homepage http://www.hbpogroup.com under subdirectory Supplier Info. The respectively current guideline is the basis for Co-operation.

Supplier's Quality Management System

- The Supplier commits to a zero-defect goal and is obliged to continually optimise performance to that effect.

- The Supplier has effectively implemented a QM system, thus evidencing the supplier's own quality capability. At minimum, the system meets the requirements set forth in the DIN *(Deutsche Industrienorm/German Industrial Standard Specification)* EN ISO 9000 series in their lastest issue.

- As proof, the Supplier is required to unsolicitedly submit and update the valid certificate of an accredited certification body (3rd-party audit).

- The Supplier undertakes to meet the generally valid additional requirements of the automotive industry. Additional requirements are stipulated in the VDA *(Verband der Automobilindustrie/German Association of the Automotive Industry)* 6.1, QS 9000 standards series or summarised in ISO/TS 16949.

- The DIN EN ISO 14001 environmental standard has to be observed.

- Insofar as HBPO provides the Supplier with production and test resources, in particular, resources and facilities within the scope of supplying, the Supplier commits, unless otherwise agreed, to integrate such resources and facilities into its internal quality management system as if they were the Supplier's own production and test resources.

Contact Person and Organisation

- The Supplier designates at least one project manager and one competent QM person from its own company who are to be communicated to HBPO as the responsible persons and contact partners. In addition, the Supplier designates at least one competent substitute for each position.

- For the duration of the joint project, HBPO and Supplier agree on periodical, face-to-face meetings at the project management and/or quality management level. These meetings serve the purpose of enabling continual exchange in all quality-related matters as well as the ongoing further development of an effective procedural organisation; the meetings should primarily take place at the Supplier's location. HBPO decides on the frequency of these "quality control cycles".

Quality Management System of Sub-suppliers

- The Supplier commits to bind its sub-suppliers to fulfilling the same obligations arising from this agreement as those undertaken by the Supplier itself.

- HBPO is entitled to require the Supplier to submit documented evidence that the Supplier has verified the efficiency of the quality management systems of its sub-suppliers and/or that the quality of purchased parts is ensured by other suitable measures.

Audit (at Supplier)

- HBPO is entitled to determine via an audit whether the Supplier's quality assurance measures meet customer requirements. The audit can be conducted as a system, process and/or product audit and shall be agreed upon in good time, prior to the planned date of audit. In this context, audits conducted by authorised certification bodies are to be taken into account. The Supplier is allowed to take appropriate measures for protecting internal trade secrets.

- If quality issues or problems arise that are caused by services and/or deliveries of sub-suppliers, the Supplier undertakes to conduct an audit at the respective sub-supplier. Therefore, the Supplier commits

to bind its sub-suppliers to fulfilling the same obligations arising from this agreement as those undertaken by the Supplier itself.

Documentation, Information

- The obligation to retain guideline and evidence documents with special archiving measures extends to 15 years (see VDA Volume 1 "Quality Evidence"). Upon request, the Supplier is required to allow HBPO to examine these documents.

- Should it become obvious that concluded agreements (regarding, for example, quality characteristics, deadlines, supply quantities) are not met, the Supplier is committed to immediately inform HBPO in writing of this fact and about any further particulars. In order to facilitate a quick resolution, the Supplier undertakes to disclose all relevant data and facts.

- If the Supplier becomes aware of an increase in deviations between actual and target product quality (deficiencies in quality), the Supplier will immediately inform HBPO in writing of this fact and about any planned corrective or remedial measures.

- At least one year prior to implementing any planned changes in production processes, materials or supplier parts for products, relocation of production sites, or any changes in procedures or facilities deployed for testing products or changes in other quality assurance procedures, the Supplier shall inform HBPO of any such facts in writing. Should the Supplier become aware that it is impossible to comply with this obligation to notify within the specified time period, the Supplier shall at minimum inform HBPO in good time, in order to enable HBPO to examine whether the changes may have any adverse effects. The obligation to notify is regulated in the sampling guidelines. Any costs due to the changes are beared by the Supplier.

- All product changes and changes in the process chain that affect the product are to be documented in a product history and handled in accordance with VDA Volume 2 "Quality Assurance of Supplies".

Agreements Regarding Product History

Development, Planning

- If the Supplier is also commissioned to perform development tasks, the contractual partner shall put down the requirements in writing, e.g. in the form of a requirements specification. The Supplier undertakes to implement a project management and allows HBPO, upon request, to examine the project schedule during the planning phase of products, processes and other cross-division tasks.

- The Supplier shall, upon receipt, inspect all technical documents necessary for facilitating series development, such as specifications, drawings, parts lists and CAD data, for completeness and consistency, both in general and related to the intended purpose. HBPO shall be notified of any deficiencies detected during this procedure. It is the responsibility of HBPO to provide the Supplier in good time with the complete and consistent relevant specifications, drawings, parts lists and CAD data.

- During the development phase, the contractual partners shall apply suitable preventive quality planning methods beside the FMEA such as feasibility analyses, fault tree analyses, reliability calculations etc. In this context, experiences (process sequences, process data, capability studies, etc.) from similar projects are to be taken into account. Characteristics with special documentation and archiving demands shall be specified by the Supplier in co-ordination with HBPO.

- The production and test conditions for prototypes and pre-production or pilot production parts shall be co-ordinated between HBPO and Supplier and documented, with the target of manufacturing the parts under close-to-production conditions.

- For the known — regulated or agreed upon — function-relevant characteristics, the Supplier shall conduct and document capability analyses of the production facilities being used. If specified capability parameters are not met, the Supplier undertakes to either optimise the facilities accordingly or conduct capable tests on the manufactured products in order to eliminate defective supplies.

- Prior to series production start-up, the Supplier shall carry out the production process and product approval (PPA) in accordance with VDA Volume 2. If HBPO requires a construction approval, it shall precede the PPA (complementary, if applicable).
- Prior to series production start-up, HBPO shall test the product to the required extent and grant approval — conditionally or under conveyance, if necessary — to the Supplier.
- When the production process and product approval is issued, the machine capability index and/or process capability index for the agreed-upon characteristics shall be specified.

Series Production, Traceability, Identification, Notice of Defects

- In the case of process disruptions or deviations in quality, the causes shall be analysed, improvement measures implemented and their effectiveness reviewed. If, as an exception, products not meeting specifications have to be supplied, prior special approval has to be obtained from HBPO. HBPO shall also immediately be informed of any deviations subsequently noted.
- Based on a risk assessment, the Supplier undertakes to ensure traceability of the products it supplies. In the case of an identified defect, the trace ability system employed shall ensure that the quantity of defective parts/products can be limited. HBPO shall communicate to the Supplier the data required for traceability (e.g. delivery date, delivery number, etc.).
- With regards to the identification and labelling of products, parts and packaging, the requirements agreed upon with HBPO shall be observed. It must be ensured that packaged products can also be identified during transportation and storage. Both the Supplier and HBPO have to agree, in written form, upon any deviations from existing identification/labelling requirements.
- Requalification inspections shall be realised in accordance with the requirements stipulated in the ISO TS 16949. Unless otherwise agreed, these inspections shall be carried out once a year.

Audits, Complaints, Measures, Quality improvement program

- In a joint agreement, Supplier and HBPO shall specify an audit concept to be implemented by the Supplier in order to meet the agreed-upon objectives and specifications. Both contractual partners are obliged to comply with the zero-defect goal.
- For the current series, the Supplier shall employ suitable procedures (e.g. statistical process control or manual control chart method) across the entire production period in order to prove the process capability for any and all function-relevant characteristics.
- If the required process capability is not achieved, quality shall be ensured via suitable 100% tests; the production process shall accordingly be optimised in order to meet the required capability.
- Supplier products shall not have any structural, material or machining faults and must comply with the contractually agreed-upon specifications and characteristics.
- Unless otherwise agreed, defective parts are provided to the Supplier for analysing purposes. In case of dispute, a joint examination shall be conducted by HBPO and Supplier.
- The QM system effectively implemented by the Supplier and the quality assurance derived thereof form the basis for achieving flawlessness of all products delivered and all services rendered by the Supplier or on the Supplier`s behalf (zero-defect quality).
- With a considerably break-down of quality performance HBPO accomplishes with the supplier a Quality improvement program (QIP), which contains among other things the special agreement and pursuit of short and medium-term ppm-goals, until a zero-defect-quality of the supplied construction unit / components is restored.

Duration of Agreement

This quality assurance agreement is valid for an indefinite period of time. It can, however, be terminated by any of the partners with a period of notice of three months. Termination of this agreement does not affect the validity of current individual supply contracts until the complete settlement of those contracts.

Signatures

HBPO	.....	.....
	City, Date	Signature
Supplier	.....	.....
	City, Date	Signature