

**COUNTERFEIT PARTS PREVENTION POLICY**

DOC: FRM-926

REV: F

PAN PACIFIC ELECTRONICS,
INC.Approved By: Quality
Manager

Revision Date:

10/30/2014

COUNTERFEIT PARTS PREVENTION POLICY

This Counterfeit Parts Prevention (CPP) Policy is incorporated where referenced in a document, as if it were included in the text of the document. By accepting such document, Seller accepts the terms of this Policy. This Policy overrides and takes precedence over any conflicting terms of any such document or any other document referenced therein.

As used herein, the term "**Seller**" refers to the person or entity selling goods or services to Pan Pacific Electronics, and the term "**Pan Pacific**" refers to Pan Pacific Electronics, Inc.

Contract Requirements**1.0 Guarantee of Product Source(s)**

- 1.1 The Seller shall ensure that only new and authentic materials are used in products delivered to Pan Pacific. The Seller may only purchase parts directly from Original Component Manufacturers (OCMs), OCM authorized (franchised) distributors, or authorized aftermarket manufacturers. Use of product that was not provided by these sources is not authorized unless first approved in writing by Pan Pacific. The Seller must present compelling support for its request (i.e. OCM documentation that authenticates supply chain traceability of parts to the OCM), and include in its request all actions to ensure that parts thus procured are authentic/conforming parts.
- 1.2 The Seller shall disclose in writing at the time of each individual quotation, the source of supply (by company name and location), whether or not the Seller is authorized (franchised) for the part(s) being quoted and whether or not providing full manufacturer's warranty on the quoted material. If the Seller considers that the name of the source of supply is proprietary to the Seller, the Seller and Pan Pacific shall negotiate an appropriate disclosure agreement.

2.0 Supply Chain Traceability

- 2.1 The Seller shall maintain a method of item supply chain traceability that ensures tracking of the supply chain back to the manufacturer of all Electrical, Electronic, and Electromechanical (EEE) parts included in assemblies and subassemblies being delivered per this contract. This supply chain traceability method shall clearly identify the name and location of all of the supply chain intermediaries from the manufacturer to the direct source of the product for the Seller and shall include the manufacturer's batch identification for the item(s) such as date codes, lot codes, serializations, or other batch identifications.

3.0 Test and Inspection Requirements

- 3.1 The Seller shall establish and implement test and inspection activities necessary to assure the authenticity of purchased product, in accordance to the requirements established by Pan Pacific, including:
 - 3.1.1 Supply chain traceability and documentation verification
 - 3.1.2 Visual examinationTests and inspections shall be performed in accordance with defined accept/reject criteria provided or approved by Pan Pacific. The Seller shall prepare and provide to Pan Pacific records evidencing tests and inspections performed and conformance of the product to specified acceptance criteria. Tests and inspections shall be performed by persons that have been trained and qualified concerning types and means of EEE parts fraud and suspect counterfeiting and how to conduct effective product authentication.

4.0 Certificate of Conformance

- 4.1 The Seller shall supply full supply chain traceability including copies of Electrical, Electronic, and Electromechanical (EEE) part Manufacturer Certificates of Conformance (CoC).
- 4.2 The Manufacturer and the Seller of its products shall complete a Certificate of Conformance (CoC) and full supply chain traceability for all parts.
 - 4.2.1 The CoC supplied by the Manufacturer shall be copied and passed through to the end customer. The Seller's certificate shall also accompany each shipment of product to the end customer. In no case shall the manufacturer's certificate be altered or show signs of alteration.
 - 4.2.2 The Seller shall retain copies of certificates with the lot records until the lot is completely shipped.
 - 4.2.3 The Seller shall retain the product and shipment traceability for a period consistent with the contract requirements.
- 4.3 The Manufacturer's CoC should include the following:
 - 4.3.1 Manufacturer name and address
 - 4.3.2 Manufacturer and/or Pan Pacific's full part number and part description.
 - 4.3.3 Batch identification for the item(s) such as date codes, lot codes, serializations, or other batch identifications.
 - 4.3.4 Signature or stamp with title of Seller's authorized personnel signing the certificate.

5.0 Quality Management System

- 5.1 The Seller shall have a quality management system that complies with *ISO 9001 Quality Management Systems – Requirements, and when required, SAE International, AS9120 Quality Management Systems – Aerospace – Requirements for Aviation, Space and Defense Distributors or AS9100 Quality Management Systems – Requirements for Aviation, Space and Defense Organizations*. Independent certification/registration is not required unless specified by Pan Pacific. Sellers that obtain certification/registration to ISO 9001 and when required AS9120 or AS9100 and subsequently change certification/registration bodies (CRB), lose registration status, or are put on notice of losing registration status, shall notify Pan Pacific's procurement agent(s) within three (3) days of receiving such notice from its CRB.

6.0 Product Impoundment and Financial Responsibility

- 6.1 If suspect or confirmed fraudulent/counterfeit EEE parts are furnished under this purchase agreement, such items shall be impounded. The Seller shall promptly replace such items with items acceptable to Pan Pacific and the Seller may be liable for all costs relating to impoundment, removal, and replacement. Pan Pacific may turn such items over to the authority having jurisdiction (i.e. Office of Inspector General, Federal Bureau of

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Investigation, Ministry of Defence Police, HMRC, etc.) for investigation and reserves the right to withhold payment for the items pending the results of the investigation.

7.0 Requirements for Boeing Suppliers

- 7.1 Seller agrees to adhere to all counterfeit parts requirements flowed down by The Boeing Company (Latest Revision of Document Number: D950-11160-1, Counterfeit Electronic Parts Avoidance (CEPA) Requirement for Boeing Suppliers).
- 7.2 Seller agrees to adhere to the latest revision of Boeing Defense, Space & Security (BDS) General Provision Clause H900:
 - 7.2.1 Seller shall not furnish to Buyer any Goods under this Contract that are "Counterfeit Goods," defined as Goods or separately-identifiable items or components of Goods that: (i) are an unauthorized copy or substitute of an Original Equipment Manufacturer or Original Component Manufacturer (collectively, "OEM") item; (ii) are not traceable to an OEM sufficient to ensure authenticity in OEM design and manufacture; (iii) do not contain proper external or internal materials or components required by the OEM or are not constructed in accordance with OEM design; (iv) have been re-worked, re-marked, re-labeled, repaired, refurbished, or otherwise modified from OEM design but not disclosed as such or are represented as OEM authentic or new; or (v) have not passed successfully all OEM required testing, verification, screening, and quality control processes.
 - 7.2.2 Seller shall implement an appropriate strategy to ensure that Goods furnished to Buyer under this Contract are not Counterfeit Goods. Seller's strategy shall include, but is not limited to, the direct procurement of items from OEMs or authorized suppliers, conducting approved testing or inspection to ensure the authenticity of items, and, when items are to be procured from non-authorized suppliers, obtaining from such non-authorized suppliers appropriate certificates of conformance that provide one or more of the following: (i) the OEM's original certificate of conformance for the item; (ii) sufficient records providing unbroken supply chain traceability to the OEM; or (iii) test and inspection records demonstrating the item's authenticity.
 - 7.2.3 Counterfeit Goods delivered or furnished to Buyer under this Contract are deemed nonconforming. If Seller becomes aware or suspects that it has furnished Counterfeit Goods to Buyer under this Contract, Seller promptly shall notify Buyer and replace, at Seller's expense, such Counterfeit Goods with OEM or Buyer-approved Goods that conform to the requirements of this Contract. Seller shall be liable for all costs related to the replacement of Counterfeit Goods and any testing or validation necessitated by the installation of authentic Goods after Counterfeit Goods have been replaced. The remedies contained in this article are in addition to any remedies Buyer may have at law, equity, or under other provisions of this Contract.
 - 7.2.4 Seller bears responsibility for procuring authentic Goods or items from its subcontractors and shall ensure that all such subcontractors comply with the requirements of this article.

8.0 Requirements for Lockheed Martin Suppliers

- 8.1 Seller agrees to adhere to all counterfeit parts requirements flowed down by Lockheed Martin (Latest Revision of Document Number: QX, Section 1.3).