

HASCO

COUNTERFEIT, SUSPECT AND UNAPPROVED PARTS PREVENTION PROGRAM

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<p>1. PURPOSE: HASCO maintains effective processes and communication to ensure purchases are only made directly from the manufacturer or manufacturer authorized sources, or customer designated sources specific to a confirmed order. Should suspect, suspect unapproved or counterfeit product be determined, HASCO shall quarantine such material for further evaluation and/or report the finding to the appropriate authorities, if it is obvious. This Policy has been communicated to all employees through training.</p>		
<p>2. MATERIALS REQUIRED: Computer, internet access, microscope and tags.</p>		
<p>SUPPORTING DOCUMENTATION REQUIRED: AS9120, QMS-Requirements for Aviation, Space and Defense Distributors, Documented Information, WI-002, Master List of Available Documentation, QF-102, Discrepancy/Corrective Action Report, QF-112, Discrepancy/Corrective Action/RMA Log, QF-113, AS9146, AS5553 and Approved Supplier List-ASL Quick Books.</p>		
<p>3. INSPECTION CRITERIA: Listed in this document.</p>		
<p>4. INSTRUCTIONS FOR DISCREPANCIES: Tag and separate any suspect, unapproved or counterfeit parts immediately. DO NOT SEND BACK TO SUPPLIER. Listed in this document, which follows WI-003, Control of Nonconforming Outputs and Corrective Action.</p>		
<p>5. AMOUNT OF TRAINING REQUIRED: 1-2 hours.</p>		
INSTRUCTIONS	DATE TRAINED	INITIALS (trainer and trainee)
<p>1. IMPLEMENTATION RESPONSIBILITY Q.A. Manager</p>		
<p>2) PROCEDURE</p>		
<p>2.1) Distribution Agreements: HASCO has established distribution agreements with the manufacturers they represent. Such agreements are considered proprietary; therefore not all of the detail can be provided to external parties.</p>		
<p>2.2) Approved Supplier List (ASL): HASCO maintains a register of approved suppliers in compliance with AS9120. Suppliers are evaluated and selected based on their ability to supply product or services that meet requirements and there is no risk of supplying counterfeit, suspect or unapproved parts. Buyers should investigate independent distributors through reporting sources such as IDEA and ERAI in advance of procurement activity to ensure suspect counterfeiting incidents have not occurred. <i>Note: See section 2.4 for expectations.</i></p>		
<p>2.3) Purchasing: HASCO purchases the majority of parts for resell from the manufacturer or from the manufacturer’s authorized distributor. Current authorization status with the manufacturer shall be confirmed or verified. HASCO uses customer approved or delegated sources when such sources are required and indicated on the customer’s purchase order, or otherwise communicated. Section 2.4 outlines the exceptions taken for such orders.</p>		
<p>2.4) Purchasing Exception: trial or one-time purchase: Purchasing may require customer concurrence for “one time,” “trial” or “hard to find” items through the issuance of a purchase order with a reference to the fact that the order is for “trial,” or “one-time purchase,” pending results and approval of items. Purchases of this nature must be approved by the General Manager and may include but are not limited to: traceability to the OEM that identifies the name and location of all of the supply chain from the part manufacturer to the direct source of the product for the seller. If traceability is unavailable,</p>		

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or the documentation is suspected of being falsified, HASCO may discontinue efforts to procure the part.

There is also a purchasing exception for customer designated sources when the suppliers are stated in the customer purchase order. These suppliers are identified in our approved supplier list as such and are traceable back to the customer who specified where the purchase must come from. The programs set in place for approval, counterfeit control and suspect parts will not apply to customer designed sources as HASCO's intent is to meet requirements set forth by the customer. HASCO does take responsibility for conformity to all purchases of any type to ensure customers get what they ordered regardless.

2.5) Supplier's Approval and Source Selection: Qualification of supplier includes: AS9100, AS9120, ISO 9001 registered, or some other known and credible third-party certification. Quality reviews a copy of their certificate to ensure it is from a credible known certifying body in good standing. Suppliers qualified based on third party certification must be up to date at all times. Qualification may also include suppliers who are in the Customer/Government (QPL, PMA, PPAP, APL) lists with the specific material, part number/item, and are able to provide C of C's for product or service. Samples of the material or items are provided for inspection and test, with satisfactory results, when requested. Completed inspection and test records show the criteria for acceptance and the actual results, when requested.

2.6) Periodic Reviews: Purchasing periodically evaluates supplier performance to ensure that they are maintaining effective processes, as part of mitigating the risk of supplying counterfeit, unapproved and suspect parts. Supplier performance is also reviewed. Criteria may include one or more of the following: capability, delivery, quality of product, paperwork, pricing, authorization, changes within the organization and any other criteria defined. Purchasing documents specify contract/purchase order requirements to minimize the risk of being provided suspect, unapproved or counterfeit parts following AS9120. Purchasing reviews the information for accuracy and the Approved Supplier List to make sure the selected supplier is in good standing, as necessary.

2.7) Verification of Purchased Product: Purchased product is verified before placed into inventory for suspect, unapproved and counterfeit parts prior to formal acceptance. Product risk is determined by the criticality of the part and the assessed likelihood of receiving nonconforming product. Receiving checks the order against purchasing documents to verify the identification, description, part number and quantity. Receiving may also: review parts visually, paying close attention to labels, misspelled words, letters, omission (missing sales order numbers, missing lot numbers), date codes on labels match date codes on parts, evenness of type set and any other discrepancy's, quality of the product, certificate of conformity, test reports etc. Additional criteria may include: inspection or audit at the suppliers premises, delegation of verification to the supplier or supplier certification, X-ray, non-destructive evaluation and destructive testing. Verification of the part marking with the photographs from the OEM/OCM, if they were obtained.

2.8) Traceability, Record Retention and Retrievability: HASCO retains and maintains records of product origin per AS9120. Records from manufacturers and other authorized distributors shall be maintained as received. Scanning programs shall be suitable to

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produce readable copies of original forms. If any scanned document is not readable, the original documents shall be maintained in hard copy format. They are maintained for 10 years per WI-002, Documented Information.

Provision of Traceability: Under normal circumstances manufacturer provided records of product origin are not provided to customers. When warranted by special circumstances or contract, manufacturer provided records of product origin shall be provided to customers.

2.9) Certificate of Conformance: HASCO's Certificate of Conformance is printed on each and every packing list and has a policy as follows:

"We certify that the materials, parts, or services above listed, shipped herewith under your purchase order mentioned above, are in conformance with the requirements, specifications, and/or drawings applicable to that order. Where materials and/or services incorporated in any of the items listed above have been procured by us from vendors, we certify that suitable evidence of compliance with the requirements of the above-mentioned purchase order have been obtained by us and are available from our files."

The Packing List with Certificate of Conformance includes the follow relevant information and may include additional items as necessary: The name and address of the customer, HASCO Packing Slip number and date, HASCO part number, customer part number (if stated), lot number (if applicable), quantity, customer purchase order number, due date, signature/date of responsible releasing party, shipping method, sales order number, FOB, QA representative.

2.10) Customer Returns: HASCO's Return Policy is described in our Terms and Conditions located on the website. Customer must notify HASCO within 90 days from date of shipment of any defective product. Returns are normally accepted when completed within 30 days of the ship date. If HASCO agrees to accept a return, return freight charges must be prepaid by customer. HASCO shall not accept COD shipments. Some products may require return directly to the manufacturer. Customers are instructed to contact a sales representative for a Return Materials Authorization Number and instructions prior to returning product. HASCO shall issue an RMA to a customer when a Return is authorized. Only products originally shipped from HASCO shall be returned to HASCO. All others shall be promptly quarantined until further disposition. By a customer returning products to HASCO, the customer certifies that the products were purchased from HASCO and there has been no substitution in whole or part of same product from another supplier, distributor or other such source of the product. The return should be in the original packaging (manufacturer or HASCO), in unused condition (except defective).

The majority of customer returns are returned to suppliers, unless they are suspect of being counterfeit. Parts that are returned are automatically verified against traceability records. Any issues are reported to the General Manager for further investigation.

2.11) Disposition of Parts Deemed Suspect, Unapproved or Counterfeit: The items received are treated as non-conforming product and dispositioned per WI-003, Control of Nonconforming Output and Corrective Action. Records of the dispositions shall be maintained. A sampling of suspect parts may be returned to the manufacturer for analysis

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<p>and disposition to confirm their status as counterfeit or not. Confirmed counterfeit parts <i>shall not</i> be returned to the customer and may be retained for investigative or training purposes. HASCO shall quarantine the parts for 10 years or longer, if required by legal requirements. After 10 years, or when legal requirements allow, the confirmed counterfeit parts shall be scrapped per WI-003.</p>
<p>2.12) Re-stocking Restriction: Suspect, unapproved or confirmed counterfeit parts shall not be restocked or returned to the manufacturer in a stock rotation, without authorization from the General Manager. Personnel are prohibited from restocking returned product without authorization from the General Manager.</p>
<p>2.13) Packaging and Repackaging Parts Sold to Customers: HASCO shall send parts in manufacturer sealed packaging, whenever possible. Where manufacturer packaging cannot be sent, HASCO shall package the product in standard commercial packaging, or when required by manufacturer, the manufacturer's specified packaging. Traceability on the repackaged parts is maintained in Quick Books. The traceability shall be printed on labels and packing list as available from the manufacturer.</p>
<p>2.14) Inventory Control: HASCO has an inventory control system which provides for traceability of all stocking activities. Customer Returns shall be traceable back to original order, inventory shipped and supplier by lot and/or serial number.</p>
<p>2.15) Traceability of Returned Parts Customer returns are traced in the inventory control system: Customer Returns found acceptable to be placed back into stock are not co-mingled with new and unused parts. Records of customer returns are maintained.</p>
<p>2.16) Material Control: If material is identified to be suspect, unapproved or counterfeit, it will be quarantined and reported, as appropriate, to interested parties, customers, government reporting organizations, industry supported reporting programs (e.g. ERAI, GIDEP, etc.), and criminal investigative authorities appropriately. The General Manager shall make appropriate reports to executive management, interest parties, affected customers and affected Manufacturers. Confirmed counterfeit can only be determined by the Manufacturer. The General Manager shall ensure HASCO is a member of GIDEP. The General Manager shall screen GIDEP reports and other credible sources of counterfeiting information to avoid the purchase or use of counterfeit electronic parts. The Receiving Clerk will take photographs for the record.</p>
<p>2.17) Obsolete Parts: Obsolete inventory determined to be consuming space; wasting time required to count and manage is dispositioned by the General Manager. It is HASCO's plan to provide product that is not obsolete through authorized distributors and OEM's. HASCO's system of reporting allows for review of obsolete parts, which generates a fire sale of "overstock, lightly used and reduced pricing," through their website. The product and description are clearly communicated and transparent to customers.</p>
<p>2.18) Retained Documentation (Records) Records are maintained following Documented Information, WI-002. The Master List of Available Documentation, QF-102, identifies the location and retention time.</p>

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