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Supplier Quality Requirements

(Effective Date is May 17, 2018)
(Changes in Red)

1 PURPOSE

The purpose of this document is to define the quality requirements for Magnolia Advanced Materials' suppliers (sellers) and their sub-tier suppliers. It is intended to insure that all products and services delivered by the Seller to fulfill the Buyer's purchase order conform to Buyer requirements for quality, reliability and obligations.

2 REFERENCES

AS 9100 – Aerospace quality management system for the aerospace industry. Includes all elements of ISO 9001 with additional requirements needed for aerospace.

FAR – Federal Aviation Regulations

CFR – Code of Federal Regulations

OSHA Hazard Communication Standard - 29 CFR 1910.1200

3 DEFINITIONS

Buyer – Magnolia Advanced Materials, Inc. located in Georgia, USA

Seller – Provider of product or services to Magnolia Advanced Materials, Inc.

Seller of raw materials - Subset of Sellers who provide raw materials (resins, curing agents, additives, etc.) to Buyer

C of A – Certificate of Analysis (or Test Report) showing test data for the specific lot shipped to Buyer.

Code number – Buyer's material identification code (combination of 3-4 alphanumeric characters) for supplied materials.

DOT-Department of Transportation: National or state agencies concerned with transportation of goods.

FAA – Federal Aviation Administration: An agency of the United States Department of Transportation with authority to regulate and oversee all aspects of civilian aviation in the U.S.

(M)SDS– (Material) Safety Data Sheet which complies with OSHA Hazard Communication Standard 29 CFR 1910.1200

NADCAP – National Aerospace and Defense Contractors Accreditation Program – Independent Special Process certification body.

NIST – National Institute of Standards and Technology: An agency of the United States Department of Commerce responsible for the development of measurements and standards in industry.

PO – Purchase order: contractual agreement between the Buyer and Seller.

4 SCOPE AND APPLICABILITY

4.1 General

- This document is applicable to all suppliers fulfilling PO's with Magnolia Advanced Materials, Inc.
- A copy of the current revision of this document will be available on the Buyer's website: www.magnolia-adv-mat.com
- Seller must have an established quality system to ensure the provided product or service meets Buyer requirements along with applicable regulatory requirements.
- **Seller must make sure persons are aware of their contribution to product or service conformity, their contribution to product safety, and the importance of ethical behavior.**

4.2 Flowdown Requirements

Seller will flowdown all applicable requirements to Seller's sub-tiers. It is Seller's responsibility ensure sub-tier compliance.

4.3 Documentation

Seller is responsible for compliance to current revision of referenced documents within this document. The issue date for the PO is the effective date for determining the current revision.

5 GENERAL REQUIREMENTS

Seller will review the PO requirements to ensure their product/service conforms to the requirements.

5.1 Product and Company Changes

- Seller will notify Buyer of any manufacturing relocation, major quality system changes, and/or management or ownership changes prior to PO fulfillment. Changes to be approved by Buyer.
- Seller will not make any changes or substitutions to product/service without written authorization by Buyer.

5.2 Certification Requirements

- Seller of raw materials will submit a C of A indicating product conformance for each lot/batch with each delivery of the product/service.

- Seller of raw materials will provide an (M)SDS for each applicable product.
- Seller is responsible for verifying certifications of sub-tiers.
- All certifications will have a documented system for control of certifications.

5.3 Records

- Seller will retain all required records as evidence of conformance to PO requirements for a minimum of 10 years after completion of the order.
- Such records will be made available to the buyer for review upon request.

5.4 Nonconformances

- Seller of “standard” manufactured materials will ensure that each delivered product conforms to the applicable standards for the product.
- Seller will have a system to ensure that product conforms to additional Buyer requests, if any are indicated.
- Seller will have a system for identification, documentation and segregation of any non-conforming product to ensure that no non-conforming product is delivered to Buyer.
- Seller will notify the Buyer promptly upon discovering non-conforming product has been delivered to the Buyer.
- Notification will be written and include specific identification of the non-conforming product.
- If a quality system or product non-conformance is identified by the Buyer, Buyer may request a documented Corrective Action response from the Seller (see section 5.5).

5.5 Corrective Actions

Seller will have a system for Corrective Action in the case of a Buyer request for such a response. Response to such request will include the following, as applicable per Buyer’s request:

- Seller’s analysis of the root cause and explanation for the non-conformance not being detected.
- A statement indicating which lots/batches were affected and that Seller’s inventory of this non-conforming lot/batch has been segregated to prevent re-shipment.
- A description of the Corrective Action taken to prevent recurrence along with its effective date.

The Corrective Action information will be returned to Buyer no later than 30 days from the date of the non-conformance notification.

5.6 Product Identification

- All product must be labeled to indicate the Seller’s product identification and lot/batch, Magnolia Advanced Materials, Inc. code number, along with any labels required by applicable regulatory agencies (such as DOT).
- Seller of raw materials must maintain traceability of product from raw material to finished, delivered product.

5.7 Counterfeit Product Prevention

- 5.7.1 "Counterfeit product" means product that is misrepresented as having been designed and/or produced under an approved system or other acceptable method. The term also includes approved product that has reached a shelf life limit but is altered and misrepresented as acceptable.
- 5.7.2 Seller of raw materials will ensure that counterfeit product is not delivered to Magnolia Advanced Materials.
- 5.7.3 Seller will only purchase products to be delivered to Buyer directly from the Original Equipment Manufacturer (OEM), or through an OEM authorized distributor chain. Product will not be acquired from independent distributors or brokers unless approved in advance in writing by Magnolia Advanced Materials.
- 5.7.4 Seller will immediately notify Buyer the pertinent facts if Seller becomes aware or suspects that it has furnished Counterfeit product. When requested by Buyer, Seller will provide OEM documentation that authenticates traceability of the affected items to the applicable OEM.
- 5.7.5 In the event that product delivered constitutes or includes counterfeit product, Seller will, at its expense, promptly replace such counterfeit product with genuine product conforming to the requirements of the PO.
- 5.7.6 Seller will include paragraphs (5.7.1) through (5.7.4) of this clause or equivalent provisions in lower tier subcontracts for the delivery of items that will be included in or furnished as product to Buyer.

5.8 Packaging/Shipping

- In the absence of specific packaging requirements, Seller will use packaging which protects the product and environment from damage during shipment and storage.
- Packaging will meet all applicable regulations.
- Seller will ship by best commercial practices, and will meet all applicable regulations.

5.9 Right of Entry

Seller will allow an on-site audit of their facility and quality system by either Magnolia Advanced Materials, Inc. and/or FAA personnel in order to verify the quality of processes and material at Seller's facility (and Seller's sub-tiers, if applicable). Seller will be given advance notice of any such audit.

5.10 Conflict Minerals from Covered Countries

Seller does not procure Conflict Minerals from Covered Countries and further certifies that it has not provided, and will not provide Magnolia Advanced Materials with any products or materials that contain such Conflict Minerals.

These terms are defined in the Securities and Exchange Commission's final rules governing Conflict Minerals set forth at 17 CFR Parts 240 and 249(b), promulgated pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. This certification covers all products provided to Magnolia Advanced Materials by Seller on or after January 31, 2013. In the event that Seller has reason to believe or suspects that it may have Conflict Minerals in its products or materials provided to Magnolia Advanced Materials (or if Seller

had not completed the diligence necessary to know whether or not it may have Conflict Minerals in its products or materials provided to Magnolia Advanced Materials), Seller shall immediately notify Magnolia Advanced Materials in writing and provide a basis for its knowledge or belief.

5.11 California Transparency in Supply Chains Act of 2010

On Jan. 1, 2012, the California Transparency in Supply Chains Act of 2010 went into effect. This law requires many manufacturers and other companies who transact business in California to disclose their efforts to eradicate slavery and human trafficking from their supply chains. Magnolia Advanced Materials is committed to the highest standards of business conduct in its relationship with its customers, suppliers, and others and strives to conduct its business in accordance with the highest standards of business ethics. This includes Magnolia Advanced Materials' commitment to conducting its business in a manner that ensures the absence of slavery and human trafficking in its supply chain in full compliance with the California Transparency in Supply Chains Act of 2010.

To meet this goal, Magnolia Advanced Materials expects and requires that each of its Sellers conduct business in a lawful and ethical manner including business practices that prevent or eliminate slavery and human trafficking in its supply chain. Magnolia Advanced Materials forbids the use of slave, forced, or involuntary labor of any kind, including unlawful child labor and prohibits Sellers from maintaining supply chains that engage in human trafficking. Sellers must also ensure that this is observed by Sellers' subcontractors, business associates, or employees.

6 INSPECTION SYSTEM REQUIREMENTS

6.1 Control of Sub-Tiers

- All products delivered to Buyer which are procured by Seller from sub-tiers will comply with all applicable provisions of Buyer's PO.
- Special Processors must be NADCAP approved.

6.2 Receiving Inspection

- Seller will employ a receiving inspection to ensure that raw materials used by Seller to manufacture product for Buyer conforms to all requirements.
- Inspected and accepted products will be identified to prevent confusion with non-conforming or not yet inspected products.

6.3 Manufacturing Controls

- Seller will use a system to control, document and maintain product quality throughout manufacturing process. This system will include evidence of product conformity.
- System will be compliant with applicable sections of AS 9100.
- Product that has a designated shelf life must be identified.
- Seller will use manufacturing practices which detect and remove foreign objects.
- Seller will employ a system to manufacture supplied product which meets all applicable local and federal regulations.

- Seller must notify Buyer in writing any product discontinuation as soon as known. Verbal notification is appreciated but is not sufficient.

6.4 Calibration and Maintenance

- Seller will maintain and calibrate measuring and test equipment with a method traceable to a recognized standard.
- Calibration records must be maintained as required in section 5.3.
- Seller will use a system to maintain and inspect production equipment prior to use.

6.5 Final Inspection

Seller will employ a system which ensures conformity of all products/services delivered to Buyer.

6.6 Preparation for Shipment

- Seller will assure that the product/service complies with Buyer PO requirements and that all manufacturing, inspection, and regulatory requirements are met prior to shipment.
- All shipments of raw materials will include (M)SDS, C of A, and Certificate of Conformity. This may be a separate document or a written statement that the product complies with all requirements.