QUALITY STANDARDS, PROCEDURES, AND COMPLAINTS

1 QUALITY COMMITMENT Commitment to quality is a primary requirement of this Agreement and as used herein shall mean conformance to the terms, conditions and Specifications of this Agreement. Supplier will assure continued Quality Improvement in the Products and Services purchased pursuant to this Agreement. Supplier will demonstrate commitment to a Quality Improvement Process by maintaining:

1. A published statement of its quality policy signed by an officer of the company;
2. An established means of measuring and reporting Verizon satisfaction;
3. A quality training and awareness program;
4. A continuous Quality Improvement Process;
5. An established means of monitoring conformance to requirements for Products and Services; and
6. An established Product Quality Inspection Program.

Upon request by Verizon, Supplier shall provide a copy of any or all of the above at no cost to Verizon.

2 QUALITY SYSTEM Supplier shall document, implement and maintain a quality control, assurance and improvement system which assures that the System(s), Product(s) and Service(s) provided to Verizon meet all performance standards and requirements, and perform in accordance with Specifications, including, but not limited to those contained in Attachment A, entitled “Quality, Reliability and Engineering Specifications,” together with the following: TL 9000 Quality Management System Requirements, Handbook (Current Release), and TL 9000 Quality Management System Measurements, Handbook (Current Release) and Attachment B entitled, TL 9000 Requirements, Representation and Warranty Language. Supplier shall be in compliance with all updates or subsequent releases to such performance standards and requirements, including all those listed in this Section or in any attachment hereto, or as currently denominated by the QuEST Forum, Telcordia or Verizon.

If for any reason Supplier is unable to comply with an update or subsequent release to any of the performance standards or requirements noted above within a reasonable timeframe, Supplier shall notify Verizon within thirty (30) days of general availability or notice of updated standard or requirement, and a timeframe shall be mutually agreed upon.

Supplier agrees to allow Verizon or its third party representative to conduct periodic on-site reviews at Supplier’s Hardware manufacturing and Software development facility(s) to verify compliance with Specifications. Supplier also agrees to develop corrective action plans for any quality system deficiencies that may be detected during these periodic on-site reviews, and submit such plans to Verizon or its representative within thirty (30) days after the review. Further, Supplier agrees to implement these corrective action plans within six (6) months after the review.

3 QUALITY PERFORMANCE REPORTING Supplier agrees to provide, upon request by Verizon and at no cost to Verizon, data reports which demonstrate the performance of the Supplier’s Product while in development, manufacture and service, and the adherence of the Supplier’s Product to the Specifications. Requirements for collecting, calculating and reporting data are defined in documents listed in Attachment A hereof-entitled Quality, Reliability And Engineering Specifications. In addition, Supplier shall evaluate and pursue Capability Maturity Model Integration (CMMI) v1.2 methodology within its Software Engineering processes for quality improvement. Supplier agrees to semi-annual progress reviews with Verizon to review findings and plans to upgrade processes where necessary. Supplier shall evaluate the benefits of using the “staged” approach for progressing through the CMMI levels. Supplier shall also develop a CMMI (Capability Maturity Model Integration) Migration and Implementation Plan within six (6) months of contract execution. Supplier shall at no cost to Verizon, reach defined CMMI Level 2 maturity within eighteen (18) months of contract execution, and Level 3 maturity within twenty-four (24) months of contract execution. Supplier shall at no cost to Verizon, maintain continuous improvement by pursuing CMMI Level 4 through Level 5 once previous levels have been achieved.

All requested reports and data shall be delivered to the Verizon contacts set forth in the Notices Section of this Agreement.

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Supplier agrees to render other periodic reports for service affecting conditions or other conditions that affect the operations and administrative procedures of Verizon or its Affiliates, or as otherwise requested by Verizon or its Affiliates. All provided information shall be proprietary to Verizon.

4 SOURCE INSPECTION Source Inspection means that Verizon shall have the right to conduct due diligence inspection and testing at the Supplier’s, and any of its subcontractors, facilities at any point or on a continuing basis as Verizon may deem appropriate. Source Inspection applies to all Products. Source Inspection shall be performed by Verizon or its third party representative. When requested, Supplier shall furnish Verizon full access to its facilities and those of its subcontractors. Supplier shall provide appropriate documentation to demonstrate that the Product does conform to all Specifications, and the Supplier’s projected failure rate, along with the test data that substantiates the conformance of Product prior to shipment. Unless Verizon gives Supplier written notice to the contrary, Supplier shall notify Verizon when the Product is ready for inspection and Verizon or its agent shall be given reasonable opportunity to inspect the Product at any time prior to shipment under agreed upon Quality Program Specifications listed in Attachment A entitled Quality, Reliability And Engineering Specifications. Inspection or failure to inspect on any occasion shall not affect Verizon's rights under this Agreement, including but not limited to any warranties, Services or support.

Supplier shall make available at no additional cost to Verizon, such production testing facilities, labor, data, specifications, procedures and such other documents, and assistance as necessary for Verizon or its agent to perform inspection, as indicated in Attachment A, entitled Quality, Reliability And Engineering Specifications. In addition, Supplier shall make available to Verizon or its third party representative at no additional charge, data obtained through Supplier's normal routines, which show results of Supplier's inspection, tests and audits of Product as specified in the Quality Program Specifications. Such data shall be sufficient to demonstrate that the Product meets all quality and reliability requirements.

Where Verizon finds received Products and Services do not meet Specifications and other Quality and Reliability requirements, the cost of the review of the quality management system, process, Product, or Service, as well as any required re-audits or follow-up audits of the facility in question, inspection and testing, replacements, and shipping shall be borne by the Supplier. This shall also apply to any cost of the review of the quality management system, process, product, or service, as well as any required re-audits or follow-up audits, inspection and testing, replacements, and shipping of the Supplier’s contract manufacturers’ or subcontractors’ facilities. Transportation from or to locations outside the continental United States shall be by business or comparable flight class. The number of Verizon representatives, as well as the duration of the audit, shall be agreed upon by the Verizon and Supplier at the time of the negotiation.

Verizon reserves the right to have the Supplier inspect and test 100% of their Product at their cost in cases where Product does not meet Specifications.

5 CONTRACT MANUFACTURER/SUBCONTRACTOR SELECTION (for critical components/subsystems)

5.1 CONTRACT MANUFACTURING. In the event Supplier uses a contract manufacturer or subcontractor to fulfill the terms of this Agreement, Supplier shall do the following:

1. 100% FINAL product inspection conducted prior to shipment to Verizon;
2. Provide a copy of their “Approved Vendor List” (AVL) to Verizon;
3. Conduct support activities;
4. Commit to contract manufacturer or subcontractor registration to TL 9000 Quality Management System Standard, Release 4.0 (or subsequent release);

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5. Provide, upon Verizon’s request, a copy of internal and/or contract manufacturer/subcontractor audit plans/schedules and most current audit results.

5.2 NOTICE OF OFFSHORE ACTIVITIES. Supplier must provide at least sixty (60) days advance written notice to Verizon’s project manager, strategic sourcing contact, quality management organization contact and any other required individuals as described in the Notice section of the Agreement if Supplier or its subcontractor(s) conducts or plans to conduct manufacturing, development or processing of products (including software and firmware) or performance of services, or components of products or services, (collectively “production”) offshore, and products or services are to be furnished to Verizon or its customer(s), or prior to the commencement or initiation of any additional or different offshore production after execution of the Agreement. Additionally, Supplier will provide written notice to the above contacts immediately in the event Supplier’s response to a submitted RFx has changed with regard to offshore production. For the avoidance of doubt, such additional or different offshore production shall include without limitation, relocation or transfer (directly or indirectly) or production activities from within the continental United States to offshore locations or from one offshore location to another. Notwithstanding the foregoing, upon request Supplier will provide Verizon with its contract manufacture(s)’ or subcontractor(s)’ quality management systems documentation and/or copies of the most current quality audit reports/records as they pertain to related locations, facilities, processes, products and/or services.

6 PRODUCT TESTING All Product shipped to Verizon shall receive Supplier testing to demonstrate functionality, quality and reliability. The Supplier's test environment shall emulate or simulate the Verizon's actual Product application/usage conditions as identified in the Specifications. Supplier's testing shall be of a sufficient magnitude and duration to demonstrate full Product feature functionality in accordance with Specifications. If Supplier's quality level for this final test stage does not conform to the Specifications, then Supplier shall notify Verizon immediately of such non-conformance before Product shipment, and Verizon will advise Supplier as to the disposition of this Product (accept or not accept).

7 QUALITY SURVEILLANCE Supplier agrees to quality system surveillance activities through Verizon or a third party designated by Verizon to demonstrate that the quality system is achieving results consistent with product quality, engineering and reliability requirements. The scope and frequency of these surveillance activities will be based on the Supplier achieving and maintaining consistent and stable quality and reliability results.

8 TECHNICAL ANALYSIS Supplier agrees to fund Product technical analysis activities that may be required by Verizon to deploy the Product in the Verizon’s network through Verizon’s or its third party designee’s program or through test laboratories approved by Verizon or its third party designee. Verizon may request Product technical analysis activities in instances where the Supplier cannot provide sufficient validation of Product performance, quality and reliability.

9 COMPLAINTS

9.1 ENGINEERING COMPLAINTS The Supplier shall handle all Engineering Complaints (EC) submitted by Verizon in accordance with GR230, Issue 2, as modified below, together with such further and additional requirements set forth in Appendix A hereof entitled Quality, Reliability and Engineering Specifications.

a) Verizon recognizes (Section 2.1.R2-1, Applicable Use of Engineering Complaints; Section 2.2. CR-2, Emergency or Special Handling; Section 2.3.R2-3 Non-Applicable Uses of Engineering Complaints; and Section 2.5.3. R2-9 EC Confirmation Report-EO-150) as guidelines and typical examples, “NOT” as requirements or objectives.

b) Verizon “DOES NOT” recognize (Section 2.5.4.R2-11, EC Interim Report-EO-151) and Supplier shall notify Verizon of a proposed Action Plan for the Complaint within 15 days of receipt.
In addition, the following requirements shall be adhered to:

In the event that Verizon’s Engineering Complaint (EC) is marked “SERVICE EMERGENCY,” then Supplier agrees to exert effort that goes beyond that which is customarily provided to resolve the EC. Such effort will be consistent with the level of effort the Supplier will furnish to support Verizon and its Affiliates under the Product Warranties, Services, and Support terms of this Agreement.

1. Upon receipt of Verizon’s EC identified as a fire or safety hazard, Supplier agrees to acknowledge receipt of such EC and to respond within twenty-four (24) hours. This response shall include the proposed remedy or proposed corrective action to resolve the stated problem, or the date when the accepted solution will be completed.

2. In the event the Supplier anticipates that the proposed solution to the EC will exceed thirty (30) days, Supplier shall, once every two weeks, issue an Interim Report to Verizon, reporting actions taken and progress made during the reporting period. In addition, such reports will indicate the date by which Supplier anticipates that the ongoing EC study will be successfully concluded.

3. Supplier shall create and maintain a tracking system that records and summarizes all events surrounding any EC submitted by Verizon. Supplier shall also provide Verizon with on-going reports at monthly intervals as to what manifested the EC, what remedial actions were made by Supplier as a result of the Complaint and the result(s) of those remedial actions. The overall progress and performance results shall be reviewed by Verizon and Supplier to evaluate the overall quality of the process.

4. Upon Acceptance of Supplier’s resolution by Verizon, Supplier shall implement necessary changes within thirty (30) days. In the event an EC causes Verizon to incur additional costs, Supplier shall reimburse Verizon and/or its Affiliate for such costs. Verizon shall substantiate such costs and submit to Supplier a claim for such costs. Supplier shall pay such claim within thirty (30) days after resolution of the EC upon which the claim is based.

5. If Verizon or its Affiliate disagrees with Supplier on the implementation schedule and/or resolution of Complaint, Verizon or its Affiliate shall have the right to escalate the matter for review on the implementation schedule, validity of the complaint, and/or resolution to higher management.

9.2 SUPPLIER QUALITY COMPLAINTS In the event Verizon determines that Product furnished hereunder does not perform in a satisfactory manner or is unsatisfactory in other respects, Verizon may issue a Supplier Quality Complaint (SQC) in writing to notify Supplier. Supplier shall provide an acknowledgment to Verizon within ten (10) days of receipt. Within twenty (20) days, the Supplier shall provide a final report specifying, as required, the change in design, manufacturing process or installation and/or engineering instructions required to address Verizon’s SQC. The report will include the root cause of the SQC, condition and a plan for immediate corrective action to correct the SQC, and a long-term plan to ensure continued quality Products are provided.

Supplier’s obligations regarding warranty, repair, Service, support and replacement

Purchaser’s points of contact for all complaint information and correspondence shall be the Notice contact set forth in this Agreement.

10 SUPPLIER PERFORMANCE SCORECARD (SCORECARD) Verizon may implement a TL 9000-based Scorecard as a means of measuring Supplier’s overall performance to ensure Supplier is in compliance with performance levels established for Verizon’s business units. Supplier shall be responsible for reporting monthly performance data in accordance with specific metrics developed for the applicable product/service. Performance levels or “targets” will be assigned to assess the Supplier’s performance via the Scorecard process, and the Supplier shall be required to meet or exceed the established targets each month.

Where Supplier is certified to the TL 9000 quality management system standard, Supplier shall extract “Verizon-specific” performance data from the monthly performance data submitted to QuEST Forum’s Measurement Repository

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System (MRS), and shall provide “Verizon-specific” data to Verizon monthly.

In accordance with the Scorecard process, for any Scorecard performance metric result in a “Yellow” status for two (2) consecutive months, Supplier may be required by Verizon to submit a Corrective/Preventive Action Plan. However, for any Scorecard performance metric result in a “Red” status for two (2) consecutive months, or for two (2) consecutive months is in “Yellow” status for one month and in “Red” status for one (1) month, Verizon shall issue a formal Corrective Action Request (CAR) to Supplier. Subsequently, Supplier shall acknowledge receipt of CAR within five (5) calendar days from date of CAR issuance and shall submit to Verizon a written Corrective/Preventive Action Plan within twenty (20) calendar days from date of CAR issuance. If within a mutually agreed upon timeframe, the Corrective/Preventive Action Plan has not resulted in meeting or exceeding the established target for said performance metric, then Verizon may exercise remedies as set forth in this Agreement.

If, based upon the monthly Scorecard data collected for the products/services covered under this Agreement, the Supplier fails to maintain a total score of eighty-five percent (85.0%) or above for three (3) consecutive months, Verizon may, in addition to other rights under this Agreement, terminate this Agreement all or in part as specified in this Agreement. Verizon’s right to terminate this Agreement for cause is not precluded by Verizon’s delay in exercising its rights under the Agreement.

11 CONTINUOUS QUALITY IMPROVEMENT PLAN Supplier shall have a written plan for continuously assessing and improving the quality and reliability of Products and Services in accordance with TL 9000 requirements. Supplier’s Quality Improvement Plan (QIP) shall incorporate and use a well-defined and written set of metrics, including the TL 9000 metrics applicable to the Products and Services covered under this Agreement. This plan will assess internal development data and field performance data used to improve Supplier’s performance. Metric collection, analysis, validation, and reporting should be conducted on a continual basis. Both field performance and in-process data shall be utilized.

Upon request, all information, including, but not limited to, plans, procedures and results, in Supplier’s QIP shall be made available to Verizon for review.
ATTACHMENT A
Quality, Reliability and Engineering Specifications

Supplier shall be expected to comply with the current issue of the listed specifications. Going forward Supplier shall be in compliance with Current Release of the TL9000 Quality Management System Requirements Handbook and Quality Management System Measurement Handbook.

Copies may be ordered through the American Society for Quality by calling (800) 248-1946. Additional information on TL 9000 may be found on the QUEST Forum web site at www.questforum.org.

Information and ordering instructions for the technical references below may be obtained by contacting Telcordia Technologies at the following number: 1-800-521-2673 (current charges apply).

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ATTACHMENT B

TL 9000 REQUIREMENTS

REPRESENTATION AND WARRANTY LANGUAGE

A. TL 9000 Representation and Warranty

1. As used in this Section, the term:

(a) “TL 9000 Registration” is a certification of TL 9000 Compliance and indicates the successful completion of a Registration Audit by a TL 9000 Registrar, as evidenced by a TL 9000 Certificate, and includes monthly performance metric data submissions to the QuEST Forum’s Measurement Repository System in accordance with the TL 9000 Measurements Handbook. TL 9000 Registration (i) may apply to the quality management system for Hardware, Software, Services, and/or Documentation or any combination thereof and (ii) may cover an entire company, a business unit, facility or a limited, defined product line as mutually agreed by Supplier and the Registrar. The scope of TL 9000 Registration will be clearly defined within the TL 9000 Certificate. TL 9000 Registration lasts for 3 years, covers 100% of the scope of the entity being registered (i.e., company, organizational unit, facility or limited, defined product line) and the TL 9000 Quality Management System Requirements.

(b) “TL 9000 Certificate” defines the scope of TL 9000 Registration and certifies that Supplier’s applicable quality management system is TL 9000 Compliant and has successfully completed a TL 9000 Registration Audit by a TL 9000 Registrar.

(c) “TL 9000 Registration Audit” means a planned, independent and documented assessment of a Supplier’s quality management system that is performed by a TL 9000 Registrar to determine TL 9000 Compliance of such system.

(d) “TL 9000 Registrar” means an organization that meets the requirements established by the Quality Excellence for Suppliers of Telecommunications Leadership Forum (“QuEST Forum”) and affirmed by the accreditation body for the purpose of administering the TL 9000 Registration process. Registrars perform TL 9000 Registration Audits under a contractual arrangement with the Supplier (the “Registration Contract”). Registrars are responsible for verifying that a contracting Supplier has implemented a quality management system that complies with TL 9000 Requirements for as long as the Registration Contract is in effect.

(e) “TL 9000 Quality Management System Requirements,” referred to herein as “TL 9000 Requirements,” mean the telecommunications quality system requirements that are common to the design, development, production, delivery, installation and maintenance of hardware, software and/or services established by the QuEST Forum. In addition to common quality requirements, the QuEST Forum has also established separate quality system requirements that are specific to hardware, software and services, respectively, as part of the TL 9000 Requirements. TL Requirements also include such Requirements as updated or amended from time to time by the QuEST Forum.

(f) “TL 9000 Compliant” or “TL 9000 Compliance” means that Supplier’s applicable quality management system fully meets the TL 9000 Requirements as documented by the receipt of either:

   (i) TL 9000 Certificate; or

   (ii) TL 9000 Compliance Statement

   as such terms are defined herein.

(g) “TL 9000 Compliance Statement” is an affirmative indication in writing that Supplier’s quality management system has met the TL 9000 Requirements from any quality auditor who is independent of Supplier, is certified to perform TL 9000 audits and is not a TL 9000 Registrar (“Quality Auditor”).
(h) “TL 9000 Product Category Table” means the auditable TL 9000 Requirements (which are referred to herein as the TL 9000 Quality System Measurements) as published in TL 9000 Quality Management System - Measurements Handbook by the QuEST Forum.

2. (a) Supplier represents, warrants and agrees that within one year from execution of this Agreement, or sooner if possible, it will use commercially reasonable efforts to ensure that the processes it utilizes to produce Hardware, Software, Services, and/or Documentation or any combination thereof under this Agreement will be under quality management system(s) that shall have undergone TL 9000 Registration. Supplier shall maintain its TL 9000 Registration for the term of this Agreement.Supplier shall provide Verizon written documentation of its TL 9000 Registration, consisting of copies of Supplier’s TL 9000 Certificate(s) within thirty (30) days from the date of issuance of such written documentation of TL 9000 Registration.

(b) If Supplier has not provided documented evidence of its TL 9000 Registration, i.e., the TL 9000 Certificate, within one year, or sooner if possible, from the execution of this Agreement, then, Supplier shall provide Verizon upon Verizon's request and at no additional charge, the following for each of Supplier’s quality management systems described above that have not achieved TL 9000 Registration:

- A TL 9000 quality plan that conforms to the most current versions of (i) the TL 9000 Requirements and (ii) the TL 9000 Quality System Measurements.

- The elements to be detailed in such quality plan shall include (at minimum): (i) a schedule for achieving TL 9000 Registration; and (ii) designation of Supplier’s quality representative and of the Supplier senior executive with quality responsibility.

(c) Supplier shall provide Verizon upon Verizon’s request or on the reporting basis stated herein and at no additional charge, the following information for each of Supplier’s quality management systems described above whether such systems have achieved TL 9000 Registration or not:

- (i) TL 9000 Registration Audit results, if any;
- (ii) Quality management system review goals and objectives on an annual basis; and
- (iii) the TL 9000 Registration Audit results for any business unit that has achieved TL 9000 Registration and received the TL 9000 Certificate.

(d) Prior to achievement of TL 9000 Registration, Verizon and Supplier will mutually agree on the format for delivery of quality performance measurements. Supplier shall provide Verizon with these measurements for each of Supplier’s quality management systems described above, which shall be submitted on a quarterly basis, within 20 working days after the end of each quarter.

(e) After the achievement of TL 9000 Registration, Supplier shall provide Verizon with quality performance measurements for each of Supplier’s quality management systems described above. These measurements shall be submitted on a quarterly basis in conformance with the TL 9000 Quality System Measurements, including the TL 9000 Product Category Table, as required by TL 9000 Registration.

3. If Supplier allows its TL 9000 Registration to lapse or if Supplier is not compliant with the most current TL 9000 Requirements, Supplier agrees to allow Verizon or Verizon’s third party representative to conduct periodic on-site reviews at Supplier’s Hardware production/Software development facility(s) to verify compliance with TL 9000 Requirements or any such other industry-wide quality requirements that replaced
Supplier also agrees to develop corrective action plans for any of its quality systems that fail to comply with TL 9000 Requirements, or any such other industry-wide quality requirements that replaced TL 9000, that may be detected during these periodic on-site reviews, and submit such plans in writing to Verizon or Verizon’s third party representative for Verizon’s agreement within thirty (30) days after any such on-site review. Further, Supplier agrees to implement these corrective action plans within a time frame as agreed to by Verizon within such corrective action plan.

B. Order of Precedence

In the event of conflict between the TL 9000 Representation and Warranty and any corresponding term of this Agreement, the terms of TL 9000 Representation and Warranty will take precedence.

C. Subcontractors

Supplier represents, warrants and agrees that within 180 days from execution of this Agreement, or sooner if possible, it will use commercially reasonable efforts to ensure that the processes utilized by each of its subcontractors, if any, to produce component part(s) of the Hardware, Software, Services, and/or Documentation or any combination thereof provided under this Agreement will all be under quality management systems that are mutually agreeable to the parties. Supplier shall monitor and audit such quality management systems and share the results of such monitoring and auditing with Verizon on a quarterly basis to the extent such reporting would be allowed by the applicable subcontracts and in a format and on a reporting basis as are mutually agreed to by the parties.

At such time that the TL 9000 Requirements for subcontractors have been established, Supplier shall assure that each of its subcontractors that produce component part(s) of the Hardware, Software, Services, and/or Documentation or any combination thereof provided under this Agreement is performing under a quality management system that is TL 9000 Compliant and shall provide to Verizon on a quarterly basis: (1) such measurements regarding the quality systems of subcontractors as is mandated by the TL 9000 Requirements; (2) an identification of key subcontractors, their respective TL 9000 Compliance status and schedule for achieving TL 9000 Compliance; and (3) the designation of Supplier’s subcontractors’ quality representative.

D. Term of TL 9000 Representations and Warranties

The representations, warranties and remedies set forth in this Section: (a) shall be in effect for the Term of this Agreement; and (b) are in addition to any other rights or remedies available to Verizon under this Agreement or otherwise at Law or equity. Notwithstanding anything to the contrary herein, the TL 9000 Registration Audit results, any information required to be disclosed under this Section, and the TL 9000 Certificate provided by Supplier under this Section shall not be deemed proprietary to Supplier.