



HEADER PRODUCTS, INC. SUPPLIER QUALITY MANUAL

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PURPOSE

The Supplier Quality Manual is a guideline for doing business with Header Products, Inc. (HPI). It is essential that these expectations be met to ensure a successful relationship with HPI.

SUPPLIER SELECTION

Final approval for all recommended supplier selections will be made by the Director of Quality, giving strong consideration to the dependability and service record of the company, nature of the product/service, reputation for quality and delivery, and competitive pricing. Consideration may also be given based on the company's size, number of employees, sales volume, shipping location(s) and supplier market. This information should be determined through telephone interviews, supplier literature, business contacts, and HPI's supplier assessment process.

Preferences shall also be given to suppliers who fall within these guidelines, (no priority intended), providing it involves no sacrifice in quality, service, delivery or price:

- * Strategic location
- * Target costing: control of economic factors
- * Third party registration to a current version of ISO 9001, or TS 16949
- * Proprietary source of a product or service

APPROVED SUPPLIERS LIST

The Director of Quality or Designee shall maintain the Approved Suppliers List (RMFM024), in electronic format.

All approved suppliers should be compliant to TS 16949 or a current version of ISO 9001, and be able to meet any specific Quality Assurance requirements for their product or service as specified by HPI.

These products or services will typically be purchased from the suppliers on the Approved Suppliers List.

ADDITIONS TO THE APPROVED SUPPLIERS LIST

The Director of Quality can only add suppliers to the Approved Suppliers List upon approval.

To add a non-directed source to the list, the following documentation must be completed:

- * Completed supplier self assessment survey
- * Supplier Assessment survey
- * Copies of the suppliers' third party Quality Certification (e.g. QS 9000, TS 16949, etc.).

The Director of Quality will use the following criteria to determine supplier approval:

- * The need to add a new source

- * Positive survey results
- * Third party registration
- * Competitiveness
- * Customer directed source

To add a customer directed source to the Approved Suppliers List would require written notification by the customer.

DELETIONS FROM THE APPROVED SUPPLIERS LIST

The Director of Quality can only remove suppliers from the Approved Suppliers List.

The following criteria will be used in determining whether a supplier should be removed from the Approved Suppliers List:

- * Source is no longer needed
- * Source is no longer in operation
- * Source has recurring quality and/or delivery issues
- * Customer has redirected its sourcing decision
- * Source is in desperate financial situation
- * Source has had a major change in its capabilities that could result in the probability of nonconforming product.

The Director of Quality will consider the supplier information and make a decision to accept or deny the removal from the Approved Suppliers List.

SUPPLIER RESPONSIBILITY

Every supplier is responsible for the understanding of all engineering drawings, specifications and purchase/work order requirements. It is the responsibility of the supplier to contact HPI for clarification of any questionable area.

Suppliers must rely on their own quality system to produce and ship acceptable products, not HPI's receiving inspection.

Every supplier is responsible for not only the dimensional characteristics shown on the engineering drawing, but also test requirements shown or referenced on the drawing. Or those items specified on the purchase order/work order.

Suppliers are required to have sufficient personnel engaged in the quality function to ensure compliance to requirements.

The supplier will be obligated for any liability incurred by HPI, which is a direct result of nonconforming material from that supplier.

Every supplier is responsible for maintaining a system, which will sufficiently control their suppliers. This system must be documented, and should be defined as necessary to ensure that all drawings, specifications and order requirements are satisfied.

NOTE: Sub-supplier plants are not to be used as shipping points without written authorization from HPI.

The supplier's quality program must be such that it ensures product conformance through all areas of inspection.

Suppliers are required to establish a system that will maintain material identification and inspection status throughout their processes.

Statistical Process Control (SPC) techniques are to be employed on all characteristics designated on the engineering drawing, as it applies to that supplier. In addition, suppliers should designate and control any other product/process characteristics or parameters that they feel are critical to a particular part or process.

Suppliers are required to have a system in place that will ensure the accuracy of all measuring devices, test equipment and gages used to validate parts/processes. These devices are to be calibrated and/or verified on a scheduled frequency and results documented. Traceability to national/international standards is required.

In the event non-conforming material is shipped, it is the responsibility of the supplier to replace, sort or rework the material in the most expedient manner possible. Upon notification that non-conforming material has been received, suppliers have 24 hours from time of notification to exercise one of the following options:

- * Material returned at supplier expense
- * Supply personnel for sort/rework
- * Authorize the scrap, sort or rework of material at their expense.

NOTE: If none of the above options are exercised within the required timeframe, HPI will handle the issue and debit the supplier for any charges incurred.

In the event a supplier discovers they have shipped non-conforming material, HPI quality is to be notified immediately.

Suppliers are responsible for maintaining a corrective action program. All corrective actions are to be documented and forwarded to the appropriate personnel. Failure to respond to a request for corrective action will have a negative effect on your Supplier Performance Rating.

Suppliers are to have a record retention program that will maintain quality records for 10 years.

The following quality documentation is required with each **New** Material Heat Number:

- * Material and/or processing certifications
- * Any applicable test data
- * Any applicable Statistical Process Control data

NOTE: Letters of conformance or compliance are not considered acceptable as certifications and/or test data, (actual data is required on the certifications).

Suppliers should be prepared for an audit at all times. As a rule, audits will be conducted on a scheduled, frequency adjustable basis. However, in the event that quality or delivery related problems occur at a supplier facility that requires the presence of our representative, an audit may be scheduled at that time. Suppliers that are third party registered to a quality management system will not be audited unless constant or severe problems warrant it.

Suppliers are required to establish and maintain an internal audit system to assess the adequacy of their quality program. Internal audits are to be conducted on a scheduled frequency.

PRODUCTION PART APPROVAL PROCESS (PPAP) - PURCHASED PARTS

Prior to the shipment of production material, all parts suppliers are required to submit a PPAP package for initial inspection. On multiple dies/cavities, samples from each must be submitted. A minimum quantity of 1000 pieces is required.

In addition to the sample parts, the submission package is to include the following:

- * The 6 samples used in the layout must be identified by a number. The same procedure should be followed with tested parts, if requested.
- * A complete certification package, including raw material certifications and all required processing certifications such as heat treating, plating, etc. The part number and specification number is to appear on all certifications.

NOTE: Letters of conformance or compliance are not considered acceptable as certifications. Raw material certifications are to include physical properties and/or chemical analysis. Processing certifications are to include all processing parameters such as temperatures, times, etc.

- * Control plans, PFMEAs and flow diagrams are to be submitted. They must comply with the current AIAG formats.
- * Test data for all required items must be from an accredited laboratory. (Purchased parts only)
- * Unless otherwise specified by HPI, all submissions must conform to the level 3 requirements of the AIAG PPAP manual.
- * In addition to the initial PPAP requirements, parts are to be re-submitted when any of the following occur:
 - o Change in process
 - o Change in material
 - o Change in manufacturing locations (site to site)
 - o Tool rebuild or major repair (non-perishable tooling)
 - o Change in outside processor
 - o Change to an optional design
 - o Recertification may be required on an annual basis. (A schedule will be provided)

NOTE: Before a submission to any of the above takes place, permission must be given by HPI.

- * The supplier may use the forms from the AIAG PPAP manual, or their own, provided all required information is covered.

SERVICE SUPPLIERS

Suppliers providing services such as heat treat, meta-finishing, grinding, etc. must submit a warrant letter, all test data, PFMEA, control plan and flow diagram. Service Suppliers must also be compliant to the following requirements, as needed, and must also have audit results electronically sent to Header Products:

- * CQI-9 Heat Treat System Assessments
- * CQI-11 Plating System Assessments
- * CQI-12 Coating System Assessments

New audits that have any “NOT SATISFIED” results will require action plans for each one and the supplier must have them closed within 90 days. As new audits are completed, the results must also be forwarded to Header Products.

Copies of the CQI assessments are available from AIAG at www.AIAG.org.

* Header Products Inc. reserves the right to waive all or selected parts of these service supplier requirements for long time (5 or more years) specially selected small service suppliers (As allowed in ISO/TS 16949 Sanctioned Interpretations S1 5 06) whose incoming history and quality performance places them into Header’s excellent rating criteria and they have therefore been designated as a certified supplier by Header Products Inc.

RAW MATERIAL SUPPLIERS

Raw material suppliers need only provide a PPAP when requested by HPI.

METHODS OF VERIFICATION

- * All parts received will be checked against the drawing, taking into account all listed notes.
- * Critical and/or functional dimensions will be verified.
- * Each document will be checked for compliance.
- * A file for each supplier and part number, including sample parts will be kept.
- * If any part or document does not comply with requirements, the PPAP will be rejected, requiring re-submission.
- * If a PPAP is rejected, the supplier is required to re-submit a corrected package as soon as possible.

TYPES OF APPROVAL

FULL APPROVAL: This will be granted when the PPAP package meets all requirements. A copy of the warrant form will be signed by the responsible HPI personnel and sent to the supplier.

PROVISIONAL APPROVAL: This is given when the package meets partial requirements and is supported by a deviation issued by HPI. It is the supplier's responsibility to pursue resolution of all issues in order to obtain full approval.

NOTE: Suppliers cannot ship production material unless they have PPAP approval or written permission from HPI.

SUPPLIER RATING SYSTEM

HPI will exercise control over suppliers and maintain acceptable supplier performance in the areas of quality performance and materials/logistics. Suppliers will be rated on a quarterly basis.

The supplier will receive a rating, which is based on a 100 point maximum. 50 points are possible in the area of quality performance and 50 points are possible in the area of materials/logistics. The following are targets for these performance standards:

QUALITY PERFORMANCE SECTION

- * Quality rejects (**PPM**): Zero defects. PPMs are calculated as follows: number of parts rejected divided by the number of parts received, times 1,000,000.
- * **PPAP**: submitted on time (supplier promise date) with all required documentation
- * Corrective Action Request (**CAR**) **response time**: Containment within 24 hours - 8D complete within 30 calendar days or weekly updates

MATERIALS/LOGISTICS PERFORMANCE SECTION

- * **Delivery**: 100% on time. Delivery performance is the percentage of on time deliveries made (based on suppliers abilities)
- * **Documentation**: required documentation (certifications, packing slip, shipper, part data, etc.)

The above mentioned deliverables will be given numeric point values as detailed below:

<u>PPM</u>	<u>POINTS</u>	<u>PPAP</u>	<u>POINTS</u>	<u>CAR</u>	<u>POINTS</u>
0	30	0 late	10	0 late	10
1 to 50	28	1 late	6	1 late	6
51 to 100	26	2 late	2	2 late	2
101 to 250	24	3 late	0	3 late	0
251 to 500	22				
501 to 750	20				
751 to 1000	18				
1001 to 2000	16				
2001 to 3000	14				
3001 to 4000	12				
4001 to 5000	10				
5001 to 6000	8				
6001 to 7000	6				
7001 to 8000	4				
Over 8000	0				

Delivery performance: maximum 30 points, calculated as (% on time) x30 Points
Example: A delivery rating of 90% would be .90 x 30 = 27 points

Documentation: maximum 20 points, calculated as (% on time) x20 Points

Points will be totaled and ranked as follows:

<u>SCORE</u>	<u>RATING</u>	<u>ACTION</u>
90-100	excellent	None required
80-89	good	None required
70-79	fair	Supplier cautioned
60-69	poor	written action plans with weekly updates
0-59	unacceptable	supplier not eligible to quote new work – may be de-sourced if significant improvement does not take place immediately

Suppliers will be notified as to their rating on a quarterly basis.

CERTIFIED SUPPLIERS

When a supplier has achieved third party registration to a quality management system, and has maintained a rating of 100 for 6 consecutive quarters, that supplier will be placed on the certified suppliers list. When material is received from a certified supplier, it will bypass normal receiving inspection and go immediately to the next process. The supplier certifications will be used as a basis for receiving inspection.

SUMMARY

A policy of zero defects is the essence of this document. All suppliers are responsible for producing and shipping a product that is in total conformance to requirements.

A key to our success is the communication with our suppliers. HPI welcomes your questions and/or comments at all times.

REVISION PAGE

DATE	SECTION	REVISION
4/01/05	New Manual	01
12/13/07	CQI Requirements Added	02
2/25/08	Supplier Selection	03
10/13/08	Service Supplier Note	04
9/22/09	Removal of ISO9000 & TS16949 dates and Change Shipment Documentation Requirements	05