1.0 Scope
This procedure defines PHC's Quality and contractual requirements applicable to the supply of machined components.

2.0 Responsibilities
The Purchasing Department is responsible for the issue of this document to relevant suppliers and for obtaining their agreement to the conditions herein, on page 4.

The Supplier is responsible for complying with the requirements contained herein.

3.0 Quality Guarantee
PHC Inc. operates a warranty period of twelve months on all products. We are obliged to add the following "Quality Guarantee" to our "General Purchase conditions".

"Vendor warrants that all products, materials or services covered by an order will conform to specifications and that production is to latest revision drawings and specified engineering tolerances or other description furnished by us and will be free from defects in material and workmanship.

If design is vendor's responsibility, vendor warrants the product to be free from defects in design.

4.0 Supplier Quality Responsibilities
The supplier must adhere to the following requirements.

4.1 Quality System
Supplier must maintain an effective system for the control of Quality. The system must provide for the control of incoming quality, for timely and positive corrective action when required, and for the prevention of shipment of non-conforming products to PHC.

4.2 Product Conformance
The Supplier shall perform the inspection and tests necessary to substantiate product conformance to PHC drawings, specifications and PHC process standards. The inspection records shall be sent with accompanying parts on the First Article and the next 2 shipments on all new part numbers. (SouthPark is exempt from sending Inspection Records with components; but will retain all records at SouthPark.)
Products that are “off the shelf” and do not have a PHC drawing/specification are exempt from this procedure; as are any products purchased that may be proprietary in nature. When required, the Supplier will allow verification visits to their premises by personnel from PHC, or PHC’s clients. Any such visit will not preclude the rejection of any component received by PHC.

PHC recognizes the philosophy of defect prevention rather than defect detection through the application of Statistical Process Control (SPC), or similar control techniques.

Product should have all burrs and sharp edges removed. This includes all threaded areas and bore intersections.

Records should be maintained to provide evidence of production or process control with lot identification and traceability related to inspection records on important components or material where applicable.

4.3 New Suppliers

While progressing through the Supplier Evaluation Procedure QP-03.1, prior to formal supplier approval, a new supplier is required to demonstrate conformance to specifications by providing dimensional reports (section A below) with each shipment of samples or initial production lot and also with the next 2 shipments for each part number shipped.

The supplier may, as an option, on suitable components, supply statistical information as in (section B below)

A. Dimensional Reports

The supplier is required to complete and submit a dimensional report with each lot delivered, quantities as follows:

<table>
<thead>
<tr>
<th>Lot Quantity</th>
<th>Number of Sample Parts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10</td>
<td>1</td>
</tr>
<tr>
<td>11-20</td>
<td>2</td>
</tr>
<tr>
<td>21-30</td>
<td>3</td>
</tr>
<tr>
<td>31-40</td>
<td>4</td>
</tr>
<tr>
<td>40 and over</td>
<td>5</td>
</tr>
</tbody>
</table>

Prepared By: Linda Jenkins  Approved By: K. Gore  Date: 03/26/2012
Components, which are the subject of reports, will be identified and numbered to match the relevant report. These components and corresponding inspection reports will be identified as to their location within the shipment. The inspection reports itself may be e-mailed to PHC at phcquality@phc-na.com.

B. Statistical Information
This will be in the form of results gained from the operation of SPC during supplier’s manufacturing process. The subject of the results will normally be an important dimension, or feature, as noted on the component drawing, or as agreed between supplier and PHC.

Failure to submit the correct documentation may result in the rejection of the lot in question.

4.4 Prototype Parts
Where components are designated “Prototype” by PHC, supplier will complete an inspection report for each component.

4.5 Measuring and Test Equipment
Where the product requires measurement and test, the equipment must be routinely checked and calibrated with records that provide traceability to National Standards.

4.6 Manufacturing Processes
Suppliers shall notify PHC in the event that there is a change in their manufacturing process from that of the submitted and originally approved First Article. Examples of changes requiring notification and approval are below:
1. Use of different raw material(s)
2. Production from a new or modified tool, die, mold, etc... including refurbishment (Does not include perishable tools such as drills, end-mills, saw blades, etc...)
3. Production from a different plant location (Including any subcontracted process from the supplier)

4.7 Product Identification
Suppliers must identify each individual product with a supplier code or unique marking as agreed upon with PHC.
When defined on a purchase order or identified on the supplied drawings the PHC part number must also be stamped on each item and date of manufacture as applicable. In all cases the documentation accompanying a delivery to PHC must identify the Part Number, Quantity, or amount delivered and Purchase Order number as a minimum.

4.8 Packaging and Transportation
The supplier shall ensure that all supplies forwarded to PHC are adequately packed to avoid transit damage, and coated to prevent corrosion by means approved by PHC Purchasing Manager where necessary. Suppliers are also to ensure that multiple parts numbers shipped in the same box/pallet are divided and identified adequately. Different part numbers must not be delivered on top of another or in layers in the same box.

Some suppliers will be issued with special purpose containers; these must be treated with care and respect and must be used for the intended purpose. Suppliers will be held totally responsible for any damage or loss of use, which occurs during transportation.

5.0 Conditions
If for any reason parts are delivered to PHC without formal sample approval and documentation, they may be returned to the supplier or the full cost of PHC having to prepare documentation may be charged back to the supplier.

If sample parts are found to be good, but the required documentation is missing; this will generate a non-conformance for the omission of that documentation and a corrective action will be required. If sample approval parts are found to be incorrect by PHC, the full cost of the audit may be charged back to the supplier and the faulty parts returned. The entire lot quantity shall be used in the non-conformance report.

The supplier must take the responsibility of suggesting resolutions for any situation where PHC requirements and the supplier capabilities are incompatible.

6.0 Failure to Conform
All suppliers' quality will be continually monitored by PHC and any rejection and rejection rates will be communicated to the supplier.
In the event that rejection rates are consistently high and/or recognized practices /systems are continually ignored, PHC will instigate actions that will result in either:

a) A complete re-evaluation of the supplier's suitability as a PHC approved supplier.
b) Termination of all contracts/orders at the earliest opportunity.

7.0 Deviations

In the event that a supplier finds he has product, which deviates from the PHC drawings or specifications and wishes to establish acceptability of product, a Temporary Engineering Deviation (TED) may be requested. Reference QP-05.0

Any granted TED is only temporary and covers the quantity shown on TED.

8.0 Rework/Sort Charges

In the event rework or sorting of a supplier's parts is performed at PHC, the supplier will be responsible for the applicable charges.

9.0 Supplier Responsiveness to Non-Conforming Product

Suppliers are expected to be proactive in their control of processes and product supplied. In the event non-conforming product reaches PHC's facility, the supplier will be notified. The supplier may be asked to aid in disposition of the suspect parts. In the event the supplier is asked for corrective action, the 8-D method will be preferred in Excel or Word. This shall include:

1. Team
2. Problem Description
3. Containment Action
4. Root Cause
5. Permanent Corrective Action
6. Implementation of Permanent Corrective Action
8. Congratulate the Team

11.0 Response Times

The initial containment action response is due within 72 hours. Suppliers shall contain all parts or material in their facility and certify future shipments. Certification will be clearly
defined on the initial response and include identification witness marks on each individual part as well as identification on the outsides of the shipping containers. Suppliers are expected to identify root cause and planned corrective action with timing within 30 days. Dependant on the nature of the issue and complexity of the corrective action, implementation may take longer. Certification is to continue 30 days after corrective action implementation. Once 30 days have passed with zero repeat actions, the certification period will end. Control plans and PFMEAs shall be updated to document any implemented corrective action, as applicable.

Acknowledgement Page

Please sign and return to the PHC Purchasing Department

Contents of the PHC Supplier Quality Requirements have been read, understood, and are accepted by:

Company Name:  

Signed:  

Position:  

Date:  

Prepared By:  Linda Jenkins  
Approved By:  K. Gore  
Date: 03/26/2012