

Forward

This “Procedure Support Instruction” (PSI) forms an integral part of DIVERSIFIED’s Quality Management System Documentation. It was developed to better define the methods used by DIVERSIFIED to comply with the requirements stated in the “Parent” Policy Support Procedure (PSP).

This PSI, and any subordinate Forms are numbered according to the applicable clause of the QPM. This numbering process allows a direct correlation between the requirements of AS9100/ISO 9001 and DIVERSIFIED’s documentation.

TABLE OF CONTENTS

<u>Clause</u>	<u>Topic</u>	<u>Page</u>
1.	Introduction.....	2
1.1	Purpose.....	2
1.2	Scope.....	2
2.	References.....	2
2.1	Normative References.....	2
2.2	Associated References.....	2
2.3	Supporting Documents.....	2
3	Definitions.....	3
4	Requirements.....	3
4.1	Business System Requirements.....	3
4.2	Shipping & Handling Requirements.....	4
4.2.1	Packaging Requirements.....	4
4.2.2	Delivery Requirements.....	4
4.3	Quality Requirements.....	5
4.3.1	General Quality Requirements.....	5-9
4.3.2	Specific Quality Requirements.....	9
4.4	Supplier/Subcontractor Development.....	9
5.	Flow Charts and Diagrams.....	10
6.	Record Retention Requirements.....	10
7.	Records of Revisions.....	10-11



Supplier / Subcontractor Requirements Instruction

1. Introduction

1.1 Purpose

The purpose of this procedure is to provide for and establish Purchasing, Shipping, and Quality Requirements for Purchase Orders issued to all suppliers/subcontractors. Suppliers/subcontractors shall comply with all purchase order requirements and flow down all applicable requirements to their sub-tier suppliers/subcontractors.

Diversified strives to consistently produce the highest quality products and service possible with efficient on time deliveries for our customers.

In order to maintain a mutually beneficial relationship, we ask our suppliers and subcontractors to partner with us toward this goal.

Diversified requires our suppliers and subcontractor's to be familiar with and understand any requirements relevant to their work.

1.2 Scope

This Supplier/Subcontractor Requirements Instruction applies to Diversified Approved suppliers/subcontractors listed on Diversified's Approved Supplier/Subcontractor List, F P 7.4-1-6, unless otherwise specified by contract.

2. References

2.1 Normative References

This document was developed for:

- AS9100/ISO 9001 (Clause 7.4)
- DIVERSIFIED Quality Policy Manual (Clause 7.4)
- PSP# P 7.4-1 Purchasing Procedure

2.2 Associated References

Additional documents associated with this procedure are:

- PSP# P 8.2.4-1 Inspection & Verification Procedure
- PSP# P 8.3-1 Control of Nonconforming Material Procedure
- PSP# P 8.5-2 Corrective and Preventive Action Procedure
- PSP# P 8.2.2-1 Quality Systems Audit Procedure

2.3 Supporting Documents

Documents developed to support this procedure are:

- Form# F P 8.2.2-1-6 Subcontractor Desk Audit Form



Supplier / Subcontractor Requirements Instruction

3. Definitions

For the purpose of this procedure, the definitions found in ANSI/ISO/ASQC Q9000-2000, the documents referenced in clause 2 and the following apply.

Purchase Order (PO): A legal binding contract used to request a supplier or subcontractor to supply a product or service in return for payment.

Supplier: An organization that provides products or materials. A supplier may be considered a Distributor, Parts House or Manufacturer of an item(OEM).

Subcontractor: An organization providing manufacturing, fabrication, or processing of services used on product for DIVERSIFIED customers. A subcontractor would provide capabilities or services not currently available at DIVERSIFIED.

4. Requirements

4.1 Business System Requirements

The ultimate objective of this manual is to aid in developing strategic partnerships with key suppliers by creating a cost efficient procurement process, through the elimination of redundant handling and inspection activities. Diversified recognizes that each business relationship, to be worthwhile, must be mutually beneficial. We assure that you will be paid promptly and accurately. In order to accomplish this we ask that these requirements be understood throughout your organization and flowed down to sub-tier suppliers as appropriate. Your continued support as Diversified's approved supplier/subcontractor is appreciated and essential for our mutual success.

The following purchase order requirements apply to all supplier, subcontractors, sub-tier suppliers and PO's:

- Any work performed (either services or products) by your company for Diversified must be covered by a PO issued by Diversified's Purchasing Agent listed on the PO.
- Diversified requires all PO's be acknowledged, as evidence by a signature of an authorized agent, returned to Diversified's Purchasing Agent listed on the PO.
- PO's are offered according to the terms and conditions therein. Any additional terms and conditions submitted with your sales acknowledgement are considered by Diversified to be deviation from the original contract, to which we hereby object unless otherwise approved in writing.



Supplier / Subcontractor Requirements Instruction

4.2 Shipping & Handling Requirements

4.2.1 Packaging Requirements

All packaging must be of sufficient strength and design to protect parts and materials from damage or deterioration all throughout the handling and transportation process. Packaging must comply with all government and regulatory requirements where applicable.

The following packaging requirements apply to all suppliers, subcontractors, sub-tier suppliers and PO's:

- No more than one part number can be placed in any one box or bag except for over-boxing to minimize handling or to prevent small packages from being lost. Each package in an over-sized box must not contain more than one part number.
- Appearance parts must be individually sleeved or protected.
- Materials shall be packaged with no more than 150 lbs. per shipping carton to aid in handling and storage unless the material size is prohibitive.
- When specified, each shipment must contain the following information on each box in readable English format:

DIVERSIFIED PO NUMBER
 PART NUMBER
 QUANTITY IN THAT BOX & NUMBER OF BOXES IN SHIPMENT (i.e. 1 of 4, 2 of 4)

- A copy of all required documents for that shipment must be shipped with box 1 of a shipment.

4.2.2 Delivery Requirements

All orders must be shipped to arrive, on dock, on the date specified in the PO.

The following Delivery requirements apply to all suppliers, subcontractors, sub-tier suppliers and PO's:

- Items received after the date specified on the PO will be considered late unless agreed upon in writing via fax, email or PO change, and will be reflected in Diversified's Supplier Performance System.
- If specified by Diversified Purchasing Agent, Supplier(s)/Subcontractor's must use the carrier specified. Deviation from this requirement will result in all charges for such deviation being billed back to the Supplier/Subcontractor expense.



Supplier / Subcontractor Requirements Instruction

4.3 Quality Requirements

4.3.1 General Quality Requirements

General requirements are in addition to those set forth in any other contracted document. Compliance with these requirements does not reduce the supplier's/subcontractor's responsibility for furnishing materials and /or services, which fully comply with all applicable drawing and specification requirements, nor does it guarantee acceptance of materials and serviced by Diversified. In the event that materials or services are found to be nonconforming and cannot be demonstrated by the Supplier/Subcontractor to be conformance with the PO requirements, Diversified has the right to reject them.

The following quality requirements apply to all subcontractors:

- **Quality System:** When subcontracted services are needed Diversified will seek out organizations that have an approved Third Party Certification (ISO, AS, A2LA, ect.), or have a second party assessment program (Boeing, Federal Aviation Administration, etc.). Diversified shall use only those sources that can positively demonstrate through an accepted Quality Management System and a system of verification testing that their services or processing will meet the requirements of our customer's order. Under this type of "Approval" DIVERSIFIED shall require objective evidence of their certification and may require the completion of a "Desk Audit" questionnaire or an on site audit as required. DIVERSIFIED discourages the use of subcontractors who do not have a second or third party approval, but will use a source if they are able to demonstrate a robust Quality Management System when audited under this procedure.
- **Inspection Systems:** The subcontractor shall establish and maintain an inspection system in compliance with 14 CFR Part 21, ISO 9001, AS9100 or as otherwise approved by Diversified's Management Representative/designee.
- **Subcontractors:** Subcontractor(s), No goods to be produced or delivered under this order shall be procured or services to be subcontracted out by seller from a third party in completed or substantially completed form without Diversified and/or it's customer's written consent. When seller is approved to use subtier suppliers, all applicable requirements shall be flowed down under this order.
- **Disclosure:** No new release, advertisement, or other disclosure relating to this order shall be made without Diversified and/or it's customer's prior written consent. Further subcontractor shall keep confidential all designs, processes, drawings, specification, reports, data, and other technical or proprietary information and the features of all parts, equipment, tools, gauges, patterns, and other items, furnished or disclosed to subcontractor by Diversified in connection with this contract, unless otherwise provided herein or authorized by Diversified in writing, subcontractor shall use information and items and the features thereof, only in the performance of this contract. Upon completion or termination of this order, subcontractor shall return all such information and items to Diversified or make such other disposition thereof as may be directed or approved by Diversified.

4.3.1 General Quality Requirements Continued:



Supplier / Subcontractor Requirements Instruction

- **Responsibility of Property:** Unless otherwise specified, upon delivery to Diversified by subcontractor of any materials, parts, tooling, data or other property provided by Diversified for fulfillment of this order, subcontractor assumes the risk of and shall be responsible for any loss thereof or damage thereof.

In accordance with the provisions of this order, but in any event upon completion thereof, subcontractor shall return such property to Diversified in the condition in which it was received expect for reasonable wear and tear and except for such property as has been reasonably consumed in the performance of this order.

The following quality requirements apply to all suppliers, subcontractors, sub-tier suppliers and PO's:

- **Supplier/Subcontractor Requirements Instruction:** The supplier/subcontractor shall log onto www.godiversified.com and access the Supplier/Subcontractor Requirements Instruction quarterly by the following dates: 01/15, 04/15, 07/15, 10/15 to assure compliance to any revision changes.
- **Certificate of Conformance:** The supplier/subcontractor shall supply with each shipment a legible and reproducible copy of the Certificate(s) of Conformance certifying the conformance of the product(s) or service(s) applicable to the Purchase Order.
- **Material Certifications:** As appropriate the supplier/subcontractor shall supply with each shipment a legible and reproducible copy of a Material Certification(s). The materials certified should list the following, but not limited to:
 - a. Description of material or part (e.g., specification number, revision, type, class, condition, size).
 - b. Material identification (e.g., heat number, lot number, heat treatment lot number, type of material, serial number).
 - c. Tests to be performed.
 - d. Inspection/test acceptance criteria referred by the specifications or other contract documents such as:
 - Mechanical properties, (i.e., tensile strength, elongation, hardness, etc.)
 - Chemical analysis
 - Heat treatment
 - Grain size
 - Macroscopic examination
 - Nondestructive tests
 - Corrosion resistance
 - Visual and dimensional
 - Mechanical tests
 - Surface Treatments (i.e., plating, coating, passivation, anodizing, etc.)

In addition, this certificate will also assure that the material conforms to the full product description requested and/or shipped per the Purchase Order.

4.3.1 General Quality Requirements Continued:



Supplier / Subcontractor Requirements Instruction

- **Control of Changes:** Supplier/Subcontractor must notify and obtain written approval from Diversified’s purchasing agent prior to making any change in Product, Material, design details and or process definition. The Supplier/Subcontractor must identify on the Statement of Conformance and packing sheet, the built revision level and lot or batch identification of the end item product when delivered.
- **Supplier/Subcontractor Corrective Action:** When requested by Diversified, Supplier/Subcontractor shall provide a statement of corrective action on a failure of suppliers/subcontractor’s product or quality system. This statement shall be delivered in a format designated by Diversified. Documentation for rejected articles resubmitted for approval shall reference the Diversified rejection document.
- **Product Identification:** Parts, assemblies and components shall be identified as specified in the drawing. When identification is not specified on the drawing, the product shall be identified with the part number and the “as built to” drawing revision level. When items are too small to easily identify, they may be bagged and tagged.

Raw materials procured to federal, military, aerospace or other specification shall be identified per the requirement of that specification.

- **Configuration Management:** Supplier/Subcontractor shall produce all parts, assemblies, or other materials in accordance with the requirements of the PO, specification, customer requirements, and Diversified Supplier/Subcontractor requirements. All drawing and specifications provided to the Supplier/Subcontractor by Diversified are considered controlled and proprietary. Supplier/Subcontractor assumes responsibility for these documents and shall comply with Diversified’s document control requirements for maintenance, recall or destruction of documents.
- **Report of Discrepancy:** Any variation from drawing, specification or other PO requirements must be documented by the Supplier/Subcontractor and submitted to Diversified for consideration and disposition prior to shipping product to Diversified. A copy of the disposition must accompany each affected shipment.
- **Notification of nonconforming product:** If supplier/subcontractor becomes aware of a nonconformity that may affect delivered products, the supplier/subcontractor shall notify Diversified within 24 hours.

The supplier/subcontractor shall report to Diversified the details regarding delivered items that may effect or potentially affect reliability or safety. Notification shall include a clear and concise description of the nonconformance, which includes as necessary, the parts affected, customer/supplier part numbers, serial numbers, lot numbers, quantity and date of delivery. The supplier/subcontractor shall obtain approval for nonconforming product disposition.

- **Right of Entry:** Diversified and/or Diversified’s customer(s) or government representatives will have the right to survey facilities and review all processes, subcontractor’s, contracted parts, procedures and records related to work performed for Diversified.



Supplier / Subcontractor Requirements Instruction

4.3.1 General Quality Requirements Continued:

- **Static Sensitive Materials:** The following requirements apply to materials, devices or assemblies capable of being degraded, damaged or destroyed by static electrical charges or discharges. All times shall be preserved and packaged in such a manner as to preclude their exposure to the generation of discharge of the static electrical potential. Packaging shall be clearly marked to indicate the contents are subject to damage or degradation by static electricity.
- **Shelf Life and Temperature Sensitive Materials:** Supplier/Subcontractor shall identify all materials, which have definite characteristics of quality degradation with age or environment. The Supplier/Subcontractor shall provide this information with, or directly on the material container or article. This identification shall indicate the use date was initiated and the date at which the useful life will be expended.

When environment is a factor in determining useful life, the identification shall include the storage conditions required to achieve the stated life. A minimum of 75% of the applicable material shelf life shall remain upon receipt of the material by Diversified, or the material is subject to rejection.

- **Material Safety Data Sheets:** Materials noted on this PO must be supplied in accordance with the latest revision of OSHA hazard communication standard 29 CFR 1910-1200, OSHA instruction CPL 2-2.38, and WISHA standard 296-62-05413 (Material Safety Data Sheets). Received material not in compliance with the above requirements are subject to immediate rejection and return at Supplier's/Subcontractor's expense.

In addition, if Supplier/Subcontractor is aware of any additional precautions or handling techniques instituted with regard to other customers, you are requested to submit those safeguards with the MSDS.

Supplier/Subcontractor shall send to Diversified a Toxic Substance Control Act (TSCA) certification letter for products purchased on this PO including a statement that all chemical components are listed by the Toxic Substances Action Inventory (PL 94-94-969).

- **Test Reports/Data:** A certified material test report for raw materials, or produced items as specified, is required and shall include the following:
 - a. Name/number of the specification which the material is in compliance;
 - b. lot, batch, or other traceable designation;
 - c. actual test results or percentage of each element that makes up the chemical or physical properties of the material or time (quantitative test results versus requirements and permissible tolerance for values measured);
 - d. a statement of conformance to the applicable drawing, specification or PO.
- **Traceability:** Supplier/Subcontractor must maintain lot and batch control over the raw materials of purchased items. Supplier/Subcontractor must provide positive traceability of manufactured parts of assemblies to raw materials through the use of lot/batch or serial numbers.



Supplier / Subcontractor Requirements Instruction

4.3.1 General Quality Requirements Continued:

- **First Article Inspection (FAI):** The Supplier/Subcontractor shall perform a first article inspection in accordance with AS9102 on the initial part or lot at the detail, sub-assembly or assembly level. The results of the FAI shall include 100% conformance to the drawing characteristics, special processes, functional tests and laboratory requirements. A copy of the supplier's/subcontractor's FAI report shall be sent with each initial shipment of a part number configuration. Subsequent FAI's shall be performed under the following conditions:
 - a. Major engineering changes (configuration changes affecting fit, form or function) require supplemental FAI for characteristics affected by the change;
 - b. If major changes are made in the Supplier/Subcontractor method or manufacturing.
 - c. Any part which has not been produced for a period of 2 years.

- **Fastener Quality Act:** All non "aerospace standard fasteners" manufactured or used in an assembly or detail must comply with the Fastener Quality Act. Specified compliance to this act must be clearly shown on the COC.

4.3.2 Specific Quality Requirements

In addition to quality requirements mentioned in section 4.3.1, the Supplier/Subcontractor shall be responsible for any specific quality requirements noted on the PO.

The following quality requirements apply only to suppliers, subcontractors and /or PO's, where the Quality Requirement (QR) number is identified on the PO:

QR1 Diversified Source Inspection: Diversified source inspection is required prior to shipment. The Supplier/Subcontractor shall notify Diversified's purchasing agent three (3) days in advance of inspection. Supplier/Subcontractor shall, upon request, provide a copy of this purchase contract to the Head of Manufacturing. Evidence of Diversified source inspection must accompany each shipment of product, In the event of a waiver of source inspection, in accordance with the above; a Source Acceptance Waiver Shipment Authorization form must accompany each applicable shipment of product.

QR2 Approved Process Requirements: Special processes required by the process specification must be performed by sources approved by the customer (process document owner). The Supplier/Subcontractor is responsible for assuring that the processing source has in their possession a current customer approval of their processing capability for the process to be performed, prior to performing the process.

QR3 Material Certification ASL/QPL Sources: Material on this PO shall be procured from customer-approved sources as indicated on the applicable customer Approved Supplier/Subcontractor Listing or Qualified Product List.

4.4 Supplier/Subcontractor Development

All materials, parts, assemblies and services used directly in or to support the manufacture of Diversified products are procured from approved sources, Supplier/Subcontractors are approved and classified according to product acceptance history, support and performance.

Approved Suppliers/Subcontractors have earned Diversified's confidence in their product quality and performance, resulting in reduced product verification requirements, rapid product acceptance and receipt, and a much greater potential for future business. Diversified desires to develop long-term mutually beneficial relationships with all of its Suppliers/Subcontractors. We



Supplier / Subcontractor Requirements Instruction

welcome your comments, suggestions and questions in regards to this manuals or any other aspect of doing business with Diversified.

5. Flow Charts and Diagrams

None developed at this release.

6. Record Retention Requirements

The following record requirements apply to all suppliers, subcontractors, sub-tier suppliers and PO's:

- Records shall be maintained as objective evidence of conformance to PO requirements, including Seller's records and certifications of inspections and tests performed in the course of procurement, manufacturing, testing, processing, inspecting, preserving, packaging and shipping product(s) on the PO for a minimum of 10 years from the date of purchase. Diversified and/or Diversified's customers or government representatives shall have access to all applicable records for this same length of time. Records shall not be destroyed without the written consent of Diversified Quality. All records retained to demonstrate product conformity shall be provided in English.

7. Records of Revisions

Page Revision Matrix

Page Numbers	Revision Level	Revision Type
1	C	Revised
2	C	Revised
3	C	Revised
4	C	Revised
5	C	Revised
6	C	Revised

Page Numbers	Revision Level	Revision Type
7	C	Revised
8	C	No Change
9	C	Revised
10	C	Revised
11	C	Revised

Revision Description

Approved

Rev.

Date

Original Issue

Sig. On File

Orig.

10/03/03

Removed "Key Diversified Contacts" from clause 4.5

Sig. On File

A

01/08/08

Page 2 clause 1.2 revised scope, added " This also applies to the Suppliers/Subcontractor's Sub-tier suppliers/subcontractors", Page 2 clause 2.1 removed revision level from AS9100 and ISO 9001, Page 3 Clause 4. changed title from "Procedure" to "Requirements", Page 3 clause 4.1 added the requirement for suppliers/subcontractors to flow down the requirements to sub-tier suppliers, Page 5 clause 4.3.1 Control of Changes revised to add the requirement that "The supplier/subcontractor must notify and obtain written approval from Diversified's purchasing agent prior to making any change in Product, Material, design details and or process definition"

Sig. On File

B

02/09/09



Supplier / Subcontractor Requirements Instruction

<p>Clause 1.1 revised 1st paragraph, clause 2.3 added form# F P 8.2.2-1-6, Added clarification of who requirement applies to throughout as appropriate, clause 4.3.1 revised second paragraph, added paragraph 4, 5, 6, 7, 8, 9, 17, 18. added requirement for FAI's to be conducted in accordance with AS9102. Revised clause 6 to extend record retention minimum to 10 years.</p>	<p>Sig. On File</p>	<p>C</p>	<p>05/03/10</p>
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Supplier / Subcontractor Requirements Instruction