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PROCUREMENT AND QUALITY REQUIREMENTS

HDT Expeditionary Systems, Inc.
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Acronyms

AQL	Acceptance Quality Limit
AQS	Approved Quality System
ASL	Approved Supplier List
AWS	American Welding Society
CAR	Corrective Action Report
CDR	Contract Deliverable Requirement
CWA	Canadian Welding Association
DCMA	Defense Contract Management Agency
ECN	Engineering Change Notice
ECM	Electro Chemical Machining
EDM	Electrical Discharge Machining
FAR	Federal Acquisition Regulation
FOB	Free On Board
FAI	First Article Inspection
HDT	HDT Expeditionary Systems, Inc.
IAW	In Accordance With
KCCP	Key Characteristic Control Plan
MRB	Material Review Board
NOR	Notice of Revision
PO	Purchase Order
PQA	Procurement Quality Assurance
QAP	Quality Assurance Provision
QAR	Quality Assurance Requirement
QM	Quality Manager
RFQ	Request for Quote
RMA	Return Material Authorization
SME	Standard Measuring Equipment
SMTE	Standard Measuring & Test Equipment
SPI	Special Packaging Instruction
SQAP	Supplier Quality Assurance Plan
TDP	Technical Data Package

This document outlines the general, administrative, pre-production, production, and quality requirements with which suppliers and their sub-suppliers must comply when providing material and services used in the manufacture of HDT products covered by an HDT purchase order. This document will be used in lieu of earlier versions of supplier quality requirements previously specified on the PO.

All communications relative to the requirements of the purchase order, the drawings, the specifications or this document shall be directed to the appropriate HDT procurement representative.

When used in this document, the term "Supplier" shall have the same meaning as the term "seller" and likewise the term "Purchase Order" shall have the same meaning as "Contract."

This document shall apply in its entirety to each purchase order when specified. The requirements apply to all items, including those items normally supplied under a Federal Acquisition Regulation (FAR).

1. Order of Precedence for Technical Documents

In the event of a conflict in requirements between technical documents, the following order of precedence shall prevail: (Contact the HDT procurement representative regarding any questions or concerns.)

a. Purchase Order
b. Supplement to drawing/QAPs within the PO in the following order:
c. Configuration Notes
d. ECNs/Attachments
e. Drawings
f. QAPs/SQAPs/QARs (may modify inspection/test requirements of specifications

The configuration requirements specified in the PO will contain applicable drawings, associated revision levels and supplemental drawing data. Supplier is responsible for determining specification revision levels.

2. Specification Revision Levels

Goods supplied under this purchase order shall be produced in accordance with the latest revision of the specifications and standards referenced in the data package, unless otherwise noted in the data package or PO. If a revision issued subsequent to the date of the request for quotation adversely affects cost, delivery or performance of the goods produced, contact your buyer for resolution. If any material specification is obsolete, supplier may substitute equal or better alternative materials only after HDT approval. Substitution requests shall be sent to the HDT procurement representative.

3. Supplier Quality Program/ Quality System Requirements

HDT prefers that our suppliers are third party registered to ISO 9001:2008 or other quality system standard. In any case, the supplier shall develop, implement and maintain a quality system which ensures compliance to contract requirements. Objective evidence shall be on file verifying that such a system exists and is being maintained. Procedures and records shall be available for examination by authorized HDT representatives as required.

4. Supplier Selection & Evaluation

Initial supplier selection & qualification is based on a number of business factors. In order to be considered for selection as an HDT supplier you must agree to meet HDT's standard payment terms of net 45 days. Other factors include technical capability, product & service quality, innovative product & service improvements, responsiveness, timely & accurate delivery, total cost, financial strength and best overall value. These are consistent with HDT's own expectations for service to its customers, and they reflect the spirit of partnership we desire with our vendors.

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HDT utilizes a supplier scorecard program through which suppliers are evaluated, developed and monitored. This program is intended establish long-term partnerships with suppliers committed to excellence and continuous improvement. In order for vendors to remain on the HDT Approved Supplier List (ASL), our vendors must consistently deliver defect-free products and/or services, meet our delivery requirements, be cost competitive and be responsive to HDT concerns. The details of our supplier scorecard program are shown in Appendix A.

5. *Specific Requirements*

a. Sampling Plans

Where applicable the supplier shall adhere to the AQL defined by the technical data package. The order of precedence shall be:

a. Contract
b. Performance Specification
c. Drawing
d. "QAR" or "QAP"

If no AQL is defined by the TDP, the following shall apply:

Critical = 100% inspection
Major = 1.0 AQL
Minor = 4.0 AQL

Note: Reference to AQL is only to be used for determining sample size. Supplier shall, in all instances where lot sampling is utilized, inspect characteristics in accordance with the following inspection plan:

Lot Size	.65	1.0	1.5	2.5	4.0	6.5	10	S2N
2-8	ALL	ALL	ALL	5	3	2	2	2
9-15	ALL	13	8	5	3	2	2	2
16-25	20	13	8	5	5	5	3	3
51-90	20	13	8	7	6	5	4	3
91-150	20	13	12	11	7	6	5	3
151-280	20	20	19	13	10	7	6	3
281-500	47	29	21	16	11	9	7	3
501-1200	47	34	27	19	15	11	8	3
1200-3200	53	42	35	23	18	13	9	3
3201-10000	68	50	38	29	22	15	9	9
10001-35000	77	60	46	35	29	15	9	9
35001-150000	96	74	56	40	29	15	9	9
150001-500000	119	90	64	40	29	15	9	9
500001& OVER	143	102	64	40	29	15	9	9

Note: Accept lot on 0 (zero) defects Reject lot on 1 (one) or more defects

The following situations shall not utilize this C=0 Plan:

1. Visual weld inspection
2. Nondestructive examination
3. Frequency-based testing such as sample/quantity or sample/time period
4. Fastener quality assurance requirements

Where the AQL is not identified in the TDP, the sampling plans shall be in accordance with C=0 unless approved by HDT. C=0 sampling shall be applied to all lots presented for final acceptance. Non-standard sampling plans must be approved in writing by the HDT procurement representative prior to use.

b. Statistical Process Control (SPC)

HDT encourages and supports suppliers who are implementing or executing a sampling system using statistical process control techniques. Such statistical data must be comprehensive enough to adequately document quality conformance. Use of SPC in lieu of sampling must be approved in writing by HDT prior to implementation.

c. Protection of Material, Preservation, Packaging and Shipping

The supplier shall ensure adequate control of packaging, preservation, shipping and handling of products to prevent damage, deterioration, or loss. Shipments consisting of multiple containers shall have each container identified appropriately. All documentation should be placed in the first container. All necessary documentation should be marked "Packing Slip, certifications, test reports, etc. enclosed." Special packaging requirements may apply as specified by special packaging instructions (SPI) on the PO or engineering requirements.

d. Corrective Action

HDT suppliers shall have the capability for determining root causes of quality & service issues & to implement corrective actions necessary to prevent recurrence of those issues.

a. If necessary, defective products shall be analyzed.
b. Corrective actions should be appropriate to the degree of the problem and the associated risk.
c. Records of corrective action shall be maintained & communicated to HDT as appropriate

e. Waiver/Deviation Requests

All requests for waivers or deviations from specified requirements must be submitted in writing to HDT's buyer prior to delivery of product to HDT. All requests must include the reason for the request, duration of the request, and must be approved by HDT prior to shipment of product.

f. CONTROL OF RECORDS

The supplier shall have a system to maintain and store records.

a. Records shall remain legible and easily retrievable.

b. Records are stored in a suitable environment to prevent, damage, deterioration or loss.

c. Records are available to customers or regulatory authorities.

d. Records shall be maintained for a minimum of ten (10) years after completion of the HDT contract or as specified in the Purchase Order (PO).

6. *Customer Furnished Material (CFM)*

The supplier shall be responsible for maintaining inventory control, preservation and packaging of CFM. CFM includes parts, jigs, fixtures, test equipment, software, etc. When nonconforming material is identified the supplier must notify their HDT buyer as soon as practicable. HDT will provide written instructions for disposition of the defective CFM.

7. *No Change Policy*

Supplier shall not make a change in his design, materials, or processes specifically controlled by the buyer's drawing or specification without prior notification to, and written approval from the buyer. Seller shall have a formal method of verifying and identifying which buyer approved changes are incorporated into engineering documents and hardware. Seller shall also notify buyer of any change in his design, materials, or processes not controlled by the buyer's drawing or specification prior to manufacturing the changed articles.

8. *Right of Access*

The buyer, buyer's customer, and government agencies shall have the right to visit the seller's facilities to inspect products, witness inspections and tests, and/or to evaluate the quality/inspection system(s). The right shall also extend to the seller's subcontractors. HDT's buyer shall notify the seller within a reasonable amount of time to schedule such events.

9. *Terms and Conditions*

a. FOB– Origin
b. Payment Terms– Net 45
c. Currency– U. S. Dollars
d. Shipping Carrier– See hdt.routerequest.com
e. HDT Terms and Conditions- See hdtglobal.com

10. *Quotes*

The following information must be provided when replying to a request for quote (RFQ):

a. Quote proposal must be on suppliers company letterhead.
b. A quotation number must be provided in order to reference the suppliers quote.
c. Proposal must quote the quantities identified on the RFQ.
d. The valid date range of the quote must be specified on the proposal.
e. Release requirements for quantities shall be specified.
f. All charges must be included on quotes, including surcharges.

11. *Parcel & Express Routing Instructions*

In order to establish a consistent and controlled flow of materials and products to our facilities, we have narrowed our choice of carriers to those that recognize our needs and meet our service requirements, making those chosen "program carriers." Therefore, effective immediately, when shipping to any of the below HDT locations or to a third-party on our behalf, please use **UPS** on a collect basis when ground or express parcel service provider is indicated. Accordingly, you are authorized to use our account number (**472808**) for this purpose.

HDT Expeditionary Systems, Inc.
30525 Aurora Rd
Solon, OH 41139

HDT Expeditionary Systems, Inc.
4080 Park Ave West
Mansfield, OH 44903

HDT Expeditionary Systems, Inc.
4732 State Route 30
Crestline, OH 44827

HDT Expeditionary Systems, Inc.
2109 Emmorton Park Rd
Edgewood, MD 21040

If in your opinion another transport mode may be more appropriate and we have not assigned one or more for your use, please contact your buyer.

If another transport mode is authorized, please ship to our facilities on a **freight-collect, F.O.B.-destination** basis. If shipping on our behalf to a third-party, please ship on a **freight-prepaid, F.O.B.-destination** basis. In other than parcel and express situations, whenever there are multiple shipments on any day to any one of our facilities, please be sure to ship on only one bill of lading per location and provide a manifest with a breakdown of the orders.

This request does not apply to shipments that should move by either expedited carriers or by "your truck." Use of an expedited carrier requires preauthorization from HDT's procurement department under all circumstances.

The use of a non-program ground or express parcel carrier or another unauthorized carrier in any other transport mode may result in our paying higher freight charges than we would with a program carrier. Should this occur, we may adjust your invoice by at least the excess shipping charges to reflect our having to pay the transportation charges.

12. *Return Material Authorization*

As HDT identifies nonconforming material provided by a supplier, HDT will request a return material authorization (RMA) number from the supplier. Upon receipt of the RMA number and approval to return material, HDT will debit the suppliers account for the cost of the defective product. Upon rework/repair or replacement, the material shall be returned to HDT utilizing a separate Return Purchase Order for the purpose of traceability. The supplier shall then invoice HDT against the Return Purchase Order for proper payment.

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Appendix A- Supplier Scorecard Program

Introduction:

Welcome to HDT's supplier partnership program! We at HDT realize that you- our vendors, are not just suppliers from whom goods and services are procured, but that you are valued business partners with expertise, assets and capabilities that may create competitive advantage. Our commitment is to shared success, and to more effectively manage the interactions we have with our suppliers across functional groups and business units- to manage these interactions as a relationship, rather than as a series of functional transactions. In this way HDT and our supply base can maximize the value created through our relationships.

HDT is committed to helping our suppliers be successful. We want to earn access to your best ideas and most talented people by developing the highest level of trust; by being the company that works with you most effectively, and the company most willing and able to share information and resources with you to achieve more than either of us could independently.

HDT's supplier partnership scorecard program has been developed to be a system of measurement-supported accountability: "Here's what we expect, and we are committed to working with you to help you meet our expectations, and we will strive to do so in a way that is sustainable for both you and HDT."

Our supplier metrics are a combination of both operational and procedural measures. This involves looking both at *what* we are doing together, as well as *how* we are interacting. The purpose of these metrics is to 1) provide accurate information to ground productive conversations, and 2) to raise important questions concerning not only fundamental supplier performance, but to facilitate the resolution of problems and to provide warning of potential trouble. It is truly our intent to enhance supplier performance as an overall strategy toward healthier customer- supplier relationships. Once again, welcome to HDT's supplier partnership program.

Frequency of Supplier Performance Monitoring:

At the July 2013 launch and during the early phases of HDT's supplier scorecard program, we will be summarizing and issuing supplier scorecards on a quarterly basis.

Supplier Performance Indicators:

HDT's supplier evaluation program results in an overall composite supplier score consisting of four key performance indicator components and weightings. The composite supplier score ranges from 0 to 100. The individual performance indicators with their initial weightings are shown in Table 1 below. Each of these indicators will be explained in further detail.

Table 1: Key Supplier Performance Indicators

Key Performance Indicator	Weighting
Quality	45 points
Delivery	35 points
Cost	10 points
Business Relations	10 points
Composite Score	**100 points**

Quality Indicator:

The quality metric is 45% of the total composite score, and is composed of two subcomponents itself. These subcomponents and their weightings are shown in Table 2 below.

Table 2: Quality Indicator Subcomponents

Indicator	Weighting
Defective PPM	36 points
Deviations Issued	9 points
Total Quality	45 points

Defective PPM:

The first indicator of defective PPM is a straightforward measure of parts received in the evaluation period vs. parts rejected in the period, where those rejections are supplier quality related. The rejected parts total is a sum of parts rejected either at receiving, on one of our production lines, or at our customer. Our internal systems capture the various origins of rejected components throughout product realization and delivery, and these totals are passed through to the quality metric and then normalized to parts per million.

For this calculation, a "part" is defined as the purchasing unit. If our PO to the supplier is in units of "EACH", then 1 part is 1 piece. If our PO is in "YARDS", then 1 part is 1 yard, etc. Under this formula, it is possible to accumulate more rejected parts than shipped parts within a period. In these cases, the defective PPM will be stated as 1,000,000.

It is neither HDT's policy, nor desire to sort nonconforming vendor components in-house. It is our policy to confirm the nature and accuracy of the rejection, and then make arrangements with the supplier to return the entire quantity of most recently received components of nonconforming material, and then to receive in conforming material with which we can resume production. In practice, there are cases where we must sort rejected supplied material to keep our operations running. Suppliers will always be notified of such events.

In addition, it is not our policy to ask vendors to come in to our facilities to sort or rework their nonconforming materials. However, there are cases where this is unavoidable due to production constraints.

NOTE: If a nonconforming shipment was sorted by HDT in-house, and only some parts were found to be defective, HDT will use only the rejected quantity of parts in calculating the defective PPM. If an entire shipment of material was returned to the supplier, it is incumbent upon the supplier to inform HDT of the final quantity of defective parts. If the supplier does not communicate to HDT in this regard, the entire rejected quantity will be counted as defective.

Points earned for the available 36 points in this part of the quality metric are assigned via the PPM scale shown in Table 3 below.

Table 3: Defective PPM Point Scale

Defective PPM Range	Points Earned
0- 500	36
501- 2000	26
2001- 7000	16
7001- 12,000	8
>12,000	0

Deviations Issued:

This subcomponent of the Quality metric accounts for 9 of the total 45 points available in the Quality category. Essentially, if HDT has to issue deviations, or request deviations from our customers in order to meet production commitments, and these deviations are due to supplier quality issues, points are allocated according to the scale in Table 4.

Table 4: Deviations Issued Scale

No. of Deviations Issued	Points Earned
0	9
1	5
2 or more	0

Delivery Indicator:

The delivery metric is 35% of the total composite score, and is a direct calculation of on-time delivery by PO line. On-time delivery is measured to either a supplier's promise date or (for HDT plants using SAP) statistical delivery date. For the initial scorecard roll-out and delivery metric calculation, 1) on-time is defined as a shipment that is delivered on, or up to 7 business days prior to the promise date, and 2) partial deliveries are essentially ignored.

Points earned for the available 35 points in the delivery metric are assigned via the scale shown in Table 4 below.

Table 4: On-Time Delivery Point Scale

% OTD	Points Earned
95- 100	35
90- 94	30
85- 89	25
80- 84	20
<80	0

All supplier representatives are encouraged to work with your HDT buyers to effectively manage promise and shipment dates.

Cost Indicator:

The cost metric is 10% of the total composite score, and is currently still under review. Several ideas as how to define this indicator are being considered, including purchase price variance, internal losses due to supplier issues, expedited freight costs, cost reduction efforts, etc.

For the initial scorecard roll-out all suppliers will be awarded the full 10 points available in the cost metric.

Business Relations Indicator:

As stated earlier, our supplier metrics are a combination of both operational and procedural measures. This involves looking both at *what* we are doing together, as well as *how* we are interacting.

The business relations metric is 10% of a supplier's composite score, and it is a system used to provide feedback into *how* we are interacting. In order to assess the quality of our relationships, HDT is using an internal survey to provide insight into the strength of our supplier relationships. This survey is circulated at 9 month intervals to our Procurement, Engineering & Quality Teams to solicit their feedback regarding these relationships. It is composed of 9 questions providing input on these 3 relational components:

1. Commitment (including trust)
2. Consistency
3. Capability

Each question in the survey has a specific point value associated with it. The responses are then summarized and an overall business relations rating is calculated. We do analyze the survey responses to determine if the different HDT functional teams view our relationships with suppliers differently, but no special weighting is granted to any internal team.

Supplier Rating Categories:

As noted above, the result of the individual indicator scores in quality, delivery, cost & business relations is a supplier composite score. Based on this composite score, suppliers are placed into one of four rating categories as shown in Table 5 below.

Table 5: Supplier Rating Categories

Rating	Score Range
Preferred	≥95
Approved	80- 94
Conditionally Approved	65- 79
Needs Improvement	Less than 65

Preferred Category:

At this time HDT is considering taking additional measures as a result of a supplier partner achieving sustained "Preferred" supplier status.

Approved Category:

Suppliers achieving an "Approved" rating remain in good standing with HDT. These suppliers provide a high degree of satisfaction with respect to the key performance indicators, and are highly valued HDT partners.. It is HDT's desire to have all suppliers reach, and sustain this performance level.

Conditionally Approved Category:

When a supplier's composite score falls into the "Conditionally Approved" category, HDT's supplier quality team may issue the vendor a SCAR (supplier corrective action request) asking them to determine root cause and submit a corrective action plan to address the composite score issues. These corrective actions should be targeted specifically at the issues surrounding the low composite score.

SCARs will be issued via email to supplier representatives, and should be submitted back to HDT's supplier quality manager via email as well. Timing for the response is within 30 calendar days of issuance. HDT will review the SCAR response, monitor supplier performance in the next rating period, and based on supplier performance, take additional actions as necessary.

Needs Improvement Category:

Should a supplier's composite score fall into the "Needs Improvement" category, HDT's supplier quality team may issue the vendor a SCAR (supplier corrective action request) asking them to determine root cause and submit a corrective action plan to address the composite score issues. These corrective actions should be targeted specifically at the issues surrounding the low composite score.

SCARs will be issued via email to supplier representatives, and should be submitted back to HDT's supplier quality manager via email as well. Timing for the response is within 30 days of issuance. HDT will review the SCAR response and monitor supplier performance in the next rating period.

In addition to the SCAR, HDT may require one, or all of the following:

1) Complete & submit a supplier self-assessment survey
2) Be asked to participate in regular supplier performance review forums with HDT
3) Be subject to an on-site supplier quality assessment
4) Additional actions as necessary

HDT wishes to give all of our supplier partners the opportunity to correct any and all performance issues. We seek to facilitate the resolution of problems as applicable, and to enhance supplier performance as an overall strategy toward healthier customer- supplier relationships.

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Approvals			
Originator	Allen Pesec	Date	12/11/13
Manager	Director Global Sourcing & Procurement	Date	12/11/13

Revision	Description of Change	Change By:	Date
2	New logo. Changed references of Hunter to HDT Tactical Systems (HDT-TS). Corrected FAR clause ref. 52.111-5 to 52.211-5 and 52.224-6 to 52.244-6	A. Pesec	6/29/09
3	Changed HDT-TS to HDT Expeditionary Systems, Inc., removed terms & conditions and shipping instructions to reference respective websites, added supplier scorecard program, updated supplier selection & evaluation section, revised corrective action section.	M. Cartellone	11/13/2013
4	Corrected revision level in footer	A. Pesec	12/9/13
5	Added 5e, 5f to specify requirements for waiver deviation requests and record retention	A. Pesec	12/11/13