

SUPPLIER HANDBOOK

■ Dependable

■ Integrity

■ Respect

■ Excellence

■ Commitment

■ Teamwork

Dear Supplier,

Competing in today's global market, requires that products and services must be of high quality and competitive cost. For Direct Components, Inc. to be successful in meeting our customer requirements, we must have the processes and tools in place that will encourage and support our suppliers in meeting certain strict quality requirements. These requirements are driven from AS9100, ISO9001, other regulatory requirements and customer needs.

Our suppliers play an essential role in our success as partners in our global enterprise. We challenge our suppliers to support our [Core Values](#) and to be best in class on service, quality, delivery, and cost. Suppliers that meet this challenge will be rewarded with increasing business.

The objective of this handbook is to provide our suppliers with our expectations to meet when conducting business with Direct Components, Inc. This handbook will provide a basis for high quality and lasting business relationships. All suppliers of production components, services and assemblies must comply with the requirements contained within this documentation, unless a special agreement state otherwise. Our intention is that our Supplier Handbook can be used as a tool to clarify communication and foster continuous improvement. Direct Components, Inc. expects our suppliers to embrace the contents of this handbook and incorporate it into their everyday operations and product development activity.

We look forward to your support as a partner and we believe that by working together to meet these requirements, we can develop strategic partnerships that will benefit both suppliers and Direct Components, Inc.

Our Core Values

Dependable – We are reliable, punctual, accountable, and trustworthy.

Integrity – We are fair, transparent, and true to our core values.

Respect – We are considerate of others while maintaining a positive and professional attitude.

Excellence – We strive for the highest standards of quality

Commitment – We are dedicated to our vision and growth.

Teamwork – We collaborate to achieve goals efficiently.

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Supply Chain Excellence

We expect our suppliers to partner with us on Supply Chain Excellence, which we define as:

When the collective efforts of suppliers, operations and associates, as well as formalized processes and procedures, creates a competitive advantage to your company and delivers sustainable, best in class profitability and customer satisfaction.

Direct Components, Inc. has created the following Supply Chain Principles to foster a culture of improvement across supply chain.

Supplier Selection

Will evaluate suppliers using audits, profiles, specifications, historical performances, total costs, corporate objectives, and compliance with Direct Components, Inc. safety systems and procedures. An optimal number of suppliers will be selected with mitigation of sole source risk exposure.

Supplier Performance

Will be measured and evaluated. Suppliers will be required to consistently deliver continuous improvement in key performance areas such as on time delivery & product quality.

Comprehensive Communications

Plans will be in place to ensure that supply chain and supplier objectives are consistently communicated throughout all levels of the organization.

Quality and Improvement

Will be employed in Supply Chain activities to support and champion Quality Systems leading to strong Supply Chain products and processes.

Introduction

In order to meet our competitive global market requirements, Direct Components, Inc. realizes the importance of working together with our suppliers to develop a successful relationship. The foundation of this relationship relies on the following strategies:

- » Close interaction between Engineering, Manufacturing, Purchasing and Quality personnel of Direct Components, Inc. and its suppliers
- » The assurance of meeting the quality requirements of ISO9001, AS9120 and all applicable regulatory and customer requirements
- » To provide our suppliers with continuous feedback about their quality performance to support them in improving their overall quality and on-time delivery
- » Pursue excellence within the Supply Chain Excellence components as defined.

General Requirements

The following are mandatory General Requirements we expect our suppliers to fulfill.

Applicability

All suppliers are to fully comply with the stated requirements of this handbook.

Right of Access

Suppliers shall provide access to their premises and facilities for Direct Components, Inc., our customers and regulatory authorities for cooperation on product, process and business issues.

By prior notice, suppliers shall allow Direct Components, Inc. and/or Direct Components, Inc. customers' access to

both their facilities and those of their suppliers and sub-contractors, for the purpose of evaluating parts, processes, documents (i.e. FMEA, Control Plan, instructions, records, etc.), methodologies and systems used in supplying Direct Components, Inc. products. Direct Components, Inc. may, at its discretion, use third-party independent auditors. These individuals represent Direct Components, Inc. and will audit the supplier's processes to establish conformance to validated quality systems.

Notification of Organization Changes

Changes to the supplier's organization that may affect quality and/or finance, shall be communicated in advance to Direct Components, Inc. These changes may include; company ownership, company name, location, quality approvals, significant changes to process or inspection techniques.

Purchase Order Requirement

The supplier shall adhere to all Purchase Order (PO) Terms & Conditions and any stated special instructions. The PO is the controlling document and overrides any requirements specified in this document. The latest Purchase Order Terms and Conditions can be found on Direct Components, Inc. website at: <http://www.directics.com>.

Acceptance of a purchase order constitutes acceptance and understanding of this Supplier Handbook. Suppliers are encouraged and expected to discuss and understand the specific applicability of these requirements with their Purchasing and Supplier Quality representatives.

Responsibility for Product Conformance

Direct Components, Inc. and its customers expect our suppliers to deliver material that is 100% compliant with all the Purchase Order requirements. Suppliers and their sub-tier supplier(s) shall be responsible for quality, reliability and safety of their products/services to meet all form, fit, function, industry, statutory, and regulatory requirements. Direct Components, Inc. reserves the right to reject any material that doesn't meet the fit, form, function, industry, statutory, regulatory and Direct Components, Inc.'s PO requirements.

Communications

All communications related to the fulfillment of Purchase Order(s) shall be carried out through the Direct Components, Inc. Purchasing Department. Direct Components, Inc. Quality Department reserves the right to contact Suppliers and their sub-tier Supplier, for all quality related questions, issues, request for failure analysis, corrective/preventive actions or any other quality related concerns. Under no circumstance is the supplier to make a direct approach to Direct Components, Inc.'s customers in relation to agreed business dealings.

Protection of Direct Components, Inc. & Their Customers' Proprietary Information

Any information the supplier receives from Direct Components, Inc. must be kept confidential and not disclosed to any third party without the prior written agreement of Direct Components, Inc. The proprietary information can include, but is not limited to, all versions of electronic data, drawings and documentation, tooling and materials.

Confidentiality and Non-Disclosure Agreement

As a condition to Direct Components, Inc. furnishing the Supplier and its respective officers, employees, principals, agents and advisors (collectively, "representatives") with financial, technical and other information regarding Direct Components, Inc. that has not been made generally available on a non-confidential basis, the Supplier agrees to hold such information in confidence.

Disaster Recovery Plan

Direct Components, Inc. requires our suppliers to prepare contingency to reasonably protect Direct Components, Inc.'s supply of product in the event that a supplier's facility cannot continue to operate due to a catastrophic event (e.g. utility interruptions, fire, flood, storm damage, temporary or limited data loss, chemical spills, air/water contamination, earthquakes, tornados, hurricanes, storm surges, complete data loss). Plans should be reviewed on a frequent basis to ensure that the contingencies listed are still valid.

Supplier Request for Deviation

There may be circumstances when the Supplier discovers out-of-tolerance conditions within their facility that they believe can be deviated. If the supplier feels the condition does not affect fit, form or function, a one-time deviation may be requested from Direct Components, Inc. Direct Components, Inc. may grant a deviation based on procedures and requirements.

The supplier will always request, in writing, a formal deviation (or concession) and receive approval before shipping non-conforming material to Direct Components, Inc. If the deviation is approved by Direct Components, Inc., a copy of the authorization must be placed in each pack being delivered to Direct Components, Inc. Otherwise parts will not be accepted.

Direct Components, Inc. Owned Tooling and Supplied Product

All material, tools, manufacturing, test or inspection equipment belonging to Direct Components, Inc. or their customers, shall be identified as Direct Components, Inc. property, or the customer, and shall be protected, and safeguarded. These tools will only be used for Direct Components, Inc. products unless an authorization in writing exists. Supplied product can include intellectual property such as data used for design, production, or inspection. If at any point such material is lost, damaged, or otherwise found to be unsuitable for use the organization shall report this to Direct Components, Inc. and retain documented information on what has occurred.

Environmental Requirements/Regulatory/Ethical Business

Direct Components, Inc. is dedicated to identifying and reducing the environmental impact of its operations, activities and products. It is our commitment to comply with all applicable laws and other regulatory requirements concerning the environment.

We are committed to preventing pollution and continually improving our environmental performance in all of our global operations. We expect the same of our Suppliers.

We will encourage our Suppliers to promote a sustainable development and strive to prevent undesirable impacts on the environment and their employees.

It is Direct Components, Inc.'s expectation that all Suppliers shall comply with certain business and ethical standards, as well as the laws of their countries and all other applicable laws, rules and regulations.

Dodd Frank Act S1502 (Conflict Minerals)

By accepting a purchase order, the Supplier must certify that they comply with the Dodd-Frank Act Section 1502 reporting requirements, regardless of the country or countries in which they are doing business. **If any tin, tungsten, tantalum or gold are used in products provided to Direct Components, Inc., this must be disclosed to the Direct Components, Inc. buyer.** For the minerals identified, we expect the Supplier to perform a reasonable country of origin inquiry and proper due diligence to determine the conflict status of the smelter and/or mine. This information will be provided to Direct Components, Inc. using the standard CFSI Conflict Minerals Reporting Template. This template is available at <http://www.conflictreesourcing.org/conflict-minerals-reporting-template/>. Training materials are also available at: www.conflictreesmelter.org.

Additionally, Suppliers may be requested to provide evidence that a proactive policy - adhering to Dodd Frank Act S1502 - is in place.

Counterfeit Parts Prevention

“Counterfeit Parts” shall mean a product produced or altered to imitate or resemble a product without authority or right to do so, with the intent to mislead or defraud by passing the imitation as original or genuine.

“Suspect Parts” shall mean a part in which there is an indication that it may have been misrepresented by the supplier or manufacturer and may meet the definition of counterfeit part. A Suspect Part may be determined to be, fraudulent or counterfeit through further evaluation and testing. All counterfeit parts are fraudulent, but not all fraudulent parts are counterfeit.

As used herein, "authentic" shall mean (A) genuine, (B) from the legitimate source claimed or implied by the marking and design of the product offered and (C) manufactured by, or at the behest and to the standards of, the manufacturer that has lawfully applied its name and trademark for that model/version of the material.

"Independent Distributor" shall mean a person, business or firm that is neither authorized nor franchised by an Original Component Manufacturer (OCM) to sell or distribute the OCM's products but which purports to sell, broker, and/or distribute such OCM products. Independent Distributors are also referred to as un-franchised distributors, unauthorized distributors, and/or brokers.

To further mitigate the possibility of the inadvertent use of Counterfeit Parts, supplier shall do their due diligence to only purchase authentic parts/components directly from the OEMs/OCMs or through the OEM's/OCM's authorized distribution chain. If an Independent Distributor must be used Supplier represents and warrants that only new and authentic products will be delivered to Direct Components, Inc. and that the product delivered contain no Counterfeit or Suspect Parts.

When required, Supplier must make available to Direct Components, Inc., at Direct Components, Inc.'s request, OEM/OCM documentation that authenticates traceability of the components to that applicable OEM/OCM, such as an original OCM/OEM certificate of conformance.

Supplier shall flow the requirements listed on the purchase order to its subcontractors and Suppliers at any tier for the performance of this Contract/Purchase Order.

Direct Components, Inc. reserves the right to confiscate the parts, destroy them, or turn them over to the US Government or local authorities. Direct Components, Inc. reserves the right to withhold payment for the items pending the results of the investigation. Seller shall, at its own expense, promptly replace such counterfeit parts with parts acceptable to the Buyer and Seller shall be liable for all costs related to the removal and replacement of said parts, including but not limited, to shipping fees, testing fees and rework costs. Receipt of suspect material will result in official reporting to ERAI & GIDEP by Direct Components, Inc.

Condition Requirements

Part conditions as spelled out on Direct Components Purchase Orders are as follows. Please ensure in final inspection part condition requirements are adhered to. Direct Components, Inc. must be notified in writing if part condition requirements as listed on PO are not able to be met.

Factory New – Unused material purchased from the Original Equipment Manufacturer (OEM), an authorized distributor, franchise, or other qualified source. Material will include trace to the original manufacturer and shall be free of any cosmetic defect

New Surplus – Unused material purchased as excess inventory that may or may not possess traceability or original package. Shall not show evidence of prior assembly or use, but may exhibit signs of handling and storage, and age deterioration.

Refurbished = Used material that has been reworked/refurbished to ensure functionality.

This may include material; removed from a circuit board or socket, re-tinned, re-balled, previously programmed etc. These parts should have the original print/ink/laser etch, etc. and should not be sanded, blacktopped, remarked, and the top and bottom of the chip should not be changed or altered in any way. Multiple date/lot codes are acceptable and multiple speed/temp/revisions may be acceptable also but should be quoted this way. This condition will also include parts that have never been used, but the pins have been re-tinned/re-balled.

RoHS

The Restriction of Hazardous Substances Directive 2002/95/EC (RoHS) was adopted in February 2003 by the European Union. All Suppliers shall know and understand the contents of its products, including the products of its Suppliers. Upon Direct Components, Inc.'s request, Suppliers shall provide a complete listing of the product's physical contents. If necessary, Direct Components, Inc. will require documentation from the Supplier certifying their product to be RoHS compliant.

REACH

The European Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) entered into force in June 2007. Suppliers shall comply with all applicable REACH requirements that affect the products they supply to Direct Components, Inc. Direct Components, Inc. expects Suppliers will have a dialogue with their own supply chain and with Direct Components, Inc. regarding all applicable aspects of REACH.

Suppliers of FAA Approved Parts

- » Suppliers for Federal Aviation Administration (FAA) approved material, including Suppliers of proprietary parts upon whom an applicant relies for controlling conformity and quality, are formally advised that their inspection system and materials being supplied are subject to inspection by the FAA
- » Purchasing and Supplier Quality will monitor Suppliers for FAA approved parts that Direct Components, Inc. relies on their inspection system to ensure they meet Direct Components, Inc.'s and our Customer's requirements
- » Purchasing will determine if there are foreign Suppliers who are directly related to our supply chain for FAA approved parts. Direct Components, Inc. will contact the FAA regarding these foreign Suppliers
- » Purchasing and/or Supplier Quality will communicate to Suppliers any FAA approved parts. No changes can be made to the design of these parts without written approval from Direct Components, Inc. prior to implementing any changes
- » Purchasing and/or Supplier Quality will communicate to Suppliers for FAA approved parts that they cannot ship nonconforming parts or material to Direct Components, Inc. without a signed deviation from Direct Components, Inc.

ITAR Compliance

International Traffic in Arms Regulations (ITAR) compliance applies to all Suppliers of parts with any potential to be used in Military Applications. Any purchase order, quote, specification, print/document may contain TECHNICAL DATA WHOSE EXPORT IS RESTRICTED BY ARMS EXPORT CONTROL ACT (TITLE 22, U.S.C. SEC. 2778-2780). VIOLATIONS OF THESE EXPORT LAWS ARE SUBJECT TO SEVERE CRIMINAL PENALTIES. DISSEMINATE IN ACCORDANCE WITH THE PROVISIONS OF DOD DIRECTIVE 5230.25 ASSIGNMENT OF NON-US PERSONNEL.

In order to assist Direct Components, Inc. Corporation Compliance with US Security and Export requirements, Seller shall not assign any persons who are not United States Citizens or aliens granted permanent residency in the United States to work on projects or supply the materials covered under any purchase order without first obtaining Direct Components, Inc. written approval, which approval shall not be unreasonably withheld.

Seller shall be responsible for ensuring that all personnel it assigns to this work on behalf of Buyer has all the appropriate and current licenses and State Department approved documents necessary to perform the work. Seller shall produce such records at any reasonable time upon Direct Components, Inc.'s request.

If Seller is not sure whether or not the products they provide fall under the ITAR category they are responsible for getting with Buyer and ensuring compliance. In accordance with ITAR/EAR requirements, all visitors to our facility may be subject to a background check.

DPAS Rated Orders

As a Supplier to the US Department of Defense, Direct Components, Inc. will, from time to time, accept orders or contracts that fall under the provisions of the Defense Priorities and Allocation System (DPAS).

The purpose of the DPAS is to:

- » Assure Timely Delivery of materials and services from private industry to meet National Defense needs; and
- » Provide an operating system to support rapid industry response to Government Procurement needs in times of need.

Suppliers to Direct Components, Inc. should be aware of and prepared to meet the requirements of DPAS where DPAS is called out.

Supplier Assessment/Qualification

Approved Vendor List (AVL)

Direct Components, Inc. maintains an AVL for all certified/approved Suppliers.

Methods of Supplier Assessment

Vendor Survey

A Vendor Survey is used for both new Supplier evaluation as well as for periodic assessment. When required by Direct, the Survey shall be completely filled out, evaluated and approved prior to Direct Components, Inc. If the Supplier has any questions regarding the Vendor Survey, Supplier may contact Direct Components, Inc. Purchasing or Quality Department.

The purpose of this Survey/Questionnaire is to give an initial overview of the Supplier's organization, systems, and capabilities. After the completed document has been evaluated by Direct Components, Inc., a decision will be made as to the level of approval be granted.

Supplier Scorecard

Direct Components, Inc. will monitor the performance of select Suppliers using some or all of the following criteria:

» On Time Delivery » Quality » Lead Time » Productivity

More specific information on performance levels in these key criteria is available. A Supplier's continuous improvement plans should target zero defects and 100% on-time delivery. Regular reporting of performance to select Suppliers will be communicated via a Supplier scorecard.

Supplier On-Site Audit

As part of Direct Components, Inc.'s Supplier Development Program and Supplier Control Process, all Approved Suppliers may be subject to an on-site Supplier Verification Audit. Selected Suppliers will be audited as necessary to verify product/process conformance.

The purposes of the On-Site Audit are:

- » To evaluate an existing or new Supplier's compliance to, and ability to, effectively execute quality processes/procedures required by Direct Components, Inc.
- » To facilitate improvement in a Supplier's quality system by driving corrective action in areas of non-conformance
- » To provide input regarding Supplier's quality performance to the enterprise
- » To provide an overall estimate of the level of Direct Components, Inc. support required in bringing a Supplier to acceptable status

Re-evaluation of existing Suppliers may be done in following cases:

- » Necessity of the re-evaluation of an approved/existing Supplier will be decided on a case to case basis by Direct Components, Inc.
- » Acquisition, merger, lay-off after employee strike, after riots, after natural calamity e.g. flood, etc.
- » Change of process, Supplier, equipment, machines, etc.
- » Process audits may be performed on an annual basis
- » Repeated quality non-conformances or consecutive quarters below minimum.

Qualification Process

The sourcing process below describes how Direct Components, Inc. evaluates its potential Suppliers and determines where specific parts will be purchased.

Quality Management System Requirements

General

It is preferred that all suppliers have a Quality Management System that meets the intent of ISO (Quality Management Systems). The Supplier shall establish and maintain a quality system that provides means of ensuring that products conform to specified requirements.

Quality Records

Records Control

The Supplier shall maintain a procedure for record creation, change (handwritten or other), completion and control of

Quality records in accordance with the applicable Quality System standard (i.e. – ISO 9001:20xx, AS/EN9100).

Records Retention

All Direct Components, Inc. Suppliers must have a robust process for maintaining records consistent with the requirements of the products they deliver and the industries they serve. Suppliers shall retain all required records for **10 years**; notifying Direct Components, Inc. prior to the destruction of any records pertaining to the quality of product supplied — including but not limited to: test reports, calibration records, production records, sub-tier supplier certificates of conformance.

Management Responsibility

The Supplier shall make known a person to Direct Components, Inc., who will have the necessary authority to assume responsibility for product quality. It is expected that the named person will provide evidence of the Supplier's commitment to the development and implementation of the quality management system and continually improving its effectiveness.

Resource Management

The Supplier shall determine and provide the resources needed to maintain the quality system and continually improve its effectiveness, and enhance customer satisfaction by meeting Direct Components, Inc. requirements. Personnel performing work affecting product quality shall be competent on the basis of appropriate education, training, skills and experience. The Supplier shall determine, provide and maintain the infrastructure needed to achieve conformity to product requirements.

Product Realization

Customer Related Processes (Contract Review)

Orders or contracts shall be formally reviewed to ensure that the supplier has the technical and logistical capabilities to meet the requirements. Any discrepancies or queries shall be resolved before the order or contract is accepted. Amendments to orders or contracts shall be formally reviewed. Records of contract review shall be maintained.

Design and Development

If Design activities are undertaken for Direct Components, Inc. by the Supplier, design inputs and outputs shall be adequately specified (e.g. by specifications). Formal documented reviews shall be held at appropriate stages of design. Designs shall be checked by verification (theoretical check) and validation (practical check). All design changes shall be documented and approved by Direct Components, Inc. engineering personnel before implementation.

Purchasing

Supplier shall maintain records of lot code traceability throughout the product life. The Supplier shall establish and implement activities to ensure that purchased material is conforming to all applicable requirements.

Supplier Sub-Tier Control

The Supplier shall ensure that subcontractors/suppliers are evaluated and selected on their ability to meet specified requirements. A list of approved subcontractors/suppliers shall be maintained. Purchasing documents shall clearly describe the relevant drawings and specifications including issue status and the quality requirements to be applied. Direct Components, Inc. expects our suppliers to bear responsibility and maintain control over subsequent processes done at subcontractors.

Product and Service Provision

Manufacturing processes shall be defined by documented procedures. Criteria for quality shall be defined in a clear and practical manner. Where processes cannot be verified by subsequent inspection or testing, such processes shall be performed by qualified operators or have suitable process control parameters established.

Control of Monitoring and Measuring Devices

All measuring and test equipment used to demonstrate conformance of product shall be calibrated with reference to international and national standards. Such equipment shall be clearly marked with identification of its calibration status, including expiry date. Records of calibrated equipment shall be maintained. When equipment is found to be out of calibration, actions shall be taken to identify any affected product including product already dispatched.

Foreign Object Debris (FOD)

The Supplier shall develop and maintain a Foreign Object Debris (FOD) prevention program to identify and eliminate foreign object entrapment areas and paths through which foreign objects may migrate and cause product failure. The FOD program will include design, manufacturing, and process controls to prevent FOD in deliverable items. The Supplier shall include periodic self-assessment of internal FOD prevention practices to measure effectiveness. Delivered material must be clean and free from any material/debris, such as machined chips, burrs, grinding dust, forming materials, corrosion, oil and other foreign material on surfaces to prevent FOD entrapment. The Supplier shall be responsible for all product cleanliness which includes all packaging materials (including internal packaging and returnable dunnage if applicable) for such components. The Supplier should have special emphasis controls in place appropriate for the manufacturing environments.

Packaging/Labeling/Shipment Requirements

Direct Components, Inc. and the Supplier shall agree upon the packaging, labeling and shipping requirements. All goods shall be suitably packed and properly marked (including notice of hazardous substances) or otherwise prepared for shipment so as to secure the lowest transportation rates and to meet carrier's requirements. Shipments shall be shipped via carrier listed on the Purchase order. Supplier shall provide a packing slip or attachments for each separate shipment with the following minimum requirements:

- » Supplier's company name and address
- » Buyer' company name and address
- » Purchase order number, line item(s), and part number(s), item descriptions, & quantity
- » Date Code(s), Lot Code(s) Serial #'s if applicable
- » Shelf Life if applicable
- » Country of Origin
- » HTC Code
- » Hazardous UN number if applicable
- » Direct Components, Inc. dispositioned nonconformance document number(s); if applicable
- » Evidence of Direct Components, Inc. and/or Government Source Inspection acceptance when applicable

Seller shall ensure that all items are correctly classified on the bill of lading to obtain minimum freight rates. All goods must be shipped using ESD compliant packaging standards.

Suppliers providing product on a global scale, shall work with the receiving location to ensure that the packaging is sufficiently robust to withstand shipment by sea and arrive on time, without damage.

Certificate of Conformance

The Supplier is responsible to ensure that Direct Components, Inc. receives 100% defect-free product to the correct print revision level by the agreed delivery date or be liable for any cost incurred due to late shipments or incorrect materials.

Supplier shall provide a Certificate of Conformance (C of C) assuring that all work performed in connection with the purchase order conforms to requirements therein. The C of C may be a separate document or included on the packing sheet. The Supplier's quality management or designee must sign and/or stamp this document.

When an original manufacturer's Certificate of Conformance is required distributors shall still attach their own Certificate of Conformance.

In the event of shipping multiple lot codes of the same part number, each lot code and the corresponding quantity must be stated on the C of C.

Suppliers of Age-Sensitive Materials

Supplier shall provide original manufacturing/cure date, and lot number(s), and the shelf life expiration date (if indefinite or unlimited, so state). The Supplier shall physically identify the shelf-life expiration date on the deliverable product or the unit packaging according to the applicable standard. In addition, Supplier shall forward any special storage/handling instructions to Direct Components, Inc. Supplier is responsible to determine if acceptance test report submittal is required in accordance with applicable material specification.

Date sensitive materials must have at least 85% of their active life remaining at the time of shipping to Direct Components, Inc.

Purchase Order Schedule Changes

Periodically, Purchase Orders (POs) may be required to be expedited or deferred. All Suppliers are required to assist with the re-scheduling of these orders as needed by Direct Components, Inc. Each individual case may be subject to review based on the Supplier's ability to perform, but a quick response with information (within 24 hours) is expected unless otherwise stated and/or agreed upon.

Measurement, Analysis and Improvement

Monitoring and Measurement of Product

The Supplier shall monitor and measure the characteristics of the product to verify that the product requirements have been met. This shall be carried out at appropriate stages of the product realization process in accordance with the planned arrangements.

Supplier First Article Inspection (FAI)

When called out on a purchase order that a First Article Inspection (FAI) is required. FAI shall be performed in accordance with the requirements of AS9102 (Aerospace First Article Inspection Requirement) as per the revision level established at time of purchase order issuance. First Article Inspection (FAI) shall be performed prior to product acceptance and/or shipment to Direct Components, Inc.

Control of Non-Conforming Product

Seller shall have an established procedure, and require their sub-tier suppliers as well, for advance notification of Direct Components, Inc. for escaped nonconforming products and make all necessary arrangement for immediate containment and product recall if necessary. The advance notification of escape to Direct Components, Inc. shall, by Supplier and/or its sub- tier, happen immediately upon discovery of the non-conformity.

The advance notification shall include details of product information, nature of nonconformity, manufacturing date, lot & part traceability information to the point of Origin, containment plan and actions in all locations & en route.

Supplier agrees to bear all costs associated with the escape of nonconforming products including but not limited to: rework cost, recall cost, nonconforming material cost and any other cost that Direct Components, Inc. may encounter due to the escape of the non-conforming product.

Purchase Order On-Time Delivery

Direct Components, Inc. expects suppliers to deliver the right product at the right time in the right packaging using the right carrier as specified by the purchase order. We expect 100% on time delivery of correct quantities with correct shipping documentation. On time delivery (OTD) is defined as 3 days early to zero days late, or as otherwise agreed. If a supplier is unable to meet a delivery commitment and does not provide sufficient notice to Direct Components, Inc. of inability to meet its commitment as well as provide an acceptable recovery plan, Direct Components, Inc. reserves the right to utilize premium freight and/or labor to meet commitments to our customers and charge the supplier for the additional costs incurred.

Non-Conforming Material Reports (NCR)

In case of Direct Components, Inc. receiving non-conforming materials from the Supplier, discovery of product field failures, malfunctioning products, or request from Direct Components, Inc.'s customer(s), Direct Components, Inc. may request from the Seller to conduct a formal investigation and provide failure analysis reports with objective evidence to identify the root cause(s) of the non-conformities.

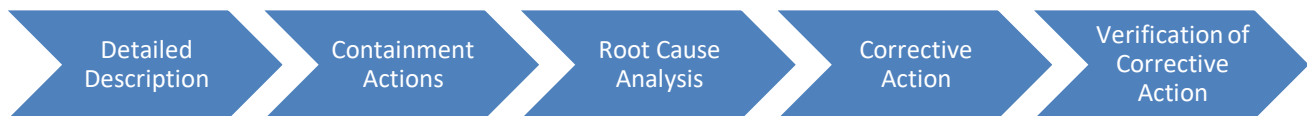
Supplier shall provide Direct Components, Inc. with a Return Material Authorization (RMA) or equivalent to return non-conforming material. The RMA shall include all necessary information to return products to the supplier. The RMA should be provided within 48 hours and credits issued within 30 days for non-conforming material.

Corrective Action Request

When deemed necessary by Direct Components, Inc., Supplier shall provide a Supplier Corrective Action Report (SCAR) with verifiable documents that include implementation and target dates, for non-conformities reported by Direct.

Per request of Direct Components, Inc., Supplier shall take immediate action to implement and document the following requirements on the report:

- » Detailed Description of Nonconformity
- » Actions taken to assure 100% containment of suspect parts/products/raw materials at all locations & in-transit
- » Root Cause Analysis of Non-Conformities/Determination of Failure Modes
- » Corrective Action Measures
- » Verification Method(s)/Technique(s) to Confirm Effectiveness of Corrective Action(s)



Product(s) rejected by Direct Components, Inc. and resubmitted by Supplier shall be clearly identified as re-submitted product(s) and must also be documented on Supplier's shipping documents that product(s) delivered are either "replacement" or "reworked" product(s).

Supplier's documents shall include reference to Direct Components, Inc.'s rejection document number and Supplier's copy of corrective action report as applicable.

Expectations/ Chargeback

To protect Direct Components, Inc. and prevent further defective material from leaving the Supplier facility, it is imperative that the Supplier takes immediate action and initiates containment. The Supplier is responsible for both containing non-conforming material at their location, as well as material in-transit, at sub-suppliers, or other lots already delivered to Direct Components, Inc. If the Supplier fails to initiate immediate action and containment or it is determined to be ineffective, Direct Components, Inc. may use a third party service at the Supplier's expense.

If the Supplier suspects non-conforming parts have been shipped to a Direct Components, Inc. facility or finds nonconforming parts within the Suppliers finished goods inventory, Direct Components, Inc. expects the supplier to immediately notify Direct Components, Inc. of the problem. Direct Components, Inc. will look positively on a Supplier that takes the initiative to inform Direct Components, Inc. about a potential defect.

Corrective Action Request (CAR, SCAR) Extensions

Supplier shall make all efforts to fulfill the corrective action requirements including meeting all action dates and providing objective evidence. If the Supplier is unable to fulfill the SCAR requirements, the Supplier may contact Direct Components, Inc. Supplier Quality Representative to request an extension. Supplier shall formally request the extension at least 5 business days before the SCAR is due. Extensions are reviewed and approved by Direct Components, Inc. Quality Department on a case by case basis. A reasonable explanation shall be provided by the Supplier with extension requests. Failure to meet SCAR due dates and/or requesting an extension prior to the assigned due date may result in a negative impact on the Supplier's quality rating which may potentially lead to disqualification of the Supplier.

Verification of Corrective Actions

Direct Components, Inc. Quality Department reserves the right to request objective evidence that the SCAR has been effectively implemented. If deemed necessary, Direct Components, Inc. may conduct Supplier Audit or Surveillance to verify the effectiveness of submitted SCARs.

Continuous Improvement

The Supplier shall demonstrate a top management commitment to continuous improvement. A comprehensive philosophy of continuous improvement must be identifiable throughout the entire supplier organization. Suppliers must endeavor to make continuous improvements to the quality, deliveries, schedules and prices, to both parties' benefit. The philosophy of continuous improvement should be extended to all business processes.

Development

Suppliers are expected to provide Direct Components, Inc. with exceptional quality, delivery, cost and capability to enable Direct Components, Inc. to meet its business goals and those of its customers. Action will be taken to improve or remove poor performers and to better utilize Suppliers that excel.

Import/ Export Compliance Documents

Export Classification

All items must identify the export classification either the Commerce Control List – CCL (EAR) or ITAR classification. The Commerce Control List can be found in Supplement No. 1 to part 774 of the EAR. It is divided into ten Categories (Nuclear Materials, Chemicals, Material Processing, Electronics, Computers, Telecommunications and Information Security, Sensors and Lasers, Navigation and Avionics, Marine and Space Vehicles) and lists the items under the export control jurisdiction of the Bureau of Industry and Security, U.S. Department of Commerce.

The International Traffic in Arms (ITAR) classification or the United States Munitions List is described in Part 121 of the ITAR. It is divided into 21 categories that include items such as firearms, ammunition, guided missiles, bombs, aircraft, protective personnel equipment, spacecraft, etc. Each category is further broken down into paragraph, that includes the actual article, but also any component specifically designed or modified for a defense article, and technical data.

Country of Origin

All items must list the Country of Origin, (where the parts were manufactured), and if requested the supplier will provide a Certificate of Origin which meet the requirements of the various Free Trade Agreements which the US are signatories to. The FTA are Australia, Bahrain, CAFTA-DR, Chile, Colombia, Israel, Jordan, South Korea, Morocco, NAFTA, Oman, Panama, Peru, and Singapore.

Please ensure if exporting product to the United States the correct Country of Origin, (country of manufacture), is identified on the shipping paperwork.

If Country of Origin is China, Direct Components must be notified on confirmation of your PO or any customs tariff fees will incur a chargeback.

HTC

All articles must list the Harmonized Tariff System (HTS) code (US) or Schedule B: used for compiling export trade statistics. The HTS codes may be accessed at: <http://www.usitc.gov/tata/hts/>

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