

UNITED TITANIUM, INC

COUNTERFEIT PARTS / MATERIEL PROCEDURES

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Approved By: _____


Vice President / General Manager

United Titanium, Inc. Counterfeit Parts / Materiel Procedures

1.0 Purpose

The purpose of this document is to describe the process and due diligence performed to prevent the purchase and / or use of Counterfeit Parts / Materiel and meet the requirements of the following documents:

- a. AS5553: Standard for Counterfeit Electronic Parts Avoidance, Detection, Mitigation and Disposition.
- b. EC 818: Detection and Avoidance of Counterfeit Electronic Parts. (Section 818 of the National Defense Authorization Act for Fiscal Year 2012)
- c. AS6174: Counterfeit Materiel; Assuring Acquisition of Authentic and Conforming Materiel.

The overall intent of this document is to achieve the following:

- a. Maximize availability of authentic materiel or parts.
- b. Purchase raw materials and manufactured parts from reliable sources.
- c. Assure authenticity and conformance of procured materiel and purchased parts.
- d. Control materiel and parts identified as fraudulent / counterfeit, and
- e. Report suspect or confirmed fraudulent/counterfeit materiel or parts to other potential users and Authority Having Jurisdiction.

2.0 Scope

This document applies to the procurement activities at United Titanium, Inc. to the extent specified herein.

3.0 Application

Standards AS5533 and EC 818 apply to companies that manufacture, integrate, or procure electrical, electronic, and electromechanical (EEE) parts or assemblies; while standard AS6174 is more within the scope of our manufacturing processes. Our involvement with AS5533 and EC 818 is solely based on customer requirements to implement a counterfeit parts prevention program.

AS6174 will be used as a guide in our efforts to focus on the following:

- Parts sent out to vendors for additional processing (testing, anodizing, machining, etc.)
- Parts manufactured by a vendor for United Titanium, Inc. (Does not include parts for the Service Center).
- Parts returned due to failures, does not include parts returned due to administrative issues (wrong part, incorrect quantities, etc.)

4.0 Definitions

4.1 Suspect Part – A part in which there is an indication by visual inspection, testing, or other information indicating the item may have been misrepresented by the Supplier or Manufacturer and may in turn meet the definition of a Counterfeit Part.

4.2 Counterfeit Part – A suspect part identified as a copy or substitute without the legal right or authority to do so or a part whose material, performance, or characteristics are knowingly misrepresented by a Supplier in the Supply Chain. The Counterfeit Parts include but are not limited to:

- 4.2.1 Parts not containing the proper internal construction (die, manufacturer, wire bonding, etc.) consistent with the ordered part.
- 4.2.2 Used, refurbished, or reclaimed parts represented as new product.
- 4.2.3 Parts with a different package style, type, or surface plating/finish than the required or ordered product.
- 4.2.4 Parts not successfully completing the full production and/or test flow of the Original Component Manufacturer (OCM) that are represented as completed product.
- 4.2.5 Parts sold or delivered as up-screened products that have not successfully completed the up-screening process.
- 4.2.6 Parts sold or delivered with modified labeling or markings intended to misrepresent the form, fit, function, or grade of the intended product.

4.3 Approved Supplier – Suppliers who are formally assessed and determined to have a low risk of providing counterfeit product.

4.4 Broker – In the independent distribution market, brokers are professionally referred to as an Independent Distributor.

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4.0 Definitions (Continued)

4.5 Independent Distributors – A distributor that purchases new parts with the intention to sell and redistribute them back into the market. Purchased parts may be obtained from original equipment manufacturers (OEM's) or contract manufacturers (typically from excess inventories), or from other independent distributors. Re-sale of the purchased parts (re-distribution) may be to OEM's, contract manufactures, or other independent distributors. Independent distributors do not have contractual agreements or obligations with OCMs.

4.6 Certificate of Conformance (C of C) – A document provided by the supplier formally declaring the purchase order requirements are met. The document may include information relative to the manufacturer, distributor, Quantity, date code, inspection date that is signed by a responsible associate for the supplier.

4.7 ERAI – A privately held global trade associates who monitors, investigates, reports, and mediates issues affecting the global supply chain of electronics including the supply of counterfeit and substandard parts.

4.8 GIDEP (Government Industry Data Exchange Program) – A cooperative activity between the government and industry participants seeking to reduce or eliminate resource expenses by sharing technical information essential for research, design, development, production, and operational phases of the life cycle of the system, facility, or equipment.

4.9 Materiel – As used in AS6174 refers to material, parts, assemblies, and other procured items (except for electronic parts, which are covered by AS5553).

4.9.1 Suspect Materiel: Materiel, items, or products in which there is an indication by visual inspection, testing or other information that it may meet the definition of fraudulent materiel or counterfeit materiel as described below:

4.9.2 Fraudulent Materiel: Suspect materiel misrepresented to the customer as meeting the customer's requirements.

4.9.3 Counterfeit Materiel: Fraudulent materiel that has been confirmed to be a copy, imitation, or substitute that has been represented, identified, or marked as genuine, and / or altered by a source without legal right with intent to mislead, deceive, or defraud.

4.10 Up-screened – Additional part testing performed to produce parts verified beyond the specification parameters of the manufacturer.

Note 1: Other definitions are available for review in Section 3.3 of AS5553, and Section 2.3 of AS6174. See the Compliance Manager for a copy.

5.0 Responsibility

Purchasing, engineering, sales, and other associates as appropriate or required are responsible to comply with the requirements and processes identified in this document.

5.1 Purchasing is responsible for the following:

- Procuring correct raw materials or contract parts using the applicable drawing, specification, description, or other information to meet the intended use.
- Ensuring requirements are thoroughly and correctly identified on parts sent out for additional processing.
- The flow down of customer requirements to the vendor.

5.3 Engineering is responsible for the following:

- Ensuring the drawing, specification, process, or other description identifies the applicable type, class, style, part number, manufacturer, or other related information so the correct part is identified.
- When requested, provide Certificates of Conformance to assure authenticity and conformance of purchased parts.
- Initial investigation of suspect parts identified by Shipping or Quality Assurance.
- Initial investigation of parts returned for failures.

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5.0 Responsibility (Continued)

5.4 Sales is responsible for the following:

- Identifying customer flow down requirements (Contract Review) and ensuring these requirements are made known to Purchasing and Engineering/Manufacturing.
- Encouraging customer to purchase parts directly from United Titanium, Inc. (decreases the probability of them receiving counterfeit parts).

5.5 Receiving Inspection is responsible for the following:

- Conduct raw material verification activities in accordance with established work instructions.
- As required, analyze suspect counterfeit parts to determine / verify material composition.

5.6 Shipping or Quality Assurance is responsible for inspecting incoming parts (sent out for additional processing) and to report any out of the ordinary or suspicious parts to Engineering.

5.7 Quality Assurance is responsible for inspecting incoming parts (manufactured by a vendor for United Titanium, Inc.) and to report any out of the ordinary or suspicious parts to Engineering.

5.8 Compliance Manager is responsible for the following:

- Maintaining the company's GIDEP membership.
- Monitoring the GIDEP website, in particular the weekly Suspect Counterfeit part information.
- As required, provide GIDEP information to appropriate departments for consideration / action.
- Initiating any counterfeit parts reporting in accordance with Appendix G, Reporting of AS5553A.

6.0 Procedure

6.1 Due to our low risk as shown in Figure A3 of AS6174 and Figure B1 of AS5553A, many of our existing ISO 9001 procedures and work instructions may be used to achieve the requirements of these standards and those of our customers.

6.2 Part Availability: Our processes shall maximize availability of authentic, originally manufactured parts throughout the product's life cycle, including management of parts obsolescence. Parts availability shall be in accordance with customer contract requirements. Management of obsolete parts shall be in accordance with work instruction WI 75-08, "Identification and Disposition of Obsolete parts."

6.3 Purchasing must assess potential sources to determine the risk of receiving counterfeit materiel and/or counterfeit parts. Areas of concern regarding counterfeit parts are as shown below:

- Parts sent out to suppliers or subcontractors for additional processing (testing, anodizing, machining, etc.)
- Parts manufactured by a supplier or subcontractor for United Titanium, Inc.

Existing purchasing procedures and work instructions are sufficient in meeting this assessment requirement.

6.4 Purchasing must maintain a list of suppliers to minimize the risk associated with the supply and / or receipt of counterfeit parts / materiel. Existing procedures and Approved Vendor List are sufficient in meeting this requirement. In no case will parts or materiel be purchased from unapproved / authorized sources.

6.5 Assure that approved/ongoing sources of supply and services are maintaining effective processes for mitigating the risks of supplying counterfeit parts or materiel. Assurance actions may include surveys, audits, review of product alerts, and review of supplier quality data to determine past performance. Existing purchasing procedures and work instructions for the evaluation of approved vendors are ~~may be~~ sufficient in meeting this requirement.

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6.0 Procedure (Continued)

6.6 When required by the contract, Purchasing must specify the customer flow-down requirements applicable to the supplier or subcontractor. Existing Purchasing Clauses should be sufficient in meeting flow-down requirements of AS6174. As required, the purchasing document may also list certification or traceability requirements, test and / or inspection results and Quality System requirement for the supplier.

6.7 Personnel receiving, or inspecting, parts must examine the product to ensure the drawing, specification, type, class, style, part number, manufacturer, Certificate of conformance or other related information is present to detect or identify suspect or counterfeit parts. Suspect or counterfeit parts shall be documented on a Non-conforming Material Report (NMR) and the parts placed in a quarantine area. The NMR shall be processed in accordance with established procedures and work instructions.

6.8 Parts returned due to failures. Engineering shall conduct the initial investigation to determine the cause of the failure.

6.9 This procedure shall ensure that all occurrences of counterfeit parts are reported, as appropriate, to internal organizations, customers, government reporting organizations (e.g., GIDEP), industry supported reporting programs (e.g., ERAI), and criminal investigative authorities. Information and guidelines for reporting counterfeit parts are provided in Appendix G, Reporting of AS5553 and Appendix G, Reporting of AS6174. Reporting shall be completed by the Compliance Manager in coordination with the Engineering Manager and Vice President / General Manager.

7.0 Verification

United Titanium, Inc. considers the due diligence, applied to the material purchased, successful when this procedure is followed and when the finished parts meet the identified test or inspection requirements. A failed fastener / part reported by the customer does not mean the part was counterfeit. United Titanium, Inc. must verify the cause of the non-conformance and disposition the defect per QM 8.3 "Control of Nonconforming Product". This procedure will apply if the deficiency is suspected or attributed to a counterfeit part.

8.0 Applicable Documents

8.1 Customer Documents

- Lockheed Martin: Appendix QX Supplier Quality Requirements (Paragraph 1.3)
- Northrop Grumman Aerospace Systems: SQAR (Paragraph 3.11)
- Newport News Shipbuilding: Appendix A-DOD CONTRACTS (Paragraph 17)
- Exelis Inc. Standard Fixed Price Terms and Conditions and FAR/DFARS/NFS/FAA AMS Flowdown Provisions. (Article 20 - Counterfeit Parts) (XLS 9437)
- Harris Procurement Quality Clauses: H-1999Q, (Paragraph 4.0. Q1 K)
- Teledyne ODI: General Terms and Conditions Of Purchase, (Paragraph 12)
- UTC Aerospace Systems / Goodrich Quality Requirements for Suppliers: GR9100 (Paragraph 5.14)
- L-3 Communications: Supplier Quality Assurance Requirements (SQAR) (Paragraph 22.1.1)
- Rockwell Collins: RC-9000 - Supplier Quality System Requirements (Paragraph 5.16)
- ATK Space Systems: Terms and Conditions of Purchase TC-01 (Paragraph 10)
- General Dynamics Land Systems: P. O. Terms & Conditions (84-005-0807 -3/13) (Paragraph 44)

8.2 Related Documents

- AS5553A, Counterfeit Electronic Parts; Avoidance, Detection, Mitigation, and Disposition
- AS6174: Counterfeit Materiel; Assuring Acquisition of Authentic and Conforming Materiel
- EC 818. Detection and Avoidance of Counterfeit Electronic Parts. (Section 818 of the National Defense Authorization Act for Fiscal Year 2012)
- ISO9001:2008, Quality Management System Requirements
- United Titanium, Inc. procedure QM 8.3, Control of Non Conforming Product