 <p><b>Galaxy</b> COMPOUND SEMICONDUCTORS, INC.</p>	<p><b>CONTROLLED DOCUMENT</b></p> <p><b>DO NOT DUPLICATE</b></p>	<p>Date 2/5/09</p> <p>Page 1 of 5</p>	<p>Number Proc – 7.4.2.1</p> <p>Revision 02</p>
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SUBJECT: SUPPLIER QUALITY REQUIREMENTS

0.0 PURPOSE

0.1 It is the mission of Galaxy Compound Semiconductors, Inc., to provide customers with leading-edge products of uncompromising quality. It is critical in this process to receive parts, materials and services from our suppliers of the highest quality and reliability.

1.0 SCOPE

1.1 This document covers Galaxy expectations of their Suppliers of Critical Materials, Parts and Services in the following areas;

- 1.1.1 Supplier System Requirements
- 1.1.2 Supplier Certifications
- 1.1.3 Drawing and Specification Control
- 1.1.4 Process Control
- 1.1.5 Inspection System
- 1.1.6 Non-Conforming Material
- 1.1.7 Supplier Corrective Action
- 1.1.8 Records
- 1.1.9 Delivery

2.0 REQUIREMENTS

2.1 Supplier System Requirements

2.1.1 It is the policy of Galaxy to require all suppliers of critical materials or services to maintain an ISO 9001:2000 compliant Management System.

2.2 Supplier Certifications

2.2.1 It is the policy of Galaxy to document all System Certifications held by suppliers.


2.2.1.1 Suppliers who have achieved system certifications are required to provide electronic copies of all certifications documentation to the Galaxy Quality Assurance Manager.

2.2.1.2 Suppliers are required to inform Galaxy of any changes to these certifications. This includes but is not limited to, additional certifications awarded or suspension of certification.

2.3 Drawing and Specification Control

2.3.1 The supplier's systems will provide controls, which will assure that the latest applicable drawings, specifications, and instructions required by the P.O. are utilized.

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2.4 Process Control

2.4.1 Process Stability

2.4.1.1 The stability of a process is key to consistent parts or materials. Statistical techniques should be used to determine if the process is in control over time. Out of control conditions require immediate actions.

2.5 Inspection System

2.5.1 Inspection System

2.5.1.1 The supplier will maintain an inspection system, which will assure that all material and services submitted to Galaxy for acceptance meet the requirements of the purchase order. This requirement applies to material and services manufactured or purchased by the supplier. Inspection and testing will be prescribed by clear, complete and current instructions.

2.5.2 Inspection System Documentation

2.5.2.1 The supplier's inspection system will be documented and available for review by Galaxy. The supplier will notify Galaxy, in writing, of any change to the supplier's inspection system. The inspection system will be subject to disapproval if changes could result in detection or creation of non-conformities in product meant for Galaxy.

2.5.3 Measuring and Test Equipment

2.5.3.1 The supplier will provide and maintain gauges and other measuring and test equipment necessary to assure all delivered product is conforming. In order to assure continued accuracy, all inspection, measurement and test devices will be calibrated at established intervals to N.I.S.T traceable or other nationally recognized standards.

2.5.4 Sampling Inspection


2.5.4.1 Dimensional or visual sampling may be used where the process capability has previously been determined to be acceptable and stable through more in depth sampling and inspection techniques.

2.5.5 Lot Rejection

2.5.5.1 If any given lot of material or parts shows a defect, Galaxy reserves the right to reject the entire lot. Action will taken per the Non-Conforming Material and Supplier Corrective Action processes.

2.5.6 Certificate of Conformance/Compliance

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2.5.6.1 The supplier shall retain for a period of 2 years a certificate of conformance/compliance for each lot of parts supplier to Galaxy that the supplier meets the above quality requirements and the requirements of the Galaxy print. This certificate shall be available for review by Galaxy upon request.

2.6 Non-Conforming Material

2.6.1 It is the policy of Galaxy to use only materials and parts that fully comply with our requirements. Therefore, in the event non-conforming parts are identified, Galaxy will take all actions necessary to prevent these parts from being used in any of our products. Non-conforming materials and parts will be contained and corrected using the Non-Conforming Material and Supplier Corrective Action Processes.

2.6.2 Supplier Responsibility


2.6.2.1 The supplier will maintain an effective and positive system for controlling non-conforming material. Non-conforming material identified by the supplier will not be shipped to Galaxy without prior written approval. Unless otherwise instructed by Galaxy, the supplier will hold such material until Galaxy reviews and dispositions the request. Non-conformances, which can be reworked by repeating part or all of the initial process (other than special processes), will be considered as rework and can be accomplished without Galaxy approval.

2.6.3 Non-Conforming Material/Parts/Service Charges

2.6.3.1 In the event the non-conforming part or material or services results in costs to Galaxy (costs may include charges related to sort, rework, repair, product scrap, production downtime, customer imposed charges, recall costs, shipping, and/or engineering effort), Galaxy reserves the right to charge the supplier all reasonable associated costs. Labor costs will be calculated using the current standard burdened rate for the Galaxy facility. The Purchasing Department will coordinate all charges with the supplier.


2.7 Supplier Corrective Action

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- 2.7.1 In the event of Galaxy detection of Non-Conformities or Supplier Notification of Non-Conformities, a Supplier Corrective Action will be initiated to the supplier via the Galaxy Corrective Action Process.
- 2.7.2 Supplier Corrective Action (SCAR) Expectations
  - 2.7.2.1 The supplier is expected to acknowledge back to Galaxy within **1 working day** the following:
    - 2.7.2.1.1 Receipt of the SCAR
    - 2.7.2.1.2 Communicate containment taken within supplier facility and in shipping pipeline.
    - 2.7.2.1.3 Return Authorization to return to the supplier and rejected materials or parts at Galaxy
  - 2.7.2.2 The supplier is expected to communicate back to Galaxy within **10 working days** the following:
    - 2.7.2.2.1 Completed Galaxy Corrective Action form with **Root Cause and Corrective Actions** clearly identified status (ie, COMPLETE or due date for completion).
    - 2.7.2.2.2 If all actions cannot be completed within 10 working days, the Supplier must provide interim progress reports on a regular basis as specified to the Quality Manager.
  - 2.7.2.3 The supplier is expected to communicate back to Galaxy within **20 working days** the following:
    - 2.7.2.3.1 **COMPLETE** status on all action identified in the Supplier Corrective Action.
- 2.8 Records
  - 2.8.1 The supplier will maintain adequate records of all inspections and tests. The records will indicate the nature and number of observations made, the number and type of defects found, the quantities accepted and/or rejected, and the nature of the corrective action taken as appropriate.
- 2.9 Delivery
  - 2.9.1 The supplier shall take all action necessary to maintain 100% on time delivery to Galaxy facility per the requested date on the Purchase Order.

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REVISION STATUS

REVISION NO.	DATE	DESCRIPTION	ORIGINATOR
00	12/28/07	ORIGINAL - ECO # 00008	Debbie Burchak
01	10/1/08	Deleted section 2.4.1 ECO# 00334	Debbie Burchak
02	2/5/09	Added "compliant" to section 2.1 ECO#00407	Debbie Burchak

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