The Felters Group
Operations Manual

Approvers:

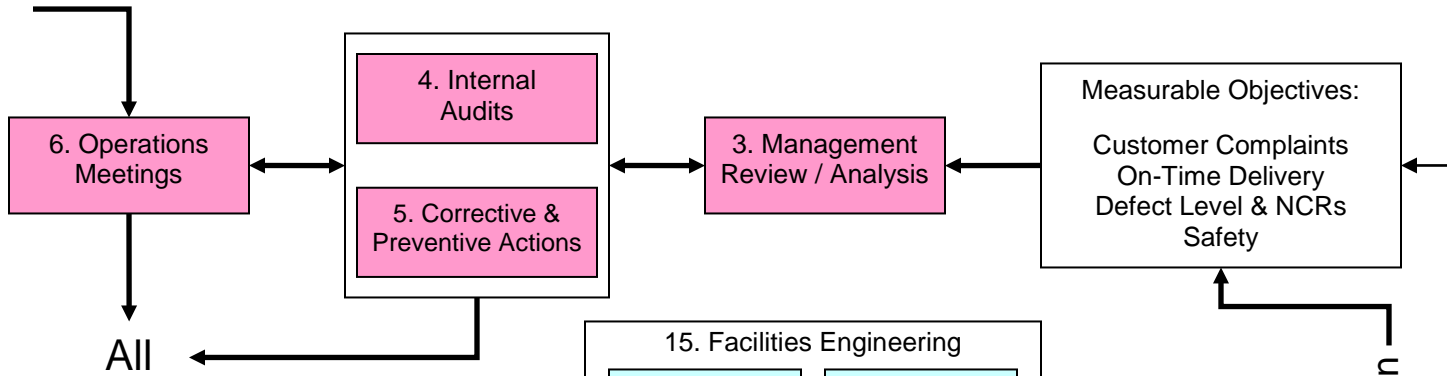President and CEO – Vernon Lowe

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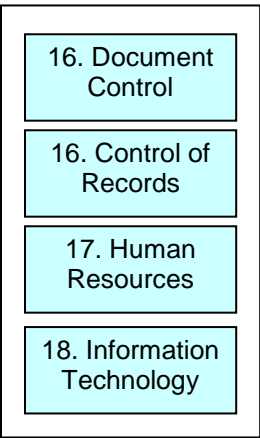Note: **Numbers** in Process boxes refer to **Sections** in this Manual

Daily / Weekly / Monthly Reports Capture:

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1 INTRODUCTION

1.1 Company Background

The Felters Group was established in 1890 when the Standard Felt Company established felt roll goods production in Lestershire, New York and Millbury, Massachusetts. In 1909 the Felters Company was formed through the combination of three privately held felting operations. In 1972, Standard Felt expanded its operations by establishing a converting facility in Roebuck, South Carolina. In 1985 the Standard Felt Company and the Felters Company merged retaining the name the Felters Company.

In 1993 a portion of the merged company was purchased by a private group of individuals. In 1996, the Felters Company closed the antiquated Millbury facility and transferred the operations to a newly leased facility in Gaffney, South Carolina. In 1997, the Felters Company negotiated its initial multi-year contract with one of the home appliance leading OEMs, marking Felters' most significant penetration of the home appliance end market to date. In 1998 the Company relocated its sale force to the Company headquarters in Roebuck, South Carolina. Additionally in 1998, the Company began developing strategic alliances within the industry to capitalize on its core competency of engineered innovation.

In 2000 the company was sold to management and Industrial Growth Partners. The company was renamed the Felters Group. Additionally, during 2000 the company applied for patents in the home fashions industry and to protect its new lamination production process.

In 2010 the company consolidated our roll good manufacturing facility at Gaffney into the headquarters in Roebuck. And move our sewing operation to Vonore, Tennessee.

1.2 Scope

The system defined by the policies and procedures in this document and in the referenced documents applies to the Felters Group.

We exclude the application of ISO 9001 section 7.5.2, Validation of processes for production and service provision. All Felters products can be verified by measurement after processing. We do not currently take part in "Service" contracts. Therefore, the requirements of ISO 9001 section 7.5.2 do not apply.

1.3 Glossary

Felters = The Felters Group

The Management Team.

ISO 9001 = ANSI/ISO/ASQ Q9001: 2008, Quality Management Systems – Requirements

2 BASIC PRINCIPLES

2.1 Operating Principles

Felters is dedicated to ethical business practices. These principles apply to Felters internal operations, to relationships with customers and suppliers and to Felters position in the community.

We will consider the ethical value features of significant management decisions.

Responsibility for ethical business practice is individual rather than collective; individuals must assume personal responsibility for actions of the organization.

If an employee faces a confusing or stressful ethical dilemma, he / she should discuss the situation with his / her supervisor.

Refer to Human Resources policy HR-318, Ethical Principles.

2.2 Management System

Felters recognizes the value of the ISO 9001 system. Thus, Felters has committed to developing and applying a Quality Management System that meets the requirements of this standard.

This Operations Manual and related documents describe Felters' management system.

The Management team is responsible for establishing, implementing and maintaining this Operations Manual.

The Management Representative is responsible for ensuring that the quality system is in accordance with ISO 9001. We will use an external auditor (certified by the Registrar Accreditation Board) to confirm this conformance.

2.3 Process Approach

The Felters Group will use the process approach as mentioned in ISO 9001 for developing, implementing and improving Felters operations. We will identify and manage key processes and will assure that links between related processes are well defined and understood.

Refer to the Process Sequence / Interaction Map at the beginning of this document.

2.4 Management Commitment

The Management team shall provide evidence of its commitment to the development and implementation of the quality management system by communicating to the organization the importance of meeting customer as well as statutory and regulatory requirements.

2.5 Customer Satisfaction

Customer satisfaction is the key to continued business. We recognize that customer satisfaction is more than the lack of customer complaints. The President is responsible for establishing, implementing and maintaining a process for determining customer satisfaction. Refer to the Customer Satisfaction Procedure.

2.6 Commitment to Safety

The Felters Group places the highest priority on its responsibility to protect employees, the public, the community, the environment, and customers and to foster corporate goodwill.

Safety within the workplace is outlined in QP18-001, Human Resources Management.

Guidelines for handling crisis situations are outlined in QP01-010, Crisis Management Guidelines.

3 MANAGEMENT PROCESSES - Management Review / Analysis

3.1 Quality Policy

The President is responsible for defining the company's quality policy. The management team shall ensure that the quality policy is understood, implemented and maintained at all levels of the organization. Refer to QP01-007, Quality Policy.

The management team shall review the quality policy periodically to ensure relevance to the Quality System.

3.2 Quality Objectives

The management team is responsible for ensuring that measurable quality objectives, consistent with the quality policy, are established for relevant operations and at appropriate levels. Refer to QP01-008, Quality Objectives.

The Management Team shall review the status of these objectives as part of the weekly Management Review.

3.3 Provision of Resources

Based on the business at hand and the quality objectives, the management team shall ensure the availability of human resources and physical resources (material, equipment, services and facilities) necessary to support the company operations. This includes resources to implement and maintain the quality management system, to improve its effectiveness and to enhance customer satisfaction.

3.4 Management Review

The Management Team shall formally review the company operations weekly to ensure the system suitability and effectiveness in satisfying the requirements of ISO 9001 and Felters' quality policy and objectives.

The Management Team is responsible for developing the system review reports. Refer to the Management Review Procedure, QP01-003.

4 MANAGEMENT PROCESSES - Internal Audits

Process audits are valuable tools in measuring our level of conformance to required specifications, policies and procedures. The Quality Systems Manager is responsible for establishing, implementing and maintaining systems that meet the internal audit requirements of ISO 9001. Refer to the Internal Audit procedure, QP17-001.

It is important that audit personnel be independent of those having direct responsibility for the activity being audited. Thus, people from several areas shall be trained as auditors.

Audits are useless without corrective actions and proper follow-up. The Quality Assurance Manager is responsible for reviewing the audit results with the managers in charge of the processes audited.

5 MANAGEMENT PROCESSES - Corrective and Preventive Actions

5.1 Corrective Action

The Felters Group will review system and product nonconformities (from customer complaints, from nonconformance reports and from audits, as a minimum) and will evaluate the need for action to ensure that the nonconformities do not recur. The Quality Assurance Manager is responsible for establishing, implementing and maintaining systems that meet the corrective action requirements of ISO 9001. Refer to the Corrective Action Procedure, QP14-001.

Corrective actions must be taken in a cost-effective manner.

The Quality Systems Manager is responsible for follow-up to ensure that the corrective actions were completed and that their effectiveness was evaluated.

5.2 Preventive Action

Our system for reacting to problems is well developed. The step beyond Reaction is Prevention. Felters' employees must consider actions to eliminate the causes of potential nonconformities in order to prevent their occurrence. It is easiest to apply preventive actions in planning for new processes and products. It is a bigger challenge to consider preventive actions for existing processes and products. Refer to the Preventive Action procedure, QP14-004.

Preventive actions shall be appropriate to the effects of the potential problems.

The Engineering Manager is responsible for establishing, implementing and maintaining the Preventive Action procedure.

5.3 Continual Improvement

The concept of continual improvement should be applied throughout the company at all levels and in all processes / operations in the Felters Group. This includes traditional production / processing improvements as well as improvements to areas less directly related to productivity and product quality.

Continual improvement activities include involvement in the following:

A quality policy containing a commitment to continual improvement. Refer to QP01-007, Quality Policy.

Measurable quality objectives set with the commitment to improvement. Refer to QP01-008, Quality Objectives.

Monitoring customer satisfaction. Refer to QP01-006, Customer Satisfaction.

Conducting audits. Refer to QP17-001, Internal Audits. Also refer to results of external audits.

Taking corrective actions. Refer to QP14-001, Corrective Actions.

Taking preventive actions. Refer to QP14-004, Preventive Actions.

Conducting management reviews and acting on the results. Refer to QP01-003, Management Review.

The Technical Services Specialist shall present a summary of continual improvement activities at the Management Review meeting.

5.3.1 Improvement Teams

As part of this continual improvement effort, the Felters Group shall use improvement teams aimed at more project-oriented topics. The Team is responsible for establishing, implementing and maintaining programs and projects for continual improvement following the guidelines of Improvement Team Procedure QP02-003.

6 MANAGEMENT PROCESSES - Operations Meetings

Key company information is presented and reviewed at regular meetings outlined below.

What	When	Who (typical)	Primary Inputs	Primary Outputs
Roebuck Production Meeting	Daily	Logistics & Master Scheduler. Operations Manager Production Manager Quality Systems Mgr Sales	Customer feedback Production status Trial status New requirements Quality issues Supply issues	Production schedules Preventive and corrective actions
Design Review	As required	CEO Master Scheduler Engineering Mgr VP Operations Quality Sys. Mgr. Logistics Mgr	Customer Files, Cost Routers, Drawings, Inspection Plans, Specifications.	Preventative Actions and Corrective Actions
Management Review Meetings per QP01-003, Management Review	Weekly	Management Staff	Refer to QP01-003	Refer to QP01-003

7 CORE PROCESSES - Marketing

Developing customer relationships and bringing orders into the company are primary responsibilities of the Sales Department. Refer to the Market Assessment procedure QP03-002.

Sales activities must be based on Felters business strategies and core capabilities.

We will develop new customers by:
> Researching the customer's business
>
> Visiting the customer
>
> Identifying how Felters' capabilities can benefit the customer

Transforming the customer's requirements to a standard format for evaluation within Felters operations is a key part of the Sales process. Assessment of the business opportunity may lead to requests for quotations, samples and / or trials.

8   CORE PROCESSES - Design and Costing

8.1   Design

The Felters Group produces both "build to customer print" items and products that are entirely under our control, e.g. non-woven materials in the form of rolled goods. For these items where we have authority to establish a new, or change an existing product specification, the company will comply with the design and development requirements of ISO 9001.

The Engineering Manager is responsible for establishing, implementing and maintaining a Design Control system. Refer to the Design Control Procedure, QP04-001.

8.2   Routing, Costing, Quotations

Once the customer requirements are known, the Master Scheduler with the consultation of Sales, Engineering, Manufacturing and Quality Systems shall review those requirements and develop the cost structure and issue a quotation.

9   CORE PROCESSES - Contact Review & Job Planning

9.1   Contract Review

The Sales Manager is responsible for contract review to ensure that the customer order is in line with a valid Felters quotation and with current capabilities. Refer to Contract Review Procedure, QP03-001.

9.2   Product Planning

Information / instructions specific to a particular item shall be maintained within Manufacturing Orders in the plant. The Manager of Quality Systems is responsible for the Quality aspects of these multi-disciplinary documents. Refer to the Production Pattern procedure, QPW09-009 and the Manufacturing Order procedure, QP09-008.

The Logistics Manager is responsible for analyzing production requirements and for assuring that materials are available for production. This involves inventory analysis and submission of material purchase requests.

9.3   Quality Planning

The Manager of Quality Systems is responsible for planning the quality activities of the company as applied to specific customer requirements and Process Capabilities. Refer to the Quality Planning Procedure, QP02-001.

10   CORE PROCESSES - Production

10.1 Operator / Work Instructions

The Production Manager is responsible for establishing, implementing and maintaining instructions for the operation of equipment and systems necessary for the smooth operation of the business.

10.2 Process Control

The Vice President of Operations is responsible for establishing, implementing and maintaining systems that provide suitable job set-up and process control. The combination of Work Instructions and product-specific instructions (see 9.2 above) provide most of this control. Refer to the Process Control Procedure, QP09-001.

For the job-shop nature of much of our business, short-run types of control systems will be required.

10.3 Process Changes

Refer to the Document Control Procedure, QP05-001, the Production Pattern procedure, QPW09-009 and the Manufacturing Order procedure, QP09-008.

11 CORE PROCESSES - Outbound Processes

11.1 Packaging and Labeling

The Production Manager is responsible for obtaining customer requirements for special packaging and labeling and for distributing this information through the management information system. The Production Manager is responsible for ensuring that specific customer packaging and labeling requirements are analyzed and are met.

11.2 Delivery

The Production Manager is responsible for establishing, implementing and maintaining systems that meet the delivery requirements agreed with the customer. Refer to the Shipment Procedure, QP15-002.

11.3 Invoicing

Once the item has been shipped, the Customer Service is responsible for completing the invoicing process. Major inputs come from picking tickets and packing slips; consignment reports from certain customers also provide inputs. The Customer Service Manager is responsible for processing this information through the management information system to generate invoices and for sending invoices to the customer. Refer to the Invoicing procedure, QPW21-020.

12 SUPPORT PROCESSES - Purchasing

The Director of Materials Development is responsible for establishing, implementing and maintaining a purchasing system in accordance with ISO 9001. Refer to the Purchasing Procedure, QP06-001. This system shall apply to all direct materials and relevant services.

12.1 Vendor Evaluation

The Director of Materials Development and the Manager of Quality Systems are jointly responsible for establishing, implementing and maintaining a vendor evaluation system. Refer to the Vendor Evaluation Procedure, QP06-002.

12.2   Outsourced Process Control - Core Business

Where we choose to outsource any process that affects product conformity with requirements, we will ensure control over such processes through details in our purchase order. The Director of Materials Development and the Manager of Quality Systems are jointly responsible for establishing, implementing and maintaining the details of this control.

13   SUPPORT PROCESSES - Receiving & Warehousing

Handling methods and practices are intended to prevent damage and deterioration of material and products throughout the receiving, manufacturing, storage, packaging, preservation and shipping process.

The Production Manager is responsible for establishing, implementing and maintaining systems that meet the requirements of ISO 9001. Refer to the Handling, Storage, Packaging, Preservation procedure QP15-001.

13.1   Inventory

The handling systems shall ensure that First In - First Out (FIFO) procedures are followed where appropriate.

13.2   Preservation

Preservation throughout the processes is a multi-disciplinary activity involving the Production Manager who is responsible for systems that will preserve materials and products to prevent damage and deterioration. This includes consideration for shelf-life issues.

13.3   Control of Customer Property

The Production Manager is responsible for establishing, implementing and maintaining a system for the control of customer property (including product, tooling and intellectual property) in accordance with ISO 9001. Refer to the Customer Property Procedure, QP07-001.

13.4   Product Identification and Traceability

Product identification and traceability are key to maintaining control of the materials that pass through our operations. Although many Felters products appear to be simple items, they may pass through multiple process steps. We will control product identification and traceability to the extent that is suitable to the customer and product.

The Production Manager is responsible for establishing systems that meet the product identification and traceability requirements of the Product Identification and Traceability Procedure, QP08-001.

The Production Manager is responsible for implementing and maintaining these systems.

14   SUPPORT PROCESSES - Quality

The Manager of Quality Systems is responsible for establishing, implementing and maintaining systems that meet the product inspection and test requirements of ISO 9001. Refer to the Inspection and Test Procedure, QP10-001.

For the job-shop nature of much of our business, short-run types of control systems will be required.

14.1 Receiving Inspection and Test

Procedures, sampling plans and inspections shall ensure that purchased direct materials meet specified purchase requirements. Refer to the Receiving Inspection procedure, QP10-002.

The Director of Material Development and the Manager of Quality Systems are responsible for giving due consideration to the properties of incoming rolled felt materials with regard to the properties of items that must be manufactured from those rolled goods. In our specialist business segment, our final products may have specifications that are tighter than the standard industry specifications for rolled felt goods we use as raw materials.

14.2 In-process and Final Inspection and Test

The planning for in-process and final inspection and test is a multi-disciplinary activity involving the Manager of Quality Systems and the Production Manager. The Manager of Quality Systems has the ultimate responsibility for establishing, implementing and maintaining systems that meet the in-process and final inspection and test requirements of the product and of ISO 9001. Refer to the Inspection and Test Procedure, QP10-001.

Final inspection shall include (where appropriate) inspection of product, Quality information being sent to the customer, shipping documents, packaging and labeling per documented sampling plans.

14.3 Inspection and Test Status

Wherever the product stands in the manufacturing operations (from raw material to finished product), its inspection status shall be clearly identified. The Manager of Quality Systems is responsible for establishing, implementing and maintaining systems that meet the status identification requirements of ISO 9001. Refer to the Inspection and Test Status Instruction QPW12-001.

14.4 Control of Inspection, Measuring and Test Equipment

The Manager of Quality Systems is responsible for establishing, implementing and maintaining systems that meet the control requirements of ISO 9001. Refer to the Calibration and Control of Inspection, Measuring and Test Equipment Procedure, QP11-001.

The standards used in calibration shall be traceable to national standards. Where no such standards exist, the Manager of Quality Systems shall document the basis used for calibration.

14.5 Control of Nonconforming Product

The Manager of Quality Systems is responsible for establishing, implementing and maintaining systems that meet the control requirements of ISO 9001. Refer to the Control of Nonconforming Product Procedure, QP13-001.

14.5.1 Handling

Identification and segregation of nonconforming product are key aspects of this control. Also, since our business depends upon rapid reaction, communication with other concerned functions (e.g. Customer Service, Purchasing, Warehousing, Production) is a high priority. Handling / notification responsibilities are detailed in the two procedures mentioned above.

14.5.2 Review and Disposition

The Material Review Board shall review nonconformance reports and shall authorize disposition of nonconforming product. Refer to the two procedures mentioned above.

Some contracts require customer involvement in certain disposition decisions. The Contract Review activities shall clearly note such requirements.

15 SUPPORT PROCESSES - Facilities Engineering

15.1 Facilities Management

The VP of Operations Manager and the Engineering Manager are responsible for establishing, implementing and maintaining processes and equipment for optimizing product flow and facility usage. These managers shall report facilities management plans and activities to the Management Team at least once per year. The Management Team shall consider these inputs when formulating plans for the provision of resources.

The VP of Operations and Engineering Managers are responsible for determining and managing the work environment needed to achieve conformity to product requirements. This includes consideration of both Human Factors and Physical Factors. Refer to QP09-001, Process Control.

15.2 Tooling Management

The Engineering Manager is responsible for establishing, implementing and maintaining a system of tooling management that addresses tooling design, procurement, approval for use, setup, storage, maintenance and repair as appropriate. These managers shall report tooling management plans and activities to the Management Team at least once per year. Refer to QP02-004, Tooling Management.

15.3 Preventive Maintenance

For process equipment and tooling, the Engineering Manager is responsible for establishing, implementing and maintaining preventive maintenance systems. Refer to the Preventive Maintenance Procedure – Process and Tooling, QP09-003.

16 SUPPORT PROCESSES - Document Control

The Quality Systems Manager is responsible for establishing, implementing and maintaining a document control system in accordance with ISO 9001. This system shall include a definition of controlled documents, provisions for document creation, modification, review, approval, distribution and retrieval and a reference to a master document list. Refer to the Document Control Procedure, QP05-001.

The Quality Systems Manager shall assure that relevant revision levels of controlled documents are available at points of use.

16.1 Control of Records

The Quality Systems Manager is responsible for establishing, implementing and maintaining systems that meet the record control requirements of ISO 9001. Refer to the Control of Records Procedure, QP16-001, where the records are defined, responsibilities are assigned and retention times are set.

The Felters Group shall implement record systems that utilize electronic data storage as much as possible.

17 SUPPORT PROCESSES - Human Resources

Refer to the Human Resources Management Procedure, QP18-001.

Felters' human resource requirements are defined in two ways. Refer to the Job Description Procedure, QP01-002. Also refer to Pay and Progression systems, for example QPW18-016, Roebuck Pay and Progression.

17.1 Hiring and Orientation

The Human Resources Manager is responsible for identifying candidates for open positions. Refer to QPW18-014, Employment Process.

The Human Resources Manager also plays a key role in orienting new employees to Felters. Refer to QPW18-013, Orientation.

17.2 Evaluation

The Human Resources Manger is responsible for the system of evaluating each employee relative to job requirements. This evaluation will take place as defined in QP18-001, Human Resources Management.

17.3 Training

Each manager is responsible for identifying the training or other actions required to eliminate employee performance gaps. Refer to QPW18-00, Training procedure.

17.4 Regulatory Compliance

The Human Resources Manger is responsible for Felters' compliance with statutory and regulatory requirements relative to personnel emplo 9

yment processes, safety and training. Refer to section 2.6 of this document.

17.5 Organization / Responsibilities

Refer to the company Organization Chart, QP01-001, for company structure and reporting relationships. The company President is responsible for establishing, implementing and maintaining the Organization Chart.

18 SUPPORT PROCESSES - Information Technology

The Information Technology processes include managing the design, implementation and maintenance of information system operations including the hardware and software aspects of:

computer / network operations

business database management

telecommunications and computer-based communications

other office automation equipment / systems

security / disaster recovery

software licensing

Refer to Information Technology procedure QP01-009.

19 REFERENCE DOCUMENTS

ISO Section	Document	Refer to section #

ISO Section					Document	Refer to section #
4	5	6	7	8	ANSI/ISO/ASQ Q9001-2000 Quality Management Systems	
4	5	6	7		HR-318, Ethical Principles	2.1
	5				QP01-001 Organization Chart	17.5
	5				QP01-002 Job Descriptions	17
	5			8	QP01-003 Management Review	3.4 / 5.3 / 6
	5			8	QP01-006 Customer Satisfaction	2.5 / 5.3
4	5				QP01-007 Quality Policy	3.1 / 5.3
4	5				QP01-008 Quality Objectives	3.2 / 5.3
	5	6			QP01-009 Information Technology	18
		6			QP01-010 Crisis Management Guidelines	2.6
	5		7		QP02-001 Quality Planning	9.3
				8	QP02-003 Improvement Teams	5.3.1
			7		QP02-004 Tooling Management	15.2
	5		7		QP02-006 Strategic Business Unit Quality Planning	**Error! Reference source not found.**
	5		7		QP03-001 Contract Review	9.1
			7		QP03-002 Market Assessment	7
			7		QP04-001 Design Control	8.1
			7		QPW04-006 Cost Estimate / Quotation	6 / 8.2
4					QP05-001 Document Control	10.3 / 16
			7		QP06-001 Purchasing	12
			7		QP06-002 Supplier Evaluation	12.1
			7		QP06-003 Felters' Supplier Quality Manual	**Error! Reference source not found.**
			7		QP07-001 Customer Property	13.3
			7		QP08-001 Product Identification and Traceability	13.4
			7		QP09-001 Process Control	10.2 / 15.1
		6			QP09-003 Preventive Maintenance - Process and Tooling	15.3
			7		QP09-008 Manufacturing Orders	9.2 / 10.3
			7		QPW09-009 Production Pattern	9.2 / 10.3
			7	8	QP10-001 Inspection and Test	14 / 14.2
			7	8	QP10-002 Receiving Inspection	14.1
			7		QP11-001 Calibration and Control of Inspection, Measuring and Test Equipment	14.4
			7		QPW12-001 Inspection and Test Status Instruction	14.3
				8	QP13-001 Control of Nonconforming Product	14.5
				8	QPW13-002 Handling of Nonconforming Product	14.5
				8	QP14-001 Corrective Action	5.1 / 5.3
				8	QP14-004 Preventive Action	5.2 / 5.3
			7		QP15-001 Handling, Storage, Packaging, Preservation	13
			7		QP15-002 Shipment	11.2

ISO Section					Document	Refer to section #
4					QP16-001 Control of Records	16.1
				8	QP17-001 Internal Audits	4 / 5.3
	5	6			QP18-001 Human Resources Management	2.6 / 17 / 17.2
		6			QPW18-009 Training	17.3
		6			QPW18-016 Roebuck Pay and Progression Model	17.1
			7		QPW21-020 Invoicing	11.3