

QUALITY ASSURANCE PROGRAM

1. SCOPE

1.1 The Quality Assurance Program of Elite Coatings Company effectively covers inspection of raw materials, in-process control testing, testing of the finished product, and packaging. No changes will be made to this program without written notice to the appropriate government representatives.

2. QUALITY CONTROL LABORATORY

2.1 Relationship to Management

The Quality Control Laboratory consists of the Technical Director and QA/QC Technicians.

2.1.1 The Technical Director reports directly to the Company owners.

2.1.2 The QA/QC Technicians report directly to the Technical Director.

2.1.3 The Quality Control Department and the Production Department are separate and completely independent

2.2 Responsibilities

The Quality Control Department has full responsibility for performing such inspection and testing as necessary to insure full conformance to the finished product specifications requirements, contract requirements, and quality control systems.

2.3 Authority

The Quality Control Department has the authority to stop production of a product at any stage of production so that proper steps, under the direction of the Technical Director, can be taken to bring the product up to standard. No finished product can be released for packaging until the batch has been deemed acceptable to the Quality Control Department and the batch ticket has been so registered.

3. ORDER PROCESSING

3.1 Production Order

Immediately upon receipt of the order, a production order is issued for the amount of material specified on the order. The initial production order lists all pertinent information.

3.2 Batch Tickets

After formula verification by the Technical Director, and scheduling, a computerized batch ticket is issued. The information on this batch ticket is checked and approved by the Technical Director. The batch ticket is then sent to the production department for a stock check of raw materials and manufacturing. Labels are computer generated at this point by the Technical Director and his staff. All applicable QA/QC tests are included on the batch ticket. It is kept by the Technical Director in a permanent file at completion of production and testing. Batch numbers are serially generated by the computer.

3.3 Contract Data File

A contract data file is set up, which includes the contract and notification of award. Also, included is a list of items and quantities on the contract and the batch numbers applicable to them.

4. SPECIFICATION CURRENCY

4.1 Specifications are filed in a central file located in the laboratory. This file is used for formula verification.

5. PURCHASE OF MATERIALS

5.1 Purchase Order

Purchase orders are issued for ingredient raw materials, based on the items and quantities listed on the batch card as compared to current raw material stocks. Where raw materials are required to meet a specification or a proprietary designation, it is ordered to the specification or designation. Purchase orders are issued only to sources approved by the Technical Director.

5.2 Certification and/or Test Reports

When raw materials are required to conform to a specification, certified test reports are requested in writing on the purchase order. When raw materials are required to meet a proprietary standard, certificates of conformance shall be required in writing on the purchase order.

6. RECEIPT OF INCOMING RAW MATERIALS

6.1 Verification of Purchase Order Requirements

A quality control representative checks incoming material for conformance to purchase order requirements. This includes the quantity, applicable specification, purchase order number and receipt of test reports or certifications as required. Test reports or certifications are reviewed, and if correct are initialed by the representative. Incorrect or insufficient test reports or certifications are cause for rejection.

6.2 Testing of Raw Materials

Such tests are run on incoming raw material that the tests, correlated with the integrity of supplier and test reports and/or certifications supplied, adequately insure that the material conforms to the specification or standard orders. Tests vary depending on the nature of the items and are detailed on the incoming raw material inspection form. Approved batches are then moved to the raw material storage area and the inspection form is retained in the quality control department raw material books.

6.3 Disposition of Non-Conforming Raw Material

When raw materials are not found acceptable, the Technical Director is informed of the discrepancy. The material inspection form is forwarded to the Technical Director for review, the material being retained in the receiving dock. If the Technical Director confirms that the material is non-conforming, it is either returned to the vendor for credit or held for non-critical commercial use. Retained material is identified with a 3" by 5" tag, with the following wording in large letters in red ink on white background:

FOR NON-CRITICAL COMMERCIAL USE ONLY

and is stored in a separate area. In case where the material is of marginal quality, a panel consisting of the Plant Manager, Technical Director and a government Quality Assurance representative decide whether the material can be used. In all cases, however, the Quality Assurance representative has the right of final determination.

7. TRACEABILITY

7.1 Traceability of Ingredient Raw Materials

All raw materials used in production of materials to be furnished to a government facility are from batches approved by the Quality Control Department as outlined in Paragraph 5.1 and 6.2. As an ingredient material is incorporated in a batch, the lot or batch number of the ingredient material is recorded on the end product batch card. This includes additions to the batch (such as thinner required for viscosity control), as well as the initial batch make-up. Batch cards are available for review by the government Quality Assurance

8. IN PROCESS TESTING

8.1 Extent of Testing

In-process testing is done as necessary to insure product conformance during various stages of production. Fineness of grind, weight per gallon, viscosity, and other qualities are checked, depending on the nature of the product, as production progresses.

8.2 Record of Test Results

Written results of all tests performed are recorded by the Quality Control Department in a permanent file containing the plant lab copies of all batch tickets. These are available to authorized Quality Control Personnel and government Quality Assurance representatives. All notations are entered. No erasures are allowed.

8.3 Non-Conforming In-Process Products

If at any stage of production, the product is found to be non-conforming, the Quality Control Department halts further production, pending review by the Technical Director. Further work can proceed only with the written approval and a written statement of corrective action measures signed by the Technical Director, or by a chemist delegated in writing by him to do this. This statement shall include the cause of non-conformance, as well as both measures to correct the batch (batch number shall be listed) and to prevent recurrence. This statement shall be retained by the Quality Control Department as part of their permanent records. If the product cannot be brought up to standard, it is either scrapped or put into factory rework for non-critical commercial usage, and a production order is issued for a new batch. Material thus put into factory rework shall be packaged in pails or drums and each container identified with a 3' by 5" tag or sticker with the following wording in large letters in red ink on a white background:

FOR NON-CRITICAL COMMERCIAL USE ONLY

9. FINISHED PRODUCT TESTING

9.1 Extent Testing

The Quality Control Department will run all tests as required by the specification and the contract. Some finished product tests may be omitted if the same test was run "in-process" testing, but only if the government Quality Assurance representative concurs that these tests are valid for the finished product.

9.2 Record of Test Results

Written results of all tests performed are recorded by the Quality Control Department in a permanent file containing all batch tickets. These are available to authorized Quality Control Personnel and government Quality Assurance representatives. All notations are entered on the batch ticket. No erasures are allowed.

9.3 Test Reports

Test results shall be reported in the form of a written test report. The test report shall list actual determined test values unless otherwise allowed. Calculated data shall be shown only when allowed by the specification or contract, and shall be noted as same. Any exception to this shall first be approved by the government Quality Assurance representative. A copy of the test report shall be retained as part of the Quality Control Department records.

9.4 Retained Samples

A sample of each batch shall be retained for three years should later verification testing be required. A one-quart sample is also taken at the time of sampling by a government Quality Assurance representative. It is retained for a period of one year.

9.5 Release for Packaging

Materials will be released for packing only after the batch is registered by the Quality control Department as meeting specification requirements. Registration consists of the date and initials of the Quality Control Department person releasing the batch, as well as recording the batch into a log of all approved batches.

9.6 Disposition of Non-Conforming Finished Product

If the product is found to be non-conforming, the batch ticket, test results, and other pertinent data are forwarded to the Technical Director for review. The subsequent procedures then are exactly the same as for in-process non-conforming products as described in