



Supplier Requirements Manual

MM03

Conformance to this manual is a requirement for all of Merrill Technologies Group suppliers & subcontractors, unless otherwise specified on purchase orders.

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1. Scope and Purpose

1.1. Scope

This manual defines the requirements for all suppliers and sub-contractors to Merrill Technologies Group (MTG*) and all of its subsidiaries. Suppliers and subcontractors for both products and services are included in the scope. This manual supplements and expands on the requirements described in purchase orders. All *approved* Vendors, as determined and documented by each subsidiary's purchase department, are expected to meet all requirements herein. NOTE: All suppliers and subcontractors of products and services will henceforth be referred to as "Vendors" in this manual. All other non-*approved* Vendors are expected to meet the requirements of their purchase orders and any specific sections of this manual indicated on purchase orders.

*NOTE: The initials MTG, as stated throughout this manual, refer to Merrill Technologies Group, or any of its subsidiaries, namely, Merrill Aviation and Defense, Merrill Engineering & Integration, Merrill Fabricators, Merrill Tool & Machine and *Merrill Aviation and Defense Ranger Division*.

1.2. Purpose

The purpose of this manual is to clearly communicate the responsibilities of both Vendors and MTG personnel, to reduce confusion and misunderstandings, and to ensure the on-time delivery of products and services that meet the MTG requirements the first time, with minimal added costs.

2. Approved Vendor List

MTG maintains a list of all *approved* Vendors and customer mandated Vendors. An *approved* Vendor is one that provides a significant amount of business to MTG and is important to ensuring MTG customer quality and delivery performance. If the Vendor is on the AVL, they are required to meet stricter standards as defined by MTG.

3. Quality

3.1 General Quality Requirements

The following requirements apply to all purchase orders whether or not they are specifically stated on the Merrill Technologies Group Purchase Order.

3.2 Change Control

The Vendor is required to notify MTG of any changes within the approved supply chain at all tiers and all levels. Only authorized and approved subcontractors may be utilized that meet all local, state, federal, and customer requirements. This included key characteristics where required. (Supporting documentation required).

MTG notification is mandatory regarding changes in the subcontractor's product and/or process. Proper approval must be obtained prior to making any planned changes. (Supporting documentation required).

Upon successful completion of a purchase order for a particular product or products, MTG may issue repeat orders for the same product or products. The Vendor may not make any changes to materials, subcontractors, manufacturing methods, processing, equipment, etc. from those approved on previous orders without written direction to do so from an authorized MTG representative.

3.3 Non- Conforming Product

If product is found to be non-conforming prior to delivery, it is the responsibility of the Vendor to notify the Quality and/or Purchasing Contact at the appropriate MTG Facility. Do not ship non-conforming product without prior authorization of a Quality or Purchasing Representative.

All non-conforming product that has been authorized to ship by the MTG Facility must be clearly identified as such. This is commonly done with the use of the product being identified with red tags or by a similar means.

It is NOT acceptable to identify the product by writing on it with paint pens or sharpie markers unless authorized by an MTG representative.

3.4 Unauthorized Repair or Substitution

The Vendor shall not deviate from the intent of the Purchase Order Requirements, Drawing (Print) Requirements, and other associated standards and specifications without authorization of a MTG Quality or Purchasing Representative. This includes welding, plugging, using threaded inserts, supplying comparable / substitute material, components, etc.

This requirement must be flowed down to any work subcontracted by the Vendor. (See Change Control)

3.5 Corrective Actions

In the event that the Vendor fails to meet purchase order or drawing requirements, MTG may request that the Vendor complete a formal corrective action. This request may be accomplished through the use of any suitable format. It is the expectation that the interim response be completed in less than 24 hours from receipt, and that the final response is completed within 14 days from date the corrective action was issued. An extension to the 14 days may be granted from the Quality Department of the issuing facility. The request must be made in writing.

MTG reserves the right to take appropriate actions required to mitigate the impact of the non-conformances to our customers. Reasonable costs for these actions may be assessed against the supplier.

Vendors must use the MTG Corrective Action Report, *or equivalent*, for all responses.

3.6 Inspection, Measurement, and Test Equipment

The Vendor is expected to provide all necessary inspection, measurement, and/or test equipment required to adequately assess the conformance of the product and/or

process. The Vendor is expected to periodically review any such equipment for continuing adequacy. *Equipment should have a sufficient measurement range to measure the products produced. Equipment should have accuracy of 10% of tolerance unless otherwise specified by MTG Quality Department, and be Calibrated and traceable to international or national measurement standards. . (Vendor must have Personnel with the knowledge and skills to perform the required inspections, read blueprints, interpret GDT and understand the applicable specifications).*

When unique equipment is required, it is the responsibility of the Vendor to acquire this equipment unless specifically stated otherwise in the Purchase Order.

Supplier is expected to maintain a system for validating the ongoing conformance of the product they produce to the requirements of the purchase order, drawings and all associated specifications. Records of these validations will be retained and will be available for review by MTG employees.

3.7 Order of Precedence

The order of precedence for the Scope of Work, and when data does not match, is as follows (clarifications of conflicts should be verified in writing by MTG Quality or Purchasing personnel).

1. *Purchase Orders*
2. *Drawings / Blueprints (see 3.11)*
3. *Specifications and Regulations*

3.8 Traceability

All products and services covered under an MTG Purchase Order require traceability back to the source materials and services. The Vendor shall have an effective system in place to retain and retrieve all quality records that apply to the Purchase Order within a reasonable amount of time from date of request. (Typically, no greater than 72 hours from time of request).

3.9 Handling, Packaging, and Preservation

The Vendor shall take all reasonable precautions to ensure that product arrives at MTG without damage due to handling, transportation, etc. Product shall arrive free from any corrosion and shall have the ability to be stored for reasonable periods of time without special handling by MTG to prevent degradation. (This includes rust).

Materials and goods supplied by MTG to the Vendor must be handled appropriately to avoid damage. It is the responsibility of the Vendor to immediately notify MTG upon the receipt of damaged materials or goods.

3.10 Standards and Specifications

It is the responsibility of the Vendor to understand and utilize the latest Revision of all standards and specifications required in our Purchase Order and drawings. This includes the use and tracing of superseding Standards or Specifications.

3.11 Math Data

When the Vendor is provided with math data, the data may be consulted to resolve missing dimensions on blueprints. Conflicts between blueprint and math data should be reported to an MTG representative for resolution immediately upon identification of the conflicting data. *Unless otherwise indicated on the Purchase Order, prints are master.*

3.12 Sampling Inspection

When 100% inspection is not practical, MTG requires that the Vendor inspects parts to a sampling plan that can provide assurance that the parts meet the drawing and purchase order requirements. The MTG Sampling plan can be found in Appendix A of this manual.

The default index value for attributes is 4.0. The index value for dimensional data is as specified on the MTG Sampling plan. As appropriate other index values may be indicated on the purchase order.

Other statistically valid sampling plans must be approved by an authorized MTG Representative.

In all cases the sampling plan is to be based on a c=0 acceptance criteria. No level of non-conforming product is acceptable.

Statistical Process Control (SPC) may be used in instead of sampling when it is appropriate and when approved by an authorized MTG Representative.

Appendix A: MTG Approved Sampling Plan

3.13 Retention of Records

Vendor is required to maintain inspection and/or test records and documentation for supplied product. Documents must be maintained for a minimum of 7 years unless otherwise specified on the purchase order. These records shall be available for review/audit by MTG upon request.

4. Vendor Qualifications and Approval Process

4.1 New Vendor Selection

There are a number of methods MTG may use to select new Vendors, including direct customer mandate, endorsement by other organizations, verification of

registration to applicable quality standards (e.g., ISO-9001), on site audit, or usage on a trial basis.

The Vendor shall cooperate with MTG when it employs one or more of the methods above.

4.2 Vendor Approval Process

4.2.1 MTG Quality System Audits:

The MTG Quality and Purchasing departments schedule quality system audits with all new approved Vendors. Other new, non-approved, Vendors may also be audited at MTG's discretion. If new Vendors receive an audit questionnaire in advance of an audit, the Vendor shall complete the questionnaire before the scheduled audit. During audits, all affected personnel and documentation shall be made available to MTG auditors. The length of audits vary depending on the audit document and methodology selected by the auditors, however the length of the audit is normally less than one day.

If a non-conformance (NC) is discovered, the auditor will inform the Vendor immediately and will include it in a final report at the closing meeting. A written corrective action plan shall be completed and returned to the MTG lead auditor within two weeks. Actions taken to resolve the Nonconformance shall take no more than three (3) months to complete.

If the Vendor is registered to an international or industry specific quality standard, such as ISO-9001, evidence of their registration shall be provided to MTG, including audit reports.

MTG customers may accompany MTG auditors on their audits of Vendors. In those events, Vendors shall permit them on the premises and cooperate with them during the audits.

5. Purchase Orders

5.1. Cancellation Clause

MTG may cancel the services ordered under this purchase order in part or in whole. If the cancellation is for causes such as non-conformance or late delivery, the contractor will be paid reasonable costs for parts that meet print and delivery requirements. If the cancellation is for convenience of MTG then contractor shall immediately stop work and minimize the incurrence of costs. Contractor shall document all costs and reasonable profits within a period of 30 days after the cancellation of the order and present this information to MTG. Unless otherwise negotiated for orders covering an extended period of time, MTG will not be responsible for any costs incurred on parts that are not due for delivery more than 90 days after the cancellation order was given. At no time may the exposure of MTG exceed the amount under FAR 52.242-15 or under DFAR 252.239-7007.

6. Delivery

Delivery of product is expected to occur 100% of the time on the exact calendar date specified on the Purchase Order. Any deviations from schedule must be discussed with a qualified MTG representative prior to the scheduled delivery date.

The following requirements also apply to all shipments unless specifically waived by a qualified MTG representative.

6.1 Window Times

MTG does not require that shipments be delivered within a certain period of time on the delivery date. Shipments will be accepted between the hours of 7:00 AM and 3:30 PM on non-holiday weekdays. Other delivery times can be arranged by a qualified MTG representative when there is an urgent need.

6.2 Advance Shipment Notification

MTG requires advance notification of shipment (ASN) on all shipments of productive items. The ASN can be sent to your MTG Purchasing agent via email or fax. Verbal notification by telephone will be accepted if circumstances require. At a minimum, the ASN shall include:

1. Delivery Date
2. Purchase Order number
3. Carrier Name
4. Progressive (PRO) Number (or other tracking number)
5. Line Item number(s)

6.3 Shipping Documents

MTG requires that each shipment be accompanied by an appropriate shipping record such as a Shipper or Packing List. At a minimum, this document shall include:

1. Vendor Name
2. Purchase Order number
3. Line Item number(s)
4. MTG Job Number (If given on PO)
5. Ship To information
6. Bill To information
7. Quantity
8. Description

6.4 Certifications

When required by the Purchase Order, hard copies of material and/or product certifications are required to accompany each shipment and/or line item. Certifications may also be provided electronically by previous arrangement with a qualified MTG representative.

6.5 Drop Shipments

In some cases, MTG will require drop shipments to other Merrill Technologies Group facilities. When this is the case, it will be indicated on the Purchase Order. Other drop shipments of any kind are permitted only in extreme circumstances. These drop shipments must be approved in advance by an authorized MTG representative.

6.6 Late Shipments

When it becomes known to the Vendor that a shipment will not be delivered on time, the MTG Purchasing agent must be notified immediately. In the event that the MTG Purchasing agent is not available, call the MTG facility specific general telephone number and ask that someone be paged.

6.7 Premium Freight

All premium freight charges are the responsibility of the Vendor unless the use of premium freight is requested by an authorized MTG representative.

7. Technical Satisfaction

In order to provide our customers with the highest quality product with the most value, MTG works jointly with Vendors to continuously improve our products and processes. Vendors are expected to participate in these efforts in a timely manner.

7.1 Continuous Improvement

The Vendor may be requested to participate in various types of activities that encourage continuous improvement, including but not limited to:

1. Sample Material Trials
2. Designed Experimentation
3. Continuous Improvement Workshops
4. Layered Audits
5. 5S Activities
6. Six Sigma projects

7.2 Corrective / Preventive Action

On some occasions, the Vendor may be called upon to assist with closure of action items as a result of correction and/or prevention of discrepancies noted by our customers. The Vendor is expected to actively participate in these activities in a timely manner. Some examples of these actions are:

1. Increased sample size and/or frequency
2. Additional inspections and/or testing
3. Product serialization
4. Intensified Internal Audits
5. Statistical Process Control

7.3 Onsite / Third Party Inspection

MTG must be able to completely rely on the quality and timeliness of the products and processes provided by its Vendors. It is the responsibility of the Vendor to ensure that this is possible.

In the event that the Vendor demonstrates through repeated quality and/ or delivery issues that it is not capable of ensuring 100% on time and usable parts, the Vendor may be placed on "Onsite Inspection" status. This means that an MTG designate will be sent to the Vendor site at Vendor expense to review and approve product prior to shipment.

In the event that "Onsite Inspection" status results in the discovery of repeat issues, the Vendor may be placed on "Third Party Inspection" status. This means that MTG will hire a qualified third party at Vendor expense to review and approve product prior to its arrival at MTG.

8. Vendor Rating

The following scoring guidelines will be used to measure MTG Vendor performance. The ratings will be compiled and published for Vendor review on at least a quarterly basis by Supplier Quality Assurance.

MTG will use this list for the purpose of identifying those Vendors that need development, and rewarding exceptional Vendors. The ratings shall apply to all approved Vendors and may apply to all other Vendors.

8.1 Quality

The Vendor receives 50 points each calendar month as a base score in the quality category. Points will be deducted from the Vendor's quality score for each occurrence of a quality issue according to the following guidelines:

Certs incorrect	-5
Late response to CAR (each day)	-5
Nonconforming Product	-10
Customer Issue with product	-25

The MTG Buyer or MTG Supplier Quality may elect to add or subtract points to the Vendor's quality rating at his or her discretion, based upon the circumstances of the issue or issues.

8.2 Delivery

The Vendor receives 35 points each calendar month as a base score in the delivery category. Points will be deducted from the Vendor's delivery score for each occurrence of a delivery issue according to the following guideline:

Certs missing	-5
Shipping Documents missing	-5
Shipping Documents incorrect	-5

Damaged in Transit	-10
Incorrect quantity	-10
Incorrect product	-10
Late Delivery (one day)	-10
Late Delivery (each additional day)	-5

The MTG Buyer or MTG Supplier Quality may elect to add or subtract points to the Vendor's delivery rating at his or her discretion, based upon the circumstances of the issue or issues.

8.3 Technical Satisfaction

The Vendor receives 15 points each calendar month as a base score in the Technical Satisfaction category. Throughout the month, any MTG employee may provide feedback to MTG Supplier Quality that could cause points to be subtracted to the Vendor's score.

The general guideline is that 1 point be subtracted for each late response to requests for information, assistance, participation in continuous improvement activities, etc.

8.4 Quarterly Rating

The Vendor will be provided with a quarterly rating based on the arithmetic sum of all of the Vendor's remaining points for that period. The Vendor's quarterly rating and overall rating (described below) will be communicated via an appropriate method.

8.5 Overall Rating

The Vendor's overall rating is the arithmetic average of all of the Vendor's quarterly ratings for the last 12 months. In general, an overall rating of less than 75 is considered unacceptable. An overall rating of 85 or greater is the expectation.

The Vendor's overall rating will be considered strongly when awarding new business, with preference given to those Vendors with higher overall ratings.

Priority for Vendor development activities will be given to those Vendors with unacceptable ratings. MTG may terminate any long term contracts with Vendors who continue to have unacceptable ratings.

8.6 Vendor Probation

Any Vendor with excessive or continual quality and/or delivery issues may be subject to Probation. If placed on probation the following process may be followed:

- MTG will draft the Vendor's development plan
- Meeting held with Vendor to discuss development plan criteria
- Vendor plan to meet agreed upon development criteria, with milestone dates, due to MTG within 30 days
- Vendor must meet all dates of milestones and completely address entire development plan
- No quality or delivery issues while on probation

Once the Vendor completes all steps of the probation process and meets all

Milestones on their development plan and those have been verified at the Vendor location, the Vendor will then be placed back on the approved Vendor list.

9. Purchase Order Quality Clauses

The following quality requirements apply only when they are listed on the MTG Purchase Order:

Q101– Quality/*Inspection* System Approval

The Vendor's quality and/or Inspection System require approval by MTG QA department. Any deviation from this approved system must be approved by MTG QA department prior to start of work.

Q102 – Vendor Certificate of Conformance (COC)

Vendor will provide a COC with each shipment that specifically states that all parts produced to fulfill a specific MTG purchase order meet the drawing AND purchase order requirements. This certificate must indicate the purchase order and line items, part numbers, part names, drawing revisions, and quantities of each part. The certificate must be signed and dated by an authorized QA representative with the name and title legibly printed.

Certificates of Conformance are not to be taken lightly. They are a signed statement of adherence to all MTG Purchase Order and Drawing Requirements.

Sample of Vendor Certificate of Conformance can be provided upon Request.

Q103 – Supplier Inspection Reports Required (SIR)

The Vendor is required to provide inspection and/or test reports with each shipment of product.

The following items must be included on the Inspection Report

- Adherence to MTG Sampling Plan {See Appendix A}
- All GDT items of .010" (0.26mm) and less
- All dimensions of .010" (0.26mm) TOTAL Tolerance or Less.
- All Surface Finish call outs of 64 Micro inch (1.6 micrometers) and Less.
- All Surface Finish callouts that indicates a range {i.e. 64 -125}
- All threaded hole sizes and depths (include "thru" as a depth).

Inspection Reports must include the following information:

- Vendor Name
- MTG Purchase Order Number
- Part Number
- Revision Level
- Part Name
- Date
- Signature of Vendor Quality Representative

Dimensional Requirements including Tolerances must be listed. Corresponding measurement or test results must be recorded. Any measurement that falls out of the tolerance range must be starred (*).

Q104 – Inspection Reports Required for Special Characteristics

Vendor will inspect and provide reports for any Special Characteristics as indicated on the drawing or in the purchase order for 100% of parts supplied. Evidence of statistical control may be accepted in lieu of 100% inspection at the discretion of MTG Quality department.

Q105 – Material Certification

Vendor will provide a legible Mill Test Report (MTR) for all materials provided. This report must be traceable to the MTG Purchase Order Number through the Vendor signed shipping document or material certification. All documents must be signed an authorized representative with the name and title legibly printed.

The Material Certification must state the following:

- MTG Purchase Order Number
- Vendor Name
- Material Specification on Purchase Order and /or Drawing
- Indicate material was tested to requirement
- Indication on the certification that the material conforms to the Material Specification.

Q106 – Process Certification

Vendor must provide a Certificate of Conformance / Test for all processing that was performed by them or for them on MTG Parts. Processing includes Heat Treatment, Coatings, Treatments, Paint, Conversions, Plating's, Shot Peen, NDT, Assembly, Testing, Welding, etc. *The most recent revision of the appropriate processing specification must be recorded on the certification unless a previous revision is stated on the po.*

Q107 – First Article Inspection Report (FAIR)

Prior to shipment of product, Vendor must produce a road-mapped drawing (each characteristic and note is indicated with a circled individual number) and inspection report (MTG's format) with the first shipment of parts that demonstrates that parts meet all dimensional and noted requirements. The report package shall include:

1. Dimensional Inspection (mandatory)
2. Material content (mandatory)
3. Special process capability (if applicable)
4. Test results (if applicable)
5. Configuration (if applicable)

With prior approval, this requirement may be waived by MTG if you have successfully completed a FAIR for the same part number and revision in the previous 12 months.

Sample of First Article Inspection Form can be provided upon request.

Q108 – First Article Inspection Report (Onsite at Vendor Location)

Same as Q107, except the package will be reviewed at Vendor Location.

Q109 – Pre-Production Process Verification (PPV)

A five-piece, serialized sample of the product or process, with documented inspection or test results accounting for all characteristics must be submitted to MTG prior to the start of

a large production or processing run. Vendor must wait until approval is given from MTG before proceeding.

Q110 – Process Capability

Capability studies must be performed and determined to be adequate prior to beginning production. The Vendor shall utilize appropriate statistical controls in order to ensure ongoing process capability. An authorized MTG representative shall clearly define capability requirements.

Q111 – Source Inspection

Product will be inspected at the Vendor's facility by MTG personnel. MTG must be notified no later than 5 business days in advance of product completion. Product cannot be shipped as complete until Source Inspection at Vendor's Facility has been complete.

Q112 – Drug Testing

The Supplier agrees to implement and maintain a random drug & alcohol testing program that satisfies the FAA mandated F.A.R. Part 120 Subpart E-Drug & Subpart F-Alcohol Testing Program Requirements. Optional: Contact MTG to be added to an already existing program at the supplier's expense. This will require a mandatory open participation in the ongoing random testing program. (Supporting documentation required).

Q113– Access

The Supplier agrees to right of access at all facilities and records (applicable to the specific order) by the customer and all related top tier levels including all applicable authorities (FAA). (Note: It is understood that areas of proprietary nature may be restricted from inspection as deemed appropriate by the Supplier).

Q114 – Documentation Package

The Supplier agrees to the proper completion of customers release documentation package, including the immediate notification of any known defects or un-airworthy conditions. (Supporting documentation required).

Q115 – Certifications

*The Supplier agrees to provide to MTG all industry relative certifications, certificates of conformance and/or return to service documentation as required by content and body of this contract. (Supporting documentation required). **Completed FAA 8130-3 is required where applicable.***

Q116 – Purchase Order Acceptance

The Supplier understands that acceptance of any MTG purchase order is validation of its agreement to abide by all applicable clauses for the duration of the contract (Purchase Order).

Q117 – PPAP

The Vendor is required to complete a full PPAP (Production Product Approval Process) per AIAG requirements. The default PPAP level is Level 3, other levels as applicable will be stated on the purchase order. An approved Warrant must be received from MTG Quality prior to the release of any production material.

10. Revision History

Rev. 0 – dated 2/5/09 – Original Release

Rev. 1 – dated 7/24/09 – Sect. 3.5.1 Received deliverables requirements, added MSDS. Added sect 3.5.2.1 MSDS shall be made available. Added sect 10.1.1.5 – MSDS sheets (as required).

Rev. 2 – dated 01/20/2010 – Sect. 3.9.1 and 4.3.1 removed 121 Appendix & J Air Carrier; added F.A.R 120

Rev. 3 – dated 8/17/2011 Combined MTG and Merrill Defense Supplier Manuals

Rev. 4 – dated 12/3/2012 Added MAD quality clauses Q113 thru Q120, added Defense to Aviation, Removed No Process Changes Clause as it is spelled out in section 3.2, added more information to clause Q106 and added successful to 3.2.

Rev. 5 – dated 8/19/13 1.1 added Defense and Ranger to Scope, 3.2 added verbiage from deleted quality clauses, 3.3 added plural to non-conforming products, 3.5 added Merrill reserves the right to appropriate actions to mitigate impact of non-conform. 3.6 added equipment must have accuracy of 10% of tolerance measured and conformable to NIST & added Supplier to maintain system for validating non conformances. 3.7 Added Order of Precedence. 3.11 added "Unless otherwise indicated on PO, Prints or master". 3.12 added Sampling inspection additions including c=0 requirement. Edited Quality Clauses and Appendix A added full sampling plan.

APPENDIX

A

Merrill Technologies Group

C = 0 Sampling Plan

If not specified by contract the default AQL is 1

LOT SIZE	AQL 0.1	AQL 0.15	AQL 0.25	AQL 0.4	AQL 0.65	AQL 1	AQL 1.5	AQL 2.5	AQL 4	AQL 6.5	AQL 10
	SAMPLE SIZE										
2 - 8	All	All	All	All	All	All	All	5	3	3	3
9 - 15	All	All	All	All	All	13	8	5	3	3	3
16 - 25	All	All	All	All	20	13	8	5	3	3	3
26 - 50	All	All	All	32	20	13	8	7	7	5	3
51 - 90	All	80	50	32	20	13	13	11	8	5	4
91 - 150	125	80	50	32	20	19	19	11	9	6	5
151 - 280	125	80	50	32	29	29	19	13	10	7	6
281 - 500	125	80	50	48	47	29	21	16	11	9	7
501 - 1200	125	80	75	73	47	34	27	19	15	11	8
1201 - 3200	125	120	116	73	53	42	35	23	18	13	9
3201 - 10000	192	189	116	86	68	50	38	29	22	15	9
<p>To determine the sample size, select the row based on the lot size, select the column based on the required AQL. Randomly select and inspect the required number of samples. If any non-conformances are found reject the lot and 100% sort all parts.</p>											