

Horberg Industries, Inc.

QUALITY POLICY MANUAL

Procedure No.
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Scope

The Management System described in this Quality Policy Manual (and the related documents within the Quality Manual as a whole) apply to the operations of the company in providing manufactured items and contract machining services to customers to their specifications and/or industry specifications.

Exclusions (and Justifications)

The requirements of ISO 9001:2000 for the following clauses have been excluded from this quality system for the reasons described:

- For Clause 7.3, Design and Development, as the requirements relate to the design of product. The Company has taken this exclusion as it does not have the capabilities to provide product design services to Customers and does not accept orders for product design-related activities.
- For Clause 7.5.1.5, Control of Service Operations, as the Company does not solicit, or accept, orders from Customers for after-sales servicing.

Authorization

This Quality Policy Manual is published under the authority of the President of the company. It is intended to establish and communicate the Quality Policy and structure of the quality management system for the company. The intent is to effectively implement a Quality Management System that complies with International Standard ISO 9001:2000 and Aerospace Standard AS9100. It will be reviewed and updated as necessary to reflect changes in policies and quality management system practices. Changes or amendments to this manual will be referenced in its revision record section.

Distribution Policy & Distribution List

This manual is available to: internal personnel, and upon request, to representatives of customers or regulatory agencies.

Master Quality Policy Manual:

The President, as Management Representative, maintains the Master Quality Policy Manual. One Working copy is located in the main office

Uncontrolled Copies: Uncontrolled copies of this Quality Policy Manual are available for reference only. Uncontrolled copies will be clearly identified as uncontrolled copies. These are not updated. It is the holder's responsibility to verify that it is the current revision before using it.

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Company Profile

Our past

In 1935, William Horberg founded Centerless Grinding Works to provide innovative solutions to a then fledgling manufacturing industry. By 1993, after considerable growth and maturity, the company became Horberg Industries, a leading supplier of precision components to the manufacturing industry.

Our present

Over half a century later, our name may have changed but our dedication to excellence has not. We still follow the same credo as William Horberg back in 1935, "Superior manufacturing methods yield superior results." Our customers reap the rewards of that dedication.

Our future

We have invested heavily in manufacturing and quality assurance methods and systems to monitor and control every job through each process step. The tradition of the master craftsman combined with cutting-edge technology has made Horberg Industries the benchmark of "Precision...Since 1935".

Our Quality

At Horberg Industries, excellence is both a tradition and an objective. As the result of our relentless commitment to quality, our components are in demand by such complex projects as the Space Shuttle, as well as many other aerospace, automotive, defense, industrial and medical applications.

Our Commitment

We are dedicated to being the "Best of the Best" as supplier, as customer, as employer, as corporate citizen and as member of the community...to serve as the standard against which other companies are measured. Our customers' satisfaction is the yardstick by which we measure our success.

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Quality Policy Statement

Our Quality Policy is:

“To constantly pursue progressively higher levels of excellence in the products and services we provide. To take both corporate and personal pride in our customers’ successes.”

*Horberg Industries, Inc. is committed to being an organization where employees at all levels are continually challenged to grow both professionally **and** personally in their service to others. We will always endeavor to be the “Best of the Best” as supplier, as customer, as employer, as corporate citizen and as member of the community...to serve as the standard against which other companies are measured.*



Robert C. Leety, President
Horberg Industries, Inc.

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Goals and Objectives

Senior Management has identified certain strategic goals and objectives which are used to direct the future development and operation of the Company. These strategic goals and objectives are proprietary and confidential and, as such, are not published or communicated to persons not in Senior Management. As a means of providing for the effective implementation of the strategic goals and objectives, Senior Management has established and documented certain operational goals and objectives. These are measurable Company objectives, which are to be met through the effective implementation of the quality policy and the quality management system. These operational objectives are published to the Management team who will use them in running their respective departments. Progress toward attaining these objectives is monitored and reported. Senior Management may revise these objectives as needed.

These objectives will be evaluated by Senior Management at regular intervals and adjusted according to changes in Company conditions or strategy, Customer requirements, technological advances, market pressure or other circumstances.

In addition, the President will seek and utilize relevant customer and supplier feedback that will measure their satisfaction. The information gained from this feedback will be analyzed and, as appropriate, applied to potential improvements to the quality management system.

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4.1 QUALITY MANAGEMENT SYSTEM

4.1.1 General Requirements

The Company has established, documented, implemented and maintained a quality management system and continuously improves its effectiveness in accordance with the requirements of International Standard ISO 9001:2000. The quality management system is documented in this Quality Policy Manual, quality system procedures, work instructions and other quality system management documentation. The quality management system is designed to satisfy the requirements of ISO 9001:2000 and AS9100. The President is the identified Management Representative and has overall responsibility for the administration of the quality management system.

The Company's management system fosters continuous improvement so that it is in continual compliance with governing Standards, Customer requirements and regulatory authorities.

As appropriate to the different functions within the Company, employees have access to the documentation which describes the management system processes. When required by contract with a Customer, or by regulation, quality management system documentation will be made available to Customer representatives and/or regulatory authorities.

If, and when, any regulatory requirements are contractually imposed, the company incorporates those requirements as needed into the company's associated Quality Policy Manual, Quality Assurance Procedures and work instructions.

4.2 DOCUMENTATION REQUIREMENTS

4.2.1 Policy

The Company has documented and implemented a quality system that satisfies the requirements of ISO 9001:2000 and AS9100 as well as any special customer requirements. This quality system has been established to ensure that quality, consistency and reliability are integral parts of all jobs and activities supporting production.

The quality system addresses the applicable clauses of ISO 9001:2000 and AS9100. There are appropriate procedures in place intended to address the requirements of the Standard and to ensure that, when complied with, these procedures represent the standard Quality Plan. The system has been developed to incorporate feedback loops to ensure that procedures and practices are documented and that there is objective evidence to show that the system is effective. The President ensures that the appropriate revisions of quality documents are maintained and are accessible.

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4.2.1.1 Quality System Documentation Structure

The Quality System is described in a Quality Manual, which is comprised of four levels as follows:

- **Level I - Quality Policy Manual (QPM)**
An overview document which outlines the requirements of ISO 9001:2000 and AS9100 and how the requirements are satisfied.
- **Level II- Quality Assurance Procedures (QAPs)**
Describe the processes utilized to comply with the requirements of ISO 9001:2000. The procedures are written to address the everyday business requirements as well as provide for special requirements dictated by the customer or internal forces.
- **Level III - Work Instructions (WIs)**
Detailed, “how to “ instructions regarding techniques or unique processes. These are utilized when required and may include the use of flowcharts as instructional documents.
- **Level IV - Forms or Records**
These provide objective evidence that the procedures are utilized and are effective.

This Quality Policy Manual is made available to certain bodies outside the Company including customers and/or customers’ representatives as required. Any QPMs issued outside of the Company will be indicated as uncontrolled and are intended for reference only. Uncontrolled copies will not be updated when changes are made. Level II and Level III documents are considered proprietary and may be made available outside the Company on a case-by-case basis.

The Company has implemented an Employee Training program to assist in educating the personnel in the functions of this quality system as they apply to each employee, ensure that the relevant procedures and work instructions are fully implemented and to provide personnel with sufficient training to perform all tasks in the manner in which The Company has described in quality documentation. Ensuring on-the-job competencies and related training is an ongoing task and is performed as needed. Whenever possible, people that are fully qualified for their jobs are hired.

The Quality Manual describes the document format of the procedures. The procedures describe the work, methods, skills and techniques to be followed in order to provide processes and products that achieve the quality goals.

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Not all process descriptions will be in the format of narrative procedures. As deemed appropriate, checklists, flowcharts, physical samples etc. are used to depict processes or transmit process information. Regardless of the style of process description used, revision control is provided for and maintained.

The documentation used at the Company may be in any form or type of medium; paper or electronic. Regardless of the medium, all documentation is controlled in accordance with the requirements of the quality system.

4.2.2 Quality Manual

The Company has established and maintains a Quality Manual that includes:

- a) The scope of the quality management system, including details of, and justification for, any exclusions (see page 5).
- b) The documented procedures established for the quality management system, or reference to them.
- c) A description of the interaction between the processes of the quality management system.

A Master List of Controlled Documents (MLCD) is maintained which identifies the current revision level of all documents in the system. The layout of the MLCD (and the structure of the documentation in the manner of ISO 9001 and AS9100) provides a convenient method to show the relationship of any documents to the Standards. All master controlled documents are maintained in secured locations to protect against loss or change other than by the approved document and data change procedures.

4.2.3 Control of Documents

Documents required by the quality management system are controlled. Records are a special type of document and are controlled according to the requirements given in 4.2.4.

Documented procedures are established to define the controls needed to:

- a) Approve documents for adequacy prior to issue.
- b) Review and update as necessary and re-approve documents.
- c) Ensure that changes and the current revision status of documents are identified.

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- d) Ensure that relevant versions of applicable documents are available at points of use.
- e) Ensure that documents remain legible and readily identifiable.
- f) Ensure that documents of external origin are identified and their distribution controlled.
- g) Prevent the unintended use of obsolete documents and to apply suitable identification to them if they are retained for any purpose.

As required by contract with the Customer, or by regulation, revisions to the documented system will be coordinated with the appropriate Customer representative and/or regulatory authority.

4.2.4 Control of Records

Records are established and maintained to provide evidence of conformity to requirements and of the effective operation of the quality management system. Records shall remain legible, readily identifiable and retrievable. A documented procedure has been established to define the controls needed for the identification, storage, protection, retrieval, retention time and disposition of records.

Where the Company maintains records created by Suppliers, those records are maintained in accordance with the documented procedure referred to above. Where the Company requires Suppliers to maintain certain records, the Company will transmit instructions to the Supplier in accordance with the Purchasing procedure.

As required by contract with the Customer, or by regulation, records will be made available to the appropriate Customer representative and/or regulatory authority.

4.3 CONFIGURATION MANAGEMENT

4.3.1 The Company has established, documented and maintains Configuration Management through the use of the Quality Management System. This system begins with contract review, flows through Quality Planning and Process Control and concludes when product is delivered to the customer. The product history can be traced using the documents contained in, or referenced by, our Job Traveler. These documents detail each step of the process throughout our facility. At a minimum, these documents contain the customer's requirements, details of the processing instructions (i.e. process steps, heat treating, etc.) and documents the results obtained during processing, including the associated equipment. Configuration Management is further established by our fixed process that

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identifies the customer's requirements, details the processing instructions and acquisition of approvals for any changes to the controlled process.

5. **MANAGEMENT RESPONSIBILITY**

5.1 **MANAGEMENT COMMITMENT**

The company's quality policies and objectives are communicated through the Company using the documented quality management system, posted notifications, periodic publications, employee meetings and other communication means deemed appropriate by the Management of the Company. Additionally, Management communicates the importance of customer satisfaction and the necessity for compliance to regulatory and statutory requirements.

Quality is the responsibility of all employees. Each employee is expected to understand and commit to the Quality Policy Statement and related objectives. Specifically, each employee is charged to understand their respective role within the quality system as defined in documented policies, procedures and work instructions. Each employee is expected to perform their respective jobs in accordance with the required documentation and instructions, as well as instructions relayed through supervision. Employees are to inform their supervisor(s) of any condition preventing the employee from complying with the stated requirements.

Senior Management provides evidence of its commitment to the development and implementation of the quality management system and continually improving its effectiveness by:

- a) Communicating to all Company employees the importance of meeting customer requirements as well as statutory and regulatory requirements.
- b) Establishing the quality policy.
- c) Ensuring that quality objectives are established.
- d) Conducting management reviews.
- e) Ensuring the availability of resources.

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5.2 *Customer Focus*

Top management strives for 100% customer satisfaction by assuring that all customer requirements are met and that continual customer satisfaction is its primary goal.

Solicitations, contracts and orders are reviewed to determine if the customer requirements are adequately defined, understood and agreed to. The President has the responsibility for administering the contract review process. As needed, Quality and Manufacturing provide input into the contract review process in order to qualify the customer requirements against manufacturing capabilities of the Company. The contract review process is documented in the quality systems procedures.

One of the primary ways the company ensures that customer requirements are met is to assure compliance to all contractual requirements. Before submission of a proposal, or acceptance of a solicitation, proposal, contract or order, a review is required by the appropriate functions in order to ensure the following:

- The requirements are accurately defined and documented. Even if not required by the customer, the appropriate function(s) assures that the requirements are agreed upon and recorded before acceptance.
- Any difference between the contract or order requirements and those in the proposal are resolved. The President ultimately resolves differences between the customer and an affected organization.
- The Company meets the customer or contract requirements within the stated delivery requirements. Manufacturing reviews are conducted to identify manufacturing requirements and applicable control plans. Where the Company does not have the capability, or changes are identified, differences will be resolved between the customer and Management. Process packages are developed as required to address all contractual requirements and the methods by which the company will comply with those requirements.

5.3 **QUALITY POLICY**

The quality policies and objectives are defined in this quality policy manual. These policies and objectives are communicated to all levels of the company through this quality policy manual, a documented quality system, posted notifications, periodic publications, employee meetings and other communication means as deemed appropriate by Management of the Company.

The Company is committed to providing our customers the highest quality product achievable, utilizing the most advanced manufacturing capability, dedication to teamwork and high ethical and moral standards as the foundation of our operation.

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Top management ensures that the quality policy:

- a) Is appropriate to the purpose of the Company
- b) Includes a commitment to comply with requirements and continually improve the effectiveness of the quality management system.
- c) Provides a framework for establishing and reviewing quality objectives.
- d) Is communicated and understood within the Company
- e) Is reviewed for continuing suitability.

5.4 PLANNING

5.4.1 Quality Objectives

Quality is the responsibility of all employees. Each employee understands and commits to the quality policy requirements and related objectives. Specifically, each employee understands their respective role within the quality system as defined in documented policies, procedures and work instructions. Additionally, each employee is aware of the company's effort for continuous improvement in the quality management system and its work environs. Each employee performs their respective job in accordance with documented instructions, Job Travelers and associated documents, operation sheets, drawings as well as instructions relayed through Supervision. Employees are to inform their Supervisor(s) of any condition preventing the employee from complying with this requirement.

Quality objectives and their continued suitability for the Company are continually reviewed and adjusted to suit current business climates and customer needs.

5.4.2 Quality Management System Planning:

Quality planning is used to ensure the Customer requirements and the Company's quality objectives are being met. As appropriate, the quality department, manufacturing and/or other key functions will meet at production meetings to address ongoing quality planning needs. Top management, ensures that:

- a) The planning of the quality management system is carried out in order to meet the requirements given in 4.1, as well as the quality objectives.
- b) The integrity of the quality management system is maintained when changes to the quality management system are planned and implemented.

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5.5 RESPONSIBILITY, AUTHORITY AND COMMUNICATION

5.5.1 Responsibility and Authority

The organizational chart for the company depicts the lines of responsibility and interrelations for personnel who manage, perform and verify work that affects quality. The company has a limited number of employees. Therefore, a single person may perform several functions.

Each Manager sets expectations that support the quality policy and objectives of the organization, assigning qualified people to meet those expectations, ensuring that prescribed procedures are followed and measuring results against expectations in their area of responsibility. The following table lists the company functions with the responsibilities for implementing and maintaining elements of the Quality Management System.

RESPONSIBLE PERSON	QUALITY MANAGEMENT SYSTEM ELEMENT	ISO 9001:2000
President	Management Responsibility	5.0
President	Quality Management System	4.0
President	Documentation Requirements	4.2
President	Customer-related Processes	7.2
President	Competence, Awareness and Training	6.2.2
President	Purchasing	7.4
Department Managers	(Production) Process Control	7.5
Quality Manager	Monitoring and Measurement	8.2
M.P Enders	Internal Audit	8.2.2
Quality Manager	Control of Nonconforming Product	8.3
President	Continual Improvement	8.5
Quality Manager	Corrective Action	8.5
Quality Manager	Preventive Action	8.5
Quality Manager	Control of Records	4.2

Throughout the system, whenever responsibilities and/or authorities are specified, they may be delegated by the person so named. However, the person named maintains ultimate responsibility and authority despite the delegation.

The Company has:

- Identified the processes needed for the quality management system and how these processes apply throughout the Company.
- Determined the sequence and interaction of these processes, through flowcharting and through planning for individual products.
- Determined the criteria and methods needed to ensure that both the operation and control of these processes are effective.
- Implemented controls in order to ensure the availability of resources and information necessary to support the operation and monitoring of these processes.

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- Implemented systems intended to monitor, measure and analyze these processes.
- Implemented actions necessary to achieve planned results and improve these processes.

Quality Management Principles

The processes of the quality management system are managed by the Company in accordance with the requirements of International Standard ISO 9001:2000 and encompass the eight “Quality Management Principles” (from ISO 9004:2000):

A. Customer Focus:

Realizing that we depend upon customers for our existence, we will strive to understand and anticipate their needs and exceed their expectations. We should never give them a reason to look elsewhere.

B. Leadership:

It is the leader’s responsibility to establish vision and direction for an organization and to provide consistent and visible commitment “from the top”. Further, he/she must create an environment that encourages the involvement and development of people with a view towards promoting a personal/corporate sense of pride.

C. Involvement of People:

The entire staff, at *every* level, is the essence of an organization. The organization is at its best when individual and collective skills and abilities are carefully matched to required tasks.

D. Process Approach:

In order to best ensure consistent, desirable results, the activities and resources involved in manufacturing must be managed as a process.

E. System Approach to Management:

On a macro scale, just as manufacturing steps must be managed as a network of processes, so interrelated processes must be managed as a system in order to achieve the company’s objectives most effectively.

F. Continual Improvement:

An organization that wishes to exist, let alone thrive, in today’s business climate must never become complacent. Continual improvement must be a permanent objective; change should be anticipated and managed.

G. Factual Approach to Decision Making:

While perhaps sounding a bit trite, the most effective decisions are based upon analysis of sound data and information, not feelings.

H. Mutually Beneficial Supplier Relationships:

Understanding that an organization and its suppliers are interdependent, supplier relationships must be established to fulfill customer requirements, but with the aim of benefiting all parties; one party’s gain should not be at the expense another’s. Mutual cooperation in the spirit of service should be the cornerstone of this relationship

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5.5.2 Management Representative

The President has been appointed as the Management Representative responsible for ensuring that the quality management system is established, implemented and maintained to meet stated quality policies and objectives, Customer requirements and ISO 9001 (and AS9100) requirements. At scheduled meetings, the President allocates time to discuss quality related issues such as those related to product quality, stated policies and procedures, customer requirements, this manual and ISO requirements.

As the appointed Management Representative, the President has full authority to ensure that the quality management system requirements stated within the text of this document and support documentation are implemented and maintained to an acceptable level of performance. The Management Representative is responsible for promoting the awareness of Customer requirements and service throughout the Company. The Management Representative also has the organizational freedom to resolve matters as they pertain to quality.

The Management Representative serves as the primary contact with Customers and other external interested parties with respect to matters pertaining to the quality management system.

5.5.3 Internal Communication

The President is the individual responsible for ensuring that issues as they pertain to the effectiveness of the quality management system are communicated to all employees. Such communications will be provided to the employees via postings on bulletin boards, internal memos and during formal and informal meetings etc.

5.6 MANAGEMENT REVIEW

5.6.1 Management Review: Data indicating the suitability and effectiveness of the quality management system is compiled and presented for analysis by Senior Management to ensure the continuing suitability, adequacy and effectiveness of the quality management system. This review includes assessing opportunities for improvement and the need for changes to the quality management system, including the quality policy and quality objectives. Management review of the data associated with the operation of the Company is performed on an ongoing basis. In order to facilitate communication, formal Management Reviews meetings are scheduled by the President and include the attendance of all of management with responsibility for aspects of the quality management system.

Management Reviews has the following objectives:

- To ensure the continuing effectiveness of the quality management system in satisfying the requirements of customers, Company quality goals and objectives and applicable standards and specifications.

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- To identify strategic quality issues and develop appropriate plans.
- To review external and internal audits and corrective actions.
- To review corrective and preventive action data and evaluate their effectiveness.
- To recognize the trends of key performance indicators that drive product quality and continuous improvement.
- To review and evaluate the effectiveness of handling customer suggestions, complaints and reports of non-conformities.
- To review the training needs for all personnel performing activities that affect quality.

Records from management reviews are maintained (see 4.2.4).

5.6.2 Review input

The input to management review includes information on:

- a) Results of audits.
- b) Customer feedback.
- c) Process performance and product conformity.
- d) Status of preventive and corrective actions.
- e) Follow-up actions from previous management reviews.
- f) Changes that could affect the quality management system.
- g) Recommendations for improvement.

5.6.3 Review output

The output from the Management Review includes any decisions and actions related to:

- a) Improvement of the effectiveness of the quality management system and its processes.
- b) Improvement of product or process related to customer requirements.
- c) Resource needs.

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6.0 Resource Management

6.1 Provisions for Resources

The company's Management, with input from Staff, as required, analyzes, identifies and provides adequate resources for performance of work, the management of the work being performed and for verification activities affecting quality. This includes the management of all verification activities, including inspection and internal audits. Resource requirements are routinely reviewed as part of the planning process.

6.2 Human Resources

6.2.1 General

Personnel performing activities affecting quality are competent to perform such tasks and have an appropriate level of experience, education, training and/or skills needed to do so. The company provides training (or resources for training), as required.

Any employees who were performing their current duties at the time of implementation of this QPM are presumed to have been adequately qualified for the position and to have met all training and qualifications required for the position at that time. Training records for those employees in those positions may be incomplete.

6.2.2 Competence, Awareness and Training

The training needs and competence levels of all personnel performing activities that affect quality are analyzed and identified. Training is provided or other actions are taken in order to satisfy the competence needed for such activities. Department Managers are responsible for identifying the training needs and the effectiveness of training activities. Additionally, Department Managers assure that their personnel are aware of the importance and relevance of the activities being performed and how those activities have an effect on product quality and quality objectives

Employees may identify training needs and opportunities for themselves. If an employee feels that particular training is needed, the employee may request training from the Department Manager. If the employee has identified outside training resources, the employee requests authorization for this training from the respective Department Manager. The employee should present as much information as possible about the training including marketing literature for the course, training outlines or a class synopsis provided by the outside source.

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6.2.2.1 Evaluation of Training Effectiveness

Once a training event has taken place, the respective Department Manager administers follow-up activities in order to determine that the training was effective. Some examples of these follow-up activities include:

- Observation of the Employee performing work.
- Monitoring of Employee performance as indicated by records.
- Employees' self-evaluation.
- Review of the evaluations recorded by the training provider.
- Evaluation of the training event as it is being delivered by the provider.

If the review of training effectiveness leads to any further re-training, or other actions, the Department Manager performing the training evaluation notes this on the relevant training record. It is the responsibility of the Department Manager to ensure that appropriate follow-up actions are completed.

The Production Information System, "M1", is used to record training events through SFE.

6.3 Infrastructure

Processes affecting quality are planned and carried out under controlled conditions. The Department Managers have the overall responsibility for the implementation, control and maintenance of the established infrastructure of the production processes, while Management is responsible for providing the resources (equipment, housing, utilities, maintenance and preventive maintenance support services, etc) and guidance as needed.

Maintenance is performed on equipment to help in maintaining process capability. Records are maintained on preventive maintenance activities.

Tooling/Fixturing is indexed by identification numbers and is maintained in controlled areas by the respective Department Managers. Tooling is controlled to the extent necessary to assure positive quality product.

6.4 Work Environment

The company determines, provides, manages and maintains a work environment that is conducive to achieving product quality and other customer requirements. Factors such as temperature, humidity, lighting, vibration, cleanliness etc. that may affect product quality are taken into consideration when determining environmental factor control.

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7.0 PRODUCT REALIZATION

7.1 Planning of Product Realization

Preparation and planning are used to ensure that the customer's requirements and Company objectives for quality are met. At a minimum, key functions concerning the planning for production will meet informally and/or at regular production meetings to define and qualify how the requirements for quality are to be met for particular products. The Quoting and Order Entry process is designed to identify quality considerations and requirements by addressing the following activities, not necessarily in the order shown, as appropriate and necessary:

- Contract review activities prior to order acceptance.
- B/P and specifications are current to contractual requirements.
- Detailed process operation sheets (Job Travelers) are prepared, as necessary.
- Hidden characteristics are identified.
- Tool layout and fixture requirements are identified and planned for.
- Incoming inspection criteria is specified.
- Customer and process approvals are identified and obtained.
- Measurement capability, special gauging and special testing requirements are identified and provided for.
- Review of critical, major and key characteristics is performed.
- Outside services are identified and supplier base approvals are obtained.
- Methods of inspections are reviewed and, if not adequate, provided for.
- Part making capabilities are verified.
- Part history and trend data are reviewed and issues addressed.
- Flow-down requirements are satisfied.
- Equipment availability and capability are verified.
- Training requirements are identified and planned for.

The output of the Planning process is in the form of the Job Traveler and Job Folder; either or both of which may be referred to as the "Quality Plan".

Documented procedures for inspection and testing are maintained in order to verify that specified requirements for the material/products are met. Inspection and testing requirements, and related quality records, are determined in the quality planning process and documented in the Job Folder. The Quality Assurance Manager has overall responsibility for ensuring adequacy of inspection and testing.

Incoming product is inspected or otherwise verified as conforming to specified requirements prior to use or processing. The verification process is documented in the control plan for the product and/or related products.

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The amount and nature of receiving inspection are determined in the quality planning process. The Company may amend inspection parameters taking into account the controls exercised over suppliers and/or subcontractors in accordance with documented operating procedures.

The President is responsible for verifying that the parameters identified in quality plans (see paragraph 7.1, below) are carried out and to ensure that processes are documented and controlled, as necessary. The President has the overall responsibility for the planning and control of production processes as they affect customer orders. Production schedules and all phases of production are planned and developed based on the customer needs, sales, potential orders and forecasts. Production needs are communicated in Production Meetings. The following activities are taken into consideration:

- Material resource planning.
- Planning and implementing new or revised processes.
- Compliance to standards, codes, procedures and internal quality plans.
- Adequacy and suitability of production for specified processes.
- As required, review of control plans to assure compliance to customer requirements, Company standards and documented procedures.

Processes are documented to the extent necessary to ensure that they can be replicated and are controlled. Key parameters and product characteristics are identified in the job traveler. Key characteristics that are identified on the contract are flowed down to production, and as required, vendors. Customer blueprints that define criteria for workmanship and specifications are included in the Company's process documentation. Evidence of the completion of required manufacturing and inspection operations are annotated on the job traveler and are maintained as a record.

The Quality Assurance Manager ensures that periodic quality checks are completed in accordance with inspection plans established prior to production runs and that the appropriate paperwork is completed and maintained as a record.

All material is accounted for on the job travelers and in-process paperwork. Part numbers are reflected on the job travelers and splits lots are identified. Defective Material Reports are used to identify discrepant material.

Department Managers ensure the personnel performing tasks affecting product quality are trained in the proper methods and techniques needed to operate necessary equipment effectively. Training is conducted to address foreign object damage. Smoking and ingestion of food and/or drink is only allowed in designated areas.

When a contract, blueprint or specification specifies processes requiring customer approval, the company attains such approvals and adheres to the requirements of said approvals. Approved

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sources are utilized, when required.

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7.2 CUSTOMER RELATED PROCESSES

7.2.1 Determination of Requirements Related to the Product

Solicitations, contracts and orders are reviewed to determine if customer requirements are adequately defined, understood and agreed to. The President has overall responsibility for administering the contract review process. Manufacturing provides input into the contract review process whenever necessary to qualify the customer requirements against the production capabilities of the Company. The system for contract review is documented in the quality system procedures.

7.2.2 Review of Requirements Related to the Product

Before submission of a proposal (quote), or the acceptance of a solicitation, contract or order, a review is performed in order to ensure the following:

- The requirements are adequately defined and documented including any statutory or regulatory requirements that may apply. Where the customer does not provide a written statement of requirements, the appropriate function assures the requirements are agreed upon and documented for acceptance.
- Any differences between the contract or order requirements or those in the proposal are resolved. The President ultimately resolves differences between the customer and the affected organization.
- The President assures that the Company has the capability to meet the customer and/or contract requirements within the stated delivery requirements. Preliminary manufacturing reviews are conducted to identify manufacturing requirements and applicable control plans. Where The Company does not have the capability, or changes are identified, differences are resolved between the customer and Management. Job Folders are developed as required to address all contractual requirements and methods by which the company intends on assuring compliance to those requirements.
- That all relevant documents are current to the contractual requirements at the time of review (and after any changes that may occur) and that the changes are communicated to the appropriate parties.

7.2.3 Customer Communication

The company, to the best of its ability, maintains an effective line of communication with its customer base. Such communications include but are not necessarily limited to:

- Information on product status.
- Handling of customer inquiries as they pertain to contracts, orders, amendment to orders and handling of the same.
- Customer feedback, inclusive of complaints.

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7.3 DESIGN AND DEVELOPMENT

Design and development does not apply. Please reference paragraph 1.2 (earlier) for exclusion consideration.

7.4 PURCHASING

7.4.1 Purchasing Process

The company selects qualified suppliers and ensures that material used in manufacturing conforms to the specified requirements. Where the customers so specify, The Company purchases material from the customer's approved suppliers. The President has overall responsibility for administering the purchasing system.

Approved suppliers, when not customer-specified, are evaluated and selected based on their ability to meet defined requirements. The President maintains the responsibility for developing, administering and specifying suppliers to be used. This is primarily based on material and/or processes required by contract. The company utilizes a systematic approach to assess, monitor and develop the performance of suppliers based on product/material quality, delivery, scheduled periodic supplier surveys and audit results. Records of audit results and supplier performances are maintained.

Note: The Company is responsible for its supplier base regardless of any customer approvals granted or self release programs for which the Company is approved.

The extent of control over suppliers is based on type of product/material purchased. The following control may be utilized:

- *Sample lots of product for evaluation.*
- *Vendor/Supplier Quality Evaluation to aid in process evaluation.*
- *On-site audits as required.*
- *Appropriate levels of Receiving Inspection.*

Suppliers are monitored based on performance. The following inputs are considered in monitoring suppliers:

- *Receiving Inspection records.*
- *Supplier corrective action requests.*
- *Information on quality and delivery as received from the Manufacturing process.*
- *Timely response to supplier surveys.*
- *Consistent and appropriate pricing*

Approved suppliers/subcontractors are placed on the Approved Vendor List and, when their performance warrants, suppliers may be removed from the Approved Vendor List. Removal from the Approved Vendor List is based on failure of the above criteria.

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When required by contract, all suppliers and subcontractors use customer-approved special process sources. This is identified on the purchase order issued to the supplier.

Any supplier that does not meet, or fails to maintain, a satisfactory performance is subject to disapproval. The President has the authority to disapprove any supplier based on their quality performance.

7.4.2 Purchasing Information

Purchase orders and requisitions clearly and adequately describe quality related requirements including type, grade, class, description, part numbers, reference to applicable drawings, specifications, process requirements, quality system requirements, inspection and test instructions and other customer requirements. This includes governmental and industry standards, requirements for approval or qualification of product and applicable codes. The Quality Department reviews all purchasing documents for production material for accuracy and completeness prior to release.

Additionally, and as required, the purchasing information will include:

- Requirements for qualified personnel.
- Approval of process when contractually required.
- Requirements for the supplier to flow down to their sub-tiers any applicable requirements.
- Right of entry by The Company or its customers and/or regulatory organization.
- Notification when nonconformance is detected, either as-received or caused during process.

7.4.3 Verification of Purchased Product

Purchased materials and components are verified through Receiving Inspection. Purchased product shall not be used until it has been verified to be acceptable. Purchased tooling equipment and subcontracted services are verified. Verification methods may include source inspection of subcontractors, delegating the verification to the subcontractor or subcontractor/material certification.

The Company will include provisions in purchase orders to subcontractors to allow The Company its customer or regulatory agencies right of entry to any area necessary to verify the quality of subcontracted work. In those cases where the company elects to verify purchased product at their suppliers' premises (source inspect), the company will specify verification agreements and the method of product release in purchasing documents released to subcontractor. The Quality Assurance Manager assumes responsibility for this control and maintains suitable quality records.

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Where specified by contract, The Company's customer, or the designated customer representative is granted the right to verify subcontracted/purchased product compliance on The Company's premises or supplier's premises. Any such verification activity will be coordinated with a notification to The Company. Verification by the customer does not clear the Company's responsibility in assuring and providing product acceptable to the Company's customers.

In the event that The Company delegates the quality verification responsibility to a sub contractor, the verification criteria and methods to be used are identified on the purchase order or on accompanying documentation.

All incoming material from subcontractors and/or suppliers is subject to a Receiving Inspection. Incoming product is inspected or otherwise verified as conforming to specified requirements prior to use or processing. The verification process is documented in the Job Folder for the product and/or related documents.

The amount and nature of receiving inspection is determined in the quality planning process. The Company may amend inspection parameters taking into account the control exercised over suppliers and /or subcontractors in accordance with documented operating procedures.

Purchased material is segregated in a designated area until receiving inspection has been completed or it has been otherwise verified as conforming to specified requirements. Any discrepant material is identified and segregated to prevent nonconforming material from being used in production. Receiving reports, material certifications and Nonconforming Material Reports are maintained as quality records.

When outside testing is performed on material and test results/certifications are used as a means of verifying material acceptance, the type, manner and methods of testing is recorded in documentation to the subcontractor, to validate the test results.

7.5 *Production and Service Provision*

7.5.1 *Control of Production and Service Provision*

The Company maintains production under controlled conditions including, but not necessarily limited to, those below.

- The establishment of process controls and the development of the control plan where the customer has identified key characteristic.
- Identification of in-process inspection points when verification of B/P characteristics cannot be realized at a later stage. (e.g., hidden characteristics).
- The design and use of tooling so that variable measurements can be taken.
- Special processes.
- Availability of information that describes product/operation.

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- Availability of work instructions.
- Availability and use of proper equipment.
- Availability of inspection and test equipment.
- Use of inspection and test equipment.
- Implementation of release, delivery and post-delivery activities.
- Accountability of product throughout manufacturing (quantity, split lots, etc.).
- Records that all manufacturing and inspection operations have been accounted for and that process sequencing was done and prescribed.
- The control and prevention of foreign objects and the removal of same.
- Monitoring of utilities to the extent necessary to protect product and process integrity.
- Clear and concise instructions for the workmanship of product as required.

Manufacturing and inspection operations are carried out in accordance with approved data. The data shall include, as necessary, drawings, tooling process flow, inspection operations, Traveler, methods of inspection, inspection records and NC programs.

Only those individuals authorized to do so can approve changes to production processes. As mandated by customer contract or regulatory requirements, any changes requiring approval by the customer or regulatory agency are authorized. All changes are documented and procedurally controlled. Any changes that could affect product or process quality are fully assessed to identify adverse affects.

All equipment, tools and NC programs, as applicable, which affect product quality, are validated prior to production use by a first article inspection. As needed, to assure continual product quality, production equipment, tools and programs will be periodically re-validated. Additionally, tooling and equipment held in storage is periodically checked for preservation and condition.

Any operation or portion thereof that is temporarily transferred to a location outside of The Company shall have the process fully defined and the quality of the work performed shall be fully validated.

7.5.2 Validation of Processes for Production and Service Provisions

The Company subcontracts any production and service processes where the resulting output cannot be verified by subsequent measurement or monitoring. These are referred to as “special processes”. This includes any processes where deficiencies may become apparent only after the product is in use or the service has been delivered. Currently, those processes identified as special processes include: heat treating, passivation, anodize, hardcoat, plating (including chrome, cadmium, phosphate coating and dry-film lubrication), and Nondestructive Testing (NDT) including magnetic particle inspection (MPI) and fluorescent penetrant inspection (FPI). The subcontractor is responsible for ensuring that its system has defined arrangements for these processes that include the following, as applicable:

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- Defined criteria for review and approval of the processes including qualification and approval of special processes.
- Approval of equipment and qualification of personnel.
- Use of specific methods and procedures to and for the control of significant operations and the parameters thereof for all special processes.
- Requirements for records.
- Revalidation.

The Company generally utilizes subcontractors who are widely recognized and/or commercially known. These subcontractors will usually require no other pre-qualifications in order to be placed onto the Approved Supplier List. The verification performed on product received from these subcontractors will be accomplished by review of applicable certifications from the subcontractor. Also, past history of performance, current ability to meet requirements and present quality program are used to perform on-going evaluations of subcontractors relative to deliverable products and services

Generally, special processes are defined by the Customer by reference to their own standards, or available commercial standards. In the event that a special process is not covered by an existing standard, the method to be used by the subcontractor is clearly defined in purchasing documents and approved by the customer.

7.5.3 Identification and Traceability

The Company maintains a system for product identification and traceability of product and configuration of product from document receipt and during all stages of production and delivery. Manufacturing has overall responsibility for administering the system for product identification and traceability. The system for product identification and traceability is described in procedures and related forms and instructions.

The extent of control over identification and traceability is extended from raw materials, through processing and finished products. The Company maintains a system for identifying and tracing material released to production prior to inspection. The following forms/reports/references are utilized to establish unique product identification, maintain traceability and provide quality records:

- Lot number.
- Part number.
- Serial number.
- Heat Lot/Suffix number.
- Shop order number.
- Traveler.
- Nonconforming Material Report.

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Traceability is in accordance with customer specified requirements. All material is referenced by part number and is annotated on the Traveler. The Travelers provide a history of the process and are maintained as a quality record, whether in paper or electronic form.

As contractually required and/or mandated by regulations, The Company's system allows for, and provides, a documented system for the following contingencies:

- Maintaining identification throughout the product's life cycle.
- Traceability of all products manufactured from batch of material, including those delivered and those scrapped.
- Traceability of details held by higher assembly.
- Records showing the sequential processing and inspection of a product.

Inspection and test records are maintained to substantiate that product has been inspected and/or tested, the results are recorded, and provide evidence that released product conforms to specified requirements. Records indicate the inspection authority responsible for the release of the product. When product/parts fail to pass inspection and test requirements, the parts are segregated and controlled in accordance with appropriate procedures for nonconforming product.

The Quality Assurance Manager is responsible for the maintenance of all inspection and test records and for the overall control the Company inspection process.

The inspection and test status of product during the production process is identified to assure that only product that has passed inspection is used, forwarded to the next process step, or shipped. The Quality Assurance Manager has overall responsibility for administering the system for inspection and test status. Identification of product inspection and test status is documented on Inspection Reports/Logs, status stamp/tags and Nonconforming Material Reports. Operators are responsible for the in-process documentation of the inspection and test status of parts in production.

All Inspectors are provided with identity stamps which they shall use to show their acceptance and approval of the work they inspect. The stamps shall be used as instructed in the various stages of inspection. Acceptance of the product shall be indicated by production documentation, inspection records, tags, labels or packaging. The stamps will also be used on material and process certifications to indicate that review of the certification has been done.

The stamps are such that they cannot be easily duplicated. Manufacturing personnel with inspection authority will have a quality identifier on their inspection stamp. Company stamps shall differ from stamps belonging to its customers and any regulatory agencies.

If electronic acceptance is used, personnel shall have security passwords that will be created by the system administrator.

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All stamps will be controlled and issued by the Quality Assurance Manager. Initial issuance of all inspection stamps is accomplished by the assignment of an inspection number of each Inspector on the company roster. Unassigned stamps shall be kept in a holding area and controlled by the Quality Assurance Manager. All stamps once removed from use will not be used again for at least six months. Upon receipt, the Inspector will be required to sign for the stamp on the Inspection Stamp Record of Issue.

Should any Inspector lose a stamp, the loss shall be reported at once to the Quality Assurance Manager. If the Inspector does not report the loss, and it is subsequently misused, the Inspector assigned to the stamp will be responsible for the misuse. Whenever a stamp is reported as lost, at the discretion of management, the serial number of that stamp is to be permanently “retired” from use. All duplicate stamps bearing that serial number will be removed from service, destroyed and the appropriate notations of such placed onto the Inspection Stamp Record of Issue. The serial number of the lost stamp is not to be re-issued.

Any identity stamp whose serial number becomes illegible due to deterioration, wear or damage shall be removed from service, destroyed and replaced. The replacement stamp shall carry the same serial number of the destroyed stamp. If it is not possible to replace it with the same serial number, then a new number may be issued and noted on the Inspection Stamp Record of Issue.

All types of inspection stamps allowed and/or issued by Customers, when applicable, shall be controlled as required by customer contract or purchase order.

7.5.4 Customer Property

Product or material supplied to The Company by customers for subsequent incorporation into products or supplies are verified, segregated and stored and maintained to ensure compliance to applicable requirements and to protect against loss or deterioration. Customer supplied raw material is identified by the Job Number. This includes materials used in manufacturing process, materials incorporated into the final product, tooling and returnable packaging. The President has overall responsibility for administering the system for control of customer-supplied property.

Customer-supplied product is verified and controlled in the same manner as company-owned product except as otherwise specified by contract requirements. If customer-supplied product is discovered damaged or out of stated tolerance, the customer is notified immediately.

In the event that customer supplied-product becomes lost, damaged or deteriorates to become unsuitable for use, The Company will notify the customer of the condition. A Corrective Action Request is initiated and corrective action investigation is conformed in accordance with documented procedures. A record of the corrective action and of customer notification will be maintained to document the incident.

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7.5.5 Preservation of Product

Material handling practices and procedures provide methods of handling parts in process in order to ensure lot integrity and prevent damage or deterioration. The systems and procedures address handling throughout the facility and address the following:

- Material stacking methods.
- Material identification methods.
- Material staging methods.
- Forklift practices.

Product is stored in designated areas to prevent damage or deterioration pending use or delivery. Different storage areas are maintained with respect to the type of material being stored in the area. All raw material is identified with a system Item Number and labeled accordingly (including available certification reference information). The receipt and dispatch of the product to and from these storage areas are controlled by the use of the Traveler. The condition of product is assessed prior to placement in storage, regularly while in the storage areas and prior to issue from stock.

Packaging instructions, specifications and labeling requirements are identified by contract, when required, and identified on the proper in-process paperwork. When no packaging and labeling requirements are identified, standard best past practices prevail.

Product handling, storage and systems and procedures are designed to preserve and maintain appropriate preservation of product and lot integrity at all times. Where required, shelf life control is documented and observed. Records are maintained.

7.6 Control and Monitoring of Measuring Devices

Inspection, measuring and test equipment includes all types of devices used internally at the Company to verify materials, products, processes or other inspection, test hardware, test software and employee owned measuring devices.

Inspection, measuring and test equipment used in development and production of product at the Company is controlled, calibrated and maintained to provide confidence in decisions or actions based on the measurement and test data. The calibration system includes maintaining the “MeasurLink” database that contains the records of all inspection, measuring, and test equipment used to demonstrate conformance to specified requirements. As appropriate, the calibration system also provides control of manufacturing fixtures, process instrumentation, software and other devices that can affect the specified product characteristics.

The Quality Assurance Manager has overall responsibility for administering the system for the control of inspection, measuring and test equipment. The operating procedures and related work

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instructions used in the calibration system are maintained in “MeasurLink”.

All newly released capital equipment used for inspection, measuring and testing is included on the calibration database, with calibration frequencies and device identification noted. Calibration standards and records are established and maintained. Newly released equipment shall be labeled with calibration stickers noting the ID number and the date of next calibration.

Technical data pertaining to measuring equipment such as Certificates of Compliance or NIST standards is recorded and maintained in the QA Department. Such data is made available to customers or their representatives, when it is a specific requirement, to verify the integrity of the measuring equipment.

Training is administered and documented to ensure personnel are adequately qualified on the operation of the measuring and test equipment utilized in their job.

All product dimensions are identified by customer requirements and/or Company or industry standards and verified by the use of appropriate equipment adequate to meet or exceed required dimensions. The Quality Assurance Manager has the authority to identify and specify inspection, measuring and test equipment capable of the required accuracy.

All equipment is calibrated at prescribed intervals, which is determined by the type of gage, frequency and type use, past experience and manufacturer’s recommendations. Equipment is identified with labels to indicate the integrity of the calibration status and the label is sealed to protect its integrity. Personnel are appropriately qualified and trained in the operation, handling, preservation and appropriate storage of measuring and test equipment to maintain the accuracy and fitness for use.

All inspection measuring, and test equipment used to measure and test for accuracy to stated dimensions are identified on the “MeasurLink” calibration database which is maintained by the Quality Assurance Manager. The following information is contained in the database:

- Identification number of each gage.
- Description of gage.
- Type of device.
- Calibration frequency.
- Date of last calibration.
- Calibration source, as applicable (In-house or contracted service).
- Date due for next service.
- Status, limitations or restrictions.

The Quality Assurance Manager ensures that measuring devices having a known relationship to Nationally or Internationally recognized standards are used for all device calibration and/or verification. Where no such standard exists, manufacturer recommended standards or customer

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requirements prevail.

Calibration of inspection, measuring and test equipment is generally performed in-house by the Quality Assurance Manager or performed by approved outside calibration sources. When performed by outside sources, the sources are maintained on the Approved Vendor List and are required to provide Certificates of Calibration that are maintained on file by the Quality Assurance Manager.

The calibration check methods are defined and documented in the “MeasurLink” database. Calibrated devices are positively identified by labels/stickers affixed to the devices. The stickers reflect the identification number, date calibrated and due date of next calibration.

Inspection, measuring and test equipment is calibrated in a suitable environment identified by manufacturer’s specification and/or by NIST standards for the particular device.

The Quality Assurance Manager maintains calibration records of measuring and test equipment. The calibration database includes device calibration and repair history as well as records of corrective actions taken when a device is determined to be out-of-tolerance.

8.0 *Measurement, Analysis and Improvement*

8.1 *General*

Documented procedures for inspection and testing are maintained in order to verify that specified requirements for the material/products are met. Inspection and testing requirements, and related quality records, are determined in the quality planning process and documented in the Traveler and/or other detailed documents related to the process and product. The Quality Assurance Manager has overall responsibility for administering the system for ensuring adequacy of inspection and testing.

Statistical methods are developed and identified by the Quality Department in response to the customer requirements, key characteristics, control plans and preventive actions. The need for statistical tools and the selection of appropriate statistical techniques will be determined during the contract review, production planning and quality planning processes. The results of these reviews are documented on the Traveler, customer blueprints, Operation Sheets and other appropriate documentation. After a need is established, SPC training is given to individuals that require the training. The application and focus of statistical tools may be modified periodically over the life of a product or process based on need, effectiveness or changing condition.

8.2 *Monitoring and Measurement*

8.2.1 *Customer Satisfaction*

The Company continually monitors information relating to customer perception as to whether we

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have met customer requirements as one of the primary measurements of performance of the quality management system.

Seeking feedback and data to be used for improvement, Customers are informally contacted by the President on an ongoing basis. There are informal conversations as well as pre-arranged, on-site meetings with customers. As appropriate, feedback is documented and reviewed for possible improvements.

Management also measures internal improvements that are intended to improve performance to the customer. The effectiveness of measures implemented is evaluated as part of the Management Review process.

8.2.2 Internal Audit

The Company conducts internal audits of the quality management system and procedures periodically in order to ensure compliance with procedures and to evaluate system effectiveness. The Quality Assurance Manager has overall responsibility for administering the system for internal quality audits. The Internal Audit System is defined in the Quality System procedures.

All operating procedures and the entire Quality System requirements are audited at least once annually to review the quality management system and procedures. The President develops an audit plan and implements the plan with the assistance of a qualified independent Auditor. The audit findings are brought to the attention of the personnel having responsibility for the area audited. Results are recorded and forwarded to the President for analysis and to generate corrective actions when required. Managers responsible for the area audited are required to make timely corrective action for any deficiencies found during the audit. The President ensures adequate corrective actions are implemented and verified through review of the Audit Reports, which include corrective action plans and follow-up audit activity. Reviews of internal audits are an integral part of the Management Review process.

8.2.3 Monitoring and Measurement of Process

Monitoring internal rejects, customer returns and product rework focuses effort on reviewing the production process. Meetings are held to discuss various processing problems. Employee input is also used to help solve production issues. These meetings are used as an indicator of process issues and, when they indicate an opportunity for improvement, the issues are investigated. In addition to the formal monitoring of the production process there is informal monitoring by Supervision and by employees. Management has fostered a culture where all employees are empowered to review the process and to stop the process when they see opportunities for improvement.

In the event of process nonconformity, the appropriate Company personnel:

- take appropriate action to correct the nonconforming process,

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- evaluate whether the process nonconformity has resulted in product nonconformity, and
- identify and control the nonconforming product in accordance with established procedures.

8.2.4 Monitoring and Measurement of Product

All incoming material from subcontractors and or suppliers is routed to the Receiving Department. Incoming product is inspected or otherwise verified for conformity to specified requirements prior to use or processing. The verification process is documented in the control plan for the product and/or related documents.

The amount and nature of receiving inspection is determined in the quality planning process. The Company may amend inspection parameters taking into account the controls exercised over suppliers and/or subcontractors in accordance with documented operating procedures.

Purchased material is segregated in a designated area until receiving inspection has been completed or it has been otherwise verified as conforming to specific requirements. Any discrepant material is identified and segregated to prevent nonconforming material from being used in production. Receiving Reports, Material Certifications and Defective Material Reports are maintained as quality records.

When outside testing is performed on material (and test results/certifications are used as a means of verifying material acceptance) the type, manner and methods of testing are recorded in documentation to the subcontractor, to validate the test results.

Manufacturing processes are monitored and products are inspected/tested at selected points while in process to ensure product compliance to specified requirements. The criteria for acceptance/rejection are identified on customer blueprints and/or operation sheets. The inspection intervals are identified by the Quality Assurance Manager and results are recorded on the Traveler. Quality Assurance conducts in-process audits to qualify the inspection and test steps identified on the Traveler or accompanying documents.

Product is held at control points until the required product inspection and tests have been completed or necessary reports have been received and verified. To qualify the process, First Piece Inspection is required at the start of new production. The operators submit a sample piece to the Quality Department for evaluation. The Department Managers also are authorized to provide First Piece approvals (outside of their respective departments). Further processing will cease until approval of first piece. Should a subsequent change be made to the process, the first piece inspection is rendered invalid and a new first piece inspection is required.

Operators do not accept material without the proper sign-off from the previous step in the production process. All operations and inspection must be verified on the Traveler. The Quality Assurance Manager maintains first piece and in-process inspection records as quality records.

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Final inspection and testing are performed on finished products to ensure specified product quality requirements are met.

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Finished product is not released until all required inspections and tests have been carried out, results meet specified requirements, and associated quality data/records are available and approved. This may include customer source inspection/verification.

Inspection and test records are maintained to substantiate that product has been inspected/or tested; the results are recorded and provide evidence that released product conforms to specified requirements. Records indicate the inspection authority responsible for the release of the product. When product/parts fail to pass inspection and test requirements, the parts are segregated and controlled in accordance with procedures for nonconforming product. The Quality Assurance Manager is responsible for the maintenance of all inspection and test records of the Company inspection process.

8.3 Control of Nonconforming Product

Product that does not conform to specified requirements is identified and controlled to ensure that it is prevented from unintended use. This includes nonconforming product returned from a customer. The Quality Assurance Manager has overall responsibility for the system for control of nonconforming product in its respective area. The system and procedures for identification, documentation, evaluation, segregation, disposition and for notification of the functions concerned are documented in the Quality System procedures and related instructions. The Quality Assurance Manager notifies all parties requiring notification in the event of a product nonconformance. This may include internal departments, Customers, Customer representatives and government or regulatory agencies.

Nonconforming or suspect materials, are identified and accompanied by a Defective Material Report (or other method identifying nonconformance) and segregated in a designated area to prevent unauthorized use, shipment or mixing with conforming material. Incoming nonconforming material is segregated in Receiving pending return to the supplier. When necessary, a corrective action request is generated for remedial action by the supplier. The corrective action request may be used to evaluate the supplier for use of future orders.

The President and the Quality Assurance Manager are the authorities responsible for reviewing/determining disposition of nonconforming product. Generally the disposition status is one of the following:

- Use as-is (subject to customer written approval).
- Return to Vendor.
- Rework.
- Repair (subject to customer written approval).
- Scrap.

Product requiring repair/rework is documented, routed, processed and re-inspected in accordance with approved detailed instructions. Records of re-inspection are maintained.

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Typically, re-grading of material is not done.

All scrap product is permanently marked or defaced, and segregated to prevent its use in finished product.

The Company coordinates the timely reporting to customers of system nonconformance that may have affected product already delivered. The Quality Assurance Manager assumes the overall responsibility for this process.

8.4 Analysis of Data

The Company determines, collects and analyzes appropriate data to determine the suitability and effectiveness of the quality management system and to identify improvements that can be made. The data collected and analyzed by The Company are:

- Customer satisfaction/dissatisfaction.
- Conformity to product requirements.
- Characteristics of trends of processes and products including opportunities for preventive actions.
- Process performance.
- Supplier performance.

8.5 Improvement

8.5.1 Continual Improvement

The Company continually improves the effectiveness of the quality management system through the use of the quality policy, quality objectives, audit results, analysis of data, corrective and preventive actions and management review.

Manufacturing process improvement continually focuses upon control and reduction of variation in product characteristics and manufacturing process parameters. Controlled characteristics are documented in the control plan.

Continual improvement is considered achieved once manufacturing processes are capable and stable, or product characteristics are predictable and meet customer requirements.

8.5.2 Corrective Action

A disciplined and systematic approach to corrective action is used to eliminate causes of actual nonconformities relating to product, process and the quality management system.

Nonconformities are prioritized and action is taken appropriate to the magnitude of the problem and the associated risks and cost.

The Quality Assurance Manager has overall responsibility for administering the system for

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corrective action and documents and records changes to documented procedures resulting from corrective actions.

The Company maintains a documented feedback system that relies on the following components:

Investigation of cause of internal nonconformance.

The President or the Quality Assurance Manager initiates corrective action investigation when significant failures occur internally relating to the product, process or the quality management system. The investigation focuses on identification of the root cause of the nonconformity. Corrective actions are reported at Management Reviews and are used to analyze trends for preventive action and implement resulting changes in process or procedure.

Effective handling of customer complaints and reports of nonconformance.

Since complaints and reports may come from multiple sources and entry points into the organization, procedures direct that the documentation is forwarded to the Quality Assurance Manager to record the data and forward to the appropriate personnel for preliminary review of the complaint/nonconformance. The Quality Assurance Manager determines the action required and the assignment of responsibility. If a nonconformance is determined to be caused by a Company supplier, the corrective action requirements are flowed down to the supplier for root cause and corrective action.

The nature and resolution of customer complaints are reported to the Management at formal Management Reviews and at regular Production Meetings, when appropriate.

Investigation of supplier nonconformities.

Supplier corrective action is initiated through the Quality Assurance Manager and, when appropriate, a corrective action request is generated to document the corrective action response of the supplier. Supplier audits are performed whenever practicable.

Internal audit process.

Internal audits are utilized as the primary feedback system to verify that corrective actions in response to customer complaints, nonconforming product issues and supplier nonconformance have been implemented and are effective. Internal audits are performed on a regular basis to monitor the quality system in response to problems or failures in any of the internal processes or in response to customer complaints.

The documented feedback system encompasses all of the above to promote early warning of quality system problems. The Quality Assurance Manager assumes responsibility for documenting nonconformities and initiating follow-up actions. Corrective action data is accumulated, analyzed and presented as part of the Management Review process for implementation of preventive action.

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8.5.3 Preventive Action

The Company uses a systematic approach towards preventive action with the ultimate goal being the elimination of potential nonconformance. By monitoring of metrics throughout the management system, Management is made aware of potential sources of problems in three primary areas: Product, Manufacturing Process or Management System. Potential nonconformance is prioritized and appropriate action taken as determined by the magnitude of the problem and the associated risks and costs.

Preventive actions are initiated (when appropriate opportunities are identified) to eliminate potential nonconformance. The Company's production monitoring and verification processes are the principle methods of identifying potential nonconformance in product. Internal audit results of the manufacturing process and of the management system are the primary driver for determining implementation of preventive action plans in those areas. Other sources of potential nonconformance will be used to the extent necessary for developing preventive actions. Those include:

- Concession, scrap and rework.
- Customer identified delivery trends or concerns on potential nonconformance.
- Customer complaints.
- SPC data as applicable.
- Review of the production flow for process improvement opportunities.
- Any other key process indicators identified by the President that may be used to identify potential risks to product quality.
- Review of the business process and internal production processes.
- Supplier/subcontractor quality, delivery, service trends.
- Internal preventive maintenance on machines and equipment.
- Pro-active operator training.
- Other product quality measures.
- Analysis to determine if successfully implemented corrective actions are applicable to other areas, thus preventing similar non-conformities.

The Company's approaches to implementation of preventive actions follow these basic steps:

- Determination of potential nonconformance and their associated causes.
- An evaluation of the needs required for the prevention of nonconformance.
- Determination and implementation of preventive actions.
- Making appropriate records of the preventive actions taken.
- A review of the effectiveness of preventive action implementation.

Any employee may propose the initiation of preventive actions; however, the primary means of identifying preventive action opportunities are Management Review Meetings, Production Meetings, analysis of departmental data and analysis of business data in general. The President is

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the focal point for potential preventive action inputs.

The President evaluates any potential preventive action inputs and gathers the information necessary to thoroughly evaluate the condition.

At the discretion of the President, the potential preventive actions are either reviewed by Management through the Management Review process or solely by the President. Appropriate actions are decided upon, and any instructions necessary for implementation are detailed. If the preventive action opportunity is not to be acted upon, this is communicated to the initiator.

The record of the preventive action taken is generally in the form as prescribed in the Corrective Action procedure. Other specific records, such as Internal Audit Reports, may be used to record preventive actions. Other forms of recording may include:

- Changing of Quality System procedures to reflect the implementation of any preventive actions.
- Changes to process documentation.
- Recording in the results of the Management Review process.

As appropriate, and most effective, the President will perform, or direct, analysis of implemented preventive actions with the intent being to verify that the preventive action was effective.

