

FANCORT INDUSTRIES, INC.
31 FAIRFIELD PLACE
WEST CALDWELL, NJ 07006

QUALITY MANUAL

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This manual is the property of
Fancort Industries Inc.
It is under a controlled distribution system.

This Quality Manual sets forth the quality system policies and defines compliance with the ISO 9001:2008 requirements.

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PURPOSE

Fancort Industries' quality management system complies with the ISO 9001:2008 Quality Management System requirements.

The purpose of this manual is to:

- Describe Fancort Industries' quality management system
- Define responsibilities, authorities, and the interrelationships of the key operating management segments
- Provide the direction for each of the functional activities
- Provide controls that ensure the requirements for quality will be met

The manual is divided into sections that relate directly to the applicable elements of the ANSI/ISO/ASQC Q9001-2000 standard.

This manual is also used for external purposes such as third party audits and to provide customers with information concerning the quality system in place at Fancort Industries.

COMPANY OVERVIEW

- Fancort was founded in 1972 in a 2,000 sq. foot garage in Brooklyn, NY by Ron Corey and Jerry Fank (retired). The company is currently owned by Ron Corey and Robert Antonelli and is a New Jersey C Corporation.
- Fancort currently has 18 employees, having started with only one in 1972.
- Fancort occupies a one-story building in West Caldwell, NJ, which is in suburban Essex County. The building is 11,000 sq. feet, 2,500 of which is office space and the balance of which is manufacturing and warehouse space.
- Fancort's product lines consist of precision tooling and presses for use in forming leads on microelectronic packages, primarily surface mounted packages that are used in the aerospace, defense, and semiconductor markets. Fancort also manufactures pneumatic presses and sells into this market and into the broad industrial market for small presses. Finally, Fancort has a service business of forming and tinning (when requested) the same type of components for the same industry segments.
- Significant events include two patent issues; the acquisition of a competitor in the early 1990s; the introduction of the company's lead forming and tinning services; and the development of universal lead forming systems such as the FLEX.
- Fancort sells its equipment throughout the world.

1. SCOPE

The quality system defined in this manual applies to all materials and services purchased or produced by Fancort that affect the quality of the final product defined as component processing services. Fancort is excluding the following equipment from its quality system: Lead Forming Hardware and presses, PCB depaneling machines, hot bar bonding machines, robotic soldering systems, and PCB racks and fixtures.

The facilities included in the scope of this quality management system are located at:

**31 Fairfield Place
West Caldwell, NJ 07006**

Fancort is claiming exclusions to two standard requirements:

- 7.3 Design and Development - Fancort produces products to its customers' designs. While Fancort may participate with the customer in the design process, design responsibility remains with the customer in all cases.
- 7.5.2 Validation of Processes for Production and Service Provision – There are no processes utilized by Fancort for which final inspection is not performed. There are no processes used by Fancort that do not practically lend themselves to final inspection.

2. REFERENCES

ISO9001:2008 Quality Management System Requirements

3. TERMS AND DEFINITIONS

- **Appropriate Management:** CEO, Vice Presidents, Management Representative, and Managers.
- **Contract:** An accepted order from the customer.
- **Continual improvement:** Process of enhancing the quality management system to achieve improvements in overall quality and environmental performance in line with the organization's quality policy.
- **Controlled Document:** Any document that affects the quality of the product and is reviewed and approved prior to release for use or reference.
- **Customer:** The recipient of a product provided by the organization.
- **Organization:** The organization that provides a product, that is, Fancort Industries.
- **Policy:** Statement by the organization of its intentions and principles in relation to its overall quality performance which provides a framework for action and for the setting the organization's quality objectives and targets.
- **Process:** A set of interrelated resources and activities that transform inputs into outputs.
- **Process Leader:** Person with primary process responsibility to document and maintain its procedures, work instructions, and forms; to control quality records; and to train process users. Selected by management based upon primary job responsibilities.
- **Product:** The result of activities or processes.
- **Proposal:** Offer or quote made by an organization in response to a request for quote to satisfy a contract to provide product.
- **Supplier:** The organization that provides a product to an organization; also referred to as a vendor.

4. QUALITY MANAGEMENT SYSTEM

4.1 GENERAL REQUIREMENTS

A company-wide quality system has been established, documented, implemented and maintained by the management of Fancort as a means to ensure product conformance to specified requirements and continued compliance to ISO 9001:2008. Fancort documents its quality system utilizing the following hierarchy:

Quality Manual: First-level document that provides a general overview of the Quality System and defines the quality policy. The Quality Manual is divided into sections corresponding to each of the elements of ISO 9001 Quality System requirement.

Quality Procedures: Second-level documents that provide more detailed explanation of the Quality System elements and detail the structure of the quality system.

Work Instructions: Third-level documents that provide step-by-step instructions on how activities are to be carried out.

Quality Forms and Records: Fourth-level documents or data that contain the information, charts, checklists, or other form of records as evidence to demonstrate conformance to specified requirements and the effective operation of the Quality System.

In the course of developing this documented quality management system Fancort:

- Identified the necessary processes and their application (see the Process Sequence & Interaction below or the Document and Quality Records Master List)
- Determined the sequence and interaction of these processes (see the Process Sequence & Interaction below)
- Defined methods for evaluating the effectiveness of these processes through a quality policy, quality objectives, management reviews, and analysis of data
- Ensured availability of resources
- Established corrective and preventive action and continual improvement processes

The Process Sequence & Interaction attachment below identifies the processes used to implement Fancort's quality management system and their sequence and interaction.

4.2 DOCUMENTATION REQUIREMENTS

4.2.1 General

The responsibility to develop and effectively implement quality system procedures is held by the Process Leaders of each Level II procedure. Procedure details depend upon the complexity of the work, the methods used, and the skills and training needed by personnel to carry out the activity.

At a minimum, the quality management system includes:

- Documented quality policy and objectives
- Quality manual

- Documented procedures required by ISO 9001:2008
- Documents identified by the organization as necessary to ensure quality
- Records required by ISO 9001:2008

All Level 1 and Level 2 controlled documents receive final approval from the Process Leader and/or the ISO Management Representative.

All management affected by the controlled documents are responsible to ensure that their personnel are adequately informed and trained, as necessary, to ensure the proper implementation of the procedure. Procedures and quality records may be created and/or maintained in the form of paper copy, electronic copy, or in other media as deemed appropriate.

4.2.2 Quality Manual

Fancort has established and maintains a quality manual that includes:

- The scope of the quality management system including exclusions, defined in Section 1. Fancort is claiming exclusions for elements 7.3 and 7.5.2 at this time.
- Documented procedures established for the quality management system are referenced in the Process Sequence & Interaction below.
- Description of the interaction between quality management system processes is defined, in general, in the Process Sequence & Interaction below and in detail in the level II documents.

4.2.3 Control of Documents

Fancort has established and maintains procedures to control all documents and data that relate to the requirements of ISO 9001:2008, including documents of external origin, such as standards and electronic media.

The Level 1 and 2 Process Sequence & Interaction below outlines the procedures and documents within the Quality System.

The Quality Manual defines the policies and structure of the Quality System.

Quality Procedures describe work processes and how specific ISO 9001:2008 requirements are met. Quality procedures are typically defined using a flowchart format.

Work Instructions define how a particular work process or part of a process is performed when the absence of such instructions would adversely affect quality.

Quality Records, (including forms, reports, and computer-stored data) provide evidence of the effectiveness of the Quality System.

Quality System documents may be initiated by anyone, and are issued after review and approval by authorized personnel. All documents are reviewed for adequacy prior to issue.

- Level 1 (Quality Manual) - Approved by the CEO and Management Representative
- Level 2 (Quality System Procedures) – Approved by the Process Leader and the Management Representative
- Level 3 (Work Instructions) - Approved by the Process Leader
- Level 4 (Forms) - Approved by the Process Leader

Master lists of controlled documents are maintained. They identify the current revision, and are readily available to preclude the use of invalid and/or obsolete documents.

Documents are distributed to personnel and locations where they are used. Invalid or obsolete documents are removed from points of use to prevent unintentional use. Any obsolete documents retained for legal or knowledge preservation purposes are suitably identified.

Document changes are reviewed and authorized by the same function or department that issued the original document, unless specifically designated otherwise. Designated functions have access to pertinent background information upon which to base their review and approval.

4.2.4 Control of Records

There are documented procedures for identification, collection, indexing, filing, storage, retention and disposition of quality records.

Quality records are maintained to demonstrate conformance to specified requirements and the effective operation of the Quality System. Pertinent supplier quality records are an element of these data.

All quality records are legible and are stored and retained in such a way that they are readily retrievable in facilities that provide a suitable environment to prevent damage or deterioration and to prevent loss.

Retention time of quality records is established and recorded.

Quality records are identified on a master list and may be in the form of any type of media, such as hard copy or electronic. Hard copies of quality records will be maintained for a period of ten years. Electronic copies are retained on the server indefinitely.

5. MANAGEMENT RESPONSIBILITY

5.1 MANAGEMENT COMMITMENT

Fancort management demonstrates its commitment to the development and implementation of the quality management system, and its continual improvement, by:

- Communicating to the organization the importance of complying with customer, regulatory and statutory requirements
- Establishing and communicating the quality policy
- Establishing, communicating and enforcing quality objectives
- Conducting management reviews
- Providing for necessary resources

5.2 CUSTOMER FOCUS

Fancort is committed to meeting all customer expectations and requirements and maintaining a procedure for determining the level of customer satisfaction. Customers expect Fancort to test all hardware they order before shipping to ensure that it produces the correct dimensions within the tolerances required on the parts they are producing.

In the case of Fancort's lead forming services, customers expect the company to deliver parts in a timely fashion to the specifications called out on their Purchase Order. A Certificate of Compliance is sent along with all hardware and parts that have been processed in the company's service area.

Fancort periodically surveys customers on how they perceive the company and its products and services. It also maintains a file on all customer initiated surveys; correspondence, by emails or letter that reflect on Fancort either negatively or positively; and reviews with management on an annual basis.

5.3 QUALITY POLICY

Fancort's top management has established and ensures that the quality policy:

- Is appropriate to the purpose of the organization
- Includes a commitment to comply with the requirements and continually improves the effectiveness of the quality management system
- Provides a framework for establishing and reviewing quality objectives
- Is communicated and understood throughout the organization
- Is reviewed for continuing suitability

Quality Policy

Fancort, its management, and entire staff see their "mission" as total customer satisfaction. We expect to achieve this by creating a healthy working environment, encouraging staff to be involved with their work and the work of their associates; by fostering an atmosphere of sharing ideas, speaking up about things that concern them, and listening to each other. If we accomplish this, we believe we can consistently improve our products and services and reach our goal of total customer satisfaction.

5.4 QUALITY PLANNING

5.4.1 Quality Objectives

Fancort's top management has established quality objectives, including those necessary to meet product requirements, at all relevant functions and levels within the organization. The quality objectives are measurable and consistent with the quality policy. Strategic quality objectives are summarized as:

1. On time delivery 95% of the time.
2. 2% returns from factory defects.
3. On-going support after the sale as indicated by customer surveys and anecdotal feedback.

Fancort's quality objectives are defined and reviewed periodically in Management Review. Performance against these objectives is evaluated during management review meetings and documented in meeting minutes.

5.4.2 Quality Management System Planning

Fancort's top management ensures that:

- The planning of the quality management system is implemented by Senior Management and carried out by Process Leaders and other Fancort employees in order to meet the requirements given in section 4.1 as well as the quality objectives.
- The integrity of the quality management system is maintained when changes to the quality management system are planned and implemented. Fancort manages changes to its QMS through Document Control (1000A) and Training (1000TR) processes. Fancort monitors its change performance through Internal Audit and Management Review (100IA) processes.

5.5 RESPONSIBILITY, AUTHORITY AND COMMUNICATION

5.5.1 Responsibility and Authority

The CEO has delegated to each department manager the freedom and authority to manage, perform and verify work affecting quality in his or her own department. Specific authorities for the CEO and his delegates include:

CEO

- Assure the overall quality of Fancort products and services
- Assign organization authorities required to ensure compliance with the quality system defined in this manual

Quality Manager (Management Representative)

- Perform the function of the ISO Management Representative as appointed by the CEO
- Ensure the quality system is established and maintained throughout the organization
- Develop and maintain relevant Quality System procedures intended to ensure products meet all customer specifications

Managers

- Lead and initiate actions to prevent the occurrence of any nonconformities relating to product, process, and Quality System
- Ensure the Quality System is maintained through appropriate audits, tests, inspections, and surveys
- Review organizational requirements and provide recommendations for changes
- Report quality and nonconformance data and trends
- Maintain methods for appropriately identifying and tracing product
- Identify resources to maintain the Quality System

All Employees

- Understand and support the Quality Policy and the appropriate elements of the Quality System for their areas of work
- Dedicate efforts to the reduction, elimination and prevention of quality deficiencies
- Initiate action to prevent the occurrence of nonconformities related to product, process, and Quality System

Responsibility for each element specific process of ISO 9001:2008 is defined on the Process Sequence & Interaction (see Attachment 9.2).

5.5.2 Management Representative

Fancort has assigned the position of Management Representative to the Vice President. In the capacity of Management Representative, this position reports directly to the CEO. Irrespective of other responsibilities, the Management Representative has the authority, delegated by the CEO to:

- Ensure the Quality System is established, implemented, and maintained in accordance with ISO 9001 requirements
- Evaluate and report on the performance of the Quality System to management for review and as a basis for improvement of the Quality System
- Ensure the promotion of awareness of customer requirements throughout the organization

All Fancort employees are required to know to whom the responsibility of Management Representative has been assigned.

5.5.3 Internal Communication

Fancort has processes in place that ensure effective management of activities from sales order entry through production. Fancort uses a multi-disciplinary approach for decision making and has the ability to communicate necessary information and data regarding the effectiveness of the quality system.

Methods for internal communication may include:

- Meetings
- Memos
- Display boards
- Emails

5.6 MANAGEMENT REVIEW

5.6.1 General

Fancort's top management reviews the quality system at planned intervals to ensure its continuing suitability and effectiveness in relation to ISO 9001:2008 and this Quality Manual. Management representing each functional area performs this review that includes assessing opportunities for improvement and the need to change the quality management system, including the quality policy and objectives.

Records of management reviews are maintained.

5.6.2 Review Input

The activities reviewed during management review meetings include, but are not limited to, the following:

- Internal audit status
- Corrective & preventive action summary
- Delivery performance
- Customer feedback, complaints
- Operations performance metrics
- Recommendations for improvement
- Previous management review activities
- Changes that could affect the quality management system

5.6.3 Review Output

The output from management review meetings include decisions and actions relating to:

- Improvement of the effectiveness of the quality management system and its processes
- Improvement of the product related to customer requirements
- Resource needs

6. RESOURCE MANAGEMENT

6.1 PROVISION OR RESOURCES

Management has the responsibility and authority to ensure there are adequate resources to support the Quality System throughout their functional area of responsibility. Each member of management is to provide adequate resources to:

- Implement and maintain the quality management system and continually improve its effectiveness
- Enhance customer satisfaction by meeting customer requirements
- Place trained personnel in the right place at the right time to ensure Fancort meets its company goals and objectives

6.2 HUMAN RESOURCES

6.2.1 General

The competence of personnel performing work affecting product quality is determined based on appropriate education, training, skills and experience.

6.2.2 Competence, Awareness and Training

Fancort has established and maintains documented procedures for identifying training needs and providing for the training of all personnel performing activities affecting quality. These procedures include:

- Determining the necessary competence of personnel performing work affecting quality
- Providing training or other actions to meet these competency needs
- Evaluation of the effectiveness of the training and other actions taken
- Ensuring that personnel are aware of the importance of their activities and how they contribute to the achievement of quality objectives

Appropriate records of training are maintained.

6.3 INFRASTRUCTURE

Fancort management utilizes a systematic approach to facilities, equipment, and process planning, incorporating cross-functional teams to optimize performance. Resources and systems are maintained to effectively develop and manage all tooling. Capability requirements are reviewed during the quotation process to ensure an accurate quoting process.

6.4 WORK ENVIRONMENT

Fancort has determined and manages the work environment to assure its suitability for achieving conformity to product requirements. Fancort follows strict ESD procedures for all Component Processing, conforming to NASA Handbook 8739.21.

7. PRODUCT REALIZATION

7.1 PLANNING OF PRODUCT REALIZATION

The quality planning requirements for individual development projects, related processes and supporting documentation are described in the Level II procedures for each process (see the Process Sequence & Interaction), for example, this Quality Manual, the Sales Order Processing Procedure, Purchasing Process and other process procedures.

If a particular development project or customer request cannot be fulfilled by the existing procedures, quality plans are created to ensure that the specific requirements are met. Quality plans are consistent with all other requirements of the Quality System. Consideration shall be given to the resources or skills required to meet specified requirements whenever there is a significant change to an existing product, process, test, inspection, verification, measurement.

The quality planning process, when initiated, shall provide for the following:

- Identification and acquisition of necessary controls, equipment, fixtures, resources and skills needed to achieve business goals and objectives.
- Provision for procedures, work instructions, inspections, tests, etc. to ensure product is manufactured to customer expectations and requirements.
- Updating test and inspection equipment and techniques.
- Clarification of all acceptable standards of features and requirements of finished product.
- Identification and preparation of quality records.

7.2 CUSTOMER-RELATED PROCESSES

7.2.1 Determination of Requirement Related to the Product

The determination of the requirements relating to the product includes:

- Requirements specified by the customer, including delivery and post-delivery
- Requirements not specified by the customer but necessary for intended use, where known
- Statutory and regulatory requirements relating to the product
- Additional requirements determined by the organization

7.2.2 Review of Requirements Related to the Product

There are procedures for contract review and for the coordination of contract review activities to ensure customer requirements and amendments to these requirements are communicated in a controlled manner.

The contract review procedure requires the appropriate review of each proposal, contract, or order to ensure that:

- Customer requirements and contract scope are adequately defined and documented.
- All terms and conditions of sale are clearly defined and documented.
- Any contract or accepted order requirements differing from those in the quotation tender are resolved, documented, and acknowledged by the customer.
- Both Fancort and the customer have the capability to meet the contract or accepted order requirements.
- Proprietary information is adequately protected.

- Adequate definition of the responsibilities of both Fancort and the purchaser including specification, acceptance, and related support activities.

Amendments to a contract or customer's specification are handled and correctly transferred to the concerned functions within the company utilizing documented procedures and confirmed with the customer.

Where the customer provides no documented statement of requirements, the customer requirements are confirmed by Fancort prior to acceptance.

Records of contracts, contract reviews, proposals and contract amendments are maintained in the customer file.

7.2.3 Customer Communication

Fancort has determined and implemented effective arrangements for communicating with customers in relation to:

- Product information
- Inquiries, contracts or order handling, including amendments
- Customer feedback, including customer complaints

7.3 DESIGNS AND DEVELOPMENT

Fancort is claiming an exclusion to standard requirement 7.3 Design and Development. Fancort builds products to its customers' designs. While Fancort may participate with the customer in the design process, design responsibility remains with the customer in all cases.

7.4 PURCHASING

7.4.1 Purchasing Process

Procedures are established and maintained to ensure that services and products in the production of Fancort Industries' products, which contribute to the quality of the product, conform to specified requirements.

Fancort Industries' procedures ensure suppliers and contracted services, which impact product quality (directly or indirectly), are assessed and selected based on their ability to meet company specified requirements. The assessments are documented. The procedure for evaluation of suppliers includes monitoring of delivery, quality, and any other items required on the purchase order.

Fancort maintains a list of suppliers approved to supply materials and services that directly affect product quality. The list of approved suppliers is maintained and updated as described in documented procedures.

Suppliers are approved based on one or more of the following:

- Product evaluation or functional test
- Documented experience of technical and quality performance
- Past performance meeting Fancort requirements for quality, cost and delivery

7.4.2 Purchasing Information

Purchasing documents clearly and completely describe ordered products. Purchasing documents clearly define, where appropriate:

- Material requirements and may include reference to applicable drawings, schematics, inspection instructions, relevant technical data and quality system standards.
- Requirements for qualification of personnel
- Quality management system requirements

Purchasing reviews and approves all purchasing data for adequacy and completeness prior to release to suppliers.

7.4.3 Verification of Purchased Product

Fancort does not require verification of purchased product at the supplier's premises (source inspection).

Purchased and customer supplied products and services are prevented from use until the required verifications are conducted and the product or service is verified as conforming to specified requirements. Incoming product is inspected prior to release to production.

Verification of the specified requirements is in accordance with the Purchase Order. Fancort utilizes receiving inspection as the method to ensure incoming product meets requirements.

Fancort Industries does not permit the early release of incoming material for urgent production purposes prior to verification.

If specified in the contract, Fancort customers have the right to verify at the supplier facilities that the product conforms to specified requirements.

- Customer verification does not preclude subsequent rejection by the customer
- Customer verification is not sole evidence of effective control of quality.

7.5 PRODUCTION AND SERVICE PROVISION

7.5.1 Control of Production and Service Provision

Fancort Industries plans and carries out production under controlled conditions, which include, as applicable:

- Availability of product characteristic description information such as drawings and schematics
- Availability of work instructions, where the absence would adversely affect quality
- Use of suitable equipment
- Availability and use of measuring devices
- Implementation of measuring processes where required to assure product quality
- Implementation of suitable release, delivery and post-delivery activities.

7.5.2 Validation of Processes for Production and Service Provision

Fancort is claiming exclusions to standard requirement 7.5.2 Validation of Processes for Production and Service Provision. There are no processes utilized by Fancort for which final inspection is not performed. There are no processes used by Fancort that do not practically lend themselves to final inspection.

7.5.3 Identification and Traceability

Documented procedures describe how raw material, in-process items, and finished goods are uniquely identified.

Traceability is not currently a requirement for any of the products supplied by Fancort.

Inspection and test status for all products is identified by suitable means as defined in documented procedure. The status identified indicates the conformance or nonconformance of product with regard to inspection and tests performed.

7.5.4 Customer Property

All products provided by Fancort customers for incorporation into their products, or for activities connected with their product, are controlled according to documented procedures.

Any such product that is lost, damaged, or is otherwise unsuitable for use shall be recorded and reported to the customer.

Verification of the customer property by Fancort does not absolve the customer of the responsibility to provide acceptable products nor shall it preclude subsequent rejection.

7.5.5 Preservation of Product

Fancort has established documented procedures for preventing damage or deterioration to material, work-in-process and finished product through handling, storage, packaging, preservation and delivery. Fancort follows strict ESD procedures when handling customer parts in the Component Processing department, conforming to NASA Handbook 8739.21.

7.6 CONTROL OF MONITORING AND MEASURING DEVICES

There are no documented procedures to control, verify, and maintain inspection, measuring, and test equipment used to demonstrate the conformance of product to the specified requirements.

Inspection, measurement and test equipment is used in a manner that ensures that measurement uncertainty is known and consistent with required measurement capability.

When the technical data pertaining to the measurement equipment is a customer-specified requirement, such data shall be made available for verification that the measuring equipment is functionally adequate.

For all test equipment used for product verification, Fancort does the following:

- a) Selects the device based upon the measurements to be made and the accuracy and precision required
- b) Documents the basis used for calibration in situations where no standard exists for calibration
- c) Identifies, verifies, and labels the device prior to use and re-verifies the device at prescribed intervals
- d) Provides instructions for calibration method and frequency
- e) Assesses the validity of previous test results when test equipment is found to be unacceptable during testing or re-verification activities

- f) Safeguards all test equipment against misuse, environmental changes that could affect calibration accuracy, unintended access or changes that would invalidate the verification status of the systems.
- g) Equipment is calibrated using standards having a known valid relationship to internationally or nationally recognized standards (NIST).
- h) Equipment is handled, stored and preserved in a manner such that the accuracy and fitness for use are maintained.

Records of all calibration activities for inspection, measurement and test equipment are maintained.

8. MEASUREMENT, ANALYSIS AND IMPROVEMENT

8.1 GENERAL

Fancort Industries plans and implements the monitoring, measurement, analysis and improvement processes needed to:

- Demonstrate conformity of the product
- Ensure conformity of the quality management system
- Continually improve the effectiveness of the quality management system

This includes determination of applicable methods, including statistical techniques, and the extent of their use.

8.2 MONITORING AND MEASURING

8.2.1 Customer Satisfaction

Fancort Industries is intent on meeting or exceeding all customer expectations and requirements. As part of that process, it analyzes and reviews all customer feedback, including a customer satisfaction survey that it sends out periodically. It also maintains records on customer ratings of Fancort as a vendor. All of this material is reviewed by management on an annual basis for determining the level of customer satisfaction.

8.2.2 Internal Audit

Procedures are documented to plan and implement internal quality audits to verify whether quality activities and related results comply with planned arrangements, and to determine the effectiveness of the quality system.

Internal quality audits are scheduled on the basis of the status and importance of the activity to be audited and are carried out by personnel independent of those having direct responsibility for the activity being audited. Work environment conditions are included in the audit.

The results of the audits are recorded and brought to the attention of the personnel having responsibility in the area audited. The management personnel responsible for the area takes timely action to correct deficiencies found during audits.

Follow-up audit activities verify and record implementation of corrective action. The results of internal quality audits form an integral part of the input to management review.

Auditors are qualified and maintain qualification based on defined requirements.

8.2.3 Monitoring and Measurement of Processes

Documented procedures define the methods used for controlling the manufacturing processes and make reference to any applicable instructions utilized to define how work is conducted. Where required, these procedures are available at the workstation.

In general, the effectiveness of processes is evaluated by measuring compliance with the quality policy and quality objectives. The quality policy is stated in section 5.3 and the quality objectives are stated in section 5.4.1 of this manual. Fancort Industries' quality objectives are further defined in Management Review (1000MR) and Analysis of Data Processes. Performance against these objectives is evaluated during management review meetings and documented in meeting minutes.

8.2.4 Monitoring and Measurement of Product

Product is inspected and/or tested in order to verify that the specified requirements for the product are met. Required inspection and/or testing, and the records to be established are detailed in the quality plan, and/or documented procedures.

In-process inspection and testing is performed as required by documented procedure.

Fancort procedures ensure that in-process inspection and testing is carried out and defines the criteria for holding of products until these inspection and tests activities have been completed and necessary reports have been verified.

All final testing is conducted in accordance with the quality plan or documented procedures to complete the evidence of conformance of the finished product to the specified requirements.

The quality plan or documented procedures require that:

- Product is held until all the required testing has been carried out and the results meet specified requirements
- Final inspection may include accumulation of in-process inspection results or specific final testing as appropriate
- Final inspection and testing includes the verification that all previous inspection and testing activities, including those specified at receipt of products or in-process, have been carried out with results meeting the specified requirements.

All inspection and testing is recorded and approved by the personnel performing the inspection and/or testing to provide evidence the product has been inspected and/or tested.

- These records show clearly whether the product has passed or failed the inspections and/or tests according to defined acceptance criteria.
- Traceability exists between the test records and the product tested.
- Where the product fails to pass any inspection and/or test, the procedure for control of nonconforming product shall apply.

8.3 CONTROL OF NONCONFORMING PRODUCT

Product that does not conform to specified requirements is prevented from unintended use. Controls are provided for identification, documentation, evaluation, segregation, disposition of nonconforming product, and for notification of the functions concerned.

The responsibility for review and authority for the disposition of nonconforming product is defined.

Nonconforming product is reviewed in accordance with documented procedures (1000NCP):

- Use-as-is
- Return to supplier
- Scrap
- Rework or repair

Where required by the contract, the proposed use or repair of product that does not conform to specified requirements is reported to the customer or customer's representative for concession.

The description of a nonconformity that has been accepted "as is" is recorded to denote the actual condition and will be maintained in the completed job folder for this customer.

Repaired and/or reworked product is re-inspected in accordance with the quality plan and/or documented procedure.

8.4 ANALYSIS OF DATA

Company-level data is used throughout the company to better ensure the ability to meet customer expectations. The Management Review process includes analyzing this data for problem solving and problem prevention purposes.

Trends in company level data are analyzed and compared to overall business goals and objectives. Key product and service features are included in analysis and if deficiencies are noted, action is taken to correct them to ensure customer satisfaction.

8.5 IMPROVEMENT

8.5.1 Continual Improvement

Fancort Industries' management system and practices promote continuous improvement in quality, service and price that benefit all customers.

- Each activity within the company pursues continuous improvement in all aspects of performance, with emphasis on customer-perceived quality, cost, and delivery factors.
- Executive management monitors selected objective indicators of performance.
- Long-term performance history is periodically evaluated and trends are analyzed.
- Targets are established based on performance. Priority is given to indicators that do not attain satisfactory customer performance levels.
- Performance is monitored against planned targets. Formal corrective action is initiated when planned targets are repeatedly missed.

8.5.2 Corrective Action

Procedures are documented and maintained to implement corrective actions. Employees, customers and suppliers are encouraged:

- To propose corrective actions to eliminate actual or potential nonconformities
- To continuously improve processes and products

Any corrective action taken to eliminate the causes of actual or potential nonconformities shall be to a degree appropriate to the magnitude of problems and commensurate with the risks encountered.

Any changes to documented procedures resulting from corrective action are implemented and recorded.

The Corrective Action system procedure includes consideration of the following:

- Effective handling of customer complaints and reports of product nonconformance
- Investigation of the cause of nonconformities relating to product, process, and quality system, and recording the results of the investigation
- Determination of the corrective action needed to eliminate the cause of nonconformities
- Application of controls to ensure that corrective action is taken and that it is effective
- Confirmation that relevant information on actions taken is submitted for management review

The typical corrective action will consider the following disciplined problem solving steps:

- Problem statement and description
- Containment (action required to address the immediate problem)
- Root cause
- Long-term solution
- Preventive action
- Monitoring status

8.5.3 Preventive Action

The Preventive Action system procedure includes consideration of the following:

- Use of appropriate sources of information such as design processes and work operations that affect product quality, concessions, audit results, quality records, service reports, root cause analysis, and customer and employee complaints to detect, analyze and eliminate potential causes of nonconformities
- Determination of the steps needed to deal with any problems requiring preventive action
- Initiation of preventive action and application of controls to ensure that it is effective
- Confirmation that relevant information on actions taken is submitted for management review

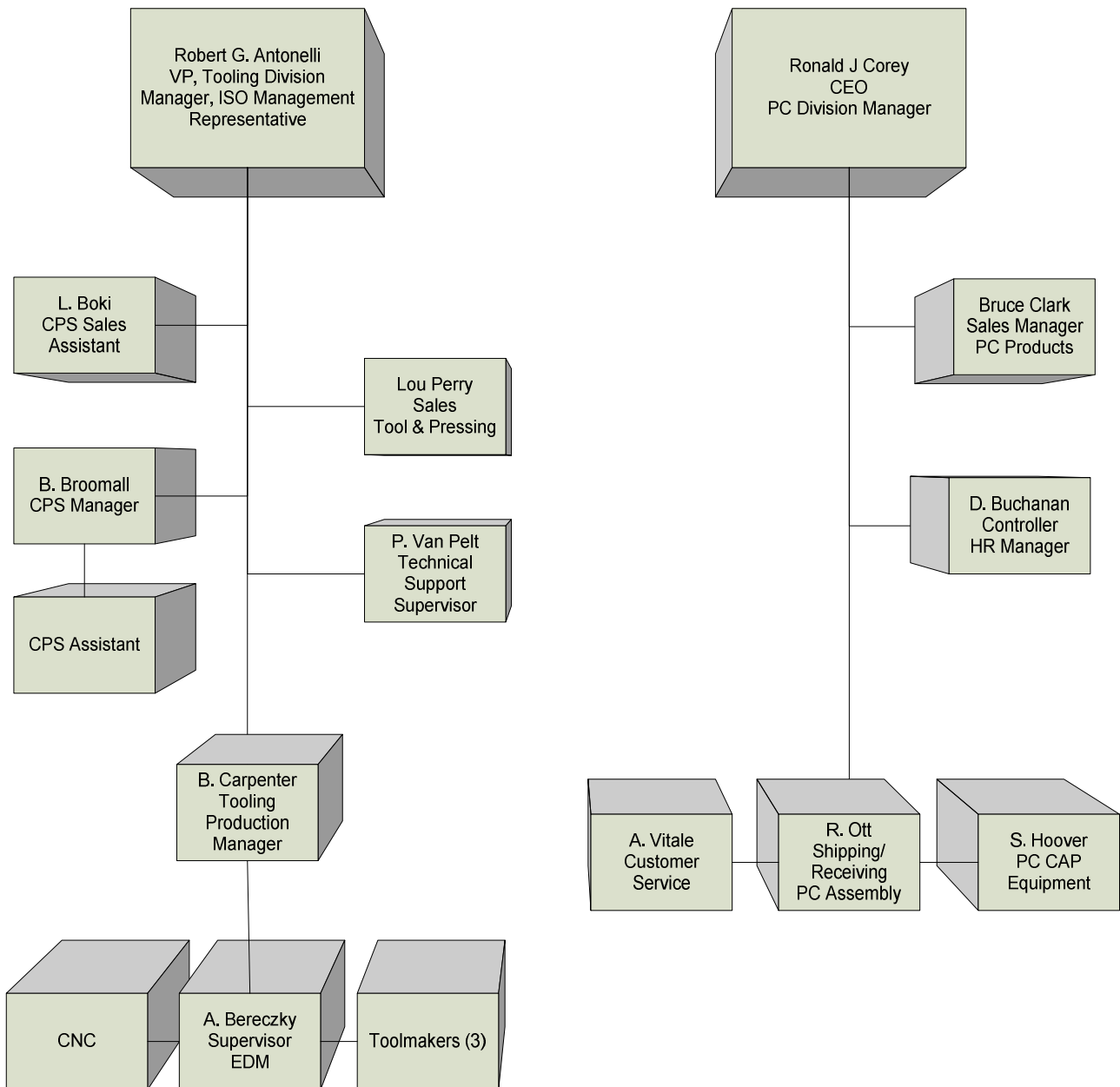
9. ATTACHMENTS

9.1 ORGANIZATION CHART

9.2 PROCESS SEQUENCE & INTERACTION

9.3 SUMMARY OF CHANGES

9.1 Fancort Organization Chart



9.2 Fancort Process Sequence & Interaction

