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INTRODUCTION

Serenity Electronics Incorporated is contracted re-distribution specialist of electronic components. We warehouse, manage, market and sell excess inventories for several large military orientated OEM's, all of which are located in the United States.

Serenity Electronics is proud to present its Quality Manual. This book represents the combined effort of all its employees, with a goal towards improving both the company and its services. A full understanding and compliance with the policies set forward in this book is the expected norm at Serenity Electronics, and measuring up to the ISO 9001:2000 standard is the minimum first step we wish to attain.

The purpose of this manual is to define and describe the quality system, to define authorities and responsibilities of the management personnel involved in the operation of the system, and to provide general procedures for all activities comprising the quality system.

Another purpose of this manual is to present the quality system to our customers and other external interested parties, and to inform them what specific controls are implemented at Serenity Electronics to assure quality.

Gary Thorne, President and CEO

EXCLUSIONS

The quality management system shall be relevant to the nature of our organization and products, and to customer and regulatory requirements. For this purpose, those requirements of ISO 9001:2000 that do not apply are excluded from the scope of our quality system.

PROCEDURE

1. An ISO 9001:2008 requirement may be excluded only when both of the following conditions are met:
 - The requirement must be within ISO 9001 Clause 7, Product Realization; and
 - The exclusion may not affect our ability, nor absolves us from the responsibility, to provide product that meets customer and applicable regulatory requirements.
2. Quality Management Representative is responsible for identifying those requirements of ISO 9001 that do not apply to our organization or products, and to propose exclusions of such requirements from the scope of the quality system.
3. Top executive management has the responsibility and authority for evaluating whether the proposed exclusions are appropriate, and for approving them. Evaluation and approval of exclusions are conducted within the framework of management reviews of the quality system (refer to Operational Procedure QOP-56-01, Management Review).
4. Any exclusion taken is documented in this section of the Quality Manual. The excluded requirements are precisely identified with reference to specific clauses and/or statements in the standard. There is also a brief justification why the exclusion is taken and why it is appropriate.

EXCLUSIONS

1. Exclusion: ISO 9001:2008 Section 7.3, Design and/or Development, including all subsections
Justification: Serenity Electronics is a distributor of electronic components and does not design or develop products. All principal product characteristics are specified by the customers.
2. Exclusion: ISO 9001:2008 Section 7.6, Control of Measuring and Monitoring Devices, including all subsections.
Justification: Serenity Electronics does not use any instruments, equipment, or devices to assure or verify conformity of product to specified requirements. The product is verified mainly by means of a review and visual evaluation. Therefore, Serenity Electronics has taken an exclusion from ISO 9001 (2008) Section 7.6, Control of Measuring and Monitoring Devices

4 - QUALITY MANAGEMENT SYSTEM

4.1 - GENERAL REQUIREMENTS

GENERAL POLICY

Serenity Electronics is committed to establish, document, implement and maintain a quality management system, and continually improve its effectiveness, in conformance with requirements of ISO 9001:2008 International Standard.

PROCEDURAL POLICIES

1. Quality system processes

- 1.1 Processes needed for the quality management system are identified in this Quality Manual and in associated operational procedures and work instructions. The documentation defines these quality system processes and their sequence and interaction, and instructs on how to implement and apply them throughout the organization.
- 1.2 Quality system documentation also defines criteria and methods needed to ensure that the operation and control of quality system processes are effective. This includes assignment of responsibilities and allocation of resources for the process, instructions on how to carry out the process, and definition of methods for monitoring and/or measuring the effectiveness of the process.
- 1.3 Operational Procedure QOP-04-01, Quality System Documentation, explains in more detail how quality system processes are defined and documented.

2. Resources and information

- 2.1 Quality Management Representative (MR) is responsible for determining resource and information requirements necessary to support the operation and monitoring of quality system processes, and for communicating these requirements to the top management. The top management is responsible for ensuring the availability of necessary resources and information. Section 6.1 of this quality manual, Provision of Resources, explains in more detail how resource requirements are identified and satisfied.

3. Monitoring and measurement

- 3.1 The performance of quality system processes is systematically monitored and/or measured. This is to ensure their effectiveness and identify opportunities for improvement.
- 3.2 The performance of product realization processes is usually monitored through the program of inspections applied to the product. The performance of processes required for quality management is usually monitored through internal quality audits. The overall performance of the quality system is monitored by measuring customer satisfaction.
- 3.3 Monitoring and measuring activities are defined in Sections 8.1 and 8.2 of this quality manual, and in the corresponding operational procedures.

4. Conformance and continual improvement

- 4.1 Quality management system processes are regularly reviewed by the top management to identify any possible failures or breakdowns, as well as opportunities for improvement. Actions necessary to address actual or potential problems and to improve the quality system are implemented through corrective and preventive actions and management improvement projects. Sections 5.6 and 8.5 of this quality manual and the corresponding operational procedures define how management reviews and corrective/preventive actions are used to ensure conformance and improvement.

5. Outsourced processes

- 5.1 When processes that affect product conformity are outsourced, special controls are implemented to ensure that these processes meet specified requirements. Such controls may include, as appropriate: evaluation and pre-qualification of suppliers; assessment of supplier realization processes and quality system; monitoring of supplier quality performance; requirements for inspection, testing or other records demonstrating product conformity; or containment and verification of the supplied product. Section 7.4 of this quality manual and the corresponding

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operational procedures define such purchasing control system.

ASSOCIATED DOCUMENTS

- Quality Manual: All sections
- Operational Procedure QOP-42-01: Quality System Documentation

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4.2 - DOCUMENTATION REQUIREMENTS

GENERAL POLICY

Scope of the quality system documentation is defined. Establishment and revision of documents, and their distribution, are controlled. New documents and revisions are reviewed and approved prior to issue; and are identified with respect to their revision level. Appropriate documents are available at locations where they are used. Obsolete documents are removed from points of use. Documents of external origin are identified and their distribution is controlled.

Quality records are identified and indexed to facilitate their retrieval, and are stored in a suitable environment to minimize deterioration. Quality records are retained for a period of time at least equivalent to the lifetime of the product.

PROCEDURAL POLICIES

1. Scope

- 1.1 Serenity Electronics quality system documentation comprises the following types of documents:
- Quality Manual (including a documented quality policy);
 - Documented statements of quality objectives
 - Operational procedures;
 - Work instructions;
 - Standards and other technical reference materials;
 - Product realization and control plans (including work orders, inspection checklists, etc.)

Purpose, scope, and responsibility for controlling various types of documents are defined in Operational Procedure QOP-42-01, Quality System Documentation.

2. Quality Manual

- 2.1 The top level document defining the overall quality management system is the Quality Manual. It includes:
- The scope of the quality system, including details of, and justification for any exclusions;
 - Description of quality system processes, their sequence, and interrelation; and
 - References to documented procedures.

3. Document control

3.1 Serenity Electronics is gradually transitioning from paper to electronic documentation. As this transition progresses, new categories of documents are transferred from paper to electronic document control system. Both systems are currently used, and are defined in Procedure QOP-42-02, Control of Documents.

3.2 New documents and document changes may be initiated by anyone in the organization, but may only be issued by an authorized function. The authorized functions and the rules governing the issue of documents are defined in procedures QOP-42-01, Quality System Documentation, and QOP-42-02, Control of Documents. All documents are reviewed and approved prior to issue.

3.3 A paper document is officially issued for use when it is approved by authorized function. An electronic document is issued by being placed in a public directory accessible from the network.

3.4 Documents are distributed to personnel and locations where they are used. When appropriate and relevant, documents display a distribution list. Electronic documents are available on the network and are accessible at relevant terminals and computers. Document placement is regulated by Procedure QOP-42-02.

3.5 Obsolete documents are removed from points of use. Retained masters or copies of obsolete documents are properly marked and are kept separate from active documents. Obsolete electronic documents are removed from the network and, if retained, are stored in directories that are only accessible to authorized personnel.

3.6 Document changes are reviewed and authorized by the same function that issued the original document. Revised documents are distributed with a change brief summarizing the changes. Each department issuing paper documents maintains a master list specifying the latest issues and revisions of its documents. For electronic documents such list is not necessary, as only the latest issue and revision of a documents is available on the network.

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4. Control of quality records

- 4.1 Quality records are established and maintained to provide evidence that:
 - Parts and processes meet specified requirements;
 - Parts shipped to the customer conform to specifications; and
 - The quality system is operated in accordance with documented procedures and that it is effective.Where required, quality records also include traceability information.
- 4.2 Records are established by personnel performing the task, operation, or activity the results of which need to be recorded. Records are dated; and identify the product, person, or event to which they pertain.
- 4.3 When not in electronic format, records are indexed and grouped to facilitate their retrieval. Cabinets, binders, computer disks, and other storage media containing records are clearly labeled with identification of their content.
- 4.4 Most of the records are in the electronic form. Paper records are normally stored by the same department that initially established the record. Paper records are stored in dry and clean areas, and electronic records are regularly backed up. Quality records and documents may not be stored in private desk drawers, unauthorized computer drives, or other obscure locations that are not generally known.
- 4.5 Retention periods for quality records are determined on the basis the lifetime of the event to which the record pertains, and on regulatory and contractual requirements.
- 4.6 All categories of quality records maintained by Serenity Electronics are listed in Operational Procedure QOP-42-03, Control of Quality Records. The list identifies specific types of records for each category; their storage location; and retention period.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-42-01: Quality System Documentation
- Operational Procedure QOP-42-02: Control of Documents
- Operational Procedure QOP-42-03: Control of Quality Records

5 - MANAGEMENT RESPONSIBILITY

5.1 - MANAGEMENT COMMITMENT

GENERAL POLICY

The top management is ultimately responsible for establishing, implementing, maintaining, and improving the quality system. Management commitment is demonstrated by communicating to the organization the importance of meeting requirements, establishing the quality policy and quality objectives, conducting management reviews of the quality system, and ensuring the availability of necessary resources. Since Serenity Electronics is a small company, many aspects of management commitment are expressed informally.

PROCEDURAL POLICIES

1. Top management

1.1 For the purpose of administrating the quality management system, top management is defined to include President and managers responsible for sales and marketing, purchasing, shipping and receiving, human resources, and quality assurance.

2. Customer requirements

2.1 Top management is committed to communicate the importance of meeting customer as well as regulatory and legal requirements. VP of Sales is responsible for implementing this commitment by promoting awareness of customer requirements throughout the organization. This responsibility of management representative is stipulated in Section 5.5, Administration.

3. Quality policy and quality objectives

3.1 Top management defines the purpose and objectives for the quality management system. They are documented and communicated in the form of quality policy and quality objectives. Processes for establishing the quality policy and quality objectives are defined in this manual in Section 5.3, Quality Policy, and Section 5.4, Quality Planning.

4. Management reviews

4.1 Top management periodically reviews the quality management system to ensure its continuing suitability, adequacy, and effectiveness. The review evaluates current status and performance of the quality system and initiates actions for further improvement of the system. The process for conducting management reviews is defined in Section 5.6 of this manual and in Operational Procedure QOP-56-01, Management Review.

5. Resources

5.1 Top management is committed to providing resources necessary for establishing, implementing, and improving the quality management system. Section 6.1 of this manual defines processes for identifying resource requirements and allocation of resources for specific activities and projects.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-56-01: Management Review

5.2 - CUSTOMER FOCUS

GENERAL POLICY

The principal objective of the quality management system is to focus our organization on the customer, and in particular, on customer satisfaction. The key to achieving high customer satisfaction is a good understanding of customer requirements and a capability to consistently fulfill these requirements.

PROCEDURAL POLICIES

1. Determining customer requirements

- 1.1 Customer requirements are understood broadly to include all aspects of products and associated services that can influence customer satisfaction. When relevant, this may also include customer needs and expectations.
- 1.2 Customer requirements are determined and verified through the process of order review. This process is defined in operational procedures QOP-72-01 Order Processing.

2. Customer needs and expectations

- 2.1 When appropriate, customer needs and expectations are determined and are incorporated into product requirements. VP of Sales is responsible for collecting and analyzing information on customer needs and expectations. The purpose is to gain understanding of which product features and characteristics are most important to customers, and which are perceived to be the strengths and weaknesses of the product or service.
- 2.2 Information about customer needs and expectations is collected and developed from various sources. These include:
 - Trends in stated customer requirements and developments in pertinent legal and regulatory requirements;
 - Customer surveys and direct contacts with customers;
 - Expressions of customer satisfaction and dissatisfaction, including customer complaints, and other customer feedback;
 - Trade magazines, conferences, seminars, etc.
- 2.3 Information about customer needs and expectations is also extracted from customer feedback and complaints, and customer satisfaction data. Operational Procedures QOP-72-03, Customer Feedback and Complaints, and QOP-82-01, Customer Satisfaction, define how this data is collected and used.

3. Fulfillment of customer requirements

3.1 The whole quality system is designed and implemented to ensure that customer requirements can be consistently fulfilled. Quality system processes that most directly contribute to achieving this objective are those related to the control of product realization processes and to monitoring and measuring of product. Sections 7 and 8 of this manual define these processes.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-72-01: Order Processing
- Operational Procedure QOP-72-03: Customer Feedback and Complaints
- Operational Procedure QOP-82-01: Customer Satisfaction
- Operational Procedure QOP-56-01: Management Review

5.3 - QUALITY POLICY

QUALITY POLICY

At Serenity Electronics our objectives are clear: to provide the highest level of service, quality product, on-time delivery, and all pertinent traceability and documentation to meet or exceed the stringent customer requirements. We are continuously evaluating market conditions and trends, and upgrading our services to reflect changing customer expectations.

PROCEDURAL POLICIES

1. Authority

1.1 Quality policy is established by the top management and is approved by the President. Any changes to the policy must be likewise approved by the President.

2. Role of the policy

2.1 The main role of the quality policy is to communicate the company's commitments and aspirations with regard to quality, and to define principal objectives for the quality management system.

2.2 The quality policy provides a framework for establishing specific quality objectives, and provides direction for the continual improvement effort. The use of quality policy in setting quality objectives is addressed in this manual in Section 5.4, Quality Planning. The use of the policy to facilitate continual improvement is explained in Operational Procedure QOP-85-01, Continual Improvement.

3. Communication

3.1 The quality policy is posted throughout the company, and its role is explained and discussed at the general orientation training provided to all employees.

3.2 The quality policy is also communicated to customers, consumers and other interested parties. For this purpose, it is displayed in the reception area and posted on the company's Internet site.

4. Review

4.1 The quality policy is periodically reviewed within the framework of management reviews of the quality system. This is to ensure its continual relevance and suitability. The process for reviewing the quality policy is defined in Operational Procedure QOP-56-01, Management Review.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-56-01: Management Review
- Operational Procedure QOP-85-01: Continual Improvement

5.4 - QUALITY PLANNING

GENERAL POLICY

Quality objectives are established to support and implement the quality policy and continual improvement. Quality planning includes identification and determination of quality system processes (including any exclusions of ISO 9001:2000 requirements); priorities for continual improvement; and resources needed to achieve quality objectives and to maintain and improve the quality system. Quality plans are periodically reviewed and updated to maintain the integrity of the quality system during organizational and other changes.

PROCEDURAL POLICIES

1. Quality objectives

- 1.1 Quality objectives are established throughout the organization to implement the quality policy, to meet requirements for products and processes, and to improve quality system and quality performance.
- 1.2 Quality objectives define the direction and priorities for continual improvement. Use of quality objectives for facilitating continual improvement is explained in Operational Procedure QOP-85-01, Continual Improvement.
- 1.3 Quality objectives are classified into the following four categories:
 - Policy objectives: These are principal, strategic objectives that apply to the whole organization. They are typically included in the quality policy itself, or may be communicated in memoranda from the top management. Policy objectives are authorized by the President.
 - Quality performance objectives: These objectives set specific, measurable targets for improving operational performance to ensure product conformity and customer satisfaction. They apply to departments and functions having direct responsibility for activities that require improvement. Performance objectives are established, documented, and monitored within the framework of management reviews of the quality system, in accordance with Operational Procedures QOP-56-01, Management Review.
 - Product quality objectives: These objectives pertain to improvement of products and associated services (these objectives may include order handling, packaging, or delivery). Product objectives are established by top management. They can be documented in memoranda, or minutes of meetings; and apply to responsible functions.
 - Quality system objectives: These objectives pertain to improvement of quality system processes and performance. Quality system objectives are established, documented, and monitored within the framework of management reviews of the quality system, in accordance with Operational Procedure QOP-56-01, Management Review.

2. Quality system planning

- 2.1 Quality system elements and processes are planned to ensure that the system is appropriate for its intended purpose, and that it is effective and efficient. The purpose of the quality system is:
 - To achieve the quality policy;
 - To ensure and demonstrate our ability to consistently provide product that meets customer and regulatory requirements;
 - To ensure high level of customer satisfaction;
 - To facilitate continual improvement; and
 - To comply with requirements of ISO 9001:2008 standard.
- 2.2 The output of quality system planning is documented in this quality manual, in associated operational procedures, and in other referenced documents. These documents identify and define all elements and processes of the quality system.

3. Product realization and verification planning

- 3.1 Planning of product realization, verification, and validation processes is addressed in Section 7.1 of this manual.

4. Continual improvement planning

4.1 Improvements of the quality system are planned within the framework of management reviews. The output of this planning is expressed in the form of quality system objectives, as defined above in Clause 1.3 of this section, and in Operational Procedures QOP-85-01, Continual Improvement; and QOP-56-01, Management Review.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-56-01: Management Review
- Operational Procedure QOP-85-01: Continual Improvement

5.5 - ORGANIZATION AND COMMUNICATION

GENERAL POLICY

Functions and their interrelation within the company are defined and communicated.

Top management appoints a Management Representative responsible for establishment and maintenance of the quality system, and for reporting to the top management on the performance of the system.

Issues regarding the quality system are communicated internally through distribution of pertinent documents, meetings, training and awareness programs, and management reviews.

PROCEDURAL POLICIES

1. Responsibility and authority

1.1 Departments, groups and functions within the company, and their interrelations, are defined in the organizational chart enclosed at the end of this section.

1.2 All departments and functions in the company are responsible for implementing, maintaining, and improving the quality system.

Following specific responsibilities and authorities are assigned:

President and Top Management

- Formulates the quality policy
- Provides resources necessary to maintain and improve the quality system
- Conducts management reviews of the quality system

Sales (Supervised by VP of Sales)

- Conduct market research to anticipate customer expectations
- Determine customer satisfaction
- Advertise and promote company's products
- Monitor the performance of competitors
- Carry out contract and order reviews

Purchasing (Supervised by Purchasing Manager)

- Selects qualified supplies and subcontractors
- Prepares and approves purchasing documents
- Monitors and evaluates supplier performance

Receiving/Shipping (Supervised by Warehouse Manager)

- Receives purchased products
- Performs inspections
- Applies or verifies product identification for purchased products
- Operates the material stockroom
- Packages products (secondary packaging)
- Ships products to customers
- Operates the finished product stockroom

Human Resources (supervised by the President)

- Defines personnel qualification requirements
- Implements measures to motivate personnel
- Conducts company-wide training

Quality Assurance (supervised by the Quality Management Representative and Purchasing Manager)

- Establishes and maintains the quality management system
- Audits implementation and effectiveness of the quality system
- Identifies opportunities for improvement of the quality system
- Develops quality plans and control plans
- Initiates corrective and preventive actions
- Carries out subcontractor quality surveys and audits

- Identifies the need for the use of statistical techniques
- Handles nonconforming products
- Coordinates document control activities
- Maintains, or coordinates the maintenance of quality records
- Coordinates collection of quality performance data
- Provides required training for its personnel.

2. Management representative

2.1 Serenity Electronics appoints as the management representative the President. Management representative has the authority and responsibility to:

- Ensure that the quality management system is implemented, maintained and continually improved;
- Promote awareness of customer requirements throughout the organization;
- Report to the top management on the performance of the quality system, including needs for improvement; and
- Coordinate communication with external parties on matters relating to the quality system and ISO 9001:2000 registration.

3. Internal communication

3.1 Internal communication regarding the quality system flows two ways:

The management communicates to the organization the quality policy and objectives; customer and regulatory requirements; product and process specifications; verification and validation requirements; and instructions on how to implement and use the quality system.

The organization communicates to the management information and data regarding customer needs and expectations, customer satisfaction, quality performance, the effectiveness of the quality system, and opportunities for improvement.

3.2 The information is communicated through manuals, procedures, instructions, quality records, reports, etc.; and through training, on-the-job instruction, and meetings. Operational Procedures QOP-42-01, Quality System Documentation; QOP-42-02, Control of Documents; and QOP-61-01, Training and Awareness, regulate these activities.

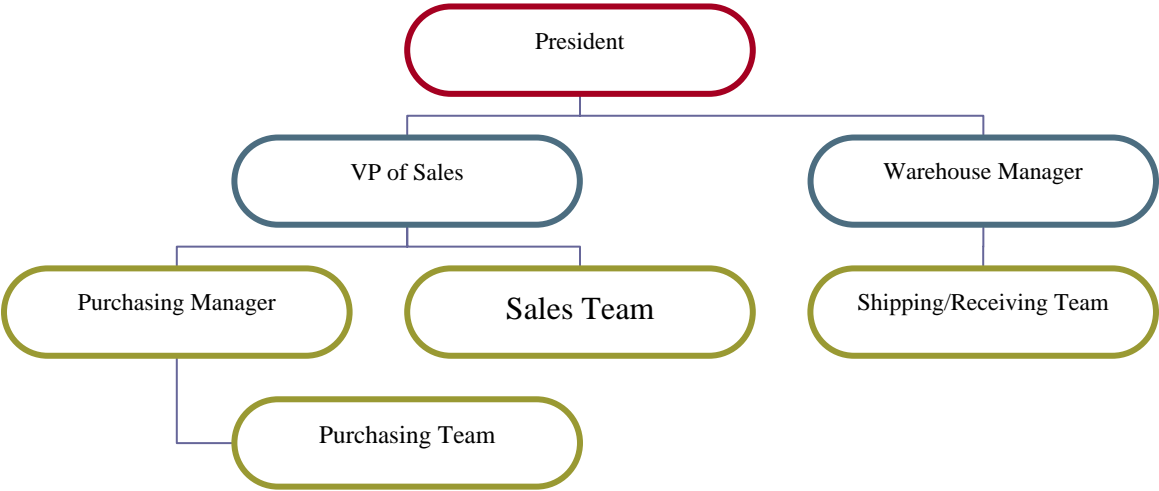
3.3 Since Serenity Electronics is a small company; management review meetings have a special role in ensuring proper communication between the top management and the organization. The meeting provides the framework for the organization to report on the status of quality-related issues and activities, and for the management to formulate policies and directives to change and/or improve the quality system. This process is defined in Operational Procedure QOP-56-01, Management Review.

3.4 Management Representative has the overall responsibility for ensuring that all pertinent documents, reports and records are distributed to appropriate departments and functions, and that information and data about quality performance and the effectiveness of the quality system are reported to the top management.

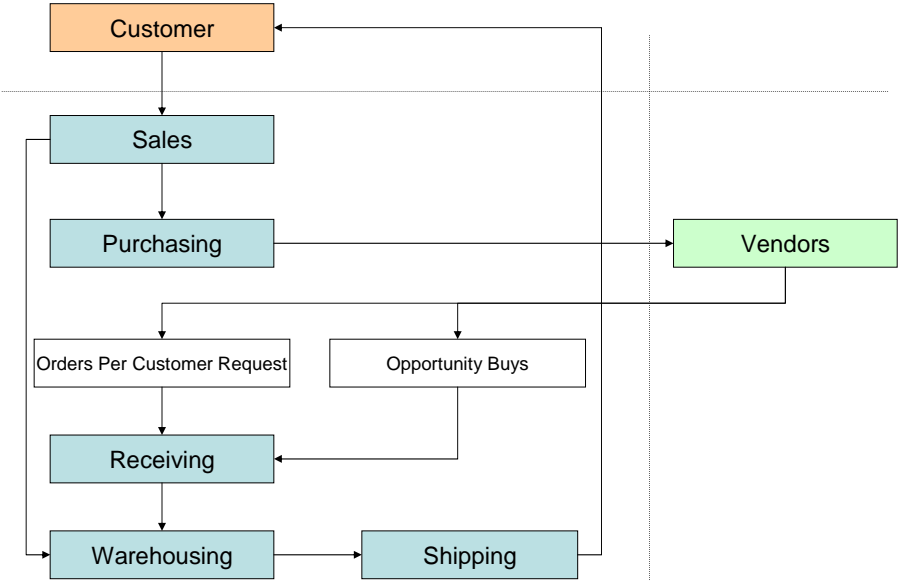
ASSOCIATED DOCUMENTS

- Operational Procedure QOP-56-01: Management Review
- Operational Procedure QOP-61-01: Training and Awareness

Organizational Chart



Process Interaction



5.6 - MANAGEMENT REVIEW

GENERAL POLICY

Top management conducts periodical reviews of the quality system. The review evaluates the suitability and effectiveness of the system, identifies opportunities for improvement, and considers the need for changes to the quality policy and quality objectives. Results of the review are documented.

PROCEDURAL POLICIES

1. General

1.1 The purpose of management reviews is to:

- Evaluate the suitability, adequacy and effectiveness of the quality system;
- Consider changes to the quality management system and to the quality policy and quality objectives;

and

- Identify opportunities for improvement of the quality system, processes and products.

1.2 Management reviews are chaired by the MR, and are attended by the President and other managers.

1.3 Management reviews are conducted at least once a year. More frequent reviews are scheduled in periods when organizational or product changes, or other circumstances require increased attention and input from the top management.

2. Review input

2.1 Input into the management reviews consists of information and data related to quality performance of the organization. At a minimum, this includes:

- Results of audits,
- Customer feedback and complaints,
- Process performance and product conformance data,
- Status of preventive and corrective actions,
- Changes that could affect the quality system,
- Follow-up actions from earlier management reviews, and
- Recommendations for improvement.

Section 8.4 of this manual, Analysis of Data, and Operational Procedure QOP-56-01, Management Review, define the scope, and method of presentation, of the input information and data.

3. Review output

3.1 Management reviews are concluded with actions related to improvement of the quality management system, and improvement of processes and products to better meet customer requirements. The review also identifies resource needs to implement these actions.

3.2 Results of management reviews are documented in minutes of the review meeting. The minutes include improvement actions, and assign responsibilities and allocate resources for implementation of these actions.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-56-01: Management Review

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6 - RESOURCE MANAGEMENT

6.1 - PROVISION OF RESOURCES

GENERAL POLICY

Top executive management is committed to provide adequate resources for the implementation and improvement of the quality system, and for addressing customer satisfaction.

PROCEDURAL POLICIES

1. General

1.1 Resources required for implementation and improvement of the quality system, and for addressing customer satisfaction, may include people, suppliers, information, infrastructure, work environment, and financial resources.

2. Determination of resource requirements

2.1 MR and other management personnel involved in the quality system are responsible for determining resource requirements for the implementation and improvement of the system.

2.2 President is responsible for determining resource requirements for addressing customer satisfaction. This is based on input from other management personnel responsible for activities relevant to particular aspects of customer satisfaction. Operational Procedure QOP-82-01 explains how information about customer satisfaction is collected and analyzed.

2.3 The principal forum for determining and communicating resource requirements are management reviews of the quality system. Operational Procedure QOP-56-01, Management Review, explains this process.

3. Provision of resources

3.1 President and top management have the responsibility and authority for the provision of resources.

3.2 Allocation of resources for particular activities is integrated with the process of defining and initiating the activity. It may take the form of personnel assignments, allocation of space or equipment, training, procurement decisions, budgets, etc.

3.3 Allocation of resources may be documented in the quality manual, operational procedures, minutes of meetings, memoranda, or any other form. Approvals of resource allocations may be also communicated verbally.

3.4 Management review of the quality system is the principal forum for allocation of resources for the operation and improvement of the system. All actions initiated by the review are supported by allocation of specific resources necessary for their implementation. Operational Procedure QOP-56-01, Management Review, defines this process.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-56-01: Management Review
- Operational Procedure QOP-82-01: Customer Satisfaction

6.2 - HUMAN RESOURCES AND TRAINING

GENERAL POLICY

Serenity Electronics identifies personnel training needs, provides required training, and evaluates the effectiveness of the training provided. Personnel assigned to perform specific tasks, operations, and processes are qualified on the basis of appropriate education, experience, or training. Employees are made aware of the relevance and importance of their activities and how they contribute to the achievement of quality objectives. Records of personnel qualifications and training are maintained.

PROCEDURAL POLICIES

1. Identification of training needs and awareness programs

- 1.1 President is responsible for identifying training needs and awareness programs for company-wide participation, such as: general orientation, rules and regulations, quality system, safety, and other company-wide systems and issues.
- 1.2 Departmental managers, when appropriate, are responsible for identifying competency requirements and training needs in their departments, and for establishing departmental training programs. Departmental training is primarily focused on increasing the level of skills in operating equipment and processes, conducting inspections, using analytical and statistical techniques, and so forth.
- 1.3 In addition, training needs are often identified in response to corrective or preventive action requests (CARs), as nonconformities may be caused by inadequate training.

2. Awareness and training programs

- 2.1 Serenity Electronics provides, or supports, the following categories of company-wide and departmental training and awareness programs:
 - General orientation and quality system awareness training — Explains how the product is used and how the quality system works to ensure product quality. Provided to all employees.
 - Use of company-wide systems — Explains interdepartmental systems, such as product coding/numbering system, bar-code system, use of computers, etc. Provided to individual employees on as-needed basis.
 - Departmental training in specific skills. Often provided as on-the-job training.
 - Self-study — Reading magazines, books, and reports. While all employees are encouraged to broaden their knowledge through reading, in some cases self-studying may be required as formal training.
- 2.2 Operational Procedure QOP-62-01, Training and Awareness, describes in detail the training and awareness programs provided by Progeny International.

3. Effectiveness of training

- 3.1 Effectiveness of training is evaluated using the following approaches:
 - Follow-up performance evaluation of trained employees;
 - Review of the overall performance in areas relevant to particular training programs;
 - Consideration of competency and training when investigating causes of quality system failures and product or process nonconformities; and
 - A global review of all training and awareness programs, conducted within the framework of management reviews of the quality system.
- Operational Procedures QOP-62-01, Training and Awareness, and QOP-56-01, Management Review, prescribe more specific methods for evaluating particular categories of training and awareness programs.

4. Training records

- 4.1 Training records are established for all types of training. Records are normally established and maintained by the department that provides the training. Operations Department maintains as-hired qualification records, and may also have copies of some departmental training.

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ASSOCIATED DOCUMENTS

- Operational Procedure QOP-62-01: Training and Awareness
- Operational Procedure QOP-56-01: Management Review

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6.3 - INFRASTRUCTURE AND WORK ENVIRONMENT

GENERAL POLICY

Suitable infrastructure, facilities and work environment are provided as required to achieve product conformity. This includes planning, provision, and maintenance of employee facilities, workspaces, equipment, software, and associated services.

PROCEDURAL POLICIES

1. Infrastructure and Facilities

- 1.1 Planning of new, and/or modification of existing infrastructure and facilities is usually conducted in conjunction with product or process changes; capacity and/or work force expansions; and other such events. Facilities may also be expanded or modified to improve productivity and/or quality, or to improve the work environment.
- 1.2 Top Management is responsible for identifying the need and requirements for new, and/or modification of existing infrastructure and facilities in their departments.
- 1.3 When relevant, MR reviews the proposed facilities or changes to ensure that they enhance the achievement of product conformity and quality.

2. Supporting services and maintenance of facilities

- 2.1 Maintenance of buildings and facilities is performed by external contractors. This includes regularly scheduled maintenance of lighting systems, air conditioning and heating systems, landscaping, and cleaning. Repairs of buildings and other such facilities are contracted as needed. Purchasing is responsible for coordinating and managing maintenance contracts.
- 2.2 Equipment maintenance is addressed in Section 7.5 of this manual and Operational Procedure QOP-75-03, Equipment Maintenance.

3. Work environment

- 3.1 Top Management is responsible for ensuring suitable working environment for personnel. This is to include both human and physical factors.
- 3.2 MR is responsible for identifying those operations where environmental conditions could impact quality performance of personnel and result in product nonconformities. Were appropriate, limits of exposure and/or mitigating measures shall be defined and implemented for these operations.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-75-03: Equipment Maintenance

7 - PRODUCT REALIZATION

7.1 - PLANNING OF PRODUCT REALIZATION

GENERAL POLICY

Planning of product realization processes includes determination of quality objectives for products; development of required processes and process documentation; and establishment of product verification and validation programs. The plan also defines requirements for records necessary to demonstrate process and product conformity.

PROCEDURAL POLICIES

1. Product quality objectives

- 1.1 Quality objectives for product are defined in specifications, contract documents, internal and external standards, product samples, and applicable legal and regulatory requirements.
- 1.2 MR is responsible for identifying product quality objectives and requirements. This may be integrated with the process of determining customer and product requirements (refer to Operational Procedure QOP-72-01, Order Processing).

2. Product realization planning

- 2.1 Product realization planning includes, as applicable:
 - Definition and evaluation of processes used to acquire necessary part and to deliver them to the customer,
 - Development of adequate and capable processes,
 - Establishment and implementation of appropriate process control measures,
 - Development of instructions and training for process operators, and
 - Requirements for records necessary to demonstrate process conformity.
- 2.2 Product realization plans are established by the top management. The plans are defined in various types of documents, such as work instructions, process validation reports, etc.
- 2.3 Operational procedures related to Section 7.5, Operations, explain how outputs of product realization planning are used.

3. Product verification and validation planning

- 3.1 Product verification and validation plans determine the inspection and testing program for a product. This includes:
 - Identification of inspection points,
 - Inspection scope, frequency, and method,
 - Acceptance criteria, and
 - Requirements for records necessary to demonstrate product conformity.
- 3.2 Purchasing and Shipping/Receiving are responsible for development of product verification plans. The plans are defined in various types of documents, such as purchasing documents, inspection procedures, and so forth. Documents defining the inspection program for a product are collectively referred to as control plans.
- 3.3 Operational Procedures QOP-74-03, Verification of Purchased Product; and QOP-82-05, Final Inspection, explain how outputs of product verification and validation planning are used.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-72-01: Order Processing
- Operational Procedure QOP-74-03: Verification of Purchased Product
- Operational Procedure QOP-82-05: Final Inspection

7.2 - CUSTOMER-RELATED PROCESSES

GENERAL POLICY

Product requirements are determined to include customer requirements and legal, regulatory, and other necessary requirements that may not be specified by customers. Orders are reviewed to ensure that product and order requirements are defined and can be met, and to resolve any incomplete or conflicting requirements. Verbal orders are confirmed before acceptance. Order amendments and changes are likewise reviewed and are communicated to all relevant functions. Order reviews are recorded.

Arrangements for communication with customers relating to product information, order handling, and customer feedback and complaints are defined and implemented. Where appropriate, operational procedures and instructions for these activities are established and implemented.

PROCEDURAL POLICIES

1. CUSTOMER AND PRODUCT REQUIREMENTS

1.1 Product requirements

1.2.1 Requirements for product characteristics, packaging, and support are determined in the process of selecting products based on the customer requirements. The review of the products verifies that the product satisfies requirements for intended use as well as legal and regulatory requirements, and that availability and support are adequate to meet customer expectations.

1.2.2 Other requirements pertaining to orders products are reviewed in conjunction with order processing. These may be product availability, delivery requirements, special packaging or handling requirements, etc. Operational Procedure QOP-72-01, Order Processing, instructs on how to carry out this review.

1.2 Incomplete or conflicting requirements

1.4.1 Any incomplete or conflicting requirements are resolved with the customer before acceptance of the order.

1.3 Verbal orders

1.5.1 Verbal orders are confirmed before acceptance. This may be by repeating the order requirements back to the customer, or by sending a confirming fax.

1.4 Amendments

1.6.1 Change orders are received and reviewed by the same functions that are responsible for the review of the initial orders. Change orders are communicated to all functions within the organization that may be affected by the change of customer requirements. Operational Procedure QOP-72-01, Order Processing, provides instructions on how to process change orders.

1.5 Record

1.7.1 Reviews of product requirements are recorded. The review record is established electronically. Establishment and maintenance of contract review records are explained in Operational Procedures QOP-72-01, Order Processing, and QOP-42-03, Control of Quality Records.

2. CUSTOMER COMMUNICATION

2.1 Product Information

2.1.1 VP of Sales is responsible for developing the content and format for company's brochures, catalogs, Internet site, and other forms of promotional and product information material.

2.1.2 Master copies and/or files of documents containing product information are controlled. They are reviewed and approved before release, and are identified by a unique code-number and a revision level. Superseded and obsolete materials are withdrawn to prevent them from being passed or communicated to customers.

2.1.3 Only designated personnel are authorized to communicate with customers regarding product information. VP of Sales is responsible for designating these personnel, and for supporting them with training and current product information.

2.2 Inquiries and order handling

2.2.1 Sales personnel are responsible for receiving, reviewing and further processing customer inquiries and orders.

2.2.2 Handling of order amendments is controlled to the same extent as the handling of initial orders. Amendments are reviewed to verify that the new or modified requirements can be met, and a confirmation of acceptance is sent back to the customer.

2.2.3 Operational Procedure QOP-72-01 instructs how to handle inquiries, orders, and amendments for products.

2.3 Customer feedback and complaints

2.3.1 Sales personnel are responsible for receiving and processing customer feedback and complaints. All received customer communication is recorded in the customer feedback and complaints log.

2.3.2 Customer feedback and complaints are classified into categories to allow for better tracking of trends and evaluating improvement in specific aspects. Every complaint is communicated to relevant functions within and outside the organization. The responsible department and MR decide how to respond to the customer and, when appropriate, what corrective or preventive actions should be implemented internally.

2.3.3 Procedure QOP-72-03, Customer Feedback and Complaints, provides detailed instructions how to receive, process, and respond to customer feedback and complaints.

ASSOCIATED SECTIONS AND DOCUMENTS

- Operational Procedure QOP-72-01: Order Processing
- Operational Procedure QOP-72-02, Order Processing for Custom Products
- Operational Procedure QOP-72-03: Customer Feedback and Complaints

7.3 - DESIGN CONTROL

GENERAL POLICY

Serenity Electronics is a distributor of electronic components and does not design or develop products. All principal product characteristics are specified by the customers. Therefore, Serenity Electronics has taken an exclusion from ISO 9001 (2000) Section 7.3, Design and/or Development, including all subsections.

7.4 - PURCHASING

GENERAL POLICY

Serenity Electronics evaluates its suppliers and purchases only from those that can satisfy quality requirements. Quality performance of suppliers is monitored and evaluated. Purchasing documents clearly and completely describe ordered products, including quality requirements. Purchasing documents are reviewed and approved prior to release. Purchased products are verified before they are used or shipped.

PROCEDURAL POLICIES

1. Supplier evaluation

1.1 All new suppliers are evaluated with regard to their quality and process capability. Purchasing Manager establishes criteria for selection of suppliers, and conduct supplier evaluation. Suppliers are rated APPROVED, PROVISIONAL, or NOT APPROVED. The Approved and Provisional suppliers are entered on the approved supplier list. Existing suppliers with a satisfactory quality performance history may be exempted from the initial evaluation and be initially rated as APPROVED or PROVISIONAL. Records of the initial supplier evaluation are maintained. Supplier evaluation process is governed by Procedure QOP-74-01, Supplier Evaluation.

2. Supplier quality performance monitoring

2.1 Quality performance of suppliers is monitored. Suppliers showing inadequate performance may be asked to implement corrective actions, and be downgraded to the PROVISIONAL rating. If the requested corrective actions are not implemented and there is no improvement, the supplier is further downgraded to the NOT APPROVED rating and is discontinued. Records of supplier monitoring and reevaluations are maintained. The system for monitoring suppliers is defined in Procedure QOP-74-01.

3. Approved supplier list

3.1 Purchasing maintains an approved supplier list. Orders may only be placed with vendors that are on the list.

4. Purchasing information

4.1 Purchasing documents are prepared by Purchasing Manager or designee. The documents clearly and completely describe ordered products, including precise product identification and quality requirements. All purchasing documents are reviewed and approved prior to release.

4.2 The preparation, review, and approval of purchasing documents are explained in Procedure QOP-74-02, Purchasing.

5. Verification of purchased product

5.1 Purchased products are inspected by receiving clerk. This includes verification of product identity and quantity, visual inspection and, where applicable, verification that all requested certificates and quality records are available.

5.2 Purchasing Manager and Warehouse Manager are responsible for selecting appropriate methods for purchased product verification and acceptance. Operational Procedure QOP-74-03, Verification of Purchased Product, sets forward detailed rules for selecting product verification methods and for performing receiving and quality inspections.

5.3 If verification of purchased product is to be performed at supplier's premises, purchasing documents specify the intended verification arrangements and method of product release.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-74-01: Supplier Evaluation
- Operational Procedure QOP-74-02: Purchasing
- Operational Procedure QOP-74-03: Verification of Purchased Product

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7.5 - OPERATIONS

GENERAL POLICY

Product and process information and appropriate work instructions are established and are communicated to relevant personnel. Operations are monitored and controlled, and are validated where appropriate. Methods for product release and delivery are defined.

Parts are identified. When required, traceability is recorded and maintained. Inspection and test status of product is identified to ensure that only product that has passed the required inspections is dispatched.

Serenity Electronics does not use any customer-supplied products.

Appropriate handling, storage and preservation methods are implemented to prevent product damage or deterioration. Receipt and dispatch to and from storage areas are controlled. The condition of products in stock is regularly assessed. Product packaging materials and methods are specified and controlled.

PROCEDURAL POLICIES

1. OPERATIONS CONTROL

1.1 Product and process specifications

1.1.1 Information specifying product characteristics is communicated to receiving inspection in the form of a copy of the purchase order. This information is controlled in accordance with Operational Procedure QOP-42-02, Control of Documents.

1.1.2 Product and process information required by process operators is communicated through the work order or is included in work instructions. Operational Procedure QOP-75-02, Work Instructions, explains how to establish and use these documents.

1.2 Work instructions

1.2.2 Work instructions may be in the form of manuals, procedures, sheets, or posted signs. They instruct on how to carry out a process or perform an operation or task. The need for work instructions is evaluated on the basis of criticality, importance and complexity of the process; the ability to verify results of the process.

1.2.3 Procedure QOP-75-02, Work Instructions, specifies criteria for determining when work instructions are needed, and provides guidelines for issuing, authorizing and controlling work instructions.

1.3 Equipment maintenance

1.3.1 Key equipment, including computer hardware and software are regularly maintained in accordance with maintenance plans specified by equipment manufacturers or departmental managers responsible for the equipment. Requirements for the maintenance of production equipment are specified in Operational Procedure QOP-75-03, Equipment Maintenance.

1.4 Measuring and monitoring equipment

1.4.1 Requirements for measuring and monitoring equipment are determined by the MR. This is in accordance with process control and product verification programs defined in product realization planning (refer to Section 7.6 of this manual).

1.5 Process monitoring and control

1.5.1 Processes are monitored and controlled through variety of approaches, activities and techniques. The system is designed to control:

- Information, material and human (operator) input into the process;
- Process environment and performance; and
- Process output.

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Process monitoring activities are further defined in Section 8.2 of this manual.

1.6 Product release and delivery

1.6.1 Products are released for delivery only after all specified activities have been satisfactorily completed and conformity of the product has been verified. Operational Procedure QOP-82-05, Final Inspection, define the system for final product verification and release.

2. IDENTIFICATION AND TRACEABILITY

2.1 Product identification

2.1.1 Purchased products are identified with unique numbers, codes, or names. The identification is the same as, or is cross-referenced with, the designations used in customer purchase orders. Purchased products are identified by marking, labeling, or tagging the products or their packaging, or by identification of the area where the products are held.

2.1.2 Final products (orders ready to be shipped) are identified by the part number, which is labeled or marked on the products and/or is printed on the primary product packaging; and when necessary by Serenity Electronics PO Number or customer PO Number.

2.1.3 Rules and activities related to identification of products are governed by Operational Procedure QOP-75-04, Product Identification and Traceability. Additional relevant procedures are: Verification of Purchased Product; QOP-82-05, Final Inspection; and QOP-75-08, Packaging, Labeling and Shipping.

2.2 Traceability

2.2.1 When required by contracts, laws and regulations, or voluntary standards traceability is implemented to the extent specified. Traceability may also be implemented for internal reasons, to facilitate corrective action.

2.2.2 As required, traceability may apply to components, inspection and testing, and personnel responsible for processing and verification of products. The scope of traceability is documented in product specifications.

2.2.3 Activities related to establishment and maintenance of traceability is regulated by Operational Procedures QOP-75-04, Product Identification and Traceability.

2.3 Inspection status identification

2.3.1 Following every inspection or test, products are identified to indicate whether they have passed or failed the inspection. This is to prevent nonconforming product from being used or dispatched. Physical location of product can only be used as inspection status identification when the location is designated and contained.

2.3.2 Inspectors, receiving clerks, and other personnel authorized to carry out inspections are responsible for identifying product inspection status. All personnel handling products are responsible for maintaining the identification.

2.3.3 Products that have passed the receiving inspection are moved to the material stockroom. Where intermingling with other product is a possibility, the inspected items are also appropriately tagged or labeled.

2.3.4 Serenity Electronics does not conduct any in-process inspection.

2.3.5 Products that pass the final inspection are placed in the finished product area that is designated and used only for this purpose.

2.3.4 Products that fail any inspections or tests are labeled with REJECTED sticker or tag, and are segregated and/or quarantined. Whenever a nonconforming product is identified, the nonconformity is documented using a product nonconformity report

2.3.5 Detailed instructions on how to identify conforming and nonconforming products are provided in Procedure QOP-75-05, Inspection and Test Status, and Procedure QOP-83-01, Control of Nonconforming Product.

3. CUSTOMER PROPERTY

3.1 At the present time Serenity Electronics does not work with any customer-supplied products and materials.

4. PRESERVATION OF PRODUCT

4.1 Product handling and preservation

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4.1.1 Warehouse Manager is responsible for product handling and preservation; and in particular for ensuring that containers holding products are suitable and are in good condition, and that products are adequately protected during storage. Procedure QOP-75-06, Product Handling and Preservation, describes in detail how these policies are implemented.

4.2 Storage

4.2.1 Stockroom and storage areas are controlled by the Warehouse Manager. Only products that are properly identified and that have passed required inspections are authorized to enter and leave the stockroom.

4.2.2 When special storage conditions are specified (for example, temperature or humidity), products are stored in special containers where the specified conditions can be continuously maintained. These special conditions are monitored to ensure that they are maintained without interruption and that the product is not compromised at any time.

4.2.3 Serenity Electronics does not stock any products with limited shelf life.

4.2.4 Stockroom is controlled using an inventory management system. The system can report available in stock quantities and product location. The system is used to optimize and minimize inventory levels.

4.2.5 Procedure QOP-75-07, Storage Areas, governs the operation of stockrooms and storage, staging and holding areas.

4.3 Packaging and labeling

4.3.1 Primary packaging is boxes, bags or other packaging in which products are presented to the end users.

4.3.2 Secondary packaging is cardboard boxes, crates, or other additional packaging intended to contain and protect products for shipping and transportation.

4.3.3 Primary packaging is performed by the part manufacturers and is not controlled by Serenity Electronics.

4.3.4 Warehouse Manager is responsible for establishing specifications for secondary packaging and labeling. The specifications are compatible with requirements of commonly used carriers and for intended means of delivery (ground, sea, air). Packaging specifications are documented in packaging instructions. Packaging specifications are maintained and controlled by Warehouse Manager.

4.3.5 Packaging and labeling activities are governed by Procedure QOP-75-08 Packaging, Labeling and Shipping.

4.4 Shipping and delivery

4.4.1 Shipping of finished products is initiated by the shipping order. The order identifies the shipping consignee address, shipping due date, products to be shipped, labeling requirements, and transportation mode or carrier. Before products are dispatched, the shipping supervisor verifies that the shipment contains the same products and quantities as specified in the shipping order, and that packaging and labeling conform to customer and/or carrier requirements. Only orders that have been verified and signed off by the Warehouse Manager or designee can be loaded for shipment.

4.4.2 Activities related to shipping and delivery operations are regulated by Procedure QOP-75-08, Packaging, Labeling and Shipping.

5. VALIDATION OF PROCESSES

5.1 Processes where the resulting output cannot be verified by subsequent measurement or monitoring are designated as special processes. Currently there are no special processes at Serenity Electronics.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-75-02: Work Instructions
- Operational Procedure QOP-75-03: Equipment Maintenance
- Operational Procedure QOP-75-04: Product Identification and Traceability
- Operational Procedure QOP-75-05: Inspection and Test Status
- Operational Procedure QOP-75-06: Product Handling and Preservation
- Operational Procedure QOP-75-07: Storage Areas.
- Operational Procedure QOP-75-08: Packaging, Labeling and Shipping.
- Operational Procedure QOP-74-03: Verification of Purchased Product
- Operational Procedure QOP-82-05: Final Inspection

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7.6 - MEASURING AND MONITORING EQUIPMENT

GENERAL POLICY

Serenity Electronics does not use any instruments, equipment, or devices to assure or verify conformity of product to specified requirements. The product is verified mainly by means of a review and visual evaluation. Therefore, Serenity Electronics has taken an exclusion from ISO 9001 (2008) Section 7.6, Control of Measuring and Monitoring Devices.

8.1 - PLANNING OF MEASUREMENT AND MONITORING

GENERAL POLICY

Measurement and monitoring activities required to assure product conformity, and to achieve improvement, are planned and defined. When applicable, statistical techniques are used for analyzing measurement data.

PROCEDURAL POLICIES

1. Planning

1.1 Measurement and monitoring activities to assure and verify product conformity are defined in inspection and testing procedures, and process control procedures. These activities are further defined in this manual in Section 8.2, Measurement and Monitoring, and in several operational procedures referenced at the end of this section.

1.2 The effectiveness of the quality system is monitored by internal audits and by measuring quality performance and customer satisfaction. Results of these activities are reported to the top management and are used to identify opportunities for improvement. Activities related to internal audits and to measuring customer satisfaction and quality performance are further defined in this manual in Sections 8.2.

2. Statistical techniques

2.1 Statistical techniques may be applied to analysis of quality performance and other company-level data.

2.2 Departmental managers are responsible for identifying the need for using statistical techniques in their departments and in other activities for which they are responsible. Currently there is no need for statistical techniques identified at Serenity Electronics.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-82-01: Customer Satisfaction
- Operational Procedure QOP-82-02: Internal Audit
- Operational Procedure QOP-82-05: Final Inspection
- Operational Procedure QOP-74-03: Verification of Purchased Product

8.2 - MEASUREMENT AND MONITORING

GENERAL POLICY

Customer satisfaction is the principal objective of the quality system, and the level of customer satisfaction is the most important measure of the effectiveness of the system. Customer satisfaction is measured by collecting and analyzing direct customer feedback, and by measuring secondary indicators of customer satisfaction. Customer satisfaction data is used by the top management to identify opportunities and priorities for improvement.

All activities and areas relevant to the quality system are audited at least once a year. Audits are scheduled on the basis of the status and importance of the activity. Internal auditors are independent of those having direct responsibility for the audited activity. Identified nonconforming conditions are brought to the attention of the responsible managers and corrective actions are implemented in response to audit findings.

Quality system processes are monitored to ensure that they achieve planned results. Relevant product characteristics are measured through inspections, tests, and other product verification activities, as specified in control plans. Evidence of product conformity is recorded. Products are released for delivery only after all specified activities have been satisfactorily completed and verified.

PROCEDURAL POLICIES

1. CUSTOMER SATISFACTION

1.1 General

1.1.1 VP of Sales is responsible for developing suitable indicators of customer satisfaction, and for defining methods for collecting and analyzing the pertinent information.

1.1.2 Information and data pertaining to customer satisfaction are collected from several sources. Specifically, these are:

- Customer feedback,
- Product returns,
- Repeat customer rates.

1.1.3 Operational Procedure QOP-82-01, Customer Satisfaction, defines the system for collecting and analyzing the pertinent information and data, and for reporting results to the top management.

1.2 Customer feedback

1.2.1 Customer complaints, spontaneous expressions of satisfaction, and other unsolicited customer feedback are collected and processed by the Sales personnel. These activities are defined in Operational Procedure QOP-72-03, Customer Feedback and Complaints. The resulting data is periodically analyzed by VP of Sales, and is discussed at management review meetings.

1.3 Product returns

1.3.1 Information about the rate of product returns is extracted from accounting records. Results and trends are reported and analyzed at management review meetings.

1.4 Repeat customers

1.4.1 Sales records are periodically analyzed to identify repeat customers and track their ordering frequencies and patterns. The ratio of repeat customers is one of the most important indicators of customer satisfaction. Statistics on repeat customers frequencies and trends are presented and discussed at management reviews.

2. INTERNAL AUDIT

2.1 Planning and scheduling

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2.1.1 MR establishes an internal audit plan and schedule in accordance with Procedure QOP-82-02, Internal Quality Audits. Every activity and area is audited at least once a year. Selected activities may be audited more frequently, depending on their importance and quality performance history.

2.2 Audit team and preparation for audit

2.2.1 Only personnel independent of the audited activities are assigned to conduct internal audits.

2.2.2 Auditors prepare for audits by reviewing applicable standards and procedures, analyzing quality records, and establishing questionnaires and checklists. Selection of auditors and preparation for the audit are explained in Procedure QOP-82-02, Internal Quality Audits.

2.3 Conducting the audit

2.3.1 Conducting the audit, auditors seek objective evidence indicating whether the audited activities comply with the requirements of the documented quality system and ISO 9001:2008, and whether the quality system is effective. The evidence is collected by observing activities, interviewing personnel, and examining records.

2.3.2 Nonconforming conditions are documented and recorded using the audit nonconformity report form. A model of the form and instructions on how to use it are provided in Procedure QOP-82-02.

2.3.3 Audits are conducted in a way that minimizes disruption of the audited activities.

2.4 Corrective action and follow up

2.4.1 When nonconforming conditions are identified, the manager responsible for the affected area or activity is requested to propose and implement a corrective action. Implementation and effectiveness of the action are verified by a follow-up audit. The audit nonconformity report form is used for monitoring and recording the implementation of the corrective actions.

2.5 Reporting

2.5.1 When the auditing cycle is completed, all nonconformity reports established during the cycle are compiled and analyzed, and are presented at the management review meeting.

3. MONITORING OF QUALITY SYSTEM PROCESSES

3.1 Process monitoring

3.1.1 Quality system processes are monitored by variety of approaches and techniques, as appropriate for a particular process and its importance. These include:

- Conducting internal audits of the quality system;
- Monitoring trends in corrective and preventive action requests;
- Measuring and monitoring customer satisfaction;

3.2 Response Actions

3.2.1 When a quality system process does not conform to requirements, MR may request the manager responsible for the process to implement a corrective action, in accordance with Operational Procedure QOP-85-02, Corrective and Preventive Action.

4. MONITORING AND MEASUREMENT OF PRODUCT

4.1 Product verification

4.1.1 Inspection program for a product is defined in various types of documents, such as purchasing documents, inspection procedures, checklists and so forth. Documents defining the inspection and testing program for a product are collectively referred to as control plans. Section 7.1 of this manual defines the process for establishing control plans.

4.1.2 Verification of purchased product: All purchased products are subjected to a visual inspection by the receiving clerk. Operational Procedure QOP-74-03, Verification of Purchased Product, sets forward detailed rules for performing receiving inspections.

4.1.3 In-Process Inspection: Serenity Electronics does not perform in-process inspection.

4.1.4 Final inspection: orders that are ready to be shipped to a customer are subjected to the final inspection. Only products that pass the final inspection can be shipped. Procedure QOP-82-05, Final Inspection, regulates

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these activities.

4.2 Inspection, test and monitoring records

4.2.1 Results of inspections and tests are recorded. Rules for establishing records for specific types of inspections are defined in Operational Procedures QOP-74-03, QOP-82-04, and QOP-82-05. Filing and maintenance of inspection records are regulated by Operational Procedure QOP-42-03, Control of Quality Records.

4.3 Product release

4.3.1 Products are released for delivery only after all specified activities have been satisfactorily completed and conformity of the product has been verified. Only personnel performing final product inspections and tests have the authority to release products. The identity of the person authorizing product release is recorded. Operational Procedure QOP-82-05, Final Inspection, defines specific methods for product release.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-82-01: Customer Satisfaction
- Operational Procedure QOP-82-02: Internal Quality Audits
- Operational Procedure QOP-82-05: Final Inspection
- Operational Procedure QOP-74-03: Verification of Purchased Product

8.3 - CONTROL OF NONCONFORMITY

GENERAL POLICY

Nonconforming product is identified, documented, evaluated, and prevented from being used or shipped. Appropriate actions are taken when product nonconformity is identified after delivery. When appropriate, corrective and preventive actions are implemented to prevent recurrence of identified nonconformities.

PROCEDURAL POLICIES

1. Identification and documentation

1.1 Serenity Electronics identifies and documents all product nonconformities. Product nonconformity records are invaluable for tracking performance and trends, and for identifying areas where corrective or preventive actions should be implemented.

1.2 Nonconforming products are documented using a nonconformity report. It describes the nonconformity, documents the disposition decision, and records closeout of follow-up activities (re-inspection, concessions, corrective actions, etc.). The use of nonconformity report and its processing are explained in Operational Procedure QOP-83-01, Control of Nonconforming Product.

1.3 To prevent nonconforming products from being used or shipped, the products are marked with a REJECTED label and/or are segregated in the specially marked areas.

2. Nonconformity review and disposition

2.1 Receiving inspectors may make the disposition decision for a nonconforming product when it is obvious that the product must be scrapped. In all other cases, MR or designee is responsible for making disposition decisions.

2.2 The disposition decision may be: Return, Accept As-Is, Re-grade, Rework/Repair or Scrap.

2.3 Detailed rules for nonconformity review, for making the disposition decision, and for recording these activities are provided in Operational Procedure QOP-83-01, Control of Nonconforming Product.

3. Product returns and recalls

3.1 When product nonconformity is detected by the customer after delivery or use has started, the customer is instructed to return the product, or a part, on a return authorization number issued by Sales.

3.2 When product nonconformity is detected internally after delivery or use has started, customers are informed and instructed what to do with the product. Only President is authorized to make recall decisions.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-83-01: Control of Nonconforming Product
- Operational Procedure QOP-74-03: Verification of Purchased Product
- Operational Procedure QOP-82-05: Final Inspection

8.4 - ANALYSIS OF DATA

GENERAL POLICY

Serenity Electronics collects, complies and analyzes information and data required for evaluating the suitability and effectiveness of the quality system and for identifying opportunities for continual improvement.

PROCEDURAL POLICIES

1. General

- 1.1 Data and information recorded in quality records are compiled and analyzed periodically to determine trends in the performance and effectiveness of the quality system and to identify opportunities for improvement.
- 1.2 MR is responsible for coordinating these activities, and for reporting conclusions and trends to the top management. This is usually done within the framework of management reviews of the quality system, in accordance with Operational Procedure QOP-56-01, Management Review.

2. Scope

Following categories of information and data are recorded, compiled and analyzed:

- 2.1 Conformance to customer requirements:
 - On-time delivery performance is recorded in delivery performance reports (Procedure QOP-75-08) and evaluated for trends by the top management.
- 2.3 Suppliers
Supplier quality performance is recorded in subcontractor quality performance files (Procedure QOP-74-01) and evaluated for trends by Purchasing Manager.
- 2.4 Customer satisfaction and dissatisfaction:
 - Customer satisfaction levels are recorded in customer satisfaction reports (Procedure QOP-82-01) and evaluated for trends by the VP of Sales.
 - Customer complaints are recorded in customer complaints log (Procedure QOP-72-03) and evaluated for trends by the VP of Sales.
- 2.5 Quality System:
 - Effectiveness of training is recorded in training evaluation reports (Procedure QOP-62-01) and evaluated for trends by departmental managers.
 - Effectiveness of quality system is recorded in internal audit reports (Procedure QOP-82-02) and evaluated for trends by the top management.

ASSOCIATED DOCUMENTS

- Operational Procedure QOP-56-01: Management Review
- Operational Procedure QOP-85-01: Continual Improvement

8.5 - CONTINUAL IMPROVEMENT

GENERAL POLICY

Serenity Electronics deploys continual improvement philosophy throughout the entire organization. The improvement effort is driven by goals defined in the quality policy and quality objectives. Improvement opportunities are identified by analyzing quality performance data and information. Improvement projects are defined and implemented through the system of corrective and preventive actions and management review actions.

Causes of identified nonconformities are investigated and, where appropriate, corrective actions are implemented to ensure that nonconformities do not recur. Preventive actions are implemented to eliminate the causes of potential nonconformities. Corrective and preventive actions taken are recorded and are followed up to ensure that they have been properly implemented and that they are effective.

PROCEDURAL POLICIES

1. CONTINUAL IMPROVEMENT

1.1 Opportunities for improvement

1.1.1 Opportunities and priorities for improvement are identified by comparing present quality performance to objectives defined in the quality policy and quality objectives.

1.1.2 Quality performance is determined by analyzing information about customer satisfaction, records of product and process nonconformity, results of internal audits, and other data and information relevant to quality performance. Section 8.4, Analysis of Data, defines the scope and system for collecting and analyzing such information.

1.1.3 Quality performance is evaluated by management reviews of the quality system. Where quality performance falls short of a defined objective, the management review identifies specific improvement actions to reach the objective. When a quality objective is reached, the management review may set a new, higher objective in this area and specify new improvement actions for reaching it.

1.1.4 This process of facilitating continual improvement through the use of quality policy, objectives, and analysis of data, is defined in Operational Procedures QOP-85-01, Continual Improvement, and QOP-56-01, Management Review.

1.1.5 In addition to management reviews, departmental managers identify improvement opportunities continually, based on daily feedback from their operations and other activities. Employees are also encouraged to come forward with ideas for improving products, processes, systems, productivity, and working environment. These improvement opportunities are evaluated and prioritized by MR and, where appropriate, are implemented through the system of corrective and preventive actions.

1.2 Implementation of improvement projects

1.2.1 Improvement projects are usually implemented through management review actions and through corrective and preventive actions. Where appropriate, improvement projects may be also initiated by management directives, such as policy statements, announcements, memoranda, and so forth.

2. CORRECTIVE AND PREVENTIVE ACTION

2.1 Preventive versus corrective action

2.1.1 Preventive actions are requested and implemented when there are trends of decreasing quality capability and/or effectiveness of the quality system that create a risk for a potential nonconformity. Corrective actions are used when an actual nonconformity is identified.

2.1.2 Recognizing this difference, Serenity Electronics has separate systems for identifying the need for corrective and preventive actions. However, once the need is identified, a common system is used to process both types of actions. Forms, logs and other documents and records for processing of corrective and preventive actions are the same.

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2.2 Corrective actions

2.2.1 The need for corrective action is determined on the basis of identified actual nonconformities. Corrective action requests are typically triggered by such events as a failed inspection, customer complaint and/or product return, nonconforming delivery from a supplier, or a quality system audit finding.

2.3 Preventive actions

2.3.1 The need for preventive action is determined on the basis of information and data regarding capability and performance of processes, product nonconformity rates, post-production experience feedback, service records, customer complaints, and quality system audit findings. Such information and data are collected and analyzed to detect unfavorable trends that, if not checked, will increase the risk of nonconformities. The system for collecting and analyzing quality performance information and data is defined in Section 8.4 of this manual.

2.4 Processing of corrective and preventive actions

2.4.1 Preventive and corrective actions are initiated, processed and followed up using a CAR (Corrective Action Request) form. The form documents the unsatisfactory condition and the corrective or preventive action to be taken, and is used to record the verification and closure of the action. Open CARs are reviewed regularly to ensure that the actions are implemented and followed up in a timely manner. Procedure QOP-85-02, Corrective and Preventive Action, explains how to use the CAR system.

2.5 Continual improvement

2.5.1 Continual improvement actions are often defined as corrective and preventive actions. This is especially true for preventive actions. Operational Procedures QOP-85-01, Continual Improvement, and QOP-56-01, Management Reviews, explain how the corrective and preventive action system is used for facilitating continual improvement.

ASSOCIATED SECTIONS AND DOCUMENTS

- Form 85-02-01: Corrective Action Request
- Operational Procedure QOP-85-01: Continual Improvement
- Operational Procedure QOP-85-02: Corrective and Preventive Action
- Operational Procedure QOP-56-01: Management Review

APPENDIX 1
INDEX OF OPERATIONAL PROCEDURES

QOP-42-01	Quality System Documentation
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QOP-42-03	Control of Quality Records
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QOP-62-01	Training and Awareness
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QOP-72-03	Customer Feedback and Complaints
QOP-74-01	Supplier Evaluation
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QOP-82-01	Customer Satisfaction
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