Quality Manual
(Uncontrolled Version)

Revision 4

March 2006

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First Point Assessment Registration No: #10049487

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AMENDMENT RECORD

REVISION	DATE	CHANGE
1	06/2003	Initial Issue
2	02/2004	Second Issue
3	07/2004	Third Issue
4	07/2005	Fourth Issue

This Quality Manual is provided as a source of information and should be used only in this context. Uncontrolled copies may be provided on request on the understanding that the data contained may be changed in line with the Company Policy of Continuous Improvement. All controlled copies are registered and will be updated on any re-issue. The Quality Manager is responsible for the amendment and control of the Quality Manual.

DISTRIBUTION

Distribution is via the network however if paper copies are required then these will be controlled by a distribution list. Each copy will be issued with a unique number.

This copy is number _____ and is issued to _____

Issued by: __Gary Lastovica_____ Date: _____July 2005_____

1 INTRODUCTION

HPI, LLC. is located in Houston, Texas, USA, the Company specializes in the, Design, System Build, Test, Installation and Commissioning of systems for Industrial Based Rotating Machinery applications in both land and off-shore sectors.

This Quality Manual has been prepared by the Company as the definition of Quality Policy and its implementation - both for internal and external use. Internally it is provided to communicate the quality policy, remind employees of their responsibilities for quality and give visibility of the organization and the structure of the company system for the management of quality. The distribution is networked and hence available to all employees.

Externally it is provided as a method of informing Customers, Suppliers, Assessment bodies and Auditors, as to how the company manages for quality and addresses the requirements of the international quality standard ISO9001: 1994.

2 SCOPE OF PROPOSED ASSESSED ACTIVITIES

Design, System Build, Test, Repair, Installation and Commissioning of Gas Turbine Systems for Industrial Based Rotating Machinery applications including but not limited to Gas Turbines, Steam Turbines and Reciprocating Engines.

3 CORPORATE QUALITY POLICY

To grow our business by satisfying our Customers and making best use of our resources. Our goals include:

3.1 Market Focus

To understand our target markets and develop sustainable sales pursuit strategies.

3.2 Product Portfolio

To develop coherent product sets that provide clearly differentiated performance and superior value to our customers

3.3 Business Simplification

To simplify methods and procedures without compromising quality

3.4 Employee Development

To develop an appropriately trained, well-motivated and flexible workforce

3.5 Unparalleled Service

To ensure our customers view us as their most reliable and responsive supplier.

4 RESPONSIBILITY / AUTHORITY

The requirements detailed in this Quality Manual, and the procedures that implement the quality management system are designed to enable the organization to achieve customer satisfaction by providing an ever-improving quality of service in terms of communication, product and support. Compliance with these requirements is mandatory and is in direct support of our Quality Policy. All employees have the responsibility to understand, work in accordance with, and identify improvements to, our system.

The President has the responsibility, authority and organizational freedom to ensure that the quality system prescribed in the Company Quality Manual is implemented, maintained and complied with and meets fully the requirements of quality standards ISO9001: 1994, and in addition, to:

- Initiate action to prevent the occurrence of non-conformities in deliverable product,
- Identify, record and analyze quality problems,
- Initiate solutions to quality problems and,
- Verify the implementation and effectiveness of corrective actions

A Quality Representative is appointed to deal with the day-to-day quality tasks, reporting into the President.

The Quality Representative will report on the performance of the quality system to management for review and as a basis for improvement to the quality system.
Authorized:

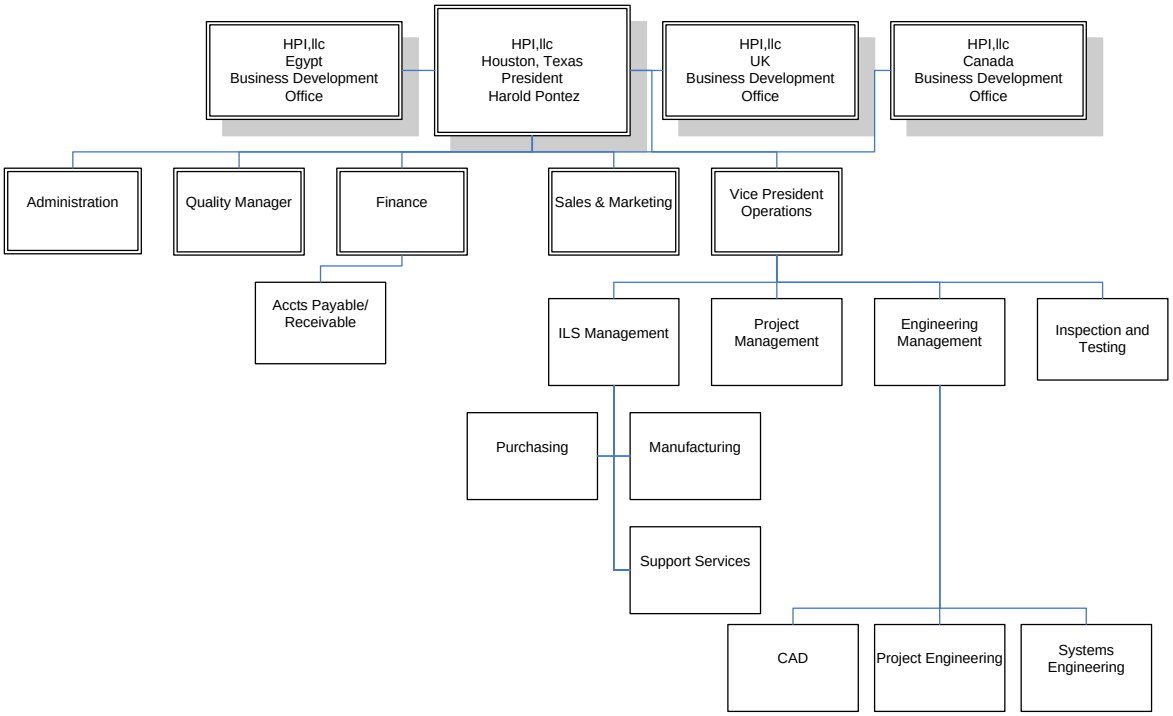
Harold Pontez, President
Quality Manual - Revision 4

5 ORGANIZATION

The diagram below describes the structure and management organization of HPI, LLC.

5.1 Company Structure Diagram

Company Organizational Structure



6 QUALITY SYSTEM DOCUMENTATION

The quality system is documented through a Quality Manual [this document] and supporting Procedures. The procedures have been documented using both flowcharts and written procedures. Implementation of the system is via the computer network. No paper copies are distributed. Issue control is inherent in the network.

7 RESPONSIBILITIES

7.1 President

To determine overall policy and strategy for the Company and to provide the required resources.

7.2 Quality Manager

To support the company by ensuring that the quality system achieves the objective of customer satisfaction by appropriately controlling and assuring the quality of the company's' products and services; support to all personnel.

8 QUALITY MANAGEMENT SYSTEM

8.1 Planning

Major projects performed by HPI have the Quality requirements defined in a Quality Plan. This may be a contractual requirement in which case it may require external approval. Quality Plans define standards, special instructions and any variations from standard procedures applicable to the Project. The plans reflect the contractual conditions. The aim of the plan is to ensure that all the contractual and quality requirements are highlighted and defined at the earliest possible stage. The Quality Plan is raised and authorized by the Project Manager. Projects that do not require a Quality Plan are performed in accordance with the standard QMS.

References: ISO9001: Para 4.2.3

8.2 Management Review

The Quality System will be reviewed annually at a meeting chaired by the Quality Manager and attended by the senior management. The review will be conducted to assess the results of corrective action analysis, measure the effectiveness of the system in satisfying Company policies, and the requirements of ISO9001 and to decide on any necessary preventive action to avoid recurrence of problems. Minutes of the reviews are maintained as records.

References: ISO9001: Para's 4.1.3 and 4.16

8.3 Contract Review

The Project Manager will, on receipt of the contract from the customer and prior to formal contract acceptance, ensure all requirements are adequately defined and documented, and do not significantly differ from original tender. The contract review process will involve the relevant Engineering authorities.

Any unacceptable differences between contract and tender will be discussed with customer and amendments obtained as necessary. Amendments will be reviewed by the same process, relevant departments informed and changes recorded.
Prior to work on the contract commencing, project planning will be undertaken including Resource planning.

Records covering contract review will be retained.

References: ISO9001: Para 4.3

8.4 Design Control

HPI design activities fall into three categories; the design of Software and hardware systems for the control of Gas Turbines, systems for oil and gas production installations; the design of special valves; and rarely, the development of special equipment.

The design control procedures established within HPI ensure that adequate design work is carried out to meet the client contract requirements.

Contract requirements are translated into design before manufacture commences and where design, planning, drawings and calculations are required, the personnel responsible for each activity will sign these.

All design work, including calculations, engineering drawings, bills of materials and software development is performed in accordance with documented procedures by qualified personnel and is subject to review and approval by suitably qualified engineers equipped with adequate resources. Records are kept of all design work, reviews and revisions in the relevant project files.

Established designs are considered and monitored to ensure technical and economical aspects are considered. Client specifications relating to design are identified at review stage and formally incorporated into contract documentation

References: ISO9001: Para 4.4 – 4.4.9

8.5 Documentation and Data Control

The Company maintains controlled documentation for the implementation of the Quality System, in the form of:

8.5.1 Procedures

Define the requirement and the approach to satisfying it.

8.5.2 Forms

Record data in a format that is easily understood, standardized and generates evidence of activity.

8.5.3 Customer Supplied Data

Customer supplied data in the form of drawings, specifications, forms and standards are controlled by the Project Manager.

References: ISO9001: Para 4.5.1

8.6 Quality System Documentation

Quality System documentation is approved by the President and the Quality Representative, who also approves any changes. Distribution is through the computer network.

8.7 Manufacturing Documentation

A Traveler, showing build and test status is issued for each main assembly.

References: ISO9001: Para 4.5

8.8 Documentation Change Control

Changes to documentation are by document revision or hand amendments accompanied by engineering authorization signatures to validate the change.

References: ISO9001: Para 4.5.3

9 PURCHASING

Quality Control methods are defined in-house, to ensure that all materials and services are provided in conformance to the contract conditions. The selection of vendors is the responsibility of Purchasing with the assistance of Quality. Approved vendors are entered onto an approved vendor list. Vendors are categorized as Suppliers who supply catalogue, proprietary items, and Subcontractors who provide product built to HPI llc drawings. Supplier and sub-contractor performance is reviewed monthly to ensure their continued performance to the conditions placed on them by the company.

Data from Goods Inwards activities forms the basis of analysis and vendor control.

9.1 Purchase Data

The purchase order is a comprehensive document containing all relevant requirements including supplier codes, description of goods/services, quantities, delivery dates, quality conditions applicable to the order etc.
Purchasing is responsible for checking purchase orders after printing prior to authorization signatures. Procedures cover the control of amendments to Purchase orders.

References: ISO9001: Para 4.6.3

9.2 Verification of Purchased Product

A receiving inspection facility for all purchased goods, deals with all material to be used in the manufacture of company Products. In addition verification of product at the suppliers' premises by HPI or its customers may be carried out. In this case the Purchase Order will give details of the requirements.

On site acceptance by the customer is in addition to HP. activity and cannot be used as evidence of satisfactory control or acceptance by HPI.

References: ISO9001: Para 4.6.4 and 4.8.

10 CUSTOMER SUPPLIED PRODUCT

Customer supplied product will be subject to inspection on receipt to confirm identity, quantity and to detect transit damage. The customer will be advised in writing of any shortages, defects or other non-conformance.

Customer supplied products will be identified and stored in accordance with the customer's storage requirements otherwise in accordance with the company's normal storage procedures.

All rejected products will be quarantined for disposal in accordance with customer's instructions.

References: ISO9001: Para 4.7

11 PRODUCT IDENTIFICATION AND TRACEABILITY

All material received, or product manufactured is identifiable by unique part number, including drawings and manufacturers specification as appropriate.

The Company has no requirement to provide traceability of parts.

References: ISO9001: Para 4.8

12 PROCESS CONTROL PROCESSES

Processes are limited to normal assembly and wiring.

12.1 Control of the Manufacturing / System Build Process

Manufacturing control is achieved by the control of material released to manufacture, manufacturing processes, manufacturing control documentation, manufacturing equipment and facilities. Manufacturing control documentation consists of Panel Travelers. Trained operators and Engineers verify product conformance to specification.

13 INSPECTION AND TESTING

13.1 Receiving Inspection and Testing

In-coming material is inspected to detect damage, verify identity, completeness, quantity and conformity to purchase order quality conditions. For common shop items and consumables, this is performed at package level.

A record system is used to monitor sub-contractors' performance with respect to product delivered.

Non-conforming product is segregated and quarantined pending disposition.

In exceptional circumstances, non-verified material may be released for urgent use with Quality agreement. Identification and recording is carried out to permit its recall if subsequently found unacceptable.

References: ISO9001: Para 4.10.2

13.2 In-Process Inspection and Testing

In-process inspection and testing is controlled by the Panel Travelers detailing the stages required. Trained operators perform inspection stages.

References: ISO9001: Para 4.10.3

13.3 Final Inspection and Test

Final inspection is carried out on a 100% basis. Each product and its appropriate documentation are checked for completeness. Testing is carried out by the Project Engineer.

The Panel Traveler is retained with test results as proof of verification to contract requirements.

References: ISO9001: Para 4.10.4 & 4.10.5

14 CONTROL OF INSPECTION, MEASURING AND TEST EQUIPMENT

Equipment is calibrated by external Test Houses, traceable to National Standards. All measuring equipment used for validating Company products is individually serialized and carries labeling showing calibration status and calibration due date. Recall on or before the calibration expiry date is controlled by the Test Technician. Calibration records, including degree of accuracy, are maintained for all calibrated equipment.

References: ISO9001 Para 4.11

15 INSPECTION AND TEST STATUS

15.1 Receiving Inspection

Following inspection, conforming product is transferred to inventory. Non-conforming product is logged and segregated and transferred to the Quarantine area for disposal.

15.2 During Manufacturing Process

Control is demonstrated by means of a route card containing pre-determined operations and inspection/test approval identifications at each appropriate stage Completed items are subjected to Final Inspection during test and prior to dispatch.

References: ISO9001: Para 4.12

16 CONTROL OF NON-CONFORMING PRODUCT

The Company controls all non-conforming product by identification, segregation and disposal to maintain quality standards and prevent non-conforming products being supplied to the Customer.

Non-conforming products found at receiving inspection stage will be segregated from conforming products and rejected to Quarantine for final sentencing and disposition. Non-conforming products found during work in progress, under control of Panel Traveler, and capable of immediate rectification will be so rectified.

Full particulars of major non-conformance will be recorded on the route card.

References: ISO9001: Para 4.13

17 CORRECTIVE AND PREVENTIVE ACTION

The Company will detect, investigate and correct all non-conformities that adversely affect quality standards.

Non-conformities are investigated and corrective action implemented in the following areas:

- Internal quality audits - covering the effectiveness of the quality system;
- Delivery, by vendor, of non-conforming products - action by letter or visit;
- Manufacturing non-conformance - by fault report system, analyzed by Quality;
- Customer complaints - action to prevent recurrence;

Quality monitors these problems/queries and the resultant corrective actions and performs a collation across the Company, analyze, report and define actions to implement preventive action and provide input into the Management Review.

References: ISO9001: Para 4.14

18 HANDLING, STORAGE, PACKING, PRESERVATION, DELIVERY

18.1 Handling

From receipt of material, through manufacture to final dispatch, the product will be protected against damage or deterioration.

References: ISO9001: Para 4.15.2

18.2 Storage

Secure storage areas are provided for material, piece parts and finished product under normal environmental conditions.

References: ISO9001: Para 4.15.3

18.3 Preservation

To prevent deterioration, product and material is maintained in packaging. All material shall be checked annually for its condition.

References: ISO9001: Para 4.15.5 & 4.15.3

18.4 Packaging and Delivery

Packing procedures are applied to all products to ensure the quality of the product is maintained during delivery and subsequent storage. Sub-contract packing where used will be performed in-house under HPI control.

Any special preservation packing and delivery requirements agreed between the customer and the company will be fully implemented and controlled by written procedures or detailed in the Quality Plan.

References: ISO9001: Para 4.15.4, 4.15.6

19 CONTROL OF QUALITY RECORDS

Generated documentation output is used to record the Quality Controls that have been applied and provide objective evidence of the operation of the Quality System.

Typically, the documentation may consist of the following:

- Review records
- Audit reports
- Calibration records
- Test reports
- Build records (Travelers etc.)
- Waivers

These requirements are defined in various Procedures and throughout the Quality System as well as a matrix of records. The procedure associated with this topic contains a matrix of records. Record retention period will be three years or as defined in contract.

References: ISO9001: Para 4.16

20 INTERNAL QUALITY AUDITS

The Quality representative performs audits on the Quality system in a systematic way to assure compliance with the Quality Procedures.

An audit schedule is raised at the beginning of each year to address each of the functions that the Company performs.

Audits identify the areas examined and state the findings, both positive and negative. Corrective actions are raised, where necessary, and monitored for completion within agreed time scales.

Quality report to senior management on the status of audit and corrective actions. Changes to the system, which may be required to improve the system effectiveness, are controlled in accordance with the procedure.

References: ISO9001: Para 4.17

21 TRAINING

The company has established a system for identifying the training needs for all employees through formal appraisal, resource planning and management activity.
The HPI Policy on training is to ensure that all staff possesses the necessary skills and knowledge to successfully carry out their duties.

Achievement of this policy is ensured through the provision of resource, time allocated for training, and a systematic approach to the identification of training needs.

Training is provided internally and by external agencies.

Records of training are maintained.

References: ISO9001: Para 4.18.

22 SERVICING

The Company performs installation and commissioning of the finished goods when detailed in the project scope of supply.

References: ISO9002: Para 4.19

23 STATISTICAL TECHNIQUES

The management review process will address the need to identify statistical techniques. Where it is found to be appropriate to implement statistical techniques, the company will establish procedures for their use.

References: ISO9001: Para 4.10 and 4.20

24 QUALITY MANAGEMENT SYSTEM PROCEDURES: ISO9001: 1994 CROSS REFERENCE LISTS AND CHARTS

The following pages give a cross-reference to where the requirements of ISO9001 are addressed in the Quality Management System. The list identifies the key procedures for each requirement.

Paragraph	System Element	Responsible Function	Document Reference	Comments
4.1	MANAGEMENT RESPONSIBILITY			
4.1.1	Quality policy	Managing Director & President	Quality Manual	Policy for this section is in the Quality Manual
4.1.2	ORGANISATION			
4.1.2.1	Responsibility & authority	President	Quality Manual	
4.1.2.2	Resources			
4.1.2.3	Management representative	President	Quality Manual	
4.1.3	Management review	President		
4.2	QUALITY SYSTEM			
4.2.1	General	Quality Representative	Quality Manual	
4.2.2	Quality system procedures	Quality Representative	Quality Manual	
4.2.3	Quality planning	Project Management	DP14	Quality Plans Project Plans
4.3	CONTRACT REVIEW		Quality Manual	
4.3.1	General			
4.3.2	Review	Project Management	DP02	
4.3.3	Amendment to a contract	President	DP02	
4.3.4	Records	Project Manager Project Administrator	F12	Quality Records Matrix

Paragraph	System Element	Responsible Function	Document Reference	Comments
4.4	DESIGN CONTROL		Quality Manual	
4.4.1	General			
4.4.2	Design and development planning	Project Management / Quality Representative	DP14 / DP27	
4.4.3	Organizational and technical interfaces	Project Management / Engineer	DP27	
4.4.4	Design Input	Project Management / Engineer	DP02 / DP27	
4.4.5	Design Outputs	Engineer	DP28, DP29, DP30, DP31, DP33, DP34	
4.4.6	Design Review	Project Management / Engineer	DP31	
4.4.7	Design Verification	Project Management / Engineer	DP30, DP31	
4.4.8	Design Validation	Operator / Engineer	DP19	
4.4.9	Design Changes	Project Management / Engineer	DP32	
4.5	DOCUMENT AND DATA CONTROL		Quality Manual	POLICY
4.5.1	General			
4.5.2	Document and data approval and issue	Quality Representative	DP12	
4.5.3	Document and data changes		DP12	
4.6	PURCHASING		Quality Manual	POLICY
4.6.1	General			
4.6.2	Evaluation of Sub-contractors	Purchasing Agent	DP04	Vendor Assessment

Paragraph	System Element	Responsible Function	Document Reference	Comments
4.6.3	Purchasing data	Purchasing Agent	DP03	Purchasing
4.6.4	Verification of purchased product	Purchasing Agent	Quality Manual	POLICY
4.7	CONTROL OF CUSTOMER SUPPLIED PRODUCT		Quality Manual	POLICY
4.8	PRODUCT IDENTIFICATION & TRACEABILITY	Purchasing Agent Operator Engineer	Quality Manual DP06 DP16 DP19	POLICY
4.9	Process control:-	Operator Engineer	Quality Manual DP16 DP19	POLICY
4.10 4.10.1	INSPECTION & TESTING General		Quality Manual	POLICY
4.10.2	Receiving inspection and testing	Purchasing Agent	DP06	
4.10.3	In-process inspection and testing	Operator / Engineer	DP16	
4.10.4	Final inspection & testing	Operator / Engineer	DP16, DP19	
4.10.5	Inspection and test records	Administrator	F12	
4.11 4.11.1 4.11.2	CONTROL OF INSPECTION, MEASURING AND TEST EQUIPMENT General Control procedure	Equipment Technician	Quality Manual DP20	POLICY

Paragraph	System Element	Responsible Function	Document Reference	Comments
4.12	INSPECTION AND TEST STATUS	Operator / Project Engineer	Quality Manual DP16	POLICY
4.14 4.14.1	CORRECTIVE AND PREVENTIVE ACTION General	Quality Representative	Quality Manual DP11	POLICY
4.15	HANDLING, STORAGE, PACKAGING, PRESERVATION AND DELIVERY	Purchasing Agent	Quality Manual DP21	POLICY
4.16	CONTROL OF QUALITY RECORDS	Quality Representative	Quality Manual F12	POLICY
4.17	INTERNAL QUALITY AUDITS	Quality Representative	Quality Manual DP08 DP09	POLICY
4.18	Training	President	Quality Manual Personnel Manual DP17	POLICY Training Admin Records
4.19	Servicing		Quality Manual DP 23	Installation & Commissioning
4.20	Statistical techniques	Quality Representative President	Quality Manual DP07	POLICY