

REALITY ELECTRONICS INC

“IMAGINE THE POSSIBILITIES“

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Quality Assurance Manual

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QUALITY POLICY

TO ACHIEVE BUSINESS EXCELLENCE IN EVERYTHING WE DO

We strive to provide the best combination of quality, productivity, and reliability through our understanding of our customer's expectations.

Our policy will be achieved through...

- Supplying only the highest quality components
- Offering complete value added services.
- Implementing an ISO 9001: 2000 compliant system, and following it to comply with our customers' requirements.
- There is always room for improvement. We will audit our quality system on a regular basis. By setting our quality objectives higher than our competition we can provide the best service available.
- Repeat training for all employees with the strictest guidelines.
- Providing employees with an environment that motivates staff to excel in everyday duties.

Sherry A. Read
CEO
Issue: 1
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Company Profile

Reality Electronics Inc was established in 2002 to provide customers the highest quality service the Industry has to offer. Reality Electronics Inc has established partnerships with their customers in the Military, Telecommunications, Automotive, Medical, Industrial, and Consumer Electronics Industries. Customer requirements will always be utilized in our purchasing and sales activities at Reality Electronics Inc.

1. Scope of the ISO 9001:2000 Registration

Reality Electronics Inc is a distributor of Military, Industrial, and commercial board level components.

2. Quality System Requirements

4.1 Management Responsibility

Purpose

This section outlines the policies and procedures that define management responsibility as applicable to the ISO 9001:2000 Quality System developed at Reality Electronics Inc.

Associated Documents

ISO 9001:2000 – Section 4-Management Responsibility

4.1.1 Quality Policy

Reality Electronics Inc strives to provide the best combination of quality, productivity, and reliability through our understanding of our customer's expectations. Reality Electronics Inc goal is meeting our customer's requirements with on-time delivery, while maintaining the highest quality level possible. We invest in long term by providing a well balance education of the industry to our skilled employees. This assures our customers a high quality, reliable partner for Today and Tomorrow!

It shall be our Policy of Reality Electronics Inc that all processes utilized in the distribution or purchasing shall be driven by customer requirements.

4.1.2 Organization

4.1.2.1 Responsibility and Authority

President- The President of Reality Electronics Inc has the overall responsibility for Reality Electronics Inc quality system, setting policy and assigning management responsibilities within the company.

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Vice President- The Vice President has the overall responsibility of all purchasing and sales functions, directing policy and enforcement of Reality Electronics Inc quality system.

Director of Operations- **The Director of Operations has the overall responsibility to:**

1. Initiate action to prevent the occurrence of any non-conformance relating to the product, process and/or quality system.
2. Identify and record non-conformances relating to the product, process, and/or quality system.
3. Initiate, promote, recommend or provide solutions through designated channels.
4. Verify the implementation of solutions and conformances to the ISO 9001:2000, through internal quality audits.
5. Control further processing or delivery of non-conforming product until the deficiency or unsatisfactory condition has been corrected.
6. Provide verification, resources and personnel to perform inspections and testing of processes and/or product and communicate management's quality policy and objectives throughout the organization.

4.1.2.2 **Resources**

Reality Electronics Inc provides adequate resources and competent personnel from Sales, Marketing, and Management to perform activities that ensure product quality.

These activities include, but are not limited to:

1. Inspection and testing, when required.
2. Managing and monitoring the distribution process.
3. Verifying the capabilities of new processes.
4. Verifying and Validating new products prior to release.
5. Conducting internal audits.

Personnel independent of direct responsibility for the work being performed carry out internal audits of the quality system, processes, and products.

4.1.2.3 **Management Representative**

The President of Reality Electronics Inc has been appointed, as the management representative. The Director of Operations who is:

1. The interface between Reality Electronics Inc and the certifying body.
2. Responsible for the resources for the maintenance of the quality system.

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3. Able to ensure that the quality system is established, implemented, and maintained.
4. Responsible for ensuring that management reviews are conducted in accordance with the appropriate Operating Procedure, and to report on the performance of the quality system to the executive staff and any invited guests.

The proxy of the Director of Operations shall be a deputy appointed by management. At this time, the deputy management is the President.

If any additional information is needed about Reality Electronics Inc ISO 9001:2000, please contact:

Quality Assurance Department
125 104th Avenue Suite 9
Treasure Island, FL 33706
(727) 360-8100

4.1.3 Management Review

All personnel effecting the quality of products sold or purchased by Reality Electronics Inc are responsible to conform to the documented ISO 9001:2000 quality policies and procedures as they pertain to the work they perform. It is the policy of Reality Electronics Inc to conduct periodic, documented management reviews under the chairmanship of the President or a designated alternate.

4.2 Quality System

4.2.1 General

This section outlines the policies and procedures that comprise with Reality Electronics Inc ISO 9001:2000 quality system.

Associated Documents

ISO 9001:2000- Section 4.2- Quality System

4.2.2 Quality System Procedures

The quality system at Reality Electronics Inc is documented as defined in four tiers. The levels as they apply are as follows:

Level 1 Documentation- Quality Manual

The first tier of documentation is the Quality Manual. The Quality Manual defines Reality Electronics Inc quality policies and offers reference to corresponding ISO 9001:2000 standard. Each section of the Quality Manual is cross-referenced to a Reality Electronics Inc Operating Procedure, if applicable.

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Level 2 Documentation- Operating Procedures

The second tier of documentation is a set of Operating Procedures. These procedures document the corporate activities in accordance with the quality management system. They also demonstrate how Reality Electronics Inc considers and plans for the available resources to meet the Customer's specific requirements.

The Operating Procedure define, as a minimum:

1. The purpose and scope of an activity.
2. What shall be done, and by whom.
3. How an activity should be controlled and recorded.
4. The identification and acquisition of any controls, processes, inspection equipment, and skills that may be needed to achieve the required quality.
5. The updating as necessary of quality control, inspection and testing techniques.
6. The compatibility of inspection and test procedures, and the applicable documentation.
7. The identification and preparation of quality records.

Level 1 and Level 2 documentation is subject to copy and review by third parties and shall by such definition be considered uncontrolled.

Level 3 Documentation- Work Instructions

The third tier of documentation is a set of Work Instructions. This documentation lists the details for performing specific tasks for a particular activity.

This documentation includes, but is not limited to:

1. Detailed Procedures.
2. Schematics.
3. Product and process specifications.

Level 4 Documentation- Records, Forms, and Tags

The set of records, forms, and tags and/or labels, which compliment the record keeping necessary for maintenance of the quality system.

Level 3 and Level 4 documentation provide information used in decision-making pertinent to the effectiveness of processes and the quality of product and shall by such definition be controlled throughout its life cycle.

4.2.3 Quality Planning

Quality planning, where appropriate, defines and documents how Reality Electronics Inc meets quality requirements for their Customers. Quality planning is Reality Electronics Inc methodology

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of maintaining a proactive quality system to ensure Customer satisfaction.

Reality Electronics Inc's Quality Department considers the following activities appropriate in quality planning:

1. The identification and acquisition of inspection and test equipment, and the skilled personnel to operate this equipment.
2. The generation of specific procedures, methods, and Work Instructions for a particular process.
3. The review and updating, when necessary, of Work Instructions or inspection and test techniques.
4. The Identification of any measurement requirement involving capability that exceeds the known state of the art in sufficient time for the needed capability to be developed.
5. The identification of suitable verification at appropriate stages in the realization of product.
6. Identification, preparation, and storage of quality records.

4.3 Contract Review

4.3.1 General

This section outlines the policies and procedures that compose the process of contract review at Reality Electronics Inc.

Associated Documents

ISO 9001:2000- Contract Review

4.3.2 Review

Initial contract reviews are conducted by the President, or a designated alternate, and documented by the Customer Service Department. Initial contract reviews shall provide the Customer's product price, quantity, and delivery schedules. As a minimum, this review shall ensure:

1. Accurate understanding and capability of meeting all of the Customer's requirements. Any differences are to be resolved prior to the acceptance of the Purchase Order.
2. That each Purchase Order is reviewed to ensure all of the Customer's requirements are met prior to processing the order.

4.3.3 Amendment to a Contract

All contract amendments or changes shall be documented through a Contract Change Form.

4.3.4 Records

Records of these reviews shall be kept by the Customer Service Department.

4.4 Design Control- Not required by Reality Electronics Inc at this time.

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4.5 Document Control

4.5.1 General

This section outlines the policies and procedures that compose the system of document control at Reality Electronics Inc.

Associated Documents

ISO 9001:2000- Documentation Control

4.5.2 Document and Data Approval and Issue

The Quality Assurance Department monitors the control of pertinent documentation. Documents are subject to approval prior to issue and release. Documents are accessible at locations where operations essential to the effective functioning of the quality system are performed. Obsolete documents are identified such as and promptly removed from all points of issue to insure against unintended use. Distribution of these documents is restricted to ensure their effective use and accuracy. Master lists and/or equivalent document control procedures, to the extent applicable, are maintained.

4.5.3 Document and Data Changes

Changes to documents and data shall be reviewed and approved prior to release. This approval shall be in the form of signature and/or initial.

4.6 Purchasing

4.6.1 General

This section outlines the policies and procedures that compose the process of purchasing materials and services for Reality Electronics Inc.

Associated Documents

ISO 9001:2000- Purchasing

4.6.2 Evaluation of Sub-Contractors

It is the policy of Reality Electronics Inc to purchase goods and services from approved sources. This approval is established from our own assessment of the supplier or from references.

A listing of approved suppliers shall be maintained, reviewed and updated. Continued approval status shall be contingent upon ongoing assessment of delivery, service, and quality performance.

4.6.3 Purchasing Data

All Purchase Orders shall be reviewed and authorized prior to release. Purchase Orders shall ensure a clear, unambiguous definition of the goods and services required and, where appropriate,

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include or reference documentation, specifications, and inspection requirements.

4.6.4 Verification of Purchased Product

Reality Electronics Inc recognizes that our Customers have the right, when specified in the contract, to visit our facilities to verify procedures. We believe, however, that such verification does not relieve us of any responsibility to ensure that purchased products and services conform to specified requirements.

4.7 Control of Customer Supplied Product- Not required by Reality Electronics Inc at this time.

4.8 Product Identification and Trace ability

4.8.1 Purpose

This section outlines the policies and procedures that compose Reality Electronics Inc's process of Product Identification and Trace ability.

Policy

Materials and components held in the stockroom shall be clearly identified by appropriate labeling or accompanying documentation. Identified, minimally, will be the part number, quantity to be sold and trace ability to the supplier or purchaser.

Where trace ability is a specified requirement, individual product or lots will be uniquely identified to satisfy said requirement.

4.9 Process Control- Not required by Reality Electronics Inc at this time.

4.10 Inspection and Testing

4.10.1 General

When required, this section outlines the policies and procedures that comprise the processes of inspection and testing at Reality Electronics Inc.

Associated Documents

ISO 9001:2000- Inspection and Testing

4.10.2 Receiving Inspection and Testing

Incoming inspection shall be performed by the Quality Assurance Representative or designated alternate. All incoming material will be inspected to an Acceptable Quality Level in accordance with MIL-Standard 105E. If delivery warrants release of unverified material, adequate controls are in place to recall the product, should it be necessary, at any stage of the manufacturing process.

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4.10.3 Inspection and Test Records

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Adequate records of inspections and testing shall be maintained.

4.11 Inspection, Measuring, and Test Equipment

4.11.1 General

This section outlines the policies and procedures that pertain to the control of inspection, measuring, and test equipment utilized at Reality Electronics Inc.

Associated Documents

ISO 9001:2000- Control of Inspection, Measuring, and Test Equipment.

4.11.2 Control Procedure

Reality Electronics Inc controls all inspection, measuring, and test equipment so their accuracy and stability is ensured. All calibrations shall be traceable to nationally recognized standards where appropriate. Sub-contractors performing calibrations shall conform to manufacturer's specifications or written calibration procedures. All equipment shall be uniquely identified and a master list maintained by Reality Electronics Inc's Quality Department of all calibration of equipment. The calibration records shall be retained and reviewed to evaluate the effectiveness of the calibration and intervals adjusted as appropriate.

All inspection and testing shall be carried out utilizing equipment possessing the required accuracy and precision, and in a suitable environment that ensures that specification requirements, if any, are met.

4.12 Inspection and Test Status

4.13 Control of Nonconforming Product

4.13.1 General

This section outlines the policies and procedures essential to the control of nonconforming products at Reality Electronics Inc.

Associated Documents

ISO 9001:2000- Control of Nonconforming Product.

4.13.2 Review and Disposition of Nonconforming Material

All Nonconforming materials shall be clearly identified to prevent further processing or shipment to the Customer. Nonconforming material shall be segregated as soon as practical to prevent inadvertent incorporation into finished goods. A Material Review Board (MRB) shall determine the disposition of nonconforming materials. The MRB will review the nonconformance and, if warranted, issue the appropriate corrective action to prevent future recurrence. Reality Electronics Inc has established methods for investigating and correcting causes of nonconformance generated within the purchasing cycle or identified through Customer

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Complaints. It is Reality Electronics Inc policy that all defective materials, which have been repaired or reworked, be verified as conforming to Customer specifications before it proceeds further through the process and/or is returned to the Customer. Records of non-conformances shall be maintained.

4.14 Corrective and Preventive Action

4.14.1 General

This section outlines the policies and procedures that define the generation of corrective and/or preventive actions at Reality Electronics Inc.

4.14.2 Corrective/Preventive Action

Reality Electronics Inc believes that corrective/preventive action is an essential element of the quality system that not only benefits our Customers, but also benefits Reality Electronics Inc by learning from mistakes and problems, or potential problems, and correcting them as soon as possible. We believe that operating in this fashion promotes an environment of continuous improvement. The Corrective Action System is utilized to document and track corrective and preventive actions. It is also used to document problems, eliminate their cause and to monitor the effectiveness of the solutions. The scope of this process extends over the full range of operations, from the purchase and sales of materials and services, to resolving customer or vendor issues. The Quality Assurance Representative through quality audits, management reviews or other suitable means shall evaluate the effectiveness of all corrective and preventive actions periodically.

4.15 Handling, Storage, Packaging, Preservation and Delivery

4.15.1 General

This section outlines the policies and procedures that define the process for handling, storage, packaging, preservation, and delivery of the materials and products at Reality Electronics Inc.

4.15.2 Handling

All materials received, stored, and handled by Reality Electronics Inc shall be controlled in such a manner as to prevent damage or deterioration. Where appropriate, materials shall be kept in their original shipping packaging until the time of use.

Special care shall be taken when handling material or product that is sensitive to Electro-Static-Discharge (ESD). Adherence to proper handling protocols shall be maintained at all times.

4.15.3 Storage

All materials leaving or entering storage areas shall be recorded. No product shall be accepted into the storage areas without evidence of Quality Assurance acknowledgement.

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4.15.4 Packaging and Delivery

All packaging and details of shipping are in accordance with Customer Specifications. Where no specification exists, Reality Electronics Inc will document instructions for the Shipping/Receiving Department.

4.15.5 Preservation

Reality Electronics Inc provides suitable storage areas relevant to the needs for preservation, safety, and length of storage. In particular, flammable items, hazardous items, or items requiring specialized environment controls, are kept in identified and protected areas.

4.16 Quality Records

4.16.1 General

This section outlines the policies and procedures that define the generation and retention of quality records at Reality Electronics Inc.

Policy

Documents and records are generated and maintained in an orderly and accessible manner, and retained in a suitable environment. For computer-based records, all necessary procedures are employed to guard against the accidental loss of data.

4.17 Internal Quality Audits

4.17.1 General

This section outlines the policies and procedures that comprise the process of performing internal audits at Reality Electronics Inc.

Policy

Reality Electronics Inc's quality system utilizes a series of internal audits. Each element of the quality system is audited internally in accordance with a scheduling matrix as well as on the basis of the status and importance of the activity to be audited. A trained audit team in accordance with ISO 10011 will conduct internal audits. Any deficiencies found an audit will be reported to those responsible for the area under audit and they will be charged with taking any necessary corrective action. All audits results, including non-conformances and corrective actions, are recorded in an audit report, which is then summarized and circulated to the management team. Findings are evaluated at management review meetings and the effectiveness of actions taken is determined. Records of internal audits will be maintained.

4.18 Training

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4.18.1 General

This section outlines the policies and procedures that comprise the process of training at Reality Electronics Inc.

Policy

All personnel performing activities affecting the quality of the materials purchased or sold by Reality Electronics Inc shall be competent to carry out the tasks they are asked to perform. Training requirements may include education and experience necessary to perform a specific function. Specific training performed by Reality Electronics Inc for each position is detailed in individual training records. The head of each department or Manager assesses the need for additional and/or remedial training of employees. Individual training records are maintained for all personnel.

4.19 Servicing

At this time Reality Electronics Inc does not provide any servicing for the products we sell. Reality Electronics Inc's commitment to the Customer is to take immediate corrective action to cure any defect, functional or cosmetic, in goods supplied.

4.20 Statistical Techniques

4.20.1 General

This section outlines policy as it pertains to the utilization of statistical techniques at Reality Electronics Inc.

4.20.2 Procedures

Reality Electronics Inc does not employ statistical techniques at this time. Reality Electronics Inc uses defect charts as a cost effective means of evaluating the quality and effectiveness of our processes. Product is screened or sampling techniques are used and carried out employing established sampling plans where appropriate. Defects discovered during the screening or sampling process are analyzed through the use of defect chart data to determine root cause, and to help initiate corrective/preventative action for process improvements.