COX ENERGY, INDUSTRIAL COATINGS & CLEANING, LLC

QUALITY ASSURANCE
AND
QUALITY CONTROL
AND
QUALITY CONTROL/ ASSURANCE INTERNAL AUDIT MANUAL

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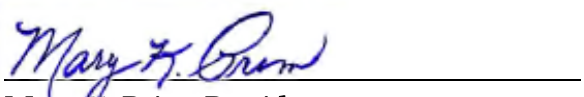
SECTION 1 – QUALITY POLICY & AUTHORITY

Cox Energy, Industrial Coatings & Cleaning, LLC ("CEICC") recognizes that in today's competitive marketplace, effective quality systems are essential when providing quality cost-effective services to our clients. Our Management is fully committed to providing Industrial, Commercial & Institutional General and Specialized Contracting Services that comply fully with the specifications and expectations of our valued clients. Therefore, it is the policy of CEICC to adhere strictly to this quality control program and to ensure that this program and the requirements of our customers are met on each and every project we execute.

Full authority for the implementation and administration of the quality controls described in this manual has been delegated to the Quality Control Manager "QCM." The QCM has the responsibility and organizational freedom to identify quality control problems, stop work, recommend solutions, and verify resolution of such problems. The QCM shall also have the responsibility of documenting the established Quality Assurance / Quality Control Programs in a manner that strives to comply with applicable Quality Systems. The ultimate objective of our QA/QC program is to comply fully or surpass the quality standards established by the industry.

Project Managers are responsible for their assigned project's QA/QC activities. They may delegate the performance of their assigned duties to qualified individuals, but they shall retain full responsibility for completing their projects in strict accordance with established quality control policies and the client's specifications.

The quality of all subcontractors and vendors shall be the joint responsibility of the QCM and the applicable Project Manager. All projects will be executed in a manner that emphasizes safety, quality, schedule, and maximum cost effectiveness. Any commitment, conflicts, or nonconformance issues not resolved using current established Quality Assurance / Quality Control Procedures shall be brought to the attention of the undersigned for final resolution.



Mary K. Prim, President
Cox Energy, Industrial Coatings & Cleaning, LLC

SECTION 2 – MANAGEMENT RESPONSIBILITY

2.1 RESPONSIBILITY

Management has the responsibility to define and document its policy and objectives for, and commitment to, quality. Management will ensure that its policy is understood, implemented, and maintained at all levels of the organization.

All employees have the responsibility and authority for implementation of established QA/QC activities. Resolution of conflicts in QA/QC policies shall flow through the organizational chain of command as follows:

1. Field Employees
2. Craft Leaders
3. Field Superintendents
4. General Superintendent
5. Project QA/QC Manager
6. Project Manager
7. President

It is the responsibility of any employee that manages, performs, or verifies work affecting quality to:

1. Initiate action to prevent the occurrence of work or service nonconformity;
2. Identify and record any quality problems;
3. Initiate, recommend, or provide solutions through designated channels;
4. Verify the implementation of solutions;
5. Control further processing, delivery, or installation of nonconforming work until the deficiency or unsatisfactory condition has been corrected.

2.2 ALLOCATION OF RESOURCES, PERSONNEL AND TRAINING

Management shall identify in-house requirements and provide adequate resources and trained personnel as needed to support required QA/QC verification activities. Verification activities shall include inspection, testing and monitoring of the construction/installation processes and audits of the quality systems.

All QA/QC personnel shall be trained by management yearly of the Company's QA/QC policies and procedures, with refreshers during the year as needed. Personnel shall undergo yearly reviews by management to ensure that training provided was appropriate

and effective.

2.3 MANAGEMENT REVIEW

The established QA/QC policies and procedures shall be reviewed at appropriate intervals by management to ensure continuing suitability and effectiveness. These reviews will include assessment of the results of internal audits and shall assess overall conformance to client's requirements and expectations. Records of such reviews and audits shall be maintained.

SECTION 3 – QUALITY SYSTEMS

CEICC's staff has established and shall maintain and document this QA/QC system as a means of ensuring that the services we provide our clients conform to specified requirements.

This QA/QC system shall include:

1. Documented quality system procedures and instructions to ensure that all activities are performed in accordance with established requirements; and
2. Effective management support to ensure compliance and the use of the QA/QC procedures and instructions.

All employees of CEICC shall strive to improve the quality of our services to our clients. The QA/QC program is a process of continuous improvement which requires input from everyone in our organization. Everyone in our organization shall comply and endeavor to improve the process where possible. An effective QA/QC program consists of the following key components:

1. Established QA/QC procedures and instructions that comply with generally accepted industry standards, Federal, State, and Municipal regulating authorities, and the project specifications and standards established by the client;
2. The identification and timely issuance to the project team any required controls, processes, inspection equipment, fixtures, tools, materials, and labor skills needed to properly execute the project;
3. Updating, as necessary, of quality control, inspection, and testing techniques, including the development of new methods and procedures;
4. Identification of any commitments made which exceeds available resources in sufficient time to properly acquire the required resources;

5. Clarification of the standards of acceptability as required to support the overall QA/QC program and our client's objectives;
6. Review of the project process, construction, installation, inspection, and test procedures to ensure that applicable documentation reflects how activities are actually performed; and
7. Effective maintenance of quality records to document and track performance and improvement.

The QA/QC manual is not a controlled document. A copy is available to all employees through their immediate supervisor. **The QA/QC manual is designed to convey basic QA/QC procedures and instructions that must be followed by all employees and subcontractors of CEICC.**

SECTION 4 – PROJECT REVIEW & SETUP

4.1 PROPOSAL SUBMISSION AND RESPONSIBILITY ASSIGNMENT

Upon receipt of a Request for Proposal (RFP) from a client, management will review the requirements of the RFP and determine if a proposal will be submitted to perform the work. If management decides to submit a proposal for the work, an Estimator is assigned the responsibility of generating the proposal to perform the work. The proposal must include all costs related to completing the work in accordance with the client's specifications.

4.2 RFQ and CONTRACTUAL REVIEW

The Estimator shall review the contract documents contained in the RFP and establish and maintain procedures to ensure that:

1. The requirements and acceptance specifications of the client are adequately defined and documented;
2. Any requirements differing from those included in the proposal are resolved or clarified in the proposal;
3. That CEICC has the capability to meet all contractual requirements of the RFP and any ensuing contract; and
4. Records of such contract reviews shall be maintained for future reference.

The RFP and contract review activities, interfaces, and communication shall be coordinated with the client as required to clarify all issues and to ensure that the responsibilities of both parties are well defined and documented.

4.3 PROPOSAL PREPARATION

The Estimator shall set up the project structure as the proposal for the work is generated. It is the responsibility of the Estimator to ensure that all costs related to executing the work in accordance with established QA/QC procedures and the contract requirements are included. The process of identifying all material and subcontractor requirements shall be in accordance with established QA/QC procedures. Proper sourcing during the proposal stage will make actual purchasing and subcontracting activities much more efficient after award of the work.

Once all costs have been identified and an execution/staffing plan has been developed, the Project Manager shall schedule a meeting with management to review the proposal's risks and contingencies. Final decisions concerning proposal pricing and clarifications shall be management's responsibility.

4.4 PROJECT SETUP

Upon award, the Project Manager shall immediately setup the project in accordance with the execution and staffing plan established during the proposal. All key staff members shall be notified and sent as much information concerning their responsibilities to the project as soon as possible.

The Project Manager shall develop a project QA/QC file containing the basic QA/QC manual and all related specific activities, QA/QC procedures and instructions. The project QA/QC manual shall be reviewed and approved by the QCM.

SECTION 5 – DOCUMENT CONTROL

5.1 CONTROL OF QA/QC MANUALS, PROCEDURES, and INSTRUCTIONS

Specific QA/QC procedures and instructions for individual activities are maintained by the QCM and issued to Project Managers as controlled documents. It is the Project Manager's responsibility to ensure specific activity QA/QC procedures and instructions are conveyed to the individuals or subcontractors performing the specific activities. Revisions to the QA/QC documents shall be by section and approved for adequacy by authorized personnel prior to issue. A revised table of contents indicating the newly issued approved and accepted revision shall accompany the revised sections.
The QCM shall ensure that:

1. All pertinent issues of appropriate QA/QC documents are available at all locations where operations essential to the effective functioning of the

quality system are performed; and
2. All obsolete documents are promptly removed from all points of issue or use.

A master list or equivalent document control procedure shall be established to identify the current revision of documents in order to preclude the use of nonapplicable documents. Documents shall be re-issued after a practical number of changes have been made.

5.2 CONTROL OF PROJECT RELATED DOCUMENTS

Upon award, each project is assigned a project number and the Project Manager establishes a "Project Job File." This file shall contain a complete set of all project related contract documents, specifications, drawings, etc. All information generated during the life of the project shall be maintained in this job file.

A listing shall be made of all drawings, specifications, vendor data, etc. that are to be submitted to the client for review and approval. A copy of all documents returned by the client approved, or approved as noted, shall be maintained in the job file. Any revisions to the contract documents shall be date stamped on the date received and reviewed by the Project Manager for any possible impact to the project. All changes after contract award shall be properly documented and any associated addition or deduction to the contract price shall be immediately identified and submitted to the client for review and approval.

A complete set of all documents required for proper execution of the work shall be maintained at the project site. Any revisions received shall be immediately forwarded to the project site for use while executing the project. Any field changes to the work shall be properly noted on the project site set of the drawings. The project site set of the drawings shall show the work exactly as the work was built. (Hereinafter referred to as the "As-Built" set of drawings.)

SECTION 6 – PURCHASING & MATERIAL CONTROL

6.1 GENERAL PURCHASING REQUIREMENTS

The Project Manager has the overall responsibility to ensure that all materials and services purchased are in accordance with the established QA/QC procedures, the project specifications, and drawings.

6.2 SUBCONTRACTING REQUIREMENTS

All subcontractors/suppliers shall be selected on the basis of their ability to meet subcontract

requirements, including established quality requirements. CEICC has established a list of qualified subcontractors for services typically subcontracted. Award of a subcontract to a company not on the approved subcontractors list requires written approval of the QCM.

The selection of subcontractors/suppliers, and the type and extent of control exercised by the Project Manager shall be dependent upon the type of service, client requirements, and where appropriate, on records of subcontractors/suppliers' previously demonstrated capability and performance. The Project Manager shall ensure that applicable QA/QC procedures are followed by all subcontractors/suppliers performing services for CEICC. Applicable client contract requirements and liabilities shall be agreed upon in writing by all subcontractors.

Subcontractors/suppliers' performance and conduct shall be re-evaluated annually unless they are found to be in non-compliance at which time they shall undergo an immediate re-evaluation.

6.3 MAINTENANCE OF PURCHASING DATA

All purchasing documents shall contain data clearly describing the material or service ordered, including, where applicable:

1. The type, class, style, grade, or other precise identification of items purchased; and
2. The title or other positive identification, and applicable issue dates of specifications, drawings, process requirements, inspection instructions, and other relevant technical data, including requirements for approval or qualification of product, procedures, process equipment, and personnel; and
3. The title, number, and issue of the quality system standard to be applied to the product.

SECTION 7 – MATERIAL CERTIFICATION & TRACEABILITY

7.1 CLIENT SUPPLIED MATERIALS and EQUIPMENT

The Project Manager shall ensure that all materials and equipment furnished by the client are verified, stored, and maintained until incorporation into the work. Any such items that are damaged or otherwise unsuitable for use shall be recorded and reported to the client immediately. Proper notification to the client of receipt of any unusable materials or equipment must be made in order to ensure that the client retains the responsibility for providing useable materials or equipment.

7.2 PRODUCT IDENTIFICATION AND TRACEABILITY

Where appropriate, the Project Manager shall establish and maintain procedures for identifying materials and equipment from applicable drawings, specifications, or other documents, during all stages of production, delivery, and installation. Where, and to the extent that, traceability is a specified requirement of the contract, individual products or product batches shall have a unique identification. This identification shall be recorded in the Job File and issued to the client with specified "As-Built" data.

SECTION 8 – PROCESS CONTROLS

8.1 MANAGEMENT OF PROCESS CONTROLS

During project setup the Project Manager develops the project QA/QC plan covering all construction activities and applicable processes which directly affect quality. The Project Manager shall ensure that these processes are carried out under controlled conditions.

The controlled conditions shall include the following:

1. Documented work instructions defining the manner of executing the work to ensure that an acceptable level of quality is maintained at all times. The instructions shall also specify equipment, materials, skills and working environments required to comply with applicable standards, codes, and quality plans;
2. Monitoring and control of suitable process and work characteristics during execution of the work;
3. Clear identification of the required approval of processes; and
4. Criteria for workmanship which shall be stipulated, to the greatest practicable extent, in written standards or by means of representative samples.

8.2 SPECIFIC ACTIVITY PROCESS CONTROLS

Specific Activity Process Controls are for activities where the results cannot be fully verified by subsequent inspection and testing. Accordingly, continuous monitoring and/or compliance with documented procedures are required to ensure that the specified requirements are met. Management shall continue review of established QA/QC procedures to ensure ongoing suitability and effectiveness. As the need for new activity QA/QC process procedures is identified they will be created and implemented. Records shall be maintained for qualified processes, equipment, and personnel, as appropriate.
The following Specific Activity QA/QC Procedures shall be followed when performing

applicable activities:

1. Business Acquisition, Estimating and Proposal Preparation
2. Purchasing, Material Control and Subcontracting
3. Project Management and Cost\Document Control

SECTION 9 – INSPECTION & TESTING

9.1 INSPECTION AND TESTING OF PURCHASED MATERIALS AND E Q UIPMENT, AND CALIBRATION AND TESTING FOR MONITORING AND MEASUREMENT EQUIPMENT

All materials and equipment, including monitoring and measurement equipment shall be inspected and tested to ensure conformance with the project requirements before it is released for use. Verification that all items conform to specified requirements of the quality plan shall be documented and filed in the project QA/QC file, including all calibration and testing reports for monitoring and measurement equipment. In determining the amount and nature of inspections, consideration should be given to the control exercised at the manufacturing source and documented evidence of quality conformance provided from the supplier. Where incoming materials are released for urgent construction purposes, it shall be positively identified and recorded in order to permit immediate recall and replacement in the event of nonconformance to specified requirements.

9.2 INSPECTION AND TESTING DURING CONSTRUCTION

During actual construction of a project, the Project Manager shall ensure that:

1. All inspection and testing activities are performed in accordance with the quality plan and documented procedures;
2. Ensure specification and drawing conformance by the use of established process monitoring and control methods;
3. Ensure that all required inspections and tests have been completed and necessary reports have been received and verified before the finished work is released to the client; and
4. Identify and correct any nonconforming work.

9.3 FINAL INSPECTION AND TESTING

The quality plan or documented procedures for final inspection and testing require that all specified inspection and tests, including those specified either by established quality procedures or the client, are carried out and that the work meets specified requirements.

The Project Manager shall ensure that all final inspections and testing activities are in accordance with the quality plan and documented procedures. Upon completion, all associated data and documentation shall be properly filed in the project QA/QC file and submitted to the client as required.

9.4 INSPECTION AND TEST RECORDS

The Project Manager shall ensure that all records which give evidence that the work has passed specified inspection and/or testing acceptance criteria are maintained in the project QA/QC file for future reference.

9.5 INSPECTION AND TEST STATUS

The inspection and test status of the work shall be identified by using markings, authorized stamps, tags, labels, routing cards, inspection records, test software, physical location, or other suitable means, which indicate the conformance or nonconformance of work with regard to inspections and tests performed. The identification of inspection and test status shall be maintained, as necessary, throughout the project to ensure that all work has passed the required inspections and testing specified. Records shall identify the inspection authority responsible for the release of conforming work.

SECTION 10 – INSPECTION, MEASURING & TEST EQUIPMENT

The QCM shall ensure that all inspection, measuring, and test equipment is controlled, calibrated, and maintained, whether owned by CEICC, on loan or provided by the client. Equipment shall be used in a manner which ensures that measurement uncertainty is known and is consistent with the required measurement capability.

The QCM shall:

1. Identify the measurements to be made, the accuracy required, and select the appropriate inspection, measuring, and test equipment; and
2. Identify, calibrate, and adjust all inspection, measuring, and test equipment and devices that can affect work quality at set intervals to ensure that certified equipment having a known valid relationship to nationally recognized standards - where no such standards exist, the basis used for calibration shall be documented; Establish, document, and maintain calibration procedures, including details of equipment type, identification number, location, frequency of checks, check method, acceptance criteria, and the action to be taken.

SECTION 11–NONCONFORMANCE AND CORRECTION PROCEDURES

A **nonconformance** occurs when something (a product, process, output, and/or a piece of work) does not meet specifications or requirements which were previously defined by a customer, regulatory body, internal procedure, or agreement between one or more parties.

Causes of nonconformance:

1. Poor communication or miscommunication
2. Poor documentation or lack of documentation
3. Poor or limited training of personnel.
4. Poor motivation of personnel.
5. Poor quality materials or lack of appropriate materials
6. Poor quality tools and equipment or lack of appropriate tools and equipment

When a nonconformity occurs, the Company must react to it by either controlling and correcting it or dealing with the consequences. The cause of the nonconformity must be determined (root cause analysis), evaluated to determine how to eliminate the cause(s), and prevent the nonconformity from reoccurring, and implementation of any corrective action necessary.

The steps in the nonconformity and corrective action process are:

1. The root-cause of the nonconformity shall be determined
2. The effectiveness of the subsequent corrective action should be monitored and evaluated.
3. Corrective actions can be triggered through nonconforming tests or other work, customer complaints, internal or external audits, management reviews, and observations by staff.

The root-cause must address the nonconformity, and the corrective action must address the root-cause. Any nonconformities and subsequent actions to prevent their reoccurrence and the effectiveness of the corrective action(s), shall be duly documented and retained.

SECTION 12- QUALITY CONTROL/ASSURANCE INTERNAL AUDIT PROGRAM

12.1 DEFINITION OF INTERNAL AUDITING

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

The purpose of an internal audit is to assess the effectiveness of the organization's quality management system and your organization's overall performance. The internal audits demonstrate compliance with your 'planned activities,' e.g. the Quality Management System (QMS) and how its processes are implemented and maintained.

12.2 WHY PERFORM INTERNAL AUDITS?

Cox Energy, Industrial Coatings &Cleaning, LLC ("CEICC") will likely conduct internal audits for one or more of the following reasons:

1. Ensuring compliance to the requirements of internal, international and industry standards & regulations, and customer requirements
2. To determine the effectiveness of the implemented system in meeting specified objectives (quality, environmental, financial)
3. To explore opportunities for improvement
4. To meet statutory and regulatory requirements
5. To provide feedback to Top Management

12.3 PRINCIPLES OF INTERNAL AUDITING

Auditing relies on a number of principles whose intent is to make the audit become an effective and reliable tool that supports your company's management policies and policies which provide suitable objective information that the company can act upon to continually improve its performance.

Adherence to the following principles are considered to be a prerequisite for ensuring that the conclusions derived from the audit are accurate, objective, and sufficient. It also allows auditors working independently from one another to reach similar conclusions when auditing in similar circumstances.
The following principles relate to auditors.

1. Ethical conduct: Trust, integrity, confidentiality, and discretion are essential to auditing.
2. Fair presentation: Audit findings, conclusions and reports reflect truthfully and accurately the audit activities.
3. Professional care: Auditors must exercise care in accordance with the importance of the task they perform.

4. Independence: Auditors must be independent of the activity being audited and be objective.
5. Evidence-based approach: Evidence must be verifiable and be based on samples of the information available.

12.4 SELECTION OF AUDITORS

Competence level may be measured by training, participation in previous audits and experience in conducting audits. Auditors may be external or internal personnel; however, they should be in a position to be impartial and objective. When internal personnel are selected to perform an audit, a mechanism needs to be established to ensure objectivity, for instance, a representative from another department may be selected to do the audit. Audits are demanding and require various forms of expertise. The size of the audit team will vary pending the size of the organization, size and type of operations and the scope of the audit.

12.5 PREPARING FOR THE AUDIT

Gather all the relevant documented information that relates to the process you will be auditing. Look at process metrics, work instructions, process diagrams, process maps and flowcharts, etc. If applicable, collect and review any control plans and failure mode effects analysis work sheets too. Review these thoroughly and highlight the aspects that you plan to audit. Using the documented information in this way ensures they become audit records.

CEICC documented information may not cover all the requirements that may be relevant to the process. If certain information is not available, it may become your first audit finding.

Certain information and linkages should be audited. Some are required and some are simply good audit practice. Putting these sections into a worksheet format gives auditors a guide to follow, to ensure the relevant links are audited.

12.6 TYPES OF INTERNAL AUDIT

Internal audits are commonly referred to as ‘first-party audits’ and are conducted by an organization to determine compliance to a set of requirements which might arise from standards like ISO 9001:2015, as well as customer or regulatory requirements.

There are common methods of internal auditing that may be used to determine compliance:

1. System Audits
2. Process Audits
3. Product Audits

System Audits

The system audits are best undertaken using the internal audit checklist. This type of audit focuses on the organization's quality management system as a whole and compares the planning activities and broad system requirements to ensure that each clause or requirement has been implemented.

Process Audits

The process audit is an in-depth analysis which verifies that the processes comprising the management system are performing and producing in accordance with desired outcomes. The process audit also identifies any opportunities for improvement and possible corrective actions. Process audits are used to concentrate on any special, vulnerable, new, or high-risk processes.

Product Audits

The product audit may be a series of audits, at appropriate stages of design, production, and delivery to verify conformity to any specified product requirements, such as dimensions, functionality, packaging, and labelling, at a defined frequency.

12.7 ELEMENTARY AUDIT QUESTIONS

These basic audit questions will help guide the audit in the right direction since the answers they provide often unlock the doors to information the auditor requires in order to accurately assess the particulars of a process.

Consider these common audit questions:

1. What are your responsibilities?
2. How do you know how to carry them out?
3. What kind of training is given to new employees?
4. How is the effectiveness of training evaluated?
5. Are training records maintained?
6. What are the objectives of your processes?
7. What is the quality policy and where is it found?
8. Which documents do you use and are they correct?
9. What outputs does your process create /
10. How are your records maintained?
11. How do you ensure that products meet the stated requirements?
12. Is customer satisfaction data analyzed?
13. How do you ensure that products meet the stated requirements?
14. What happens when changes are made to product requirements?
15. What are the responsibilities/authorities for dealing with nonconformances
16. Are there trends in non-conforming products and what is being done about it?

17. Is the non-conformance procedure linked to the corrective action process?
18. Are employees made aware of the quality policy and objectives?
19. Are policies and objectives available and relevant?
20. How are quality objectives determined?
21. Is there a clear link between the policies and objectives?
22. How is progress towards objectives measured and communicated?
23. Has the number of customer complaints changed over time?
24. What tools are used to identify the causes of complaints?
25. How are improvement efforts and successes communicated to employees?

12.8 PREPARING THE AUDIT REPORT

A good summary report is the output which is the value of the audit. It deserves an appropriate amount of attention and effort. As the audit is conducted, all issues and improvements observed should be noted in a clear and concise manner. These observations must be marked clearly so they can be quickly reviewed and captured in the report

These findings and conclusions should be formally documented as part of the summary report. Too often, the audit report only recites back facts and data the managers already know. The value is in identifying issues and opportunities they do not know! This summary should be reviewed first with the lead auditor, then the Process Owner and Management Team. Make final revisions and file the audit report and all supporting audit materials and notes.

Gather the whole audit package together, in an organized manner. The rest of the work instructions, flowcharts, notes and relevant papers should be gathered into the audit package as supporting records. All findings shall also be documented on your corrective action forms. The audit summary and the corrective action forms shall be attached to the audit package, which now becomes the audit record. Only the summary report and corrective actions need be given to the process owner.