789 N. DIXBORO ROAD
ANN ARBOR, MI 48105

MANAGEMENT SYSTEM ASSESSMENT REPORT

VISIT DATE(S):	**05/22/07**
COMPANY:	**ELECTRO ENERGY, INC.**
STREET ADDRESS:	**3820 S. HANCOCK EXPRESSWAY**
CITY. STATE ZIP:	**COLORADO SPRINGS, CO 80911**
COUNTRY	**USA**
FRS NUMBER:	**6P481, , , ,**
VISIT TYPE:	**Pre-Assessment**
STANDARD:	**AS9100* and ISO 9001**
LEAD AUDITOR:	**MURRAY G[redacted] IAF: NONE**
AUDITOR:	**IAF:**
AUDITOR	**IAF:**
REPORT DATE:	**05/22/07**

For QMS or EMS single sites and QMS corporate schemes - each site will have a separate report.
QMS and EMS Campus type audits may include all sites in one report.

*Aerospace audits are performed according to requirements outlined in AS9014 and AS9104, in addition to requirements outlined in AS9101, AS9111, or AS9121.

Form Version 4.0

"QMS-EMS SAMPLE.pdf"

"HELP FILE.pdf"

[DOUBLE CLICK ICONS]

INTRODUCTION

Name of Company and Location ELECTRO ENERGY, INC., COLORADO SPRINGS, CO	**Date of Audit: 05/22/07** **Duration** (days; must match quote)**:** 1.00 **Audit Frequency:** ☒ 6 Mo. ☐ 9 Mo. ☐ 12 Mo.
Type of Audit and Standard Pre-Assessment of AS9100* and ISO 9001	**FRS No.(s):** 6P481**, , , ,**
Total Number of Employees: 28 **Number of Shifts**: 1	**Certificate Expiration Date: new** **Next Audit Date(s): 06/25/07, 12/07/07, 05/05/08**

Changes to the Scope Statement are necessary: ☐ NO ☒ YES – Describe in detail: Changed wording of entire scope

FRS Changes Since Last Audit: Identify any changes since last audit:

☐ **Name Change** ☐ **Address** ☐ **E-mail** ☐ **Telephone** ☐ **Fax** ☐ **Invoicing Information**
☐ **Mgt. Rep.** ☐ **Supplier codes** ☐ **Audit Frequency** ☐ **Other**

Describe in detail: Redid th scope of reg

Confidentiality and non-disclosure agreement has been signed by all auditors and is on file with NSF-ISR.

Executive Summary (list positive practices, summary of findings, auditors' evaluation of the condition of the MS, note any positive or negative trends): The employees continue to be aware of the need of embracing ISO 9001:2000/AS9100: 2004 as their work culture and that their work affects quality policy and objectives of the company. Management continues to provide communication on the results of Electro Energy's continual improvement activies and its /failure in meeting its objectives/goals.

Changes Since Last Audit: Describe changes in operations, specifications, organization, responsibility, Management System documentation, acquisitions/closures, etc., since the previous audit. Also, include a summary of evidence of continuous improvements. none

Based on the numbers of nonconformance's identified by the NSF-ISR audit team the Company's **internal audit system** and overall management system is acceptable.

No. of New Majors: 0	**No. of New Minors: 0**	**No. of OFI's: 0**
Previous CARs Not Closed: **0**	**Previous Majors Closed:** **0**	**Previous Minors Closed:** **0**

RECOMMENDATIONS:

The Closing Meeting was held on 05/22/07 with management to summarize the audit results. Based on the results of the audit, the audit team will make the following recommendation to NSF-ISR Management:

☒ **RECOMMENDATION FOR Continue with Registration Process.**

☐ **RECOMMENDATION FOR REGISTRATION FOLLOWING VERIFICATION OF CORRECTIVE ACTION -** There are one or more nonconformances that, in the judgment of the lead auditor, can be corrected by the Company and verified by an auditor without a full re-audit.

☐ **RECOMMENDATION FOR ON SITE REASSESSMENT** - There are several nonconformances that represent a breakdown of the Company's management system. Another full onsite audit is required.

Use of the NSF-ISR Registration Mark: During the audit visit the auditor reviewed the organization's use of the NSF-ISR registration mark and determined that: *(check one box)*

☐ The Mark is NOT being applied.

☐ The Mark is being applied correctly and the organization is properly advertising their Registration.
☐ The Mark is NOT being applied correctly and the organization is NOT properly advertising their Registration.

☒ Other: new

DEFINITIONS:

Nonconformance:

Major – The absence or complete breakdown of an element of the management system. A number of minor nonconformances against one element can represent a total breakdown of the system and thus be considered a major nonconformance. A major could also be a nonconformance that would result in the probable shipment of nonconforming product or reduce the usability of the product or service for its intended use or a nonconformance that would result in the failure of the management system or materially reduce its ability to assure controlled processes and products. A major might also be written as a result of a significant environmental incident.

Minor – A single observed nonconformance. A minor nonconformance shall not generally be a reason to withhold registration unless, in the judgment of the audit team, the minors are numerous that it represents a breakdown of the standard element or Company's management system.

Opportunity for Improvement – A finding not determined to be a nonconformance but which, in the opinion of the audit team, would be a management system improvement.

Corrective Action Plan Closure Requirements

Corrective Action shall be applied to the identified major/minor. Corrective action impact analysis shall be extended to all areas where similar nonconformance may exist and as applicable. The Company shall perform a root cause analysis and define corresponding corrective actions to be implemented within the designated timeframe. Major nonconformances must be closed within 90 days of this visit. Minor nonconformances must be closed no later than the next audit. (ISO/TS 16949 requires that all nonconformances be closed within 90 days.) The Company shall inform the lead auditor of corrective actions and target date for implementation. Corrective action should be extended to all areas where similar nonconformance may exist. Corrective action shall be taken on all nonconformances regardless of the process rating.

Organization CAR Closure Process:

The auditor will review the CAR plan for the following elements-

1. Determine / document any immediate action required / taken
2. Determine the Cause of the Problem (e.g. True Root Cause, 5 why's)
3. Evaluate Action needed on the Identified Cause
4. Determine if the problem exists elsewhere in the system and implement actions needed
5. Document the results of the action taken
6. Review/Verify and document effectiveness of Action taken with objective evidence

NOTE: Closure shall be documented using the company's internal implemented Corrective Action process, and with attachment of supporting evidence. (i.e. Training records, revised procedures, etc)

☐ Plan Required in 7 days ☐ Plan Required in 30 Days ☐ Corrective Action Plan Not Required
☐ Other (Explain):

Corrective actions shall be mailed to:

Opening Meeting Date: 05/22/07

Attendance: Murray G[redacted], NSF, Frank Elias, QA manager, Calvin G[redacted], Mfg manager, Wanda K[redacted], tech, Jeff S[redacted], Test tech, Ernie S[redacted], Env, Jean A[redacted], Purchasing, Pete D[redacted], Accounting, Ken E[redacted], Facilities, Dave L[redacted], GM

Closing Meeting Date: 05/22/07

Attendance: Murray G[redacted], NSF, Frank Elias, QA manager, Calvin G[redacted], Mfg manager, Wanda K[redacted], tech, Jeff S[redacted], Test tech, Ernie S[redacted], Env, Jean A[redacted], Purchasing, Pete D[redacted], Accounting, Ken E[redacted], Facilities, Dave L[redacted], GM

Opening Meeting Topics	Closing Meeting Topics
Introduction - Discuss Role of Each Auditor	**Stress Appreciation for Cooperation/Hospitality**
Leave Continuous Improvement Survey with Management Representative	**Attendance Sheet Circulated**
Attendance Sheet Circulated (if necessary)	**Customer Review and Approval of FRS including Scope Statement on the FRS (review with client)**
Confirm Confidentiality/Nondisclosure Agreement	**State Purpose of Meeting**
Review Scope/Objectives of Audit	**Recommendation of Audit Team**
Discuss Audit Process: Sample of Management System	**Management System Strengths/Features**
Use of NSF-ISR E-Report/Checklist (if required) and documenting Objective Evidence	**Management System Features to be Improved**
CARs - Auditor/Auditee Responsibilities	**Audit Report Summary:** **Review Scope/Objective of Audit/Sampling of Management System** **Definitions of Major/Minor Non-Conformance** **Audit Summary Sheet - Conformance to Audit Standard**
Definition of Major/Minor Non-Conformance/opportunity for improvement	**Corrective Action Response (CARs) Request Process: 1) Identify Immediate Problem 2) Root Cause Analysis 3) Prevention** ***(solicit commitments and timing of implementation)***
Appeals Process	**Final Report - process/content/timing**
Audit Summary Sheet - Conformance to audit standard	**Confidentiality**
Daily Meetings	**Appeals Process**
Define Three Registration Recommendation Types	**Explain Verification Audit, If Applicable**
Closing Meeting Time/Date/Place	**If Recommendation is to Register:**
Review site safety/emergency procedures	**Management System Changes, if applicable**
Review Audit Schedule (*revise as needed)*	**Registrar Changing Rules**
Confirm Escort/Guide	**Maintaining Customer Complaint Record**
Identify and Clarify Communication Links	**Surveillance Audits**
Confirm Working Arrangements - hrs/lunch/auditor facilities	**Use of NSF-ISR Mark**

AUDIT NOTES:

Processes	Location/Observations
Management Review	**Identify process inputs and describe their interactions with the process:** 2/year. 5/16/07. Results of audits: all completed, 1 item pending. Customer feedback: 2/30 good, Process performance and product conformity: delivery, scrap, zero defects. CpK has done as CpK at subsequent process is with-in 1.33. Status of preventive and corrective actions: no customer complaints, internal : none, any form scars: Follow-up actions from previous review: to improve knolwedge of customer perception. Changes that could affect the QMS: Getting to reisteed to AS9100 system,Recommendation for improvement:from hard copy to electronic. **Process Objective(s)**: To review system to make sure it is meeting the goals and objectives set up yearly. **Describe whether the process is effective or not:** System is working well. They basically have a good system in place. **Describe the Process (personnel interviewed, training, job relevance, policy, etc.)**: Improvement of the effectiveness of the QMS and its processes: hardcopy to electronic. Improvement of product related to customer req. Resource needs: Equipment work environment.
Internal Audits, Rev.: original	**Identify process inputs and describe their interactions with the process:** 2/year, April whole system. reviewed documentation and any nonconformances. **Process Objective(s)**: To review system to show that it is meeting goals and objectives of company. **Describe whether the process is effective or not:** System is working well. Meeting goals of system. **Describe the Process (personnel interviewed, training, job relevance, policy, etc.)**: Frank, Wanda, Jeff and Calvin, training records, 90 probationary period, tech, min req, Job description. 40 findings closed.
Quality Records,	**Identify process inputs and describe their interactions with the process:** Records procedure in place **Process Objective(s)**: **Describe whether the process is effective or not:** **Describe the Process (personnel interviewed, training, job relevance, policy, etc.)**:
Corrective actions	**Identify process inputs and describe their interactions with the process:** RFS 19903, for material uniform grey color, with no shadows or discoloration. 19902, battery heater. group B testing lot dimentional measurements S/B 10.75 max. S/N 0177. revise

	proceudre and rework part. revise receiving inspection to 100 % inspection. first article for apache. 18256 T plan. nonconforming procedure, rev.: release. Responsibility and authority called out.. Configuration management:, rev.: original. drawing procedure. Jean (QP, ok) **Process Objective(s)**: **Describe whether the process is effective or not:** **Describe the Process (personnel interviewed, training, job relevance, policy, etc.)**:
Purchasing	**Identify process inputs and describe their interactions with the process:** AVL, do supplier evaluation form done every time new material comes in. **Process Objective(s)**: **Describe whether the process is effective or not:** **Describe the Process (personnel interviewed, training, job relevance, policy, etc.)**: Checked rev of drawing at Colorado screw machine, P.O. 42587, R & D precision metals, P.N coni 214, Rev,: U
Contract Review & Sales	**Identify process inputs and describe their interactions with the process:** Amendment to contract go into engineering order and review, done by form assignment sheet release for signature required. EO is used if there is any change. **Process Objective(s)**: **Describe whether the process is effective or not:** **Describe the Process (personnel interviewed, training, job relevance, policy, etc.)**:
Product Realization,dry sinter, impregnation, cell assembly, battery assembly,	**Identify process inputs and describe their interactions with the process:** Calibration under control, gage block due on 2012. pikes peak test lab. **Process Objective(s)**: **Describe whether the process is effective or not:** **Describe the Process (personnel interviewed, training, job relevance, policy, etc.)**:

Design	**Identify process inputs and describe their interactions with the process:** Steve, (QP, ok) Cecom depo, BB2590, inputs, slurry increase volume metric density of battery, various test are being performed at stages and this is being recorded. metings with customer monthly reports. approval letting them know what is happening, billing items along the milestones. Internal on own budget and then what the customer wants. validation and verification of what is going on. **Process Objective(s)**: **Describe whether the process is effective or not:** **Describe the Process (personnel interviewed, training, job relevance, policy, etc.)**: Jeff (QP, ok) appache battery job. lithium wafer cell technology.

READINESS REVIEW

Does the Company have any Proprietary Processes? If yes, please explain how these processes will be audited in the future.
The company does not have any proprietary processes.

Status of desk audit issues:
The desk audit showed no problems.

(The auditor shall document the status of issues identified during the Desk Audit Review. Any issue that was not closed during this visit should be written as a CAR.) NOTE - In the audit note section, please discuss what was reviewed during the ORR audit.

MANAGEMENT SYSTEM PERFORMANCE AND OBJECTIVE TRACKING SUMMARY FOR 3 YEAR CYCLE

	Auditor(s):						
	Dates:						
GOAL	**Key Measurements / Objectives**	**Reg. or Reassess**	**V1**	**V2**	**V3**	**V4**	**V5**
100 %	On-time delivery: 100 %						
85 %	Scrap % of production:>85 %						
	(QMS Only) Major Customer Performance Report Card Performance, as applicable.						
	Customer surveys: 2/30, all good.						

Under visit, note trend as POS, STABLE, or NEG*(Negative trend requires an explanation as a note on this form or issue a CAR.
Goals/objectives should be explained in your Audit Notes under Management Review or Management Process.

Customer: ELECTRO ENERGY, INC. **FRS#: 6P481** **Audit Team: MURRAY G[redacted]**

QMS AUDIT SUMMARY MATRIX FOR 3 YEAR REGISTRATION CYCLE

MAJOR PROCESSES	R	V1	V2	V3	V4	V5	Key	Clause	Description	R	V1	V2	V3	V4	V5
Engineering							-	4.1/4.1.1	General Requirements						
							-	4.2	Documentation Requirements						
Purchasing							-	4.2.2	Quality Manual						
								4.3	Configuration Mgt. (Aerospace)						
Contract review and Sales							-	5.1-5.5	Management Responsibility						
							E	5.6	Management Review						
Product Reliazation							-	6.1/6.2	Resource Management						
							-	6.3/6.4	Infrastructure/Work Environment						
							-	7.1	Planning of Product Realization						
							-	7.2.1/7.2.2	Contract Review						
							A	7.3	Design and Development						
							-	7.4.1	Purchasing Process						
							-	7.4.2	Purchasing Information						
							-	7.4.3	Verification of purchased prod.						
SUPPORT PROCESSES							-	7.5.1/7.5.2 7.5.3	Control of production, service, validation of process, ID/Traceability						
Internal Audit							-	7.5.4	Customer Property						
							-	7.5.5	Preservation of Product						
CARS/PARS & continuous improvement							-	7.6.	Calibration						
							-	8.1	Measurement/Analysis/Improvement						
Analusis of Data							**E**	8.2.1	Customer satisfaction						
							E	8.2.2	Internal Audits						
Management							-	8.2.3/8.2.4	Monitor/measure/prod./process						
							-	8.3	Non-Conforming Product						
							-	8.4	Analysis of Data						
							E	8.5.1	Continual Improvement						
							E	8.5.2/ 8.53	Corrective / Preventative Action						
									CAR's ISSUED PER VISIT Minor/Major						

KEY (related to Standard Section only not Process Section): A=Annually; E=Every visit; (-) = Over 3 year cycle R= Registration or Reassessment; V#=Surv. Visits;

X = Processes and requirements audited this visit; **P** = partially audited. Leave blank if not audited. **NA** – not Applicable. CARs – (Minor/Major)

Any CAR written shall be identified in the requirement section of the form with the # of CAR (s) written for that specific requirement, i.e., 2 minors and 1 major for 7.6 would be written as 1/2 in section 7.6 of the form. No need to have **X** if a CAR is issued for a requirement**.** –

This is a cumulative form and is used for all audits in the 3 year cycle – YOU WILL NOT USE A NEW SHEET FOR EVERY AUDIT!

Continuous Improvement Survey

Please take a few minutes to complete the following survey regarding NSF-ISR's Registration Program. Your comments are very important to us and will be very valuable in assisting NSF-ISR in identifying areas for improvement. Upon completion, please fax this form along with any attachments to NSF-ISR's corporate office. [Fax #: (734) 827-[redacted] - Attn: Program Assistant or E-mail to surveys@nsf-isr.org] Thank you!

Company Name: ELECTRO ENERGY, INC.

Type of Registration Service: (please circle) Pre-Assessment Other: _____

Program: AS9100*, and ISO 9001,

Location: COLORADO SPRINGS, CO Date Service Conducted: 05/22/07

Audit Team: MURRAY G[redacted]

Did this Registration Service meet your expectations? Yes _____ No _____

If no, please explain_____

_____

_____

_____

What were the strengths of the auditor(s)? (Please specify each auditor, if more than one.)

_____

_____

_____

_____

What were the weaknesses of the auditor(s)? (Please specify each auditor, if more than one.)

_____

_____

_____

_____

What were the positive aspects of this service?

_____

_____

_____

_____

How could this service be improved?

_____

_____

_____

Do you require a formal response from NSF - ISR regarding any negative comment from survey?

Yes _____No_____

Is it acceptable to you if NSF-ISR shares this information with other clients?

Yes _____No_____

May we add your company to our Client Reference List?

Yes _____No_____

Attachments to be filed with the Audit Report:

- ☐ Quote
- ☐ FRS signed by client
- ☐ Desk Audit Issues Summary Page (as necessary)
- ☐ Support for closure of CARs
- ☐ Audit Agenda/Schedule

Auditor: Unprotect the report and insert any external documents here:

April 16, 2007

Mr. Frank Elias
Quality Assurance Manager
Electro Energy Inc.
3820 S. Hancock Expressways
Colorado Springs, CO 80911
(719)-392-4266
e-mail: felias@electroenergyinc.com

Subject: SCHEDULED On-Site Readiness Review visit on Tuesday, May 22, 2007 to ISO 9001:2000/AS9100: 2004

Dear Frank:

This letter is to confirm that I will be conducting an on-site readiness review visit on Tuesday, May 22, 2007 at your Colorado Springs, CO facility. This visit serves several purposes:

1. To discuss the registration process.

2. To review the "scope" identified on the application form, and agree upon the precise wording that you wish to appear on the certificate and the Official Listing.

3. To do an overview of documentation issues concerning the quality manual (desk audit report)

4. To review and verify that your company has the other levels of quality system documentation that are in addition to, and supporting, the quality manual.

5. The registration audit cannot be scheduled until your company has completed one full internal audit and management review cycle with action taken on any major deficiencies.

6. Commence the audit process by auditing selective elements of the audit standard such as Management Review Process, Internal Audit, Corrective and Preventive Action, and other elements as time permits.

The results of the on-site readiness review visit will be a written repot identifying documentation and other issues that need to be addressed for your company to be ready for the registration audit.

Looking forward to working with you on Tuesday, May 22, 2007.

Sincerely,

[redacted]

Murray P. G[redacted]
NSF-ISR Lead Auditor