

QUALITY MANAGEMENT PARTNER INFORMATION

FEB 08, 2013

Re: ELMA's Compliance to Department of Defense FAR Supplement (DFARS)

- **252.225-7008, Restriction on Acquisition of Specialty Metals**
- **252.225-7014, "Preference For Domestic Specialty Metals" and Alternative I**
- **252.225-7009, "Restriction on Acquisition of Certain Articles Containing Specialty Metals"**

Dear Valued Partner,

Elma Electronic, Inc is compliant with each of the above DFARS clauses as explained individually below

- **DFARS 252.225-7008, Restriction on Acquisition of Specialty Metals as prescribed in 225.7003-5(a) (1).**

According to this clause

Specialty metals delivered under a contract with the above clause shall be melted or produced in the United States, its outlying areas or a qualifying country.

Elma Electronic Inc does not acquire any specialty metals . Any such specialty metals Incorporated in our products are sourced from either US or qualifying countries

- **DFARS 252.225-7014**
Contracts awarded prior to November16, 2006 are subject to the "original" specialty metals restrictions of 10 U.S.C. §2533b

According to this clause -

- Any specialty metals incorporated in articles delivered under any contract subject to this requirement shall be melted in the United States or its outlying areas.
- This clause does not apply to specialty metals—
 - Melted in a qualifying country or incorporated in an article manufactured in a qualifying country
- DNAD for fasteners, populated circuit card assemblies

Elma Electronic Inc. is in compliance with 10 U.S.C. § 2533b by virtue of the following



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- All custom metal parts produced or used in the enclosure and/or piece parts are melted in the United States and/or a qualifying country (Switzerland and UK).
- Elma products being supplied against defense requisitions typically involve mechanical components and/or electronic systems assembled domestically using parts and components which may contain specialty metals incorporated and procured from domestic sources and/ or qualifying countries . Typical specialty metals included in these products are limited to fasteners like screws, Pem nuts etc which are qualified to be used under the DNAD clause which is applicable on all orders prior to 2006.
- **DFARS 252.225-7014 and Alternative 1 (Class Deviation 2006-00004)**
Contracts awarded between November 16, 2006 and October 25, 2007 – The changes in the FY 2007 Act apply, as implemented by December 6, 2006 Class Deviation 2006-00004

Elma Electronic Inc. is in-compliance with the above clause if called out in a Purchase Order, due to:

- Qualifying countries exception
- Domestic non availability determination (DNAD) for fasteners.
 - ❖ DNAD FOR FASTENERS: Issued on April 10, 2007.
Excludes cotter pins, dowel pins, hose clamps, spring pins and turnbuckles.
Applies existing DoD prime contracts and to future DoD prime contracts awarded before July 26, 2008.
- Commercially available electronic components with specialty metals of de minimis value.
- **DFARS 252.225-7014 and Alternative 1 (Class Deviation 2007-00011)**
Contracts awarded between October 26, 2007 and January 28, 2008 – The changes in the FY 2007 Act apply, as implemented by Class Deviation 2007-00011

○ **Commercially Available Electronic Components With De Minimis Specialty Metal content**

This exception added by the new law and included in the Alt. I (Deviation) clause, provides that the Alt. I requirements do not apply to specialty metals (a) contained in commercially available off-the-shelf items, acquired as either end items or components; or (b) incorporated in a commercially available electronic component, if the value of the specialty metal content in the electronic component does not exceed 10% of the overall value of the lowest level electronic component, containing specialty metal, that is

1. produced by the contractor; or
2. If the contractor does not produce the electronic component, produced by the Sub contractor from which the electronic component was acquired



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- **Domestic Non-Availability (DNAD) for Populated Circuit Card Assemblies and Fasteners.**

COTS products produced by ELMA is compliant due to the fact that in most cases the specialty metals used in ELMA's products is limited to stainless steel fasteners specified procured and incorporated in the products built by Elma or used by Elma's vendors in parts like PSU, relays etc that are either incorporated in the products built by ELMA or sold as separate piece parts. The total value of such hardware does not exceed 10 percent of the overall value of the lowest level electronic component containing specialty metals.

The Fasteners used are compliant by virtue of the existing DNAD for fasteners

- **DFARS 252.225-7014 Alt 1 (Class Deviation 2008-O0002)**

Contracts awarded on or after January 29, 2008 – The changes in the FY 2008 Act apply as implemented by Class Deviation 2008-O0002

The following changes have been made to the statute and are effective 29 January 2008:

1. Qualifying countries exception
2. DNAD - Valid up to July 26th 2008.
3. The electronic component exception has been broadened to cover all electronic components. It is no longer limited to commercially available electronic components, and it applies regardless of the amount of specialty metal contained in the electronic component.
4. Under the New Law (applicable to DoD prime contracts awarded on and after January 29, 2008), COTS items are excepted from the specialty metals source restrictions, *except for* contracts or subcontracts for
 - a. The acquisition of specialty metals, including mill products, such as bar, billet, slab, plate and sheet that have not been incorporated into end items, subsystems, assemblies or components;
 - b. The acquisition of forgings or castings of specialty metals, unless such forgings or castings are incorporated into COTS end items, subsystems, or assemblies;
 - c. Commercially available high performance magnets unless they are incorporated into COTS end items or subsystems; and
 - d. COTS fasteners unless they are (i) incorporated into COTS end items, subsystems, assemblies, or components, or (ii) commercial items purchased from a manufacturer that has certified that it will purchase, during the relevant calendar year, an amount of domestically melted specialty metal, in the required form, for use in the production of such fasteners for sale to DoD and other customers, that is not less than 50% of the total amount of the specialty metal that it will purchase to carry out the production of such fasteners.
5. A new two percent by weight *de minimis* exception is provided. If the weight of non-compliant specialty metal (that is not otherwise exempt) does not exceed 2% of the total weight of specialty metal, DoD may accept the item.

ELMA is compliant to **DFARS 252.225-7014 Alt 1 (Class Deviation 2008-O0002)** based on item 1, 2, 3 and 4 listed above



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- **DFARS 252.225-7009, "Restriction on Acquisition of Certain Articles Containing Specialty Metals"**

On July 29, 2009, the Department of Defense issued a final rule amending the Defense Federal Acquisition Regulation Supplement (DFARS) to address statutory restrictions on the acquisition of specialty metals not melted or produced in the United States.

ELMA products are compliant to above clause by the virtue of exception provided in paragraph (c) item 1 and 2.

This is further explained below

- Elma is a manufacturer of COTS and/or Modified COTS items
- Elma offers our products to the commercial market place to include ruggedized options for harsh environments (extended temp, shock, vibration, salt fog, EMC, etc.)
- These products and options are promoted to the general public in both catalog and web marketing.

Any Speciality metals used are incorporated into the COTS product (defined as above) and hence complaint under Exception (c) of the Clause

Given the above facts it is therefore determined that the products from Elma Electronic Inc are DFARS compliant and Elma can provide following statement to our valued partners:

Elma Electronic Inc is manufacturer of 'COTS' enclosures incorporating electronic components. The metal purchased and used in the manufacture of these enclosures by Elma are compliant to DFARS.

Commercial off the shelf electronic components as well as third-tier and below parts (i.e. PSU, Backplanes, Filter, Switch, etc...) are complaint to all the above DFARS clauses

All standard Swiss parts that are used in the COTS enclosures are exempted because they are manufactured in a qualifying country.

For any custom (non-COTs) system, Elma will review each contract on a case-by-case basis to determine if the exceptions hold good. In instances where specific components procured by Elma from a 3rd party source are not known to be DFARS compliant, Elma will confirm that the DFARS clause is flowed down to the appropriate suppliers.

Elma understands the seriousness of this issue and will assist our partners in achieving total compliance with the DFARS Clause if required by contract.

Please contact your local Elma Sales Representative in the case of further questions or assistance needed.

Sincerely,

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