



VECTRON
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Helping Customers Innovate, Improve &

From: Ram Arvikar
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Subject: Applicability of DFARS 252.225-7014, Preference for Domestic Specialty Metals, Alt. I to Vectron's products

Date: Dec. 11, 2008

Reference: DFARS 252.225-7014 Specialty Metals Clause for Defense Contracts

MEMORANDUM FOR FILE

Several defense customers have enquired about the compliancy of Vectron-supplied products to the DFARS 251.225-7014 Specialty Metals Clause, Alt. I. Specifically this clause requires that specialty metals used in the product supplied against defense requisitions must be melted domestically or obtained from certain preferred foreign sources listed in DFARS 225.872-1 Examples of specialty metals¹ used in Vectron products include Kovar (used in seal rings of ceramic package, covers, headers and packages), stainless steel (covers, headers, packages etc.), parts made from specialty alloys as defined in the clause, fasteners etc. While the Specialty Metals Act has been in force for several years (Berry Amendment, 10 U.S.C. p 2533a), most contractors had not rigidly enforced it but with the passage of the FY 2008 DoD Authorization Act on January 28, 2008, this is now being scrutinized closely for compliance and suppliers are also being asked to flow down this requirements down the supply chain to lower tier levels.

Vectron's end items being supplied against defense requisition are typically assembled domestically using parts and components which may contain specialty metals (incorporated) and procured from domestic and/or non-domestic sources to manufacture crystal oscillators and modules. Vectron does not actually process specialty metals used in its product or modifies it, or supplies specialty metals itself as an end item to defense companies. Vectron also procures COTS electronic components (e.g. fully assembled, private-labeled crystals and oscillators) from off shore sources.

The new law contract clause, DFARS 252.225-7014, Alt I (DEVIATION 2008-O0002) applicable to contracts after January 28, 2008 enforces the specialty metals requirements for items or components used in Aircraft, Missile or space systems, Ships, Tank or automotive items, Weapon systems, Ammunitions. It also provides for exceptions that may

¹ Typical specialty metals covered by the law: Steels, metal alloys consisting of Nickel or iron-nickel alloys, cobalt alloys, Titanium or titanium alloys, zirconium or zirconium alloys.

be applicable to Vectron's products allowing them to be compliant to the requirements. Specifically, the requirements do not apply to specialty metals that are:

- Melted in a qualifying country if the specialty metals are incorporated into end items or components.
- Incorporated in articles manufactured in a qualifying country

Vectron parts that are built in its Germany operations (NBH, Teltow) such as oscillators, crystal filters and SAW filters that are supplied against defense contracts fall in this category and therefore would be exempt

- Contained in commercially available off-the-shelf (COTS) items, acquired either as end items or components
- Incorporated in electronic components.

Vectron manufactures several types of frequency control end items in its domestic U.S. locations, such as crystal oscillators, crystals, crystal filters, modules etc. These are typically electronic components², that consist of COTS items as well as electronic components that are obtained from the commercial market. Such items include ceramic packages, headers/packages/enclosures, fasteners etc. that are procured from domestic and/or non-domestic sources and subsequently incorporated, typically without modifications, into the final end items sold to defense customers. Vectron also procures, fully assembled oscillators and crystals private-labeled for Vectron from non-domestic commercial sources which are offered as end-items to defense customers.

All these products supplied by Vectron fall in the exempt category.

Based on a review of the Specialty Metals Requirements, Vectron has determined that the products supplied against defense requisitions are compliant per the requirements stipulated in DFARS , Alt I 252.225-7014, (DEVIATION 2008-O002)



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² An electronic component is an item that operates by controlling the flow of electrons or other electrically charged particles in circuits, using interconnections of electrical devices such as resistors, inductors, capacitors, diodes, switches, transistors, or integrated circuits