



**Electro-Miniatures Corp.
Counterfeit Parts**

Agenda:

- What products are of concern?
- Who is responsible to stop counterfeit parts?
- What is a counterfeit part?
- New DFAR Requirements
- Potential Impacts
- EMC supplier responsibilities
- Summary

What Products Are of Concern:

- All products should be of concern
 - However, there is a difference between a counterfeit watch and critical high reliability products that EMC produces.
 - EMC products are often used to keep someone's loved one out of harms way.
 - Or help you get you home to your family safely.



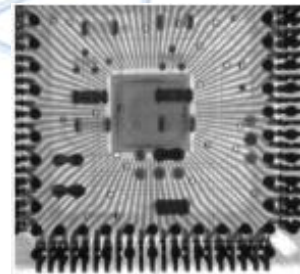
Counterfeit Products: Who is responsible?

- Who's responsibility is it to keep counterfeit products out of the supply chain?
 - Is it the Intellectual Property (IP) owner? **YES**
 - Is it the Original Equipment Manufacturer (OEM)? **YES**
 - Is it the Distributor or Supplier? **YES**
 - Is it the Engineering Department? **YES**
 - Is it the Purchasing Department? **YES**
 - Is it the Quality Department? **YES**
 - Is it the Customer? **YES**



What is a Counterfeit Part?

- A Counterfeit part is a suspect part that can be:
 - A copy or substitute without the legal right or authority.
 - When performance characteristics are knowingly misrepresented.
 - Used, refurbished or reclaimed, but represented as a new product.
 - Modified labeling or markings intended to misrepresent parts form, fit or grade.



Most Commonly Counterfeited Non-Electronic Parts:

- From GIDEP (2015):

- Air Pressure Regulators
- Drum Lids

- From PDREP (2015):

- Pipe Tees
- O Rings
- Hex Nuts
- Dust Plates
- Rotor Blades
- Brackets
- Spacers
- Fuel Oil
- Screws
- Faucets



DFAR Requirements:

- Department of Defense has adopted new DFAR requirements for defense contractors & suppliers:
 - New rules impose significant risks to suppliers providing products for government contracts.
 - DFAR 252.246-7007 – (Contractor Counterfeit Electronic Part Detection and Avoidance).
 - DFAR 252-467-7008 – (Sources of Electronic Parts).



DFAR 252-246-7007 – Contractor or Suppliers Counterfeit Electronic Part Detection and Avoidance:

- **Contractor or Suppliers Counterfeit Electronic Part Detection and Avoidance System must address the following:**
 1. **Training personnel.**
 2. **Inspection and testing of electronic parts.**
 3. **Processes to abolish counterfeit parts proliferation.**
 4. **Risk-based processes that enable tracking of electronic parts from the original manufacturer to product acceptance by the Government, whether supplied as discrete electronic parts or contained in assemblies.**
 5. **Use of suppliers in accordance with 252.246.7008, Sources of Electronic Parts (described above).**
 6. **Reporting and quarantining of counterfeit electronic parts and suspect counterfeit electronic parts.**
 7. **Methodologies to identify and rapidly determine if a suspect counterfeit part is, in fact, counterfeit.**
 8. **Design, operation, and maintenance of systems to detect and avoid counterfeit electronic parts suspect counterfeit electronic parts.**
 9. **Flow down of these requirements to all subcontractors that supply electronic parts or assemblies containing electronic parts, or perform authentication testing.**
 10. **Process for staying abreast of current counterfeiting information and trends.**
 11. **Processes for screening Government-Industry Data Exchange Program (GIDEP) reports and other credible sources of counterfeiting information to avoid the purchase or use of counterfeit electronic parts.**
 12. **Control of obsolete electronic parts.**

DFAR 252-246-7008 – Source of Electronic Parts:

- Sources of Electronic Parts:
 - If the electronic part is still in production or in stock from the original manufacturer or their authorized supplier:
 - The part must be purchased from the original manufacturer or their authorized suppliers/supply chain.
 - If the part is no longer in production and not in stock from the original manufacturer or authorized supplier:
 - Part must be sourced from a “contractor-approved supplier”.
 - When purchasing for some contractors written approval may be required.
 - Some contractors may have a list of approved independent distributors.

Recognizing Potential Impact:

- Potential Impact of a Counterfeit Part:
 - Increased threat to war fighter, customer and even **potential loss of life.**
 - Potential loss of customer confidence and market share.
 - Potential loss of shareholder confidence.
 - Potential loss of contracts.
 - Potential loss of revenue.
 - Potential loss of jobs.
 - Negative publicity.
 - Debarment.



Recognizing Potential Impact:

- Take Action to implement counterfeit detection and avoidance programs that meet industry standards and the new DFAR Clauses.
- Ensure our employees are educated and aware of EMC & industry requirements.
- If you have any questions, **ASK!**



EMC Purchasing Policy (Flow down to supply chain):

All materials, Components and units purchased under Purchase Order (PO) will be from Original Equipment/ Components (OEM/OCM) or their authorized dealers. Independent distributors (Brokers) shall not be used without written consent from Electro-Miniatures' (EMC) Purchasing Department. Goods supplied will only be new and authentic. It is the responsibility of the supplier to flow the policy to the sub-tier suppliers.

If suspect/counterfeit parts are furnished under PO, they will be impounded by EMC. The Supplier shall promptly replace the suspect parts with new parts that are acceptable to EMC and the Supplier shall be liable for all costs associated with the removal and replacement of the said parts.

Purchasing Policy Definitions:

Counterfeit Material – An item that is an unauthorized copy or substitute that has been identified, marked or altered by a source other than the item's legally authorized source and has been misrepresented to be an authorized source.

Suspect Counterfeit Part – A part in which there is an indication by visual inspection, testing, or other information, that it may have been misrepresented by the supplier or manufacturer and may meet the definition of counterfeit part provided below.

Counterfeit Part – A suspect part that is a copy or substitution without legal right or authority to do so to one whose material, performance, or characteristics are knowingly misrepresented by a supplier in the supply chain.

Purchasing Policy Definitions:

OEM – Original Equipment Supplier.

OCM – Original Component Supplier.

Authorized Distributor – A distributor with whom the OEM/OCM has a contract agreement to buy stock repackaged, sell and distribute its product lines.

Independent Distributor (Broker) – A distributor who is not authorized to sell the item to be purchased.

Summary:

- Counterfeit parts continues to be a serious problem for the supply chain, defense industry & EMC.
- New DFAR clauses require suppliers to ensure they are purchasing from the authorized supply chain.
 - Significant penalties for escapements.
 - Remember some customers require written approval when using their independent distributors.
 - EMC suppliers are critical in helping stop counterfeit parts from entering the company.

