



South Valley Components, Inc.

996 Minnesota Ave. #103

San Jose, CA 95125

(408) 275-1800

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POLICIES and PROCEDURES / PREVENTATIVE MEASURES

As an Independent distributor of electronic components, providing quality product has always been the core of operations at **South Valley Components, Inc.** Since part of the business it does is sourcing of hard to obtain, and obsolete parts, it has always had to be on its guard against counterfeit parts and so, it had designed systems to prevent unwitting trade.

The greatest defense against counterfeit parts is to know the supplier or to buy from a reputable company. Being so, **South Valley** has invested, and continues to invest, resources to develop relationships with suppliers, continually monitoring product supplied, giving them feedback, and strengthening links with manufacturers and authorized distributors. Much of the specialized purchasing is now being done centrally, which allows greater control. The next best line of defense is a skilled and motivated goods-in inspection team and their ownership of responsibility for what is accepted.

Visual inspection starts with the outer packaging and labeling and continues down to the component level. Unfortunately, with readily available technology, goods received in manufacturer's packaging, even from an authorized distributor, are no longer able to be taken at face value. Visual inspection is boosted by optical equipment capable of x150 magnification, specialized lighting and high resolution photography. Physical inspection is aided by chemical testing, manufacturer's data sheets and digital micrometer measurement.

South Valley is in the process of investing on the Sentry Counterfeit IC Detector from ABI Electronics. **South Valley** has also indicated their willingness to work with component manufacturers and other distributors to trace counterfeit parts back to the source. In many respects their measures far outweigh what is available to the majority of OEMs and CEMs but even so they cannot become complacent. As counterfeiters become more adept, more technically proficient, new ways of preventing counterfeit or non-authorized product, from entering the supply chain have to be developed. Despite all that they have done, and all that they seek to do, like NASA and BA, they cannot guarantee that these processes and procedures are not fallible.

South Valley has found that working with its suppliers and customers, on processes that are complimentary to those used by **South Valley**, is highly effective in preventing counterfeit parts reaching the production lines. **South Valley** accepts that, in many cases, the suppliers are victims as well, and do not necessarily have the resources available to combat this threat.



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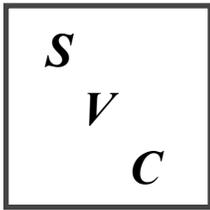
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POLICY

Where possible all goods shall be bought from known and reputable sources in Europe and North America, preferably manufacturers or their authorized or franchised distributors. Alternatively, the goods shall be sourced from stock holding, non-franchised distributors, on a list of approved suppliers, who have an acceptable history of fulfilling requirements. Each of these suppliers will be asked to warrant their product for a minimum of thirty days and to provide Certificates of Conformance or Compliance where appropriate. All suppliers shall be monitored for quality issues. A data base will be maintained indicating the reason for the raising of a quality report. The performance of suppliers will be reflected in the grading given to each one and the results of the grading will be made available to all staff involved in the purchasing of components. Potential new suppliers have a separate procedure to complete before being accepted. A list of suppliers who have repeatedly failed to show due diligence in the sourcing of goods supplied or who have failed to react responsibly when advised of issues will be published internally with substantiating reasons listed on the database of suppliers. This information may be forwarded to the Electronic Retailers Association International (ERAI). In cases of suspected fraudulent or counterfeit parts found at goods in, the parts shall be deviated immediately and the supplier informed together with our reasons and such evidence as is available. If the issue cannot be resolved in a short space of time, or it may result in a delay in shipping, the customer will be informed.

Quality Procedures allow for advising the customer of any concerns and for forwarding the parts, pictures or any other evidence, for their opinion. The Sentry Counterfeit IC Detector will allow for a known good sample to be compared against those received and meet the order. It will also allow for readings to be compared with a stored record from a good sample. These records can then be e-mailed between users. So, in effect, component manufacturers whose parts are, or may be, affected by counterfeiting can compile an accessible database of these files for reference by responsible distributors. Without a known good sample the Sentry can also be used to look for variances in the components supplied and unconnected pins. **South Valley** will make full use of these facilities and promote its use throughout distribution and manufacturing. If, after all possible efforts to determine the authenticity of the parts concerned, the results are not conclusive, the parts may be forwarded to a test facility or returned to the manufacturers for examination. Suppliers are obliged to offer assistance to the authorities or the component manufacturer's appointed representative in the event of counterfeit product being discovered. They may also be asked to prove due diligence.



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PROCEDURE

When packages are received from couriers the external condition is examined for holes or impact damage. Anything of note is brought to the attention of the courier and a signature required. Damaged boxes may be photographed before and during opening. Any external paperwork is carefully removed and retained with the order. External packaging is removed with any third party packaging being recycled. Once a package is opened and the packaging of the goods gives cause for concern; insufficient void filler, split, stained or crushed packaging, for example, the unpacking process may be photographed. The goods, normally down to the first visible layer of manufacturers packaging, are then placed in a tray with the accompanying paperwork. Parts are then taken through to the receiving area where the part number from the Delivery Note or **South Valley** reference is used to match the goods with an order on the Stock Control System, which is part of our order processing system. All stock is checked for damage to the initial packaging, including interference with manufacturer's packaging, and then checked for part number, date code, batch reference, manufacturer, package, quantity and condition, any other requirement listed on the stored copy of the Sales Order Form. Manufacturer's Data Sheets may be used for reference purposes, if available.

Once the Sentry Counterfeit IC Detector is in place parts will be tested to check for an internal die and to visually compare readings obtained under a test voltage. These results will be then stored on the server. Where other indicators arouse suspicion a solvent may be used to check that part markings conform to industry standards. The parts are then photographed in as much detail as possible and the image stored on the server, with an image reference being automatically generated. The store's copy of the Sales Order Form is used to record all relevant information. All deviations are to be reported to the purchaser for their decision or approval of the goods set aside. The customer may be advised of any concerns that have arisen and sample parts may be forwarded to a certified test house for non-destructive analysis or for de-capsulation.