
LS Research is a company with strong values, business principles, and sense of corporate responsibility. We recognize that we, like all businesses, have a responsibility to ensure all of our products are responsibly sourced and produced by our supply chain.

On August 22, 2012, the final rule regarding sourcing of conflict minerals under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act was approved by the U.S. Securities and Exchange Commission ("SEC"). The "Conflict Materials" legislation requires publically traded manufacturers to disclose their use of conflict materials coming from the Democratic Republic of the Congo (DRC) or an adjoining country.

The new rule imposes reporting requirements on certain companies to perform due diligence with respect to the sourcing of conflict minerals and to file annual reports relating to the use of conflict minerals (tantalum, tin, gold or tungsten) originating in the Democratic Republic of the Congo and certain adjoining countries ("Covered Countries") in the products they manufacture or contract to manufacture if the conflict minerals are necessary to the functionality or production of a product.

The first report must be filed with the SEC on May 31, 2014 for the 2013 calendar year. While the legislation does not restrict the use of certain minerals commonly used in the manufacture of electronic components, assemblies and finished electronic devices, the tracking of the origin of certain minerals and the reporting requirements will add an administrative burden to all companies from the raw material supplier to the finished device manufacturer. This legislation affects virtually every U.S. manufacturer of electronic devices, and is ultimately focused on the raw material source, identified minerals suppliers are establishing methods to easily provide certifications to confirm that materials do not originate from a conflict origin.

This legislation is very recent, and the system to track the minerals source throughout the supply chain hasn't been fully established. Since LS Research is not a publically traded company, we are not directly required to report on our raw materials. However, as a supplier to many of the largest OEMs in the world, we are affected in the reporting process since we do source many components and assemblies for our customers' manufactured devices. Due to the complexities of raw material flow within our supply chain, we are currently unable to verify with certitude the adherence of the sources at every level. This includes materials procured and consumed by our component level suppliers in the production of sub-assemblies or components that are integrated into LS Research products.

LSR does not purchase these metals directly from smelters or mines, so we must rely on the source information provided by our suppliers. Suppliers of metals used in the manufacture of LSR products (specifically gold, tin, tantalum, and tungsten) must demonstrate that they understand and support EICC-GeSI actions and will not knowingly procure specified metals that originate from the Conflict Region. Suppliers must provide written evidence of due diligence documenting that raw materials used to produce gold, tin, tantalum and tungsten, supplied to or used in the manufacture of LSR products, do not originate from mining or smelting operations in the Conflict Region. LS Research's intention is to follow the recommended practices and methodologies of the industry for identifying the source of the specified minerals once those practices and methodologies are identified.

More information regarding the Conflict Minerals Rule at the SEC site: <http://www.sec.gov/news/press/2012/2012-163.htm>



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