

January 1, 2011

Re: Buy American Act / American Recovery and Reinvestment Act

To All Customers and potential customers:

We want to take this opportunity to discuss the Buy American Act and the American Recovery and Reinvestment Act of 2009 in connection with the purchase and use of Cal-Royal products.

Buy American Act:

The Buy American Act ("BA Act") specifies that the U.S. Government and certain other third parties which utilize federal funds for a project must give preferred status to goods that are manufactured in the U.S.A., however, there are several exemptions. Two of the listed exemptions, which apply to products supplied by Cal-Royal Products, Inc., are as follows:

1. The U.S. Trade Representatives have waived the requirements of the BA Act for products that are purchased from countries that are members of the World Trade Organization (WTO), and signatories of the Government Procurement Agreement ("GPA"). Taiwan and South Korea are members of the WTO and signatories to the GPA. Accordingly, products purchased by Cal-Royal from these two countries are exempt from the BA Act, and may be purchased for projects covered by the BA Act without penalty or violation. Please note, however, that this exemption applies when the procurement amount exceeds certain thresholds for supply (\$203,000) and/or construction contracts (\$7,804,000). Please refer to the BA Act for current thresholds and related provisions.

Cal-Royal products that are acceptable for use on BA Act projects include:

LOCKSETS

- CR3000 Grade 1 Digital Keypad Door Locks (Taiwan)
- M Series Grade 1 Mortise Leversets (Taiwan)
- Genesys Grade 1 Cylindrical Leversets (Korea)
- Calypso Grade 1 Cylindrical Leversets (Taiwan)
- Omega Grade 1 Cylindrical Locksets (Taiwan)
- Explorer Grade 2 Heavy Duty Cylindrical Leversets (Korea)
- Commander Gr 2 Heavy Duty Cylindrical Leversets (Korea)
- Pioneer SL Grade 2 Cylindrical Leversets (Korea)
- Challenger Grade 2 Cylindrical Leversets (Korea)
- Barrington Grade 2 Cylindrical Locksets (Korea)
- HIL and JHIL Grade 2 Interconnected Locks (Korea)
- CRB800 Grade 1 Heavy Duty Deadbolts (Taiwan)
- T300 Grade 2 Heavy Duty Deadbolts (Taiwan)
- T220 Grade 2 Standard Duty Deadbolts (Korea)

DOOR CLOSERS

- 900 Series Grade 1 Heavy Duty Door Closers (Korea)
- CR441 Grade 1 Heavy Duty Door Closers (Korea)
- CR801S/CR801 Grade 1 Heavy Duty Door Closers (Korea)
- 700 Series Grade 1 Standard Duty Closers (Korea)

EXIT DEVICES

- 7700 Series Grade 1 Exit Devices (Taiwan)
- 9800 Series Grade 1 Exit Devices (Taiwan)
- 2200 Series Grade 1 Exit Devices (Taiwan)

2. Section 10a of the Act provides that the U.S. Government may purchase foreign products where U.S. made products are not available in sufficient quantity and/or where a U.S. equivalent is sold at an unreasonable price. Executive Order 11051 issued on September 27, 1962 established that a U.S. made product is unreasonable in price when it sells for six percent (6%) or more than the foreign equivalent product. Cal-Royal products are competitively priced and in most cases offer greater than 6% savings over domestic products.



As most projects covered by the BA Act exceed the minimum monetary thresholds and all of the above Cal-Royal products satisfy one or both of the above exemptions to the BA Act, these products can be purchased for such projects covered by the BA Act.

2009 American Recovery and Reinvestment Act:

The American Recovery and Reinvestment Act (ARRA) includes a “Buy American” provision as well as an exemption to that provision for members of the WTO and signatories of the Government Procurement Agreement (GPA). See above list confirming that Cal Royal’s products originate from WTO and GPA countries. Cal-Royal customers should also be aware that the ARRA has additional restrictions and should take steps to confirm the applicability of the above exemptions.

Cal-Royal is currently locating alternative suppliers in WTO/GPA countries for hinges to be used on projects covered by the American Recovery and Reinvestment Act or Buy American Act.

It is also worth noting that all of Cal-Royal’s products meet and/or exceed every ANSI definition of quality or requirement for performance standards. We also have products that are Underwriters Laboratory (UL) rated and approved in their respective countries.

In short, we encourage our customers to bid on appropriate government-related jobs using Cal-Royal products. That being said, as this letter does not constitute legal advice, customers should verify for themselves the applicability of the BA Act and/or the AARA and their related exemptions.

We thank you for your business and continued support.

Sincerely,

Cal-Royal Products, Inc.