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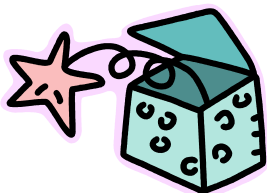
Meritek *Update*

New Western Regional Sales Manager joins Meritek

Effective 7/25/05, Mr. Larry Grandis has joined the Meritek team as our new Western Regional Sales manager. Larry is based out of California and will cover the entire western region.

Larry brings significant experience, not only in the component market, but also with the account geography of this critical region. Please join us in welcoming Larry to the team!

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Thinking ‘outside’ the box

As the transition from commodity products to our new focus products in Circuit Protection and Safety Components continues to build momentum, a few words regarding some “outside the box” successes are in order...

Even though many of these new products are used at the board level, we are finding more and more opportunities at the “termination point” of external cables supplying power or carrying signals. Many of the traffic control systems used in municipalities are based on DIN rail controls or modules.

However, when installers are terminating the various cables at the terminal blocks, in many instances, the use of MOV’s and TVS’s is called out in the installation documentation. This takes us into the “second tier” markets where these installers and their companies must source these parts, typically through local distribution. In some instances, the municipality itself does the installation, making our contact point the purchasing department of cities like Chicago, New York, Los Angeles, etc.

Thinking 'outside' the box (continued)

Also of note are the cable and wire harness manufacturers. Typically, some of these assemblies have terminal blocks or connectors which call out the use of MOV's, TVS's, or GDT's (and possibly PPTC's as well!). This is especially true for many designs involving telecom or datacom applications. Medical applications would also have possible "built-in" circuit protection devices.

Datacom manufacturers are also of interest since many such systems are designed using "external" cabling which would then require protection against lightning strikes and power line surges.

Regardless of the new markets we've found, there are probably many which we have yet to identify. The more we look beyond our "normal vision", the more we will find! New applications as well as new customers will only be found if we take a step back and really LOOK around us. Happy hunting!

MEC Manufacturing, Inc.

.....One Stop Service

Along with the release of our new sales literature (Tri-fold brochures), we felt a few guidelines would be of interest so we are all "on the same page"...

Electronic Manufacturing Services (EMS) covers a broad range of potential projects. However, knowing what are the best ones to pursue can sometimes be a difficult issue.

There are a wide range of EMS providers in the marketplace. Companies such as Flextronics or Jabil offer a broad array of services and capabilities, but typically cannot work well in the "high mix, lower volume" environment. Whereas, many smaller companies focus only on one or two "niches" for the bulk of their revenues.

MEC like many, also has some areas of expertise, and other areas of the market where we prefer not to "play".

As a simple series of guidelines, please keep the following in mind when investigating EMS opportunities...



MEC prefers;

- Projects with higher unit prices. (\$10 and up is a good start)
- More mature designs
- Higher labor content (including high ATE content)
- "Mixed" and SMD technologies
- RoHS compliant products (We have a fully compliant mfg process)
- "Box build" projects with high ASP's
- POTS (Plain Old Telephone) applications
- SLIC (Subscriber Line Interface) applications

We don't play well with;

- Radio Frequencies (RF)
- Repeater and DSL technologies

RoHS Issues and Status



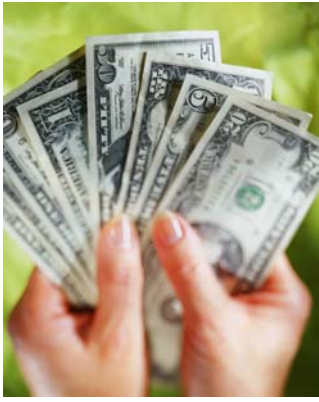
As many of you are aware, the RoHS deadline for compliance is literally right around the corner.

Meritek is proud to have taken a leadership position in ensuring our products are compliant well in advance of this deadline (July, 2006)

As of this publication, only one major product line, our CR series of chip resistors, is not fully compliant. However, we are indeed sampling compliant CR series parts as of now. This series will be fully compliant by the end of September, 2005.

ALL other Meritek products (with the exception of the TMOV) are fully compliant.

Please direct your customers to our web site for full product info, certifications, test data, and RoHS marking/identification details.



The Marketplace.....

As the first half of 2005 came and went, the results are indeed a “mixed bag”. We have seen a softening in both bookings and shipments which is certainly of concern.

When we analyze the numbers, our top tier customers are not contributing to this downward trend. Shipments and bookings within this category of customer are holding steady. The problem appears to be within the tier 2 and 3 customers.

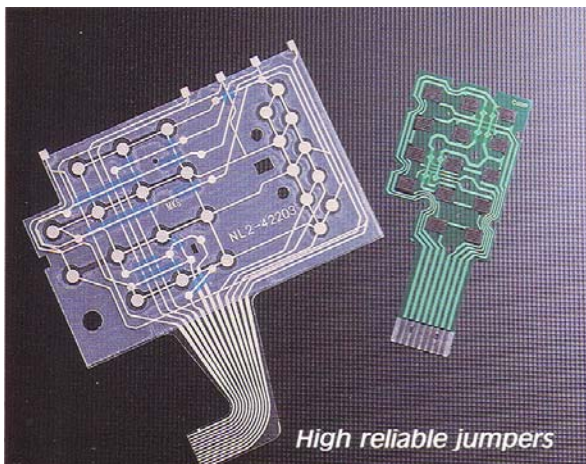
Of course, even this level of customer is moving production out of their own facilities and into the CEM marketplace. However, they have more difficulty making the next major move – offshore... Something we might be able to help with under the MEC “flag”.

We encourage each of you to take a hard look at your respective territories. Analyze your customer “situations”, and make a “full court press” to look for ways to bolster these numbers. Your efforts in this regard are indeed appreciated.

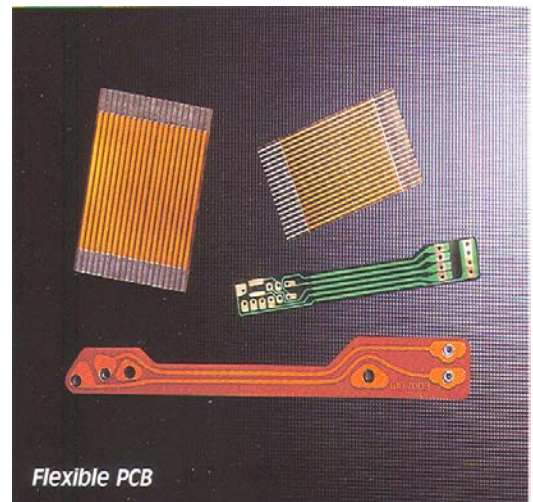
Meritek “Quick news”...

Watch for more details coming soon...

- New bar coding system under development.
- Possible move of Meritek’s “HQ”
- Meritek receives “National” minority business certification.
- New “Logistics Services” program getting “Fortune 100” attention in select applications.



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