



SBE, Inc.
SB Electronics
131 South Main Street, #1
Barre, Vermont 05641-4854 USA
Tel: 802-476-4146 • FAX: 802-476-4149
e-mail: EdSawyer@SBElectronics.com
WEB: www.SBElectronics.com

BACKGROUND INFORMATION – January 2004

SBE, Inc., Former Sprague Capacitor Business, Growing in Barre, Vermont.

Barre, Vermont: SBE, Inc. has a problem that most manufacturing companies wish they had right now; too much interest in their technology and products but not enough money to ramp up production and marketing. In an economy where lost manufacturing jobs have become almost an accepted outcome here in Vermont, SBE's sales are up 15% in its most recent quarter, and have been growing steadily since early 2002. Why? New technology, rapid new product development, a product name recognized around the world, the Orange Drop®; made with the highest level of quality manufacturing by dedicated people right here in Vermont!

Recently added new customers at the company include:

- Taser International, the world leader in stun guns, who was so impressed by SBE's technology that they signed a 2-year exclusive license in March 2003. They have placed firm orders with SBE for 2004 representing over 50% growth for their product.
- Allanson Lighting, a Toronto-based world leader in specialized lighting products.
- Abiomed and Cardiac Science, leaders in cardiology and heart defibrillators.
- Fieldmetrics, a Florida based start-up in the Electric Utility Grid Market using a new capacitor developed at SBE. A provisional patent was just filed for this new product, jointly by SBE and Fieldmetrics.
- Amway Products.

When combined with long-term customers like Motorola, 3M, and GE, it's easy to understand why the future has everyone very excited at SBE. "There is so much we could accomplish if we had more capital right now" explains Ed Sawyer, President and CEO of SBE. "We have new products in the Electric Utility Grid, Homeland Security, and Medical Markets. Many are undergoing final approval with customers and federal agencies. When they finish that process later this year and early next year, we will need to be ready to ramp up manufacturing, and that means buying materials and hiring and training new people. The prospect of new jobs in both manufacturing and engineering is bright with all of the opportunities we have right now." New capital will also allow SBE to increase profitability by continuing its effort in new automation as well as developing new products, which will bring better profitability as they are launched.

SBE has been getting noticed lately as it has developed new, patent pending capacitor technology used in the Homeland Security, Electric Utility Grid, and Medical Electronics Industries. SBE has been successfully growing sales, and jobs, over the past year, most notably with its exclusive Technology Partnership with Taser International, www.taser.com, one of Nasdaq's fastest growing companies of 2003. Just recently another company, Fieldmetrics, an innovative technology supplier to the Electric Utility Grid industry, signed an exclusive Technology Partnership with SBE, which included the filing of a joint patent application from Fieldmetrics and SBE

SBE, Inc. was established in 2002 in a management buyout of S B Electronics, Inc. (formerly a Sprague Electric Division) by Edward Sawyer and Mark Browning. Mr. Sawyer was an Emerson Electric executive and Mr. Browning was a long time manager of S B Electronics. The 2002 buyout was made possible with financing by Banknorth, N.A. and the Vermont Economic Development Authority (“VEDA”). Because of the exciting developments, which have occurred at SBE over the past 2 years, SBE has attracted the interest of the local venture capital community and private investors. Additionally, SBE has held preliminary discussions with VEDA staff concerning a potential future investment by a mezzanine debt fund, which VEDA is now organizing and in which VEDA will be an investor. The fund was created last year by the Douglas Administration and the Vermont Legislature in an effort to assist small businesses like SBE find the necessary capital to expand and create jobs.

Capacitors have been built at this Barre site since 1945 when Sprague Electric, the largest manufacturer of capacitors in the world at the time, entered into a sub-contracting agreement with the Rock of Ages Granite Company. The Rock of Ages Capacitor Division built capacitors on winding equipment that resembled old-fashioned Singer foot-peddled sewing machines. They built one million capacitors per week up until V-J Day in support of the war effort. After the war they continued their peacetime efforts for Sprague Electric, and in 1969, Sprague purchased the expanding operation from Rock of Ages.

Over time this operation became known as Sprague-Barre, or SB for short, and flourished until the mid-1980s; employing 600+ people at its peak. Sprague eventually decided to close the plant in 1985, but a portion of it was “saved” by its then General Manager, Perry Browning. Perry successfully grew the company well into the late 1990s with the help of his son, Mark Browning. Mark joined the company as Sales and Marketing V.P. in 1989. Mark joined with Ed in purchasing the company in mid 2002 from Perry who has since retired. The company name was officially changed to SBE, Inc. at that time although it still does business as S B Electronics.

Like most manufacturers in the late 1990s, low-priced labor in Asia and Mexico decimated much of the business that had allowed the company to grow successfully up to that point. As a result, sales dropped 50% in a 4-year period and the company was forced to layoff many long-term employees. Some of the remaining business was at lower prices causing the company to lose money. As bad as this was, many other companies in the electronics business fared much worse and were forced to close their doors forever. The turning point for the company began in 2000 with the introduction of new capacitor products that are more cost-effectively manufactured in the US.

Additionally, the company has actively started applying for research grants under the US government’s SBIR program. “Not only are we better positioned competitively today” explains Mark Browning, “we actually export over 10% of our sales, with much of it going to Asia!” In addition Browning adds, “We have also created a culture here at SBE that you just don’t find in other parts of the world; dedication to customer service, dependability, and the deep-rooted values shared by ALL of our employees that keep our customers coming back with all of their new opportunities.”

SBE - With a history built on a “Granite” foundation, “Stunning” new technology, and a traditional “Vermont Work Ethic”; now that’s something electric!!