

# **GarrettCom / DYMEC Acquisition FAQ**

**July 2006**

## **Who are the companies involved in the transaction?**

GarrettCom™, Inc., Fremont, Calif., designs, manufactures, and markets Ethernet LAN products for factory automation, telecommunications, transportation systems, video surveillance, power utilities and other heavy duty industrial applications. GarrettCom markets its products through a network of resellers, OEMs, system integrators, and international distributors.

DYMEC, Inc. in North Andover, Mass., is a premier manufacturer of hardened networking devices. DYMEC products deliver integrated Wide Area Networking, industrial Ethernet, and serial connectivity for monitoring and control networks in power utility substations and other harsh industrial environments.

Both companies are leaders in the power utility market, noted for their rugged, highly reliable network solutions.

## **What are the terms of the acquisition?**

Under the terms of an agreement signed earlier this year, GarrettCom acquires DYMEC as of August 1, 2006. Both companies were privately held. The financial terms of the agreement have not been disclosed. Frank Madren remains President and CEO of GarrettCom, Inc. John Shaw, President of DYMEC, Inc., is Executive Vice President of GarrettCom.

The transaction may be considered both an acquisition and a merger. Corporately and operationally, DYMEC, Inc. will be merged with and into GarrettCom, Inc. Merger and acquisition will be used somewhat interchangeably throughout the FAQ.

The merged company has two principal offices and in the US: GarrettCom West in Fremont, Calif., and GarrettCom East in North Andover, Mass. There are a dozen sales and support offices across North America. GarrettCom Europe in Gosport, UK, provides sales and support in Europe, the Middle East and Africa.

### **What was the reason for the transaction?**

The merger allows the combined companies, both of whom are strong in power utility markets, to offer a more robust and integrated network solution for that market. The merger enables GarrettCom to combine a broad variety of hardened Ethernet switches, WAN routers, and terminal servers with some of the industry's best network management software and an extensive selection of software and hardware security features to provide more robust and extensive solutions not only for substation automation, but also for industrial markets including factory automation, telecommunications, transportation systems, and video surveillance. In addition, GarrettCom's established international reach will provide immediate overseas markets for DYMEC products.

### **What is the anticipated impact of the transaction?**

GarrettCom, Inc. will be a leading provider of targeted network solutions for both the utilities market and the broader industrial market. The merged company will continue to support the existing products of both companies. In addition, GarrettCom will roll out new industrial networking products as well as integrated software and hardware solutions that reflect the combined technical strengths of GarrettCom and DYMEC over the next few quarters.

GarrettCom's existing marketing, sales and sales support personnel will primarily focus on factory automation, telecommunications, transportation systems, and video surveillance market sectors.

The DYMEC marketing, sales and sales support personnel will operate as GarrettCom Utility Networks with primary responsibility for direct sales to North American utility accounts for all GarrettCom products. Ed Goff, VP Sales at DYMEC and a veteran of the power utilities and substation automation markets, will continue as VP Sales for GarrettCom Utility Networks.

DYMEC's current network of manufacturers representatives are anticipated to continue as GarrettCom utility sector representatives with the new broader product line.

## **Why is GarrettCom targeting power utilities?**

According to a recently published report by Newton-Evans Research using year-end 2005 data, annual global spending for substation automation and integration programs is estimated at \$550-600 million; the North American portion is \$155 million. To date a relatively small number of power substations have been fully automated and integrated, and of those, most have been new construction – starting from scratch. Retrofit substations will be upgraded based on drivers such as security, increased demand for power and increased need for power reliability and availability. According to Newton-Evans research, the biggest obstacles for retrofit substations are lack of funding and the ability to clearly specify cost vs. benefit analysis.

GarrettCom anticipates further market acceleration in substation technology deployment driven by the needs to improve power grid reliability, increase cyber security, more dynamically measure and control power distribution and to reduce operational costs for utilities. In particular, security measures such as access control, intrusion detection, camera surveillance and communication encryption will create increased new network technology deployment.

Ethernet is a clear winner as a communications technology for new automated substation designs, but there are a large number of existing substations that also require legacy serial communications and wide area networking connectivity. With this acquisition, GarrettCom is the first to bring together all aspects of Utility Networks products and technology.

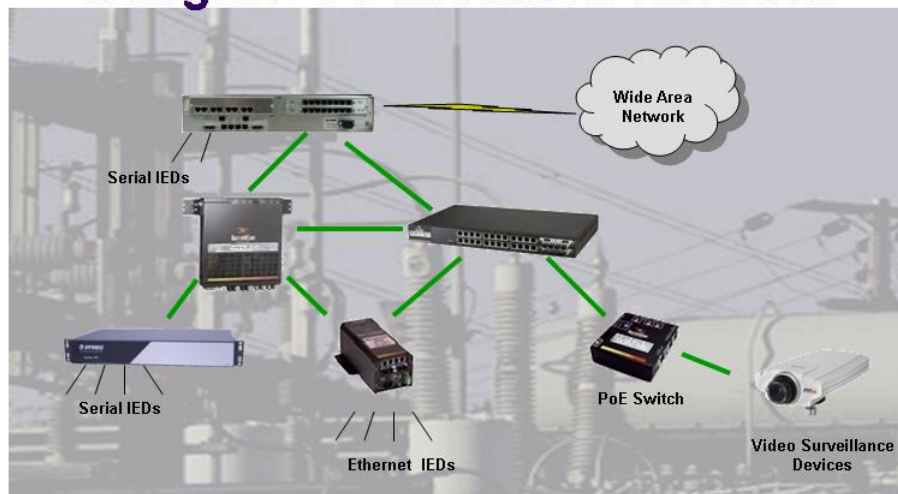
While cost-conscious power utilities strongly subscribe to “When it ain’t broke, don’t fix it,” demand for more – and more reliable – electric power will drive incremental upgrades. GarrettCom’s new Integrated Substation Network solutions for utilities offer cost-effectiveness, redundancy, security, and higher bandwidth in both new construction and upgrade situations.

## What is GarrettCom's Integrated Substation Network?

The Integrated Substation Network is GarrettCom's vision of an Ethernet-based infrastructure interconnecting substations and central operations systems. It blends the flagship products of the two companies to provide a communications solution for power utility substations encompassing both serial- and Ethernet-based devices. Numerous Intelligent Electronic Devices (IEDs) such as relays, sensors, meters and Remote Terminal Units (RTUs), as well as surveillance cameras, VOIP phones and other devices are connected in a substation Local Area Network (LAN); serial protocol devices are connected via GarrettCom routers or terminal servers, and various Ethernet devices, including Power-over-Ethernet-enabled video cameras, are directly connected to GarrettCom Magnum Ethernet switches. The substation LAN connects to a GarrettCom Wide Area Network (WAN) router to transmit data to central operations systems and centers for processing and storage.



## Integrated Substation Network



## **Who are some of the companies' customers and how will the merger impact them?**

Current customers in the public utilities arena include Cinergy, Holyoke Gas and Electric Company, Nevada Power Company, PG&E, Potomac Electric Power Company, the Salt River Project, Southern California Edison, The Southern Company, and VELCO. These companies represent some of the innovators and technology leaders in markets ranging from municipal utilities to large regional power companies.

The combined products of DYMEC and GarrettCom will be sold and supported through the same personnel and channels. Work to further integrate the product lines and enhance the software and hardware technologies will be carried forward by the technical staff of the merged company.

## **What is “hardened” Ethernet and how does GarrettCom participate in this market segment?**

Industrial Ethernet is more than just a marketing phrase; it describes the environment in which an Ethernet device must operate. Hardened Ethernet switches are a complete rethinking and redesign of office-based Ethernet components. Electronics in extreme industrial environments can be subject to high levels of EMI, heat, and moisture, as well as dust, dirt, and corrosive chemicals. In addition, required levels of availability may exceed those for a commercial environment. It's never good when the network goes down in an office, but it's a highly different situation when an electrical blackout, such as the legendary Northeast catastrophe 2003 incident, darkens hundreds of thousands of homes and businesses.

There are a number of components to creating a hardened switch, but the most significant are:

- Fiber media configurability
- Metal cases for electrical noise shielding, plus industry-specific design and certifications for immunity, emissions and surge protection
- Dusty, dirty, damp, or corrosive environments
- Extended operating temperature ranges, both hot and cold, requiring creative cooling solutions and extended range components

- DC power, including direct feeds from industrial battery infrastructure
- Network redundancy options

GarrettCom offers product leadership in all six areas, with the additional benefit of modular switch technology that allows customers to configure exactly what they need without a custom premium.

### **How will products be marketed and sold?**

GarrettCom, Inc. uses multiple complementary distribution channels. For direct sales, GarrettCom will essentially have two sales and support organizations in North America. GarrettCom Utility Networks, consisting primarily of the former DYMEC team and current DYMEC Manufacturers Representatives, will serve power utilities and other private and public utilities groups in North America. The current GarrettCom direct sales team supported by system integrators and industrial resellers will address all other industrial markets. Internationally, GarrettCom will field a dedicated power utilities group and an industrial group out of its European headquarters in the UK, and will be represented by distributors throughout South America and Asia.

### **Where will products be manufactured?**

GarrettCom will continue to utilize suppliers worldwide, with final assembly, test and logistics at existing company facilities in both Fremont, Calif., and North Andover, Mass.

### **What is the impact on the employees and the communities in which GarrettCom and DYMEC have offices?**

There is no net loss of jobs anticipated as a result of the merger. Operations will continue all current locations. GarrettCom is in a high growth phase, and anticipates continued bi-coastal operations with sustained or increased staffing levels.