

SOUND ENHANCEMENT PRODUCTS, INC

ACCUTRONICS® - EBTECH® - GOPHER™ - MORLEY® - PEDAL PAD™

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HISTORY

The Reverb product line evolved from the Hammond Organ Company, where the Reverb was originally used in organs. The company later began marketing the unit to amplifier manufacturers. In 1962, Leo Fender, introduced what was then called the "Hammond Reverb", in Fender's, now legendary, "Twin Reverb" amp. This established reverb in guitar amps from that time forward. In 1971, Hammond Organ moved Reverb production to its Accutronics division located in Geneva IL. Slowly the "Hammond Reverb" became known as the "Accutronics Reverb". In 1977, Accutronics became a member of the Marmon Group of companies. In 1982 all of Accutronics divisions were consolidated into one building located in Cary, IL. In 1986 the company acquired OC Electronics, thus becoming the only domestic manufacturer of Reverb units. In 1989, the company acquired the "Morley" trade name from Tel-Ray Electronics in Hollywood, CA. In January 1990, Accutronics, Inc. moved its Reverb and Morley divisions into a separate facility in Cary, IL. In May 1991, the Reverb and Morley divisions of Accutronics were incorporated into the entity, Sound Enhancements, Inc. In 1999, Sound Enhancements became a member of the Stainless Industrial Company. In 2001, Sound Enhancements, Inc. acquired Ebtech. As of August 2005, the company name was changed to Sound Enhancement Products, Inc and is currently an independently owned company.

PRODUCTS / DESCRIPTION

Sound Enhancement Products, Inc. (SEPI) manufactures O.E.M. electro-mechanical spring reverberation devices, primarily sold to guitar amplifier manufacturers. Commonly called "reverb units", these devices are sold under the "Accutronics" trade name. Reverb units provide electronic reverberation in an amplifier to produce a sound that is more natural to the human ear.

SEPI also, manufactures foot-controlled pedals, effect boxes and footswitches that alter, enhance and/or control sounds created from an electronic musical instrument, primarily an electric guitar. These devices are sold under the "Morley" trade name. As of December 10, 2001, SEPI also manufactures audio solution devices sold under the "Ebtech" trade name. As of March 2007, SEPI also distributes Pedal Pad Brand products for MKS Profession Stage Products.



APPLICATIONS / CUSTOMERS

Reverb units are sold primarily to guitar amplifier manufacturers. Reverb units require electronic circuitry both into and out of the unit to operate. This circuitry is provided by the amplifier manufacturer. Generally the amplifier manufacturer will blend reverberated sound with straight or non-reverberated sound within the amplifier. This blended sound gives the

listener the perception of being in a large hall or a small room depending on the blend. Major customers are Fender Musical Instruments (California), Peavey Electronics (Mississippi) and Marshall Amplification (England). Reverb units are sold to customers worldwide with domestic sales accounting for 64% and export 36% of the business.

Morley products are sold through dealers/distributors both domestic and international. Morley products are also sold by in-house sales/marketing staff to music store chains, individual music stores, retail catalog houses and online merchants. Morley products add effects such as wah, distortion and/or volume control to the sound of an electric guitar or other instrument. In addition, Morley manufactures switching devices that allow foot switchable control over guitars and/or amplifiers. Major customers include Guitar Center (California), Sam Ash (New York), Musician's Friend (Oregon), Soundwave (Italy), Westside (U.K.) and Camac (France). Morley products are sold to customers worldwide with domestic sales accounting for 63% and export 37% of the business.

Ebtech products are sold through dealer/distributors both domestic and international. Ebtech products are also sold by in-house sales/marketing staff to music store chains, individual music stores, retail catalog houses, online merchants and contractors/installers. Ebtech products include Hum Eliminator, Line Level Shifter, Hum X and Swizz Army 6-in-1 Cable Tester. Major customers include Musician's Friend (Oregon), Musical Fulfillment Services (NJ) & Sweetwater (Indiana). Ebtech products are sold to customers worldwide.

MARKETING

The Reverb unit is marketed to an existing customer base of approximately 125 customers. Due to our dominant market position, marketing efforts are largely customer service and quality oriented.

The Ebtech & Morley product lines are marketed domestically through in-house marketing and wholesale distributors. Foreign sales are handled through separate distributors for each country. Both product lines are sold to the end-user through music retailers.

FACILITIES

All manufacturing, distribution and administration functions are performed in our 11,300 sq-ft facility in Cary, IL. The Cary plant performs most operations in-house, including spring winding, metal stamping, coil winding and product assembly. Principal raw materials used include metal, spring wire, laminations and circuit boards.

EMPLOYEES

Approximately 30 employees.

