

INSIDE

Industry Advocacy Campaign 3
 Email Marketing Webinar 4
 NEDA Project Host 5
 ERA/NEDA Breakfast at EDS 5
 NEDA Executive Conference Sponsors 7



A monthly newsletter for members of the National Electronic Distributors Association

To The Point

Robin B. Gray, Jr.
 NEDA Executive Vice President



**The Only Constant Is Change
 Acquisitions Are The Biggest In A Decade**

Health Care Reform—Part 1

I won't pretend to tell you that I have read the 3000+ page health care reform legislation. What I will attempt to do is highlight some of the provisions that will impact NEDA members. No doubt there will be little nuggets and nuances that will come to light as the legislation is phased in over the next 8 years, not to mention the issues that will arise once the various Federal and state agencies write implementation regulations.

There is still a lot of uncertainty about the impact of this new law. According to those that have analyzed the health care reform law, it is likely that taxes will go up to pay for the Federal mandates, the price of health care and health insurance will go up, and legislative and legal efforts will attempt to overturn or modify the law before many of the changes go into effect. As a result of the latter and the yet-to-be written regulations implementing the law, there is much uncertainty about what individuals and businesses should do to comply with the law.

Here are some of the highlights, organized into subject matter categories, beginning with those provisions that are or will become effective this year.

→ continued on page 2

May has always been a significant month in the distribution industry. As far back as many people can remember—May is when the industry convenes for EDS. May of 2010 marks some of the most significant changes the industry has seen in a very long time.

By the end of this month, two acquisitions should close: Avnet's acquisition of Bell Microproducts Inc. and Arrow's acquisition of Converge. The industry is no stranger to acquisition: during the 1990s the industry saw longtime distributors such as Wyle, Pioneer-Standard, Sterling, Marshall, Kent and many other companies acquired, integrated and their names gradually absorbed by larger parent companies. The last major acquisition in the industry was the VEBA Group by both Avnet and Arrow, which took place in 2000. The consolidation of the distribution industry was also noted every April or May by a number of magazines that published their Top Distributor lists. There were three in the spring: *EBN*, *Electronic Business*, and *Electronics Purchasing/Purchasing*. *Electronic News*

published its list in December. This year, the list is down to two: *EDN* magazine, which has taken over *Electronic Business'* coverage of the supply chain and *EE Times*, a UBM company. In mid-April, Reed Business Information abruptly closed *Purchasing* magazine and 22 other titles and it's unlikely *Purchasing's* Top 75 Distributors for 2010 will ever see the light of day. The trade publishing industry

and the North American distribution market have lost many players over the years, but the closure of *Purchasing* is significant. Whether readers like or dislike; agree or disagree with lists; the annual rankings of top distributors were always read, saved and archived for future reference. *EDN*

this year was acquired by Canon Publishing.

The acquisitions of 2010 will remove two more names from the annual ranking: on *EDN's* list, Bell Micro was No. 4 and Converge was No. 12. As noted earlier, consolidation is nothing new. But Arrow's acquisition of Converge raises a number of questions which, as of mid-April, the company was unable to answer. Both Arrow and Avnet are in a quiet period that follows an acquisition by a public

→ continued on page 2

The industry bids farewell to *Purchasing* and awaits the closing of two significant acquisitions.

DEPARTMENTS

AFDEC Statistics 6

New Member 8

Events Calendar 8

Health Care Reform— Part 1

→ continued from page 1

Health Insurance Plans. Businesses will need to confirm whether their existing plan will be grandfathered. All plans must meet these requirements on September 23:

- Dependent coverage to age 26 if lacking coverage elsewhere
- Prohibits lifetime dollar limits
- Coverage can't be rescinded (except for fraud or misrepresentation)
- Restricted annual limits
- No pre-existing condition exclusions for children under 19
- Minimum 85% medical loss ratio with refund for employers with 100+ employees
- Minimum 80% MLR with refund for employers with 100 or fewer employees

For new plans and plans lacking or losing grandfather status, effective September 23:

- No cost-sharing requirement for preventive services
- No discrimination in favor of highly compensated individuals
- No pre-authorization for emergency services and billed at in-network rates
- Individual's choice of primary care doctor
- Mandatory claims appeal process

Effective January 1, 2014, for all plans:

- Prohibits pre-existing condition exclusions for everyone
- No annual dollar limits
- Health insurance exchange established
- Guaranteed issue and renewal
- Restricts rating factors such as age in determining premiums
- Must provide essential benefits as determined by Health & Human Services Dept.
- Insurance co-ops created
- Tax imposed on fully-insured, traditional plans

→ continued on page 3

The Only Constant Is Change Acquisitions Are The Biggest In A Decade

→ continued from page 1

company and were unable to comment on their plans for Bell and Converge. The most pressing question: Will Converge retain its independent distribution business?—likely won't be answered until later this month.

Both Arrow and Avnet have been longtime vocal advocates of authorized distribution. Converge, which in the past 20 years has been New England Components Exchange; NECX; and now Converge; is one of the largest independent distributors of electronic components. Arrow cites Converge's reverse logistics capabilities as one of the strategic reasons for the acquisition and a natural extension of Arrow's end-to-end supply chain services. Beyond Arrow's comments in its April 6 press release, the company is unable to comment until the acquisition is closed. In its release, Arrow reported it would acquire Converge, a leading provider of reverse logistics services, and Verical, Inc., a unique ecommerce marketplace geared toward meeting the end-of-life components and parts shortage needs of customers.



Michael J. Long, Arrow Electronics

"These acquisitions complement Arrow's global strategy by providing comprehensive services across the entire product lifecycle for suppliers and customers," said Michael J. Long, chairman, president and chief executive officer of

Arrow Electronics. "Reverse logistics is a rapidly growing area, and this acquisition builds on Arrow's global capabilities as a supply chain and logistics expert. The addition of Verical also further strengthens our ecommerce capabilities.

Avnet is bound by the same rule, and reported in late March the Bell acquisition is Avnet's largest in terms of revenue and it will increase Avnet's scale and scope in Europe, North America and Latin America. With revenues of approximately \$3.0 billion in CY 2009, Bell Micro has international operations that focus on a wide range of high-tech products, solutions and services including storage systems, servers, software, computer components, and peripherals, as well as maintenance and professional services.

This acquisition will strengthen Avnet's position as a global leader in value-added solutions distribution addressing the data center market. It will also expand Avnet's embedded computing solutions business and add a leading position in hard disk drives to its existing computing components business.

Following regulatory approvals and closing, Avnet's total revenue will increase by approximately \$3.0 billion globally. Combined calendar year 2009 revenues of both companies were nearly \$20 billion.

Additionally:

- The transaction is expected to close in 60 to 120 days, deliver at least 12.5% ROCE post integration

→ continued on page 4

Barbara Jorgensen



Industry Advocacy Campaign Supporters



Thank you to these generous advocacy supporters:

Allied Electronics



Digi-Key Corporation



Genie Group



Marsh Electronics



Mouser Electronics



National Semiconductor



ON Semiconductor



Projections Unlimited, Inc.



Rochester Electronics



Sager Electronics



Texas Instruments



Tyco Electronics



The threat of counterfeit product is a significant industry issue. With more sophisticated technology comes even more advanced imitations. The 2010 NEDA Industry Advocacy Campaign ads deliver the message that electronic component users and buyers can't go wrong dealing with Supplier Authorized Distributors. The campaign features a significant online and print presence to grab the attention of your prospective customers.

Having the NEDA Industry Advocacy Campaign encourage the use of Supplier Authorized Distributors among component buyers is very important to business. We need your help today to make an investment in the industry.

Click here to join today or visit the NEDA website to learn more about this important endeavor.

Health Care Reform— Part 1

→ continued from page 2

Qualified health plans must meet both the actuarial value requirements contained in the legislation and the "essential benefits" as defined by yet-to-be drafted Federal regulations. Non-qualified plans subject employees and employers to penalties/fines.

As noted above, it is important that any business that offers health insurance to its employees immediately determines whether its plan is grandfathered and to amend the plan to comply with requirements that are effective on September 23 of this year. Plans that are not grandfathered must amend or create a new plan that meets the additional requirements noted above.

In next month's column, I will cover employer-mandated provisions.



Webinar: How to Be Successful with Email Marketing

Is your email newsletter a success? The big challenge in producing a successful email newsletter is generating content that will motivate prospects and customers to open, read, and respond. E-newsletters that simply provide a recap of your latest products and news may be of great interest to you, but they are of little interest to your readers.

This enlightening webinar will show you how to make your e-newsletter a 'must read' and a valuable nurturing tool for your business.

Webinar 3: How to Be Successful with Email Marketing on May 11th at 1:00pm EST

Price: \$149 per location

[Click here for registration information.](#)

The Only Constant Is Change Acquisitions Are The Biggest In A Decade

→ *continued from page 2*

and should be immediately accretive to earnings excluding integration and transaction costs.

- Bell Micro's distribution business operations will be integrated into Avnet's global operating groups, Avnet Technology Solutions and Avnet Electronics Marketing. Bell Micro's position in datacenter products and embedded systems complements Avnet's current offerings while adding new cross-selling opportunities.
- The acquisition will substantially strengthen Avnet's position in Europe and North America and expand its footprint in Latin America.
- Avnet and Bell Micro's distribution customers will benefit from an expanded line card, increased service offerings and greater technical expertise.
- The acquisition gives Avnet a broader customer base and enhances its financial strength and market position. This will translate into a greater ability overall to invest in expanding market share for suppliers and new cross-sell opportunities.
- Bell Micro's single-tier business will remain stand-alone and will report directly to Avnet COO Rick Hamada, while Avnet considers strategic alternatives for this business.

These moves serve as a reminder that first and foremost, distribution and publishing are businesses and that the market remains challenging. So this May, the industry bids farewell to *Purchasing* and awaits the closing of two significant acquisitions.

The only constant is change.

Top Universities From Across The Nation Participate in Project Host at EDS

For over 20 years Project Host has offered NEDA members a unique opportunity to meet the top Industrial Distribution students from universities throughout the U.S. At EDS, the NEDA Education Foundation will host 16 Student Ambassadors and their faculty leaders from 8 universities. Participating member companies will allow these bright students to shadow them throughout the day as they attend their business meetings. It is a valuable experience for the future leaders of the industry and offers members a chance to make a lasting impression on all the students and attending faculty:

The 2010 Project Host University participants:

Central Washington University

Faculty: Lad Holden

Cassandra Armstrong

Byron Chan

Texas Christian University

Faculty: Chuck Lamb

Andy Dolce

Nick Meyers

East Carolina University

Faculty: Mark Angolia

Steven Atkinson

LaDarius McEachin

University of Houston

Faculty: Dan Cassler

Trent Legendre

Stephany Marcucci

Purdue University

Faculty: Sorraya Khiewnavawongsa

Emanuel Cuevas

Benjamin Unger

University of Houston – Downtown

Faculty: Regena Scott

Tiffani Atkins

Ruby Medrano

Texas A&M University

Faculty: Malini Natarajathinam

Jonathan Bounds

Cody Brown

University of Nebraska-Kearney

Faculty: Richard Meznarich

Rustin Dring

Nathan Thorn

NEDA Members Host Student Ambassadors

We want to express our sincere gratitude to Avnet Electronics for their sponsorship of the student/faculty luncheon on Tuesday at EDS.

In addition we thank the following member firms for supporting this unique educational program by acting as Hosts. Thank you for enriching the EDS experience for the student ambassadors!

Gold Sponsor - Tuesday Luncheon
Avnet Electronics Marketing

Allied Electronics

Arrow Electronics

Avnet Electronics Marketing

Carlton Bates Company

Dialight Corporation

FCI Electronics

Littelfuse

Marsh Electronics

Molex

Mouser Electronics

Panasonic Industrial Co.

RS Electronics

Sager Electronics

TTI, Inc.

Tyco Electronics



www.cna.com

LIKE CABLES AND CONNECTORS GOOD PARTNERS ARE STRONGER TOGETHER

CNA AND NEDA:

PUTTING TOGETHER A SMART APPROACH TO MANAGING BUSINESS RISK.

CNA is proud to offer a business insurance program endorsed by the National Electronic Distributors Association. We partner with NEDA to provide comprehensive services and coverages specially designed for the unique insurance needs of electronic components distributors and their manufacturer-suppliers. With CNA you benefit from an "A" rated national carrier with local industry expertise. If you're looking for a carrier that can provide an industry-endorsed insurance solution to help protect your business ... **we can show you more.***

For more information, contact your independent insurance agent or visit www.cna.com.

CNA



Use of the term "partnership" and/or "partner" should not be construed to represent a legally binding partnership. CNA is a registered trademark of CNA Financial Corporation. Copyright © 2010 CNA. All rights reserved.

FREE Breakfast At EDS

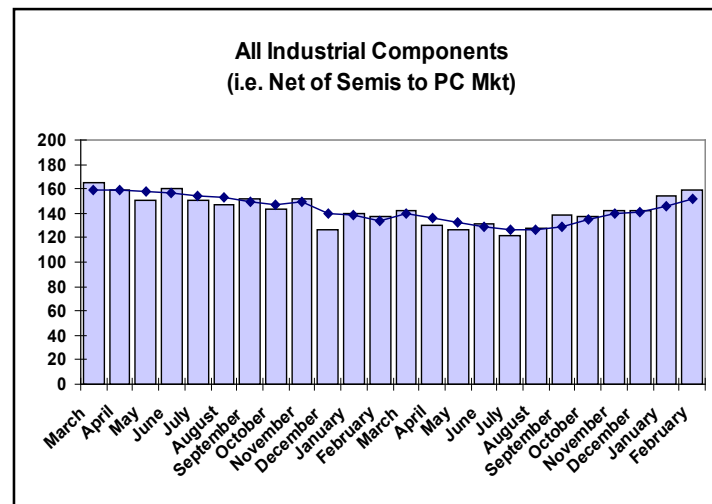
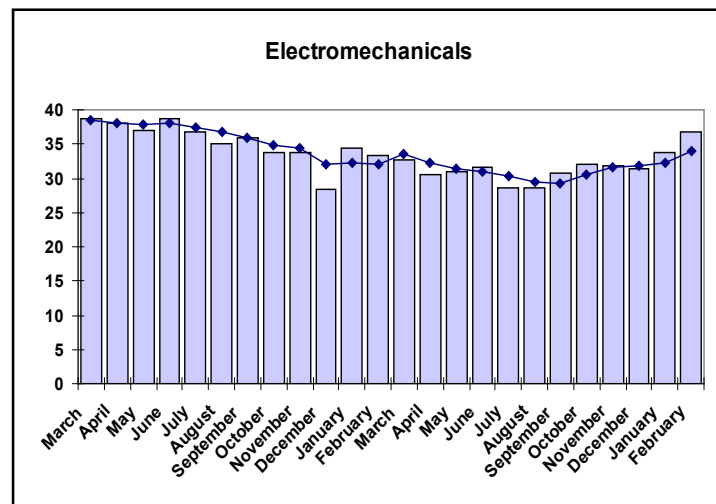
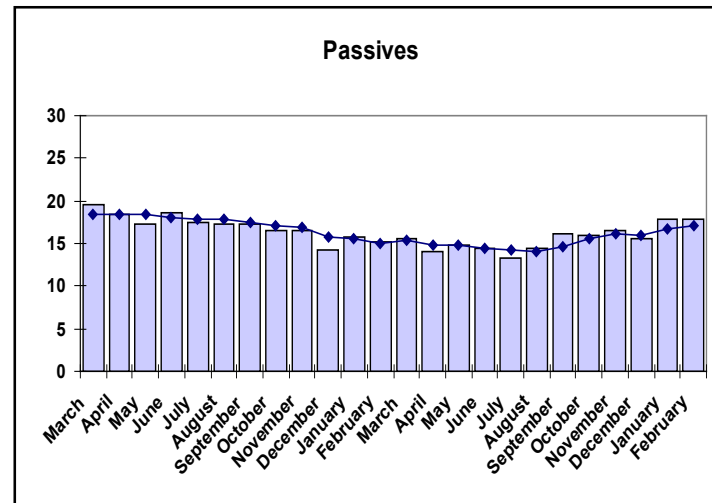
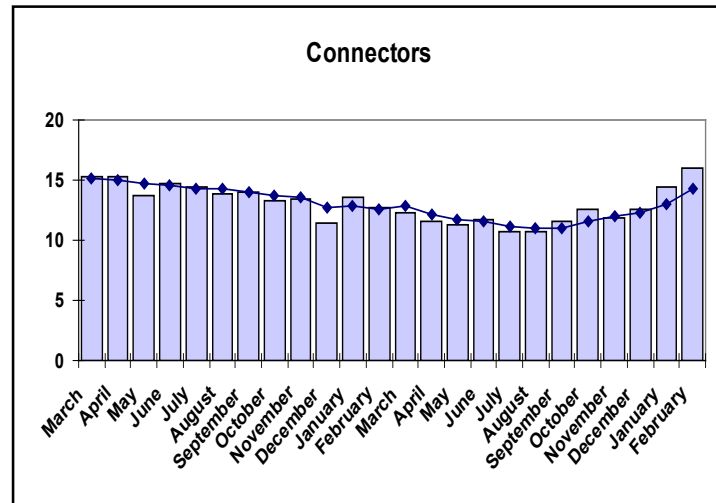
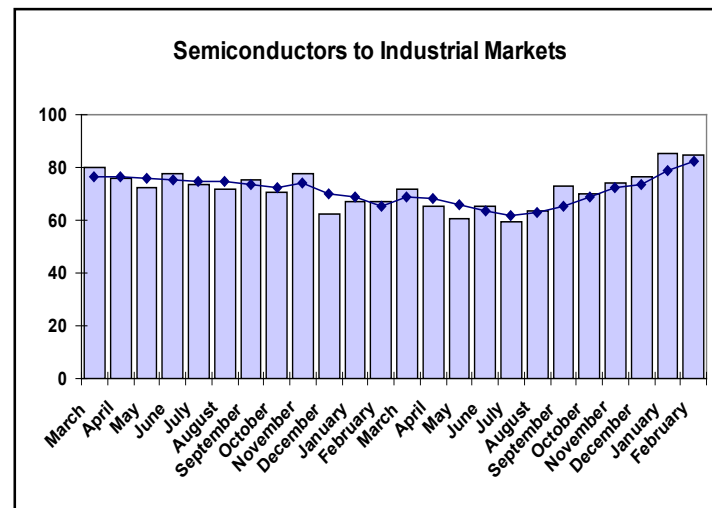
Start your day Wednesday at the ERA/NEDA breakfast. Join us in the Paris Hotel Vendome C ballroom from 7:00 - 8:00 for hot coffee, delicious food and a presentation by ERA's Tom Shanahan: *Avoiding the Legal Hassles of Using SOCIAL MEDIA*

Please email your reservation, including your company name and attendee names to Tess Hill at ERA.thill@era.org

AFDEC Monthly Statistics: Average Daily Sales by Month
Sales in £k per day; ---- shows 3 month average

Each month AFDEC gathers statistics from its distributor members and summarizes bookings, billings, inventory, stock turn/earn ratio, debtors, gross margin, etc., split down by semiconductors, passives and electromechanical components and, where appropriate, into more detailed sub-categories. These monthly statistics enable members to check their own trends against those of the industry.

North American statistics are available through NEDA's
Distribution Business Index.



The 2010 NEDA Executive Conference planning committee is putting the finishing touches on a stellar program that will explore the industry's most pressing issues, its most exciting developments and how global events and economies will shape our future.

Registration is now open for this world-class event to be held October 17-19th, 2010 at the InterContinental Chicago O'Hare Hotel. Make plans to join industry peers at this must attend meeting.

Conference sponsors include:

Opening Reception:

Monday Breakfast

Monday Morning Networking Break

Monday Evening Reception

Tuesday Morning Networking Break

Conference Binder

Badge Lanyards

Room Keys

Note Pads

Promotional Marketing Sponsors

Exhibit Booth

General Conference Sponsor

Digi-Key & Molex

Mouser Electronics

Allied Electronics

Carlton-Bates Company

Mouser/TTI

Sharp Microelectronics of the Americas

Murata

Texas Instruments

Tyco Electronics

EE Times Group, a UBM Company; Electronics Sourcing; Hearst Business Media; and

Penton Media

CNA

Bourns Inc.

Click here for additional sponsorship opportunities, or contact Michelle Meyer at 703-583-2970.

Contact NEDA:

NEDA STAFF

Robin B. Gray, Jr., ext. 105	Executive Vice President rgray@nedassoc.org
Debbie Conyers, ext. 104	Director of Marketing & Communications dconyers@nedassoc.org
Donna Dilbeck, ext. 102	Member Services Coordinator ddilbeck@nedassoc.org
Barney Martin, ext. 106	VP of Industry Practices bmartin@nedassoc.org
Stu Matt (717-520-1527)	Director of Member Relations smatt17033@aol.com
Michelle Meyer (703-583-2970)	Director of Meetings mmeyer@nedassoc.org
Janet Wood, ext. 103	VP of Administration jwood@nedassoc.org

NEDA BOARD OF DIRECTORS

OFFICERS

Brian McNally Arrow Electronics, Inc.	President
Frank Flynn Sager Electronics	Past President
Michael Knight TTI, Inc.	President - Elect
Robin B. Gray, Jr.	NEDA Executive Vice President

DISTRIBUTOR DIRECTORS

Paul Buckley Newark	Jeff Ittel Avnet Electronics Marketing
Lee Davidson Allied Electronics	Eric Max The Genie Group
David Doherty Digi-Key Corp.	Glenn Smith Mouser Electronics
Todd Farnsworth Carlton-Bates Company	Walter Tobin Future Electronics
Perry Fox Tonar Industries, Inc.	Ed Smith Avnet Electronics Marketing NEDA Education Foundation President

MANUFACTURER DIRECTORS

Jeff Newell Texas Instruments	Jeffery Thomson On Semiconductor
Eric Sussman Molex, Inc.	

National Electronic Distributors Association

1111 Alderman Drive, Suite 400 Alpharetta, GA 30005
PH: 678-393-9990 FAX: 678-393-9998 www.nedassoc.org



Upcoming Events: 2010

- May 11-13** EDS
Paris Hotel
Las Vegas, NV
- 11** AEA Webinar
How to Be Successful with Email Marketing
- 12** NEDA/ERA Breakfast at EDS
Paris Hotel - Vendome C Ballroom
7:00 - 8:00 AM
- Sept. 8-10** NEDA Board of Directors Meeting
Long Beach, CA
- Oct. 17-19** NEDA Executive Conference
InterContinental Chicago O'Hare
Chicago, IL

NEW NEDA Member

Manufacturer
Hirose Electric (U.S.A.), Inc.
2688 Westhills Court
Simi Valley, CA 93065
Phone 805-522-7958
www.hirose.com