

To: Philips Day-Brite Group Friends & Partners
From: Bob Carswell
Date: August 24, 2011
Subject: Technology and the Changing Landscape

I hope this letter finds you and your businesses/people doing well. Nobody could have predicted that our overall economic picture would have remained as volatile as it has been. I remember how glad I was when 2009 was over. Unfortunately 2010 and 2011 have been tumultuous years with some growth but no consistent patterns. So far 2011 is proving to be another challenge that we need to get through with a positive result.

In addition to the economic issues, we are also in the middle of the largest single technology change in our industry in decades. I am referring to Solid State Lighting/LED technology. I have mentioned before that our technological landscape continues to change at a rapid pace. This is a good thing for the industry. We have all seen the proliferation of new LED start ups over the last several years. Many of you represent some of these companies today.

Besides these small companies, the LG's, Samsung's, Toshiba's, Sharp's, etc. are making a play in the LED market. This effort is focused primarily on lamps, but not limited to lamps, as some are also building luminaires. This dynamic is another change to the landscape that adds new competitors and changes the competitive position of our traditional competitors, Acuity, Cooper and Hubbell.

Last week a significant industry event occurred – Cree's purchase of BetaLed and Ruud. This action clearly created another significant player in the world of lighting. The major difference in this new addition to the players is their primary technology focus. This focus is primarily LED! The new "Cree" is the second fully integrated LED manufacturing company behind Philips. This new company most certainly strengthens the position and viability of the LED technology.

Both Philips and Cree were pioneers in vision on the viability of this light source for the future. Philips recognized the value of LED technology early on and began preparing for the future with 2 key acquisitions – Lumileds in San Jose, CA and Color Kinetics in Burlington, MA. This was followed with the purchase of Genlyte. The combination of these acquisitions made Philips the ONLY manufacturer providing not only traditional lamp technologies, fluorescent, HID, CFL and Incandescent, but also a global leader in LED technology, ballasts and LED drivers. Add in the luminaire business from the Genlyte purchase, and you have the largest totally integrated lighting company in North America and the world.

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The big difference between Philips and Cree is that Philips has always been a component manufacturer and supplier, as well as a luminaire manufacturer on a global basis. Cree started as a component manufacturer and supplier that has evolved into a luminaire manufacturer, and with their recent acquisitions has become a key competitor. They have the potential to move ahead of our traditional competitors, Acuity, Cooper and Hubbell. I will be following the continuing developments of this new competitor and how it affects us. Please notice the use of the word "competitor" which is what Cree is now. The end result of the new "Cree" is another validation of the LED technology and its place in the future.

Clearly the future of LED continues to get brighter and brighter, and we as Philips associates will be the benefactors. Over the next few weeks your Philips Day-Brite management team will be contacting you to set up webinars and face to face meetings to go over all of the new LED products that we are introducing this year. Among them is the new DayLED product flyer and the associated sales spiff of \$10 per fixture. The flyer is attached. The presentation will consist of a PowerPoint slide show with feature benefits, screen shots, availability and lead times on all of these products. I am sure that you will find the presentation of these exciting, cutting edge products beneficial for future business opportunities and further evidence of Philips Day-Brite Group's commitment to leadership and service.

On behalf of the group I want to thank you for your continued support of the Philips Day-Brite Group.

Regards,



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