

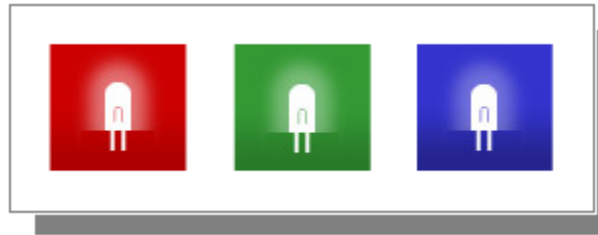
# Company Profile

## Light Technologies, Inc.

Sample Report

### Background

Light Technologies, Inc. (LGHT), a Minnesota corporation, was founded in 1982 by Jonathan McNally and Edward Rush. By 1993, LTI was a specialized lighting enterprise serving mainly the Midwest markets. Today, LTI enjoys revenues of more than \$100 million and is already becoming one of the leading LED suppliers to the rapidly growing display and architectural lighting industry.



LTI acquires its LED components from domestic and foreign suppliers and then assembles unique lighting fixtures in its Minnesota factory. In the years ahead, management intends to exploit the sharply declining price trend of its LED components, while simultaneously enjoying a steadily increasing demand for its specialized lighting applications.

The domestic markets, accounting for about 92% of revenues last year, should remain dominant even with the opening of its first overseas sales office in London in early 2007.

As the company pursues its markets, it expects to capitalize on its portfolio of fifteen patents including its *Effectible*® switch technology that today constitutes most of its system installations. Moreover, LTI has granted licensing agreements to many of its competitors.

The most dynamic markets for Lighting Technologies in the coming decade should be municipal bridges, garages and parking lots, as well as commercial displays and advertising for hotels, casinos, restaurants, nightclubs, monuments, and other prominent structures. Last year, these applications alone represented a market opportunity approaching \$1 billion.

Industry projections suggest that display and architectural lighting should experience an average annual growth rate of 17% or more over the next five years. And management has publicly stated its goal to increase annual revenues by 22% or more and to grow profits by an average of 25% per year over this same timeframe.

## LEDs: Solid State Lighting

A Russian, O.V. Losev, is often credited with the creation of the first LED in the 1920's. Simply stated, LEDs are tiny light bulbs that fit into an electrical circuit. Unlike Edison's incandescent bulbs, LEDs do not release significant heat. Nor do they have a filament that burns out.

It is the movement of electrons in a semiconductor material that illuminates an LED and the color of the emitted light depends on the composite and condition of the semiconductor material used. Dr. Shuji Nakamura of Nichia in Japan is credited with the invention of the white LED through his conversion of a blue diode.

The Energy Policy Act of 2005, as well as actions taken by other nations recently, has awakened a consciousness for energy conservation worldwide. For example, Australia is requiring that incandescent lights be eliminated by 2010. And in New Jersey recently, where Thomas Edison developed the first practical incandescent bulb in 1879, a bill has been introduced to ban their use in government buildings.

A 2001 Department of Energy study estimated cumulative savings of \$98 billion by 2020 once LED lighting reaches the performance crossover with conventional sources.

In 2004, LED lighting became competitive with incandescent systems when the cost of LEDs dropped to \$35 per million lumen-hours. By early 2005, LED costs declined further to \$22 per million lumen-hours and thus became competitive with halogen lighting. According to the U.S. Lighting Institute, LED costs should be near \$8 per million lumen-hours by 2009, low enough to be competitive with fluorescent lighting.

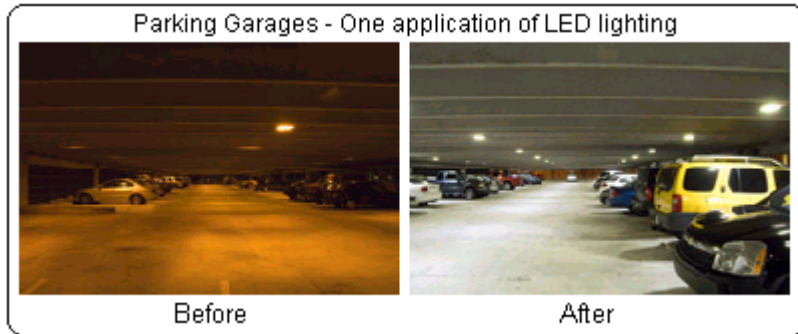
For many applications, the crossover time has been reached. For others, that time is approaching rapidly. Regarding display and architectural lighting, most prices are already competitive with other lighting alternatives.

## The Markets

The table below presents Newport's estimates for the three primary segments of the display and architectural solid state lighting market in 2007 compared with five years earlier.

(\$mm)	2002	2007	Annual Growth
Municipal (bridges, parking lots, etc.)	\$220	\$432	14.5%
Commercial Building Displays	131	315	19.2%
Other	<u>103</u>	<u>235</u>	<u>17.9%</u>
Total	\$454	\$982	16.7%





## Manufacturing

Light Technologies opened its first plant in Eden Prairie in 1983 and has since expanded the facility from 5,000 square feet to its current 12,000 square feet. The company plans to add an additional \$6 million 10,000 square foot assembly plant on the west coast in late 2008.



Eden Prairie Assembly Plant

LTI assembles the majority of its lighting systems for shipment to distributors in three states in addition to Minnesota. Only 40% of LTI shipments are made to customers directly. Assembly operations now operate on two shifts, and a third shift can be added if necessary. In addition, Light Technologies' patented *Effectible*® switches are manufactured on two production lines in the Eden Prairie facility.

Aside from the distributors' inventories, a modest stock of components and parts is maintained to augment a typical two-week delivery cycle from its suppliers.

Most of Light Technologies' LED component needs are met by Cree, Inc., Philips, and Nichia, a dominant Japanese manufacturer.

## Marketing

At the end of fiscal 2007, Lighting Technologies employed 83 sales people including 22 independent reps. Four are located in Mexico and Canada.

LTI opened a sales office in London in May 2007, representing its initial facility in Europe. Six sales executives are now serving the European markets.

The company has seven distributors located in three states other than Minnesota (California, New Jersey, and South Carolina) that account for just over 60% of total revenues. Five of the seven distributors have been LTI customers for more than ten years.

The company's marketing effort is directed by two divisions - Municipal and Commercial - accounting for 58% and 33% of total revenues respectively in FY 2007.

The firm's annual sales conference is normally held at the Forest Plains Golf & Country Club in Minneapolis in late August. In addition to one or two regional shows each year, LTI normally attends the National Lighting Convention, typically held in either New York or San Francisco in early April.

## Patent Portfolio and Research

LTI has a portfolio of 15 patents and 4 patents pending. The company's principal patent (#7689040667) relating to the *Effectible* switch expires in 2015. Seven licenses for its switching technology have been granted to other manufacturers in exchange for royalty payments that are received quarterly.



The company's R&D effort has been, and will continue to be, focused on LED lighting systems. Over the past five years, the company's R&D budget has averaged approximately 17% of total revenues.

In 2002, the company signed a manufacturing process agreement with the University of Michigan. This license is subject to renewal in 2022.

## Financial Information

*For the fiscal years ended September 30:*

(\$mm)	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>'06-'07</u> <u>Growth</u>
Municipal	\$25.44	\$34.16	\$47.30	\$54.52	\$63.71	16.9%
Commercial	11.52	18.65	22.96	26.48	35.94	35.7%
Royalties	4.66	5.53	7.07	8.16	9.82	20.3%
<b>Revenues</b>	\$41.62	\$58.34	\$77.33	\$89.16	\$109.47	22.8%
<b>Pretax</b>	3.33	4.96	7.58	9.81	13.36	36.2%
<b>Net Income</b>	3.21	4.03	4.55	6.38	8.68	36.1%
<b>Shares (000)</b>	21,427	21,680	21,730	28,204	28,302	- - -
<b>EPS</b>	\$0.15	\$0.19	\$0.21	\$0.23	\$0.31	34.8%

*EPS adjusted for 3-for-2 split 1/8/07*

As of September 30, 2007, Light Technologies showed the following items on its year-end balance sheet (in millions of dollars):

Cash & Equivalents	\$153.2
Accounts Receivable	22.5
Total Current Assets	193.1
Plant & Equipment	18.6
Total Assets	222.7
Total Current Liabilities	33.6
Working Capital	159.5
Long Term Debt	None
Shareholders' Equity	168.1 (\$5.92 per share)
Total Liabilities & Equity	222.7

Light Technology common shares are listed on NASDAQ under the symbol LGHT (see the stock chart on page 8). Morgan Stanley was the lead underwriter in the firm's 2002 IPO of 8.5 million shares at \$10.00. That firm also headed a secondary of 6.2 million shares at \$15 in January 2006. A 3-for-2 split occurred in January 2007. As of 9/30/07, insiders owned 52% of the 28.4 million shares outstanding.

## Management

*Jonathan K. McNally* (55), Chairman of the Board since 1999, was a co-founder of Light Technologies in July 1982.



Before LTI, Mr. McNally led the sales, marketing, and product development efforts of the Lighting Division of General Electric. In addition, he has more than 7 years experience growing both established and emerging companies in the consumer products and technology industries, including President of the Zenith Lighting Corporation; Vice President of the Lumen Division of Alpha Lighting, and co-founder of the successful start-up company, e-LAB software.

Mr. McNally is President of the Minnesota Lighting Association and is a 20-year member of the National Illumination Society located in Washington D.C.

Mr. McNally received an electrical engineering degree from Purdue and a Masters Degree from New York University.

Jonathan and Joanne McNally have been married for fifteen years and have two sons, Paul and Henry. The McNally family lives in a suburb of St. Paul.

*Dr. Edward C. Rush* (58), Board Member, CEO, and Chief Technology Officer since 1999, was also a co-founder of Light Technologies in July 1982.



Dr. Rush is a prolific inventor with more than 30 issued patents and numerous patent filings. Prior to LTI, Dr. Rush was a Chief Engineer at e-Lab Software (1973-1981). Also, he worked for the Field Robotics Center at Carnegie Mellon University (1969-1973).

He has also been a senior board member of the Minnesota Lighting Association since 2000.

Dr. Rush holds a BS from Clark University and an MS in Electrical and Computer engineering from Carnegie Mellon with a focus in illumination.

Edward and Cathleen Rush have been married for twenty-two years and have three children and two grandsons. The Rush family resides in St. Paul.

*Elizabeth Arbor* (42), Board Member and Chief Financial Officer, joined Light Technology in 1997 as Treasurer. She was appointed to her current post in 2001.

Ms. Arbor is a CPA and has an extensive finance background. As CFO, she also directs the firm's Investor Relations responsibilities and is the spokesperson for Wall Street analysts.



Previously, Ms. Arbor served as Treasurer of Beloit Corporation, a developer of software tools used to create interactive learning applications. In addition, she headed a division of that company specializing in acquisitions, strategic partnerships, joint ventures, and licensing agreements for the publishing and software industry

Ms. Arbor began her career as a CPA with Arthur Andersen & Co. She received a BA in Economics from the College of the Holy Cross and an MS in Accounting from Northeastern University.

Elizabeth and her husband Brad reside in Eden Prairie.

*Albert Walker* (54), a Board Member, is presently the company's Director of Marketing. Mr. Walker joined LTI as a Senior Sales Executive in 1997, and has held his current post and has been a member of the board since 2000.



Mr. Walker has an extensive marketing background in the lighting industry. He was the Senior Sales Executive at Philips lighting between 1988 and 1997 and before that was Vice President of the Southwest Sales Group of General Electric's Lighting Division.

Mr. Walker has also served on the Board of Directors for the Midwest Electronics Association (MEA) and holds a BA in Biological Sciences from California State University, Fullerton. He received a Masters Degree in marketing from UCLA.

Albert and his wife, Jolene, have been married for twenty-two years and have a son, a daughter, and one grandchild. The Walker family lives in a suburb of St. Paul.

Light Technologies, Inc. currently has three outside Board Members:

*Philip Rosen* (68) is a past President of the Minneapolis Trust Bank and he still sits on that board. Mr. Rosen has been an LIT board member since 1990.

*Jack W. Garth* (67) was a Senior Engineer of the Reflective Products Division of Minnesota Mining & Manufacturing until his retirement in 2005. He joined the LTI board in 2004.

*Ms. Jackie Evert* (52), elected to the board in 2006, is Director of the U.S. Light Association.

## Stock Price History

As of September 30, 2007 a total of 12 institutions owned 8.2 million shares, or 29% of the outstanding stock.

A weekly chart of LGHT appears below:



## Company Address and Contacts

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Phone: (952) 555-2345

Visit the company's website at ... <http://LightTechnologiesInc.com>

The PRESS RELEASES section of the website features recent LTI news items.

Investor Relations Contact: Kevin Blakely - (800) 471-2266

## DISCLOSURE APPENDIX

### ABOUT NEWPORT RESEARCH ASSOCIATES

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### DIRECTOR OF RESEARCH – Jeffrey B. Little

Jeff Little's Wall Street career began in 1964 as an institutional analyst with the brokerage firm, Dean Witter (now Morgan Stanley). He was also a Senior Analyst and Vice President of T. Rowe Price Associates, a successful mutual fund and investment counsel firm in Baltimore, and a Senior Analyst at Capital Growth Financial, a small brokerage firm in Boca Raton, FL. Mr. Little is the founder of Newport Research Associates, an independent Wall Street research organization and a division of Liberty Publishing Company, Inc., first established in 1976. Mr. Little is the author of *Understanding Wall Street*, McGraw-Hill's best-selling text, now in its 4<sup>th</sup> Edition with 1 million copies in print, and he is the author of the specialty market-timing software, *The Wall Street Trader*. Mr. Little is a Registered FINRA Investment Analyst – Series 7, Series 86, and Series 87.

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Jeffrey B. Little

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