



## TCP PRODUCT & PRICING BULLETIN

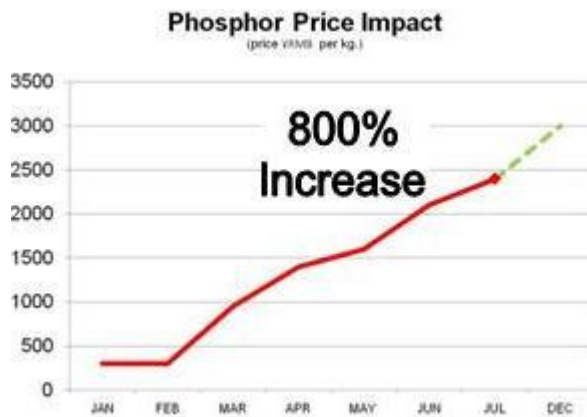
### AN IMPORTANT MESSAGE FROM TCP CEO ELLIS YAN:



*"TCP has prided itself as the most innovative and responsive manufacturer in the CFL market for more*

*than 20 years. In that time, we have delivered the most comprehensive line of products in the industry, and have consistently provided premium value at the most competitive prices. Over the past few months, an unprecedented rise in the rare earth mineral markets has sent fluorescent phosphor prices skyrocketing to levels not seen before. Fluorescent phosphor prices have increased nearly ten-fold over the past couple months. Phosphor costs continue to rise every week. Last week's phosphor price exceeded ¥2400 RMB/ kg., (vs. around ¥300RMB/ kg. in February 2011), more than an 800% increase in just five months time!!*

*TCP has been the most competitive supplier of CFLs in North America, providing the best cost-for- performance products in the business. However, this current phosphor crisis is unprecedented, and as a result our CFL prices will begin increasing in July. Additionally, due to the highly unstable nature of these phosphor costs, new prices may only be valid for a matter of weeks. TCP knows these increases are being reported across the lighting industry -- no company will be immune from these cost increases!*



*I appreciate your patience as we continue to develop our response during this period of uncertainty."*

Ellis will be hosting a webinar on Friday, June 24, 2011 at 2 pm EST to further discuss the impact.

**Register by clicking here.**

### **What is causing this dramatic fluorescent lamp price increase?**

- Earlier this year, the China Central Committee imposed new taxes on

"Rare Earth" materials to help pay for local environmental site remediation, among other things. China also established future mining rules and regulations to control the demand rate of these rare earth materials. China sees rare earth materials as of long term strategic importance for their future economy. This is similar to how other commodities and raw materials are controlled around the world -(think: O.P.E.C.).

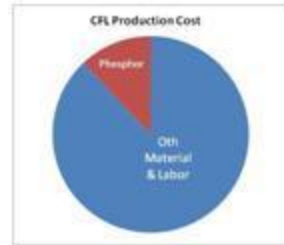
- | China currently controls 95% of the world's supply of these rare earth materials. Two of these materials, Europium and Terbium are used to create the red (Europium) and green (Terbium) spectrum colors in the phosphor used in all florescent lamps. Both of these elements were impacted by the new price controls issued by the Chinese government.
- | Europium and Terbium are core products, and their prices have increased 10x in just four months, which is driving the cost of the phosphor used in fluorescent lamps similarly.
- | China is also implementing export quotas for rare earth materials and phosphor products. This will cause additional downstream cost and supply issues for non-China based lamp manufacturers.



Based on "Asianmetals.com". Rare Earth Price Index Report; June 2011  
 - Ref.: www.asianmetal.com

**How is this impacting TCP?**

- | CP is a final-stage manufacturer of CFL and linear fluorescent lamps, so these phosphor material cost increases have an **immediate impact** on our products. Where phosphor once represented roughly 10% to 15% of the cost of a typical CFL, it can now exceed 50% (or more in some models) of the total lamps production cost.



CR Material Cost Breakdown Before Phosphor Impact (January 2011)



Current CR Material Cost Breakdown

- | Most of the other domestic CFL brands source their CFLs from various Chinese-based CFL manufacturers. Therefore, some of these companies can delay the price impact to their customers by simply pushing the burden temporarily to their lamp suppliers. Eventually though, all manufacturers will be forced to pass along these costs, since this is an industry wide issue - there are simply no alternative sources for this phosphor. In addition, these other CFL brands may not be able to control the actual cost impact, as their suppliers may eventually be able to pass through additional costs above and beyond these material impacts.

**What is TCP's phosphor price management approach?**

- | TCP will only pass these phosphor material costs through to its customers on a **net impact basis**. The actual phosphor cost increase impact is a function of the lamp's wattage, but the percent increase is a function of the lamp cost. The larger the lamp, the greater the phosphor cost impact (based on grams of phosphor used). However, a lower priced lamp would see a greater percent increase.

**How will TCP manage its CFL and Linear Lamp prices going forward?**

- | TCP is one of the world's largest manufacturers of CFLs plus other types of fluorescent lamps. As such, TCP has the scale and leverage to best manage our costs effectively even within this volatile environment. TCP is doing everything it can to minimize the cost impacts to our customers resulting

from these raw material price fluctuations. In addition, TCP will carefully monitor and maintain our pricing for as long as possible, plus provide as much advance notice as possible of future increases so you can react accordingly. TCP will also begin to tie its pricing to the "**Asia Rare Earth**" index ([www.asianmetal.com](http://www.asianmetal.com)) to monitor and forecast future increases. We will also provide regular updates to all of our customers about this situation, via e-mail and on our website, [www.tcpi.com](http://www.tcpi.com).

***What if phosphor prices come back down in the future?***

- | Right now, we cannot forecast the peak rise for these materials. However, should there be additional significant changes in the costs of phosphors or other related materials, TCP will adjust its prices accordingly, again with proper advance notice so you can adjust your prices concurrently. TCP will post commodity index prices for these materials on its website so you can monitor these materials.



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