

Lighting Up The Market

MANUFACTURING : PQL in Simi Valley is growing rapidly as it seizes on LED lighting trend.

By **MARK R. MADLER** Staff Reporter

Light emitting diodes, which used to appear only on electronic control panels, now provide illumination for everything from auxiliary lights on movie sets to floodlights on construction projects.

And **PQL Inc.** is trying to flood the market with them.

The Simi Valley company, which designs and installs commercial lighting systems, has a product line of 1,000 bulbs and fixtures. But PQL's growth is coming from its LEDs that are more durable, have a greater light output and use less power than traditional bulbs.

Andy Sreden, the company's founder and chief executive, attributes its growth to two factors — listening to what customers want, and offering a product that cuts costs at a time when utility rates are increasing.

"The high cost of energy has resulted in a demand for PQL's products," Sreden said.

PQL's total employment is now up to more than 50 workers, with most at the Simi Valley headquarters and the others in distribution centers in New Jersey and Kansas City. The company declined to disclose its annual revenue.

The company has about 3,000 clients in retail, government, education, health care and property management. Besides its lighting hardware, it also performs energy audits and can tell customers which states and utilities offer rebates for efficient lighting systems.

Younan Properties Inc., a Woodland Hills real estate management firm, has benefited from that expertise, said **Denise Davis**, who handles national vendor contracts.

Recently in Phoenix, the firm did a full upgrade of one of its office properties in which its out-of-pocket cost was minimal due to a rebate. "That is the thing that distinguishes them and why we continue to use them," Davis said.

PQL serves a big market. About 45 percent of the lighting and bulb manufacturing in the U.S. serves non-residential users, according to market research firm **IBISWorld** of

Melbourne, Australia. Revenue in that end of the market hit nearly \$2.2 billion last year.

But it's also highly competitive. Three global firms have about 80 percent of the U.S. market — **Koninklijke Philips Electronics NV** in the Netherlands, **Osram Sylvania** of Munich, Germany, and **General Electric Co.** in Fairfield, Conn.

And in the Valley region alone manufacturers include **Seesmart Technologies Inc.** in Simi Valley, maker of LED lights and fixtures for commercial, industrial and institutional applications, and **Topanga USA** in Canoga Park, maker of advanced plasma lighting systems.

PQL contracts with third-party manufacturers to make its products, a process that Sreden said is practically all automated these days. Different vendors are used to make the different types of bulbs and fixtures, he said.

"We have taken the best source of each component and have it built to the specification our engineers have designed for," Sreden added.

Companies supplying LED lighting are in a strong market as adoption of the new technology has become more widespread, said **Brooke Wagner**, the former chief operating officer at Seesmart who now serves as chief financial officer with **Tri-State LED**, in Greenwich, Conn. (Publicly traded **Revolution Lighting Technologies Inc.**, of Stamford, Conn. owns both Tri-State and Seesmart.)

In the past year, Wagner said he has seen more businesses stop comparing the costs between LED and fluorescent lights and now compare between LED suppliers.

"At a higher rate they are saying 'We are going to go to LEDs,'" and then figure out who to go with," Wagner said.

Hot market

The PQL product line includes linear and compact fluorescent, halogen, incandescent, LED and ceramic metal halide lights; fixtures; and emergency and exit signs. In an effort to distinguish itself from competitors it has developed some unusual items.

Among those are a five-filament incandes-



PHOTO BY DAVID SPRAGUE

Illuminating: Andy Sreden, founder of PQL, holds his company's products.

cent light that is more durable and energy efficient; lights with special color temperatures from warm tones to a bright white used in a variety of settings, from hospitals to schools to hotels; and LED bulbs that can fit in with existing fixtures for doing retrofits.

"From design to packaging to understanding the customer's needs, we have found a unique niche," Sreden said.

Still, the big growth area is in LEDs, which use semiconductors as their light source instead of the filaments found in most other bulbs, resulting in less heat and longer product life. That has led to huge growth in LED sales, which hit \$4 billion globally in 2011, up from \$1.5 billion in 2008, according to **IBISWorld**.

The PQL LED product line has 140 interior and exterior items that includes funnel-shaped bulbs, high-wattage street lights and tear-shaped decorative bulbs that sell in cases of 20 lights up to 100 lights depending on the size. Bulbs have a lifespan of between 25,000 hours to 50,000 hours. Fixtures come in 59 round, square, and rectangular models.

Sreden would not disclose PQL's pricing for competitive reasons but Wagner of Tri-State said in general LED lights can be as low as \$40 while streetlight models can range from \$150 to \$400.

Power usage

Sreden, a San Fernando Valley native, entered the lighting industry at a young age. Instead of attending college, he sold light bulbs door-to-door to business and institutional customers.

"Even then I was excited about saving people money and bringing an added value to their business," he said.

Sreden advocates for LED personally, having installed them in his office, resulting in a drop in power usage from more than 100 watts to about 36 watts.

"We have increased the quality of light in car dealerships and taken out 1,000 watt fixtures and reduced them down to 300 watts, and increased light levels by 20 percent," Sreden said.

Sean Baker, founder and president of **Upside Investments Inc.** in Calabasas, has seen savings of up to 75 percent by using PQL lighting systems for the exteriors, courtyards, lobby entrances and walkways of multi-family housing and the parking lots and common areas of shopping centers the firm owns.

"It was only two years back on the energy savings and they were able to provide a better lighting product," Baker said.

To continuing serving customer like Baker, there are plans in the works by Sreden for expansion at PQL.

So far this year, the company has hired five employees and plans on another 10 by December. Room at its headquarters is scarce, with one employee working out of a conference room. Additionally, 20 independent sales reps who work around the country were brought on board to drum up new customers.

To accommodate the growth, the company will spend about \$250,000 to makeover the 5,000-square-foot warehouse at its headquarters, where it plans to add a showroom.

GrowLife Recovery Stunted After Trading Halt

INVESTMENTS: Shares fall 60 percent after SEC lifts ban following inquiry.

By **ELLIOT GOLAN** Staff Reporter

After its stock all but tanked in the few days after resuming trading, shares of **GrowLife Inc.** have recovered some lost ground. But despite management's resilience and the slight stock recovery, prospects for the company don't look great.

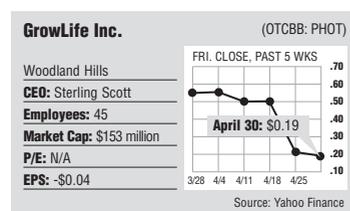
Share price for the Woodland Hills seller of marijuana growing supplies has fallen more than 60 percent since the Securities and Exchange Commission re-opened trading April 25 — two weeks after suspending the stock for what it called "potentially manipulative transactions."

Trading was halted April 10 at 50 cents a share on the OTC Bulletin Board and closed at 19 cents on April 30.

GrowLife declined comment, but has been actively attempting to persuade investors that the company isn't as scuttled as the stock price makes it seem.

Last week, the company furthered its attempts to hang onto investors, releasing what it called the first part of its "GrowLife 2.0" business strategy. It said all four independent directors of the company agreed to cancel their 500,000-share stock grants for the first quarter. The company also established an audit committee, compensation committee, nominating committee and a mergers-and-acquisitions committee.

"This long-term incentive plan will align board compensation with company performance," said Chief Executive **Sterling Scott** in a statement. "It recognizes the importance of



strong governance, industry leadership and a long-term view of what's right for the company and the industry."

And in a letter to shareholders issued the day before trading resumed, Scott assured stockholders that the company would remain in business, in addition to establishing a hotline and email communication system for shareholders.

"We believe intensely in a positive future

for GrowLife and our industry," Scott said in the letter. "Extraordinary opportunities do not, however, come without risk."

In the letter Scott told shareholders that the SEC had not requested any documents from the company and that GrowLife was not being investigated, but that the halt "was prompted by concerns that some third-party holder(s) of GrowLife stock may have been planning to engage in some form of manipulative promotional activity."

A spokeswoman with the SEC declined to comment on details regarding any potential investigation into the company, past or ongoing.

While the announcement last week gave the stock a 6 cent bump, the investment banking community remains unimpressed.

"An audit committee is a great start, but it

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