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Vice President Engineering

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All UL Customers

Dear Vice President Engineering:

As you know, UL is in the midst of an exciting period of significant change that is designed to improve the speed and quality of the services we provide our customers. We have a broad range of customers from small to large in a broad cross section of product areas. While many of you agree on what you need and want from UL, there are surprising differences from customer to customer. I want to make sure everyone knows what is going on, and why, and ensure all of you get a clear and consistent message. Our customers are critically important to us and never has there been a more critical need to keep you posted and to communicate well.

We believe our customers are telling us three very important things:

1. You need us to do the work we do quicker and more efficiently. The pressure on you to get your products to market quickly has increased and you need us to help.
2. But, you want to make sure that we do nothing to compromise our valuable knowledge base and experience and need us to continue to focus on quality, integrity and worldwide consistency, all things that matter very much to you.
3. And last, the world is shrinking for you and many of you want to sell your products in most of the major markets of the world. You would like to be able to have us do one set of tests and get a broad range of certifications for all of the major markets of the world (one stop shopping).

Over the last three years, a lot has been going on at UL, most of it to prepare us for the core changes that will go forward in the next 12-24 months. Since 2000, we have gradually reduced our turnaround time by almost 20 percent across our broad range of products. We believe our turnaround time can and should be cut by another 50 percent. To do this, however, means making fundamental changes in how we do our work.

In changing how we do our work, we understand that one size does not fit all. Some of our customers have, over the years, worked out special ways of working with UL that allows them to get their work done quickly, expeditiously and in a way that pleases them. We have no intention of changing those relationships or forcing any customer to give up what has worked well for them. We believe over time the new Model Certification Process (MCP) will be wonderful for the majority of our customers. We also believe that while the MCP will add value for all our customers, we may have to custom fit our approach for some of you.



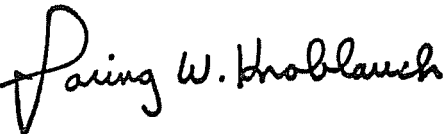
And, we know that our knowledge, experience and depth of understanding is our critical core competence, and that this is why customers keep coming back to UL. So we will be most careful not to diminish that core competence in our effort to serve you more efficiently. You will be able to continue to work directly with a UL engineer whom you respect and trust. That relationship is sacrosanct. It is possible to preserve the best of what we have had and still improve it. So please be patient with us. For the next 12 months in the U.S., and for the following 12 months outside the U.S., we will be "under construction." Work will go on, and we apologize for any inconveniences or bumps along the way. The changes are for your benefit, and will, we sincerely believe, allow us to pursue our public safety mission all the more effectively.

During the next 12 months, you will see significant restructuring as we move forward. There has been a massive movement of manufacturing off shore. This means adding staff and facilities at a very rapid rate in Asia, in general, and in China in particular. But both Europe and Latin America are growing at over 25 percent a year as well. On the other hand, our U.S. operations have more facilities and staff than we will need for the reasonably anticipated growth of our U.S. business. We are growing in the U.S. and as new services are offered to customers, we expect growth to gradually accelerate. (Our market share both in the U.S. and worldwide is growing.) But we do have a one-time resizing to do over the next 12 months.

All good companies need to be in a state of constant change. For a variety of reasons, UL did not change enough for too many years. Now we are playing catch up. If you have loved and respected UL through it all, I promise you, you will like the new UL even better. If you have found UL frustrating to work with at times, I promise you the new UL will be a much, much better partner and that there is light in the end of the tunnel.

The next 12 months will be a bit chaotic, I suspect, and stressful. We ask you to be as patient with us as possible and give us your thoughts along the way. If things are happening that you don't understand, talk to us. If no one else will listen, I will. I believe that your patience and understanding will be richly rewarded and you will find the new UL much, much better to work with.

Very truly yours,

A handwritten signature in black ink that reads "Loring W. Knoblauch". The signature is written in a cursive, flowing style.

Loring W. Knoblauch
President and Chief Executive Officer
Underwriters Laboratories Inc.

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