



CRYSTAL | EQUITY RESEARCH

*Illuminating Investment Opportunity
in Small Capitalization Companies*

Efficiency Index

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INTRODUCTION

Through out the year 2008, we looked for companies with technology that bring efficiency to conventional products and processes. We looked at everything from products that reduce energy consumption by interior lighting to processes that make use of materials that would otherwise end up in a landfill. As an investment theme efficiency creation has an irresistible allure. What end-user would turn down product that could dramatically reduce an electric bill? Alternatively, what investor can resist the prospect of better profit margins on low cost inputs in the form of recycled waste? The investment proposition is beguiling even if some of the operations have yet to post profits from their business strategy.

The difficulty for investors is that the typical innovator is a small operation with scant revenue, negative cash flows, and fragile balance sheets. Most of the companies in our Efficiency Index may require capital infusions to fully realize their growth strategies. Such early stage companies are risky propositions even under the best of conditions in the equity markets. However, as we close out the year 2008, the frozen credit markets have added a new layer of risk to the investment equation. What if the company runs out of money completely and goes out of business or must be sold at a discount to a larger player? Accordingly, the group may be appealing only for those investors with long-term investment horizons and a tolerance for risk.

Following is market data on a group of twenty-eight U.S.-based companies. We include in our index a few of the very large players such as DuPont (DD: NSYE) and International Paper (IP: NYSE). In our view, such companies have sufficiently developed efficiency and conservation programs in place such that the programs are beginning to impact their brand and valuation. At the other end of the spectrum we have included several early stage operations which are just beginning to market proprietary technologies that may become a disruptive force in their respective target markets.

Some of the index members might be classified in other alternative energy categories. For example, Akeena Solar (AKNS: Nasdaq) might be considered a part of the solar cell industry. However, we included Akeena in the Efficiency Index because Akeena products make solar systems available for residential and small business use, thereby creating efficiency for energy end-users. Likewise, we included Rentech, Inc. (RTK: NYSE Alternext) since its proprietary derivative of the Fischer-Tropsch process brings improvements to conventional energy production processes.

Disclosures:

Crystal Equity Research has a buy recommendation on shares of Darling International, Inc. (DAR: NYSE).

Within the last year Converted Organics, Inc. (COIN: Nasdaq), Flexible Solutions International, Inc. (FSI: NYSE Alternext), and Orion Energy Systems, Inc. (OESX: Nasdaq) were featured in the *Small Cap SEARCH* Newsletter with generally favorable commentary. The newsletter is a monthly publication of Crystal Equity Research.

COMPANY NAME	SYMB	OPERATIONS	RECENT PRICE	TRLNG REV (mil)	OPER MARGIN	DEBT / EQUITY	ROE
Active Power, Inc.	ACPW	Electric power solutions	\$0.29	\$37.0	-52.4%	0.05	-62.8%
Akeena Solar, Inc.	AKNS	Solar power systems	\$1.63	\$40.2	-49.5%	0.65	-104.0%
American TonerServ Corp	ASVP	Recycled printer cartridges	\$0.29	\$9.2	-38.9%	3.62	-896.7%
Avnet, Inc.	AVT	Electronics solutions	\$17.05	\$18,350.0	4.1%	0.30	12.7%
Converted Organics, Inc.	COIN	Food scraps recycling; fertilizer	\$3.23	\$1.2	-609.8%	5.30	-347.1%
Darling International	DAR	Food by-products reclamation	\$5.75	\$834.5	16.6%	0.15	36.4%
E I du Pont de Nemours & Co.	DD	Lighting, fuel technologies	\$24.86	\$32,920.0	12.5%	0.82	28.2%
Ecology and Environment, Inc.	EEI	Environmental consulting	\$11.45	\$118.6	6.1%	0.06	7.3%
Environmental Tectonics Corp.	ETC	Software-driven motion control	\$0.92	\$32.8	-18.0%	Neg	-474.6%
ESCO Technologies, Inc.	ESE	Electric power solutions	\$38.94	\$623.8	13.0%	0.50	10.7%
Flexible Solutions Internat'l, Inc.	FSI	Water conservation products	\$2.10	\$10.2	4.8%	0.03	2.4%
Fuel Systems Solutions, Inc.	FSYS	Fuel efficiency solutions	\$33.36	\$378.1	14.6%	0.08	19.3%
GeoSpatial Holdings, Inc.	GSPH	Water pipe mapping solutions	\$2.05	\$1.5	-227.8%	0.63	-9.6%
International Paper Co.	IP	Paper and pulp recycling	\$11.43	\$24,120.0	6.5%	1.37	10.4%
Kadant, Inc.	KAI	Paper and pulp recycling	\$11.62	\$358.5	10.2%	0.23	10.1%
Kemet Corp.	KEM	Electronic power solutions	\$0.25	\$947.5	-1.4%	1.36	-73.3%
Lighting Science Group Corp.	LSCG	Lighting technologies	\$0.37	\$15.0	-212.1%	0.35	-79.6%
Lime Energy Co.	LIME	Energy efficiency solutions	\$4.37	\$35.6	-37.2%	1.82	-121.8%
Northern Technologies Internat'l.	NTIC	Bio-plastics for packaging	\$6.85	\$12.7	-13.9%	0.07	10.5%
Orion Energy Systems, Inc.	OESX	Energy management solutions	\$5.09	\$80.4	4.5%	0.05	4.9%
PERF Go-Green Holdings	PGOG	Biodegradable plastics	\$0.30	\$0.4	-3491.3%	Neg	NA
Power Efficiency Corp.	PEFF	Energy efficiency solutions	\$0.19	\$0.5	-783.0%	0.00	-138.3%
Purespectrum, Inc.	PSPM	Lighting technologies	\$0.14	NA	NA	NA	NA
Rentech, Inc.	RTK	Alternative fuel technologies	\$0.62	\$211.0	-22.3%	Neg	NA
Teledyne Technologies, Inc.	TDY	Electric power solutions	\$40.15	\$1,860.0	10.6%	0.45	20.3%
Trex Co., Inc.	TWP	Wood and plastics recycling	\$14.64	\$330.2	2.9%	1.11	-13.8%
Universal Display Corp.	PANL	Electric power savings solutions	\$10.20	\$10.4	-211.8%	0.00	-21.2%
Versar, Inc.	VSR	Environmental consulting	\$3.95	\$111.7	4.4%	0.00	12.4%
		Group Averages			-209.6%	0.79	-86.3%

Sources: Company Reports, Bloomberg, LP and Crystal Equity Research estimates.

COMPANY NAME	SYMB	OPERATIONS	MARKET CAP (mil)	PRICE/ SALES	PRICE/ CSH FLW	PRICE/ EARN	PRICE/ BK VAL
Active Power, Inc.	ACPW	Electric power solutions	\$17.5	0.5	Neg	Neg	0.8
Akeena Solar, Inc.	AKNS	Solar power systems	\$47.8	1.2	Neg	Neg	1.9
American TonerServ Corp	ASVP	Recycled printer cartridges	\$21.9	2.4	Neg	Neg	15.3
Avnet, Inc.	AVT	Electronics solutions	\$2,570.0	0.1	5.2	5.3	0.6
Converted Organics, Inc.	COIN	Food by-products recycling; fertilizer	\$448.6	17.5	Neg	Neg	4.3
Darling International	DAR	Food by-products reclamation	\$448.6	0.6	0.5	5.5	1.7
E I du Pont de Nemours & Co.	DD	Lighting, fuel technologies	\$22,430.0	0.7	6.7	7.1	1.8
Ecology and Environment, Inc.	EEL	Environmental consulting	\$46.8	0.4	6.6	17.2	1.3
Environmental Tectonics Corp.	ETC	Software-driven motion control	\$8.3	0.3	Neg	Neg	Neg
ESCO Technologies, Inc.	ESE	Electric power solutions	\$1,020.0	1.6	13.2	21.9	2.2
Flexible Solutions Internat'l, Inc.	FSI	Water conservation products	\$29.9	2.9	Neg	106.5	2.5
Fuel Systems Solutions, Inc.	FSYS	Fuel efficiency solutions	\$525.2	1.5	17.0	19.1	3.5
GeoSpatial Holdings, Inc.	GSPH	Water pipe mapping solutions	\$48.7	21.5	Neg	Neg	17.1
International Paper Co.	IP	Paper and pulp recycling	\$4,890.0	0.2	2.0	5.8	0.6
Kadant, Inc.	KAI	Paper and pulp recycling	\$149.8	0.5	3.5	6.1	0.6
Kemet Corp.	KEM	Electronic power solutions	\$20.1	0.0	Neg	Neg	0.1
Lighting Science Group Corp.	LSCG	Lighting technologies	\$10.7	0.7	Neg	Neg	0.2
Lime Energy Co.	LIME	Energy efficiency solutions	\$38.0	1.0	Neg	Neg	2.8
Northern Technologies Internat'l.	NTIC	Bio-plastics for packaging	\$25.7	2.0	Neg	10.1	0.9
Orion Energy Systems, Inc.	OESX	Energy management solutions	\$134.3	1.7	Neg	45.5	1.3
PERF Go-Green Holdings	PGOG	Biodegradable plastics	\$10.1	25.3	Neg	Neg	Neg
Power Efficiency Corp.	PEFF	Energy efficiency solutions	\$7.7	15.1	Neg	Neg	1.6
Purespectrum, Inc.	PSPM	Lighting technologies	\$23.1	NA	NA	NA	NA
Rentech, Inc.	RTK	Alternative fuel technologies	\$103.2	0.5	Neg	Neg	NA
Teledyne Technologies, Inc.	TDY	Electric power solutions	\$1,440.0	0.8	9.2	12.4	2.3
Trex Co., Inc.	TWP	Wood and plastics recycling	\$224.3	0.7	6.6	Neg	2.0
Universal Display Corp.	PANL	Electric power savings solutions	\$367.9	36.1	Neg	Neg	4.7
Versar, Inc.	VSR	Environmental consulting	\$35.6	0.3	3.0	12.7	1.2
		Group Averages		5.0	6.7	21.2	3.0

Sources: Company Reports, Bloomberg, LP and Crystal Equity Research estimates.

COMPANY NAME	SYMB	OPERATIONS	% Change					Mean EPS Est. 2009	Last 4 Wks Change	Mean Opinion
			YTD	1 Mo	6 Mo	1 Yr	2 Yrs			
Active Power, Inc.	ACPW	Electric power solutions	-87.7%	-3.3%	-75.2%	-86.8%	-88.9%	(\$0.07)	0.0%	Hold
Akeena Solar, Inc.	AKNS	Solar power systems	-85.8%	-22.4%	-71.0%	-79.5%	-37.3%	(\$0.55)	-1.9%	Hold
American TonerServ Corp	ASVP	Recycled printer cartridges	-16.0%	0.0%	0.0%	0.0%	-40.8%	NA	NA	NA
Avnet, Inc.	AVT	Electronics solutions	-50.8%	19.7%	-37.5%	-51.2%	-33.2%	\$2.36	-8.5%	Accum.
Converted Organics, Inc.	COIN	Food scraps recycling; fertilizer	-34.9%	11.4%	-30.4%	24.9%	NA	NA	NA	NA
Darling International	DAR	Food by-products reclamation	0.0%	31.8%	-0.4%	1.3%	10.3%	\$0.53	-7.0%	Accum.
E I du Pont de Nemours & Co.	DD	Lighting, fuel technologies	-50.3%	-12.4%	-31.9%	-49.2%	-73.9%	NA	NA	NA
Ecology and Environment, Inc.	EEL	Environmental consulting	1.1%	41.9%	-16.1%	4.0%	-11.9%	\$2.37	0%	Hold
Environmental Tectonics Corp.	ETC	Software-driven motion control	139.1%	19.6%	-11.3%	192.3%	60.2%	\$2.06	-5.5%	Buy
ESCO Technologies, Inc.	ESE	Electric power solutions	64.0%	-38.7%	-16.3%	64.0%	310.0%	NA	NA	NA
Flexible Solutions Internat'l, Inc.	FSI	Water conservation products	-63.5%	3.2%	-49.0%	-63.5%	-66.2%	\$1.13	19.9%	Hold
Fuel Systems Solutions, Inc.	FSYS	Fuel efficiency solutions	-59.7%	-9.9%	-46.2%	-60.8%	-52.0%	\$0.97	19.2%	Buy
GeoSpatial Holdings, Inc.	GSPH	Water pipe mapping solutions	-96.3%	-19.4%	-91.7%	-96.1%	-96.6%	(\$0.27)	-200.0%	Sell
International Paper Co.	IP	Paper and pulp recycling	-53.8%	-26.7%	-32.8%	-53.8%	-30.6%	(\$1.18)	0.0%	Buy
Kadant, Inc.	KAI	Paper and pulp recycling	-31.2%	-21.7%	-58.3%	-26.5%	-20.3%	NA	NA	NA
Kemet Corp.	KEM	Electronic power solutions	-22.2%	-1.2%	-17.7%	-24.7%	0.0%	\$3.43	-1.4%	Hold
Lighting Science Group Corp.	LSCG	Lighting technologies	71.8%	8.0%	35.4%	83.9%	-33.5%	\$1.04	0.0%	Hold
Lime Energy Co.	LIME	Energy efficiency solutions	-48.9%	39.9%	-17.2%	-50.7%	-32.0%	(\$0.43)	0.0%	Hold
Northern Technologies Internat'l.	NTIC	Bio-plastics for packaging	-41.8%	36.2%	-14.9%	-38.8%	-1.3%	NA	NA	NA
Orion Energy Systems, Inc.	OESX	Energy management solutions	-79.7%	-1.6%	-82.8%	NA	NA	NA	NA	NA
PERF Go-Green Holdings	PGOG	Biodegradable plastics	-50.2%	15.0%	-65.2%	-50.3%	6.3%	\$0.53	-7.0%	Accum.
Power Efficiency Corp.	PEFF	Energy efficiency solutions	-64.8%	26.7%	-36.7%	-65.5%	-34.5%	NA	NA	NA
Purespectrum, Inc.	PSPM	Lighting technologies	-43.2%	-0.8%	-41.8%	-43.2%	-49.0%	\$2.37	-17.6%	Hold
Rentech, Inc.	RTK	Alternative fuel technologies	46.9%	78.0%	-16.0%	50.0%	-40.0%	NA	NA	NA
Teledyne Technologies, Inc.	TDY	Electric power solutions	-64.0%	-64.0%	-80.5%	-79.6%	-83.6%	-\$0.08	-20.0%	Hold
Trex Co., Inc.	TWP	Wood and plastics recycling	460.0%	12.0%	7.7%	366.7%	-53.3%	NA	NA	NA
Universal Display Corp.	PANL	Electric power savings solutions	-99.8%	-69.2%	-92.9%	-99.8%	-99.8%	NA	NA	NA
Versar, Inc.	VSR	Environmental consulting	-74.6%	32.6%	-48.7%	-73.0%	NA	\$0.13	0.0%	Hold
		Group Averages	-15.6%	3.0%	-37.1%	-11.3%	-23.7%		-13.9%	

Sources: Company Reports, Bloomberg, LP and Crystal Equity Research estimates.