

GREEN CHIP STOCKS

A NEW WAY OF LIFE • A NEW GENERATION OF WEALTH

There's no denying that alternative energy is scorching hot right now.

Between the reality of peak oil, energy security issues and global warming legislation—that, whether you like it or not, is happening—the demand for alternative energy integration is massive.

And it's only going to continue to grow.

The combined market for biofuels, wind power, solar and fuel cells is projected to grow from \$55.4 billion in 2006 to \$226.5 billion by 2016.

And that doesn't even include geothermal, high-performance battery or marine energy companies.

Now since the early part of this decade, the alternative energy market has been making a lot of smart investors A LOT of money.

Just in 2007 alone, we've seen a number of alternative energy stocks double, triple, even quintuple!

Especially in solar.

For instance, First Solar (NASDAQ:FSLR) started the year off around \$28 a share. Eleven months later, the stock hit a high of \$159.78 . . . giving Green Chip investors a gain of 470%!

Take a look . . .



And Trina Solar (TSL:NYSE) watched its stock soar from a low of \$18.85 at the start of 2007 to a high of \$73.06 by mid July.

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That's a 281% gain in less than eight months!

Of course, that's nothing compared to World Water & Solar Technologies Corp. (WWAT.OB). This is a stock that we told our subscribers about long before it caught the attention of Wall Street.

Back in October, 2006, this tiny little solar stock was trading for just \$0.19.

On July 23, 2007, it hit a high of \$2.51 a share.



How many investors do you know who can boast a 1,221% gain in less than a year?

Of course, the big money's already been made on these. But that doesn't mean there won't be a boatload of new opportunities in 2008 for alternative energy investors.

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In fact, 2008 will be one of the most profitable years this market will ever see.

Momentum is strong, politicians are securing votes by embracing alternative energy integration and oil prices are continuing to rise.

Some have already put a \$100 price tag on a barrel of oil by the end of the year!

Will we see it?

Honestly, I don't know.

But one thing I do know is alternative energy. And more importantly, how to profit from the hottest sectors this industry has to offer.

So here are my . . .

Top 3 Alternative Energy Sectors for 2008

GEOHERMAL

It boasts baseload power (i.e., electricity that's available nearly 24 hours a day, seven days a week), requires no storage and is extremely clean. Plus, the growth potential is absolutely massive.

According to a recent MIT report, a cumulative capacity of more than 100,000 MW from enhanced geothermal systems could be achieved in the U.S. Currently only 3,000 MW, or about 3% of that potential, is installed.

And in May, the Geothermal Energy Association (GEA) issued a report that identified 74 new geothermal power projects in Alaska, Arizona, California, Hawaii, Idaho, New Mexico, Nevada, Oregon, Texas, Utah, Washington and Wyoming. These projects, according to the GEA, will double U.S. geothermal power capacity.

Even Alexander Karsner, Assistant Secretary for Energy Efficiency and Renewable Energy, has said that the potential for geothermal could be up in the double digits of our total national generating capacity.

We also can't forget that more and more states are initiating their own renewable portfolio standards. Currently there are 28 states, plus the District of Columbia, that have them. That's more than half the country!

And since geothermal can provide baseload power with less interruption than anything else, we expect to see more and more utilities seeking geothermal resources in an effort to help meet new renewable portfolio standards.

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Even the capacity factor (the ratio of the actual output of a power plant over a period of time) for geothermal is between 89% and 97%. Coal is between 75% and 90% and wind is merely 25% to 35% (though future storage applications will certainly help the wind industry bolster its effectiveness).

It may not be the most exciting thing in the world, but certainly we've been paying close attention to these little details for a while now. We've even recommended three separate geothermal stocks over the past three years. And all boast impressive gains.

But we're not alone.

According to researchers at New Energy Finance, venture capital funneled into geothermal totaled \$100 million in 2006. Five years earlier, in 2001, there wasn't a dime!

We're also starting to see some bigger institutional money backing geothermal projects. It wasn't long ago when Goldman Sachs threw \$27 million into a new geothermal company in Idaho that just happens to have access to one of the largest geothermal fields in the world.

Point is, while wind, solar and biofuels have certainly taken the lead in mainstream coverage over the past few years, geothermal has barely made a peep.

But the bottom line is, the potential for geothermal integration is massive. And those who were smart enough to load up a few years ago, while no one was paying attention, are sitting on huge gains right now.

And there's still a lot of money to be made here, because the industry still has a lot of room to grow.

According to a recent report issued by the Iceland-based investment bank, Glitnir, the U.S. geothermal industry will need to invest \$16.9 billion over the next eight years. As a result, in California, geothermal could provide about 20% of today's electricity needs. In Nevada, 60% of the state's electricity could come from geothermal, and in Hawaii, geothermal could provide 30% of the state's electricity.

Glitnir also noted that sales of geothermal powered electricity could increase from \$1.8 billion to \$11 billion.

We expect to see a continuation of both private and big money piling into this sector in 2008. But we also believe the numbers will be much bigger.

The potential is too great, demand is too strong and energy supply issues are too serious for this sector to be ignored any longer.

Now, Ormat Technologies (ORA:NYSE) is probably one of the safest geothermal plays.

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You may not see a doubling or tripling in share price, but the potential for a steady 20% in 2008 is very real. If you're not comfortable with speculation, but want a piece of the geothermal market, this is probably one of the best plays out there.

Ormat Technologies operates primarily in the geothermal sector. In fact, when it comes to geothermal, Ormat is the top dog.

The company has built or supplied equipment for more than 900 megawatts of geothermal and recovered energy power generation (REG) power plants worldwide.

REG involves capturing unused residual heat from industrial processes and converting it into electricity that can be sold to power purchasers or used on site without any additional fuel consumption and with zero emissions.

The stock trades for around \$52 right now. But I believe this stock will be trading in the \$60 range no later than mid 2008. And assuming the power purchase agreements keep piling up, we should see nothing less than \$65 a share this time next year.

There are also a number of smaller, more speculative geothermal plays that will get a lot of attention in 2008. These are primarily companies that are buying geothermal properties, testing wells or actually constructing new power plants.

These are not companies that have the kind of financial strength you'll see with Ormat, but some have access to prime geothermal land and strong institutional backing.

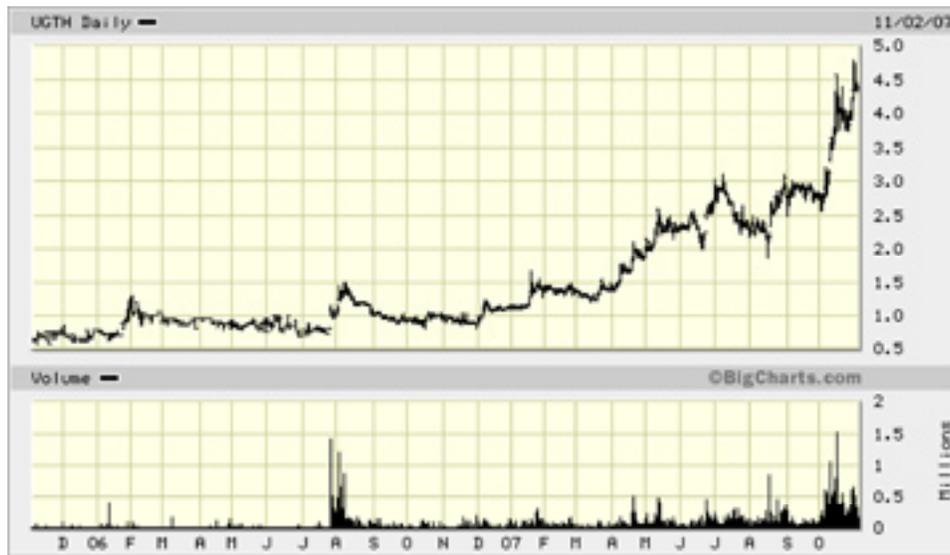
There are currently two of these smaller geothermal companies in our Alternative Energy Speculator portfolio, and we will most likely be adding another in a few months.

Now I'm not saying every smaller geothermal company out there will deliver, but from past experience, I can tell you that a small, "under-the-radar" geothermal company that we picked up less than two years ago has delivered big time for our Green Chip Stocks members.

The company is U.S. Geothermal (OTCBB:UGTH). And as you can see from the chart below, members who picked up this little gem when we first recommended it at \$0.90 a share are sitting on gains in excess of 450%.

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I suspect there are more gems just like U.S. Geothermal out there. And in 2008, a couple of them are certainly going to shine!

ENERGY INTELLIGENCE

Electricity demand is projected to grow 19% nationwide over the next decade, but transmission capacity is expected to grow by only 6%.

And while increasing transmission capacity is certainly one way to reduce strain on overworked grids, improving their efficiency is proving to be an even more attractive solution.

With more talk about efficiency and the obvious need for grid infrastructure improvements, investment in this category grew from \$192 million to \$476 million in just two years. That's nearly 150%! According to a recent Clean Edge report, energy intelligence is the second most heavily venture-invested sustainable industry, behind only biofuels.

Select Energy-Tech Sector U.S.-Based Venture Activity (US\$ Millions)

	2004	2005	2006
Batteries	\$73	\$52	\$120
BioFuels	\$0.8	\$20.5	\$813
Energy Intelligence	\$192	\$272	\$476
Fuel Cells	\$131	\$86	\$175
Solar	\$68	\$156	\$264

Source: Nth Power LLC and Clean Edge, Inc.

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The report also noted that “with energy efficiency and demand response high on the list of many utilities as a ‘new’ source of power, energy-intelligence companies may be the new darlings of energy tech.”

Of course there’s money to be made on the transmission side of this issue. But we believe the efficiency side will bring even greater returns.

You see, one proposed solution is the development of a “smart grid,” which would enable energy-draining appliances to adjust their power consumption based on the daily fluctuations of electricity prices.

Implementing this scheme would require the introduction of all sorts of new technology.

Things like smart thermostats that work with a building’s heating, ventilation, and air conditioning (HVAC) units. These devices display up-to-the-minute energy pricing and usage data, and can adjust your system according to the parameters you set.

There’s also smart meters that are constantly in communication with a utility’s headquarters and substations, allowing instant grid-wide changes, constant monitoring for problems, and remote meter reading and software updating.

Opportunities in this field are only limited by the imagination.

But at the end of the day, it all boils down to how much money can be saved, and how much pollution can be averted.

One company that we really like here is Comverge, Inc. (NASDAQ:COMV).

Comverge provides energy solutions that enable utilities to increase available electric capacity during periods of peak demand while enhancing grid reliability.

The company’s demand management solutions produce no harmful emissions and are as much as 40% less expensive than building and operating a new natural gas-fired power plant, without requiring any additional investment in transmission and distribution assets.

Comverge’s total future contracted revenues is now over \$300 million, and its total managed capacity now exceeds 1,600 megawatts.

Just to put that in perspective, the world’s total capacity for installed solar systems is about 3,700 megawatts.

So basically, Comverge can produce about 43% of the amount of power generated by all the photovoltaic systems on earth. All without building a single power plant.

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Comverge isn't the only player in this sector.

EnerNoc, Inc. (NASDAQ:ENOC) is another young but extremely attractive demand response company that could also see a significant rise in share price in 2008.

There are also a few smaller companies just getting started, operating primarily in niche markets. We'll be covering these in 2008 in the Alternative Energy Speculator.

SOLAR

Despite the meteoric rise of solar in 2007, this sector still has a lot more room to grow.

In 2006, world production of photovoltaics (PV) grew 41% to 2,520 megawatts (MW). That correlated to the installation of 1,744 MW worldwide, an increase of 19%.

Production in 2006 was dominated by Japan, which accounted for 37% of all manufactured cells. But Germany still dominated installations, with 960 MW or 55% of the world total.

But Japan and Germany, respectively the manufacturing and installation leaders, are no longer guaranteed their spot at the top. They must now fight to maintain their positions.

Japan's output of solar modules actually shrank in the last year—it lost 7% of its market share—while U.S. production rose 30% and that of Europe 42%. And installations in Spain were up over 200%.

Plus, it's predicted that Italy will move into the top three for installed capacity in the next three years, with Turkey and Greece also coming on strong. And the potential in the developing world is not to be ignored, either.

And with demand simply outpacing supply, the solar market is shaping up to be a bull's dream, especially as cells continue to increase their efficiency and governmental incentives like the U.S.'s Investment Tax Credit (ITC) and Europe's feed-in tariffs begin to carry more weight. There's just one catch.

For the past few years there has been a relatively severe and ongoing silicon crunch. And while some experts fear this is a hindrance to the profitability of solar stocks, I tend to lean the other way.

Sure, high silicon prices can affect the profit margins of traditional cell manufacturers. That is, companies that purchase wafers (layers of solar panels) and merely cut them into individual cells to make the final module.

In 2004, the price of silicon stood at \$25/kilogram. But increased demand from computer chip manufacturers coupled with skyrocketing production of solar cells has sent the price soaring at times to over \$200/kilogram.

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But with these high prices, companies that conserve silicon by manufacturing thin-film modules and companies that use technologies not dependent on silicon (or use only a very small amount) stand to create continued disruption in the marketplace.

Take, for example, First Solar (NASDAQ: FSLR), which makes thin-film panels that aren't dependant on silicon. Instead, they use a technology called Cadmium Telluride (CdTe). Its price has shown the benefits of a solar company minimizing its reliance on silicon. And early investors have cleaned up.

Within the first ten months of 2007, the stock delivered gains in excess of 400%!

But while First Solar was clearly the first big winner in thin-film, it won't be the only one.

In fact, we suspect that a good portion of the new solar companies to go public in 2008 will use thin-film technology.

We'll also be focusing on companies manufacturing Building-Integrated Photovoltaics (BIPV).

It may sound a bit far-fetched, but we've talked to a number of engineers about this stuff.

In the BIPV field, there are already a few companies integrating this stuff commercially. One of these companies is actually in our Green Chip Stocks portfolio.

It's a small, California company that's inked deals with major builders to provide solar-powered roofing tiles. They're also working on architectural solar glass.

We're also monitoring a few companies operating in the organic photovoltaics (OPV) arena.

This is where we see the most disruptive technology. Though I don't expect we'll see significant movement here for another couple of years.

Nonetheless, this is the next evolution of solar technology. The stuff that changes everything!

Scientists from academia and researchers from private industry unveiled some amazing developments in early 2007 at the OPV conference at Johns Hopkins.

I can't stress enough how astonishing this stuff is.

You see, the part of solar cells that collects light and turns it into usable power is now being made on a nano-scale—100,000 times smaller than the width of a hair on your head.

These nano-particles can then be injected into flexible plastics or infused with ink and printed on any solid surface.

We're talking about being able to print solar panels as fast as your Sunday paper.

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Of course, in order to even start to compete with traditional cells, these new OPVs need to obtain at least 18% efficiency.

Currently, a number of labs are achieving 6%, with expectations of 8% by the end of 2007 and 10% by 2008.

This may be a little far off for those looking for instant gratification, but ignoring the possibilities could be a huge mistake.

Let's face it: It was only a couple of years ago when thin-film technology was being brushed aside because of its lower efficiency. And look what happened to First Solar.

Eventually, lightweight flexible solar cells will be able to be printed right on the tops of cars and roofs, or right inside the bricks and siding of homes.

This stuff is going to happen. We're witnessing a Wright Brothers flight for the solar industry. And you'd better believe there's a boatload of money to be made here.

We'll continue to cover the progress of OPV throughout 2008 and beyond. So stay tuned.

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