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In the Green Marathon, Which Stocks Will Be the Winners?

By NORM ALSTER

HIGH oil prices, cheap credit and government subsidies have been a boon for companies that promise to make more efficient use of energy or produce it from renewable sources. But it's unlikely that the investment climate for alternative energy will always be this favorable. If it shifts, some businesses will surely falter.

"There's a rising tide that's lifted all boats," said Pearce Hammond, vice president for equity research at Simmons & Company International, an investment bank based in Houston that is focused on the energy industry. If prices of carbon-based fuels fall or interest rates rise, he said, some boats may start taking on water.

For buy-and-hold investors interested in alternative energy, a crucial question is this: Which companies are most likely to survive over the long haul? Some of the best prospects may be found among the companies that have made the most of recent fair-weather conditions — either through gains in research or manufacturing processes, the raising of low-cost capital or timely acquisitions.

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In areas of the developing world that lack an established electrical grid, L.E.D.'s could find favor, running household lighting powered by solar sources, said Robert Wilder, who created an index of alternative energy companies that is licensed by PowerShares WilderHill Clean Energy, an exchange-traded fund. "Because of their low power requirements, L.E.D.'s can be used off the grid," Mr. Wilder said.

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