

Excerpt from: **Wall Street Transcript**, August 10, 2006
<http://biz.yahoo.com/twst/060810/zcn401.html?v=2>

High Oil Price Driving Investor Interest in Wall Street

Transcript Alternative Energy Issue

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In the following brief excerpt from the 62 page report, the roundtable panel discusses how the current oil price environment has changed the outlook for the sector and for investors.

TWST: How dependent on \$70 oil is alternative energy in terms of becoming a real space?

Mr. Bush: I have to agree with David that the space as a whole has become much more interesting recently. Our firm has been in this space since 2000, and back in those days, a lot of these names traded more individually, more like tech plays, and what we have seen recently is that the sector as a whole has increasingly been correlated with the price of oil. That may not make a lot of sense for the individual companies that are trying to solve problems - for example, in the electricity realm. But the fact is, that's how we've been watching it trade. We base all of our ratings relative to a price target that we put on the WilderHill Clean Energy Index (ECO), which is the premier energy technology index. It's one of the first energy technology indices, and I believe the only one that has an ETF (PBW) directly tied to it, although we will likely see additional energy tech ETFs soon.

Over the last two years, there has been somewhat of a shift in the industry, from taking sort of a rifle shot approach across the sector at individual names, to trying to look at this sector more as a basket, with subsectors as a whole outperforming this general index. We've also seen an increasing interest from the energy players that are asking, "How do I invest in this space as an allocation in my overall energy portfolio?"

To that end, I think that there is no doubt that if oil were to crash back to the \$20-\$30 dollar range, a lot of the inflection points for some of these technologies becoming viable get pushed back out again. I don't think most people view that as a near-term possibility. Our perspective here is that if long-term sustained oil prices stay at about a \$50 floor or above, then these companies are viable in the long term and need to be part of people's portfolios somewhere.

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