

June – July 2007

Report from ResourcePoint 2007 CleanTech Summit

In 2005, we launched the first US-based CleanTech fund of funds. That fund was the culmination of five years of study and a healthy dose of skepticism that gradually turned into “informed optimism” as the sector finally became legitimate, sustainable and... (gasp) profitable. CleanTech now has smart, talented and experienced management teams; proven, innovative technology; worldwide demand; and liquidity opportunities for its investors—virtually none of which existed five years ago in this sector.

In May 2007, we co-sponsored the invitation-only **ResourcePoint 2007 CleanTech Summit** in St. Helena, California. This summit was developed by VantagePoint Venture Partners to foster dialogue between a select group of corporate executives, entrepreneurs, venture capitalists, legislators and other thought-leaders with a goal of accelerating the adoption of CleanTech in our everyday lives. Corporate attendees included energy and materials personnel from GE, Procter & Gamble, Pacific Gas & Electric, DuPont, Google, Dow, IBM, Shaw Industries, Wal-Mart, Whole Foods, DaimlerChrysler, Bemis, Schlumberger, Shell, ExxonMobil, Chevron and BP. CleanTech entrepreneurs from Tesla Motors, Think, CoalTek, Miasole, Cobalt Biofuels, GreenFuel Technologies, GridPoint, Mascoma, LightStream Technologies, solarcentury, SunEdison and WaterHealth International also were key attendees. We were proud to be the only investment bank invited to sponsor the event and take part in the fruitful interaction among these CleanTech thought-leaders.

A couple of key takeaways from the conference:

- The big corporate attendees are embracing CleanTech and have the power to literally change the world. For example, GE is already generating a significant portion of its revenues from selling CleanTech, from wind turbines to fuel efficient jet engines. Another example is Wal-Mart, who is working on a comprehensive “green” initiative. The retail stores will use passive and fluorescent lighting, sensors to increase energy efficiency and solar panels and/or wind turbines for energy generation. The Company will also increase fuel efficiency requirements for its trucking fleet and reduce packaging usage by its suppliers. GE and others at the conference seem to be likely buyers of many of the emerging technologies and companies in this sector. That is great (albeit expected) news for the companies in our fund of funds portfolio.
- Collaboration has already stemmed from this conference. Corporate attendees involved in the packaging industry began collaborating on a sustainable packaging initiative that would use recyclable and/or biodegradable materials and reduce the energy inputs used in their collective processes. Tesla Motors and Think, both panelists at the conference, recently announced a battery supply relationship. Other joint ventures, IP sharing arrangements, acquisitions, etc. are also likely to emerge from this powerful group.
- The consensus from a panel of industry experts is that a hydrogen based economy is not a near-term reality. The technology to produce hydrogen is too expensive, there is no pump-to-car delivery infrastructure and, most importantly, electricity and biofuels like ethanol make much more sense from technological, cost, infrastructure and safety standpoints.
- We will be driving electric cars sooner than you think. Ethanol and biofuels are interim solutions to ease developed countries (particularly the US) off foreign oil. However, these fuels are better long-term solutions to power energy systems for commercial and residential uses, especially when the sun isn't shining or the wind isn't blowing.
- Battery storage technology is a large area of opportunity for transportation and as an augmenting feature for solar and wind systems.

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CONTACTS

Scott Barrington
612 303-1110
scott.l.barrington@pjc.com

Mark Austin
612 303-6168
mark.d.austin@pjc.com

Danny Zouber
612 303-0410
danny.a.zouber@pjc.com

Gretchen Postula
Investor Relations
612 303-6331
gretchen.s.postula@pjc.com

OFFICES

800 Nicollet Mall
MS: J13N04
Minneapolis, MN 55402

191 North Wacker Drive
Suite 1685
Chicago, IL 60606

Find us on the web at
piperjaffray.com/fundoffunds

- Water purification, wastewater treatment and pollution abatement technology is another huge opportunity. One example: WaterHealth's ultra-violet water purification technology can supply potable water to developing countries and others at costs as low as 4 or 5 cents per person per year. With more than 1 billion people having inadequate access to clean drinking water, this technology has the potential to serve a massive market.
- There are numerous other promising opportunities in grid optimization, advanced materials, sensors and other areas that were the subject of this conference but they are too numerous to aptly describe here.

Suffice it to say, we are very bullish on this sector. Our first CleanTech fund of funds is now fully committed. We are very pleased with the maturation of the portfolio as we already have five core portfolio companies generating more than \$40 million in revenue. We are hopeful these portfolio companies will have liquidity events in the next 12 months. In addition, over 50% of our portfolio companies are generating revenue.

We will continue to take advantage of Piper Jaffray's leading position in this industry for the benefit of our investors. To further build on this position, we are preparing to launch our next CleanTech fund of funds in September as part of our PEP IV diversification strategy.

Upcoming Events

Our investment professionals are regular attendees at industry conferences and often asked to participate on panel discussions. We hope to see you at one of the following speaking engagements / conferences:

- **July 23-25:** Mark Austin and Scott Barrington will be attending the Pilot Summits' Endowments and Foundations Conference in Boston.
- **September 10:** Scott Barrington will be a panelist at the Financial Research Associates' Socially Responsible Investing Conference in New York City.
- **October 11:** Alternative Investments for Private Family Offices in Half Moon Bay.
- **October 24-26:** CleanTech Network's CleanTech Forum XIV in Toronto.
- **November 8:** Danny Zouber or Scott Barrington will be moderating a panel of institutional investors at the CleanTech Investing in the Pacific Northwest Conference in Seattle.

Piper Jaffray was established in 1895 and has grown to become a nationally and internationally recognized firm serving growth companies and growth company investors. We have a significant commitment to alternative assets through our series of fund of funds.