Harbinger Research
Independent Investment Analysis

Coverage Initiation Report

North America
Renewable Energy
Commercial & Industrial Solar & Storage

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Correlate Energy Corp. (CIPI – OTCQB)

Clean distributed energy company showing strong organic growth and large project wins, while building integrated capabilities and technology to execute mid-market roll up

BUY
2024 Price Target: $3.24

Recent Price: **US$1.65**

Market Data (closing prices as of October 30, 2023)

Market Capitalization (mln)* **	77.4
Enterprise Value (mln)* **	81.0
Fully-Diluted Shares Outstanding (000s)	54,284
Avg. Volume (90 day, approx.)	4,764
Institutional Ownership	0%
Insider Ownership	48.9%*
Exchange	OTCQB

** Source: Company "Q4 2023" Corporate Presentation*
***Based on fully-diluted shares outstanding*

Balance Sheet Data (as of June 30, 2023, in $000s)

Shareholders' Equity (000s)	(804)
Price/Book Value	n.m.
Cash (000s)	1,108
Net Working Capital (000s)	(2,016)
Long-Term Debt (000s)	556
Total Debt to Equity Capital	(5.89)

Company Overview

Correlate Energy is an acquisitive renewable energy company focused on helping primarily commercial customers obtain solar and energy storage solutions. The Company takes a holistic, tech-enabled approach and is focused on serving large customers through a single point of contact. With highly experienced leadership and governance teams, the Company has built a platform that enables it to internally and efficiently take projects from inception to completion; it plans to leverage this platform by making accretive acquisitions of select regional renewable energy businesses to scale rapidly. It also announced a planned share offering through Aegis and its intent to uplist to the NYSE American.

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Summary and Investment Opportunity

- **Falling component prices and new legislation is driving renewable energy growth**

As the global commitment to combatting climate change strengthens, public and private institutions around the world are looking for sustainable energy solutions to replace those often offered by electric utilities. The most popular alternative is photo-voltaic (PV) solar energy systems, which are being built for government and military facilities, schools and hospitals, electric utilities, commercial and industrial companies, communities, and single-family residences. In the U.S., the Inflation Reduction Act of 2022 has created long-term subsidies and tax incentives that are further accelerating the adoption of solar, battery systems, and electric vehicles as cost-competitive sustainable energy solutions.

- **The commercial and industrial market is adopting renewable energy en masse**

A perfect storm of rapidly rising energy prices, falling costs, and strong tax incentives have made solar, batteries, and fleet EVs a more price-competitive energy solution for commercial and industrial (C&I) consumers. This is driving accelerating demand growth in the middle market, which typically requires projects that generate between 1 MW and 15 MW of electricity. Correlate Energy has experienced this demand growth firsthand, as evidenced by its project completions, rapidly growing project pipeline, and new larger project wins.

- **Both organic growth and growth through acquisitions power Correlate Energy**

To maximize its benefit from rising demand in the C&I solar market, the Company has been not only developing and building more and larger renewable energy projects, but also creating a comprehensive platform that facilitates seamless and efficient execution of the entire solar and energy storage project value chain. This includes specialized technology and low-cost financing capabilities as well as modern project development, design, construction, and maintenance services. Since most of its middle-market C&I competitors do not have this platform capability in-house, the Company plans to leverage it to complete multiple "win-win" acquisitions during the coming two to three years.

- **Based on our analysis, CIPI shares are undervalued and likely to appreciate further**

We believe that CIPI has the right plan and team to quickly grow both organically and through acquisitions. Its industry has a strong tailwind due to falling component and system prices and recently-improved government support. Therefore, **we are initiating coverage of Correlate Energy (CIPI – OTCQB) with a Buy rating, and a 2024 year-end price target of $3.24 per share.** Furthermore, we would consider upgrading our rating to Strong Buy as the Company continues to successfully execute its organic growth and M&A strategies.

P&L (000s)	2021A	2022A	2023E	2024E	2025E	2026E
Revenues, current business	98	3,404	21,209	65,000	87,369	111,371
Revenues, acquired				65,493	145,941	296,435
Revenues, total	**98**	**3,404**	**21,209**	**130,493**	**233,310**	**407,806**
Annual growth rate		*3,357%*	*523%*	*515%*	*79%*	*75%*
EBITDA	**(76)**	**(5,646)**	**(4,184)**	**12,628**	**22,380**	**36,762**
EBITDA Margin	*-77%*	*-166%*	*-19.7%*	*9.7%*	*9.6%*	*9.0%*
EBITDA per share, basic	(0.001)	(0.160)	(0.115)	(0.23)	(0.33)	(0.46)
EBITDA per share, fully-diluted	(0.001)	(0.160)	(0.079)	(0.16)	(0.25)	(0.36)
Shares outstanding, fully-diluted	53,098	35,324	53,241	76,544	90,931	103,451

Please see analyst certification and disclosures on page 18 and 19 of this report.

Solar Industry Primer & Analysis

Industry Development and History

Early History

The U.S. solar industry dates back to the 1950s, when Bell Labs developed the first practical photovoltaic (PV) cell. Initially, its application was primarily in space exploration, powering satellites like Vanguard 1, the oldest satellite to still orbit the earth. However, the energy crises of the 1970s catalyzed interest in renewable energy, leading to federal research funding and the establishment of the Solar Energy Research Institute (now known as the National Renewable Energy Laboratory, or NREL). In the 1980s the industry faced challenges due to reduced oil prices and decreased renewable energy incentives, but the turn of the century marked an industry resurgence. Driven by technological advancements, cost reductions, and supportive policies like the Investment Tax Credit (ITC) introduced in 2006, the U.S. solar industry has now seen average annual growth of 24% over the last ten years[1].

Recent History

However, in just the last several years we have seen a confluence of several macro trends and events that have accelerated the growth in solar energy demand and related technologies like never before. The most important of these are:

- The Inflation Reduction Act of 2022 that provides very substantial 30% tax credits to projects in the clean energy sector, such as solar, energy storage, and electric vehicle manufacture (EVs).

- Global warming and the world's attempt to arrest and eventually reverse it by reaching zero carbon emissions by 2050. This is known as the "Net-zero" initiative, and as of this writing 137 countries have committed to carbon neutrality[2].

- The meteoric rise of electric vehicles. According to Grandview Research, this segment of the global auto market will grow at a compound annual rate of 41.5% at least through 2027. The fact that EVs require large batteries and fast charging stations opens up new possibilities for solar powered microgrid designs and deployments, such as integrating EVs and their batteries into the microgrid system.

- The aging nature of the of the U.S. power grid and its ability to adapt to changing customer needs and demand for more electricity. Homeowners and businesses alike are increasingly demanding solar systems that are paired with battery storage to "keep the lights on" during ever more frequent grid outages. By 2027, nearly 30% of all new solar systems will be paired with storage, compared to less than 10% in 2022[3]. This helps providers by effectively doubling the revenue potential of each customer.

Present Day

The recent boom in solar suffered a temporary setback during the COVID-19 pandemic due to supply chain issues and lack of site access, but these issues have largely self-corrected in 2023. The demand for solar technologies across the customer spectrum has never been higher, and is forecast to continue to grow at a 40%[4] annual rate for at least the next several years.

[1] Source: Solar Energy Industries Association, https://www.seia.org/solar-industry-research-data
[2] Source: Energy & Climate Intelligence Unit, https://eciu.net/
[3] Source: Solar Energy Industries Association,, https://www.seia.org/solar-industry-research-data
[4] Source: Solar Energy Industries Association, http://www.seia.org/solar-industry-research-data

Customer Analysis

A wide variety of institutions, companies, and individuals are increasingly turning to renewable energy sources and technologies such as solar and battery storage systems.

- Residential Solar. This industry segment, also known as "rooftop solar" is involved with installing solar systems on the roofs of primarily individual residences. Rooftop installations grew by 40% in 2022 vs. 2021, with 6 GW installed. Myriad companies participate in this industry, numbering 11,268 in 2023[5], of which most are very small. However, this is a vibrant and rapidly growing market, and the Company plans to enter it soon via acquiring a regional company. When completed, this acquisition will allow the Company to offer residential customers integrated solar, battery, and EV charging solutions.

- Commercial and Industrial (C&I) Solar. This segment consists of businesses, factories, and other commercial entities of all sizes that are adopting solar and energy storage technologies. They are typically motivated by cost savings and predictability, sustainability goals, and corporate responsibility initiatives. Correlate Energy (CIPI – OTCQB) is an emerging leader in a sub-segment of this market, which has far fewer and larger participants than the residential market.

- Utility-Scale Solar. This market consists of electric utilities and the independent power producers who sometimes develop these large projects for utility customers over multi-year timeframes. The Company does not plan to enter this market due to its concomitant risks and capital requirements.

- Municipal, University, School, and Hospital ("MUSH") Solar. This is an extremely large and competitive market for solar energy. Due to the bureaucratic nature of customers in this market, providers that serve it tend to be fairly large and specialized, and as a result are not competitors of Correlate Energy.

- Military and National Government Solar. The U.S. government maintains thousands of facilities that must be able to continue operating if the power grid goes down. Therefore, solar and battery systems are very important in this space and have been so for many years. The Company does not plan to enter this market.

Provider Analysis

Residential

The residential solar industry largely consists of sales and installation companies; sometimes these functions exist in a single company, and sometimes not. These are relatively small businesses that are simple to operate and have limited profit potential, despite their valuable contribution to the growth in residential solar.

Commercial and Industrial (C&I)

Unlike residential solar, the C&I solar industry is quite complex, with projects ranging in size from less than 1 MW to well over several hundred MW for multiple locations. For any C&I project, there are a series of steps that must be taken for a developer to complete the project and begin delivering power to the customer. Some pertain to the system itself, and others to the financial and regulatory aspects of the project:

- Consultation and Site Assessment. The goal of this step is to understand the customer's unique needs, decide what sort of project is feasible, and then to design an installation that will work on the specific customer site.
- Permitting. This is typically done after Consultation and before Design and Engineering, and requires a deep knowledge of local regulations, bureaucracies, etc.

[5] Source: IBISWorld, https://www.ibisworld.com

- Design and Engineering. Like an architect designs and engineers a house before the contractors build it, solar engineers design and engineer the planned solar site. The goal here is to optimize performance and maximize energy yield.
- Financing. This is a key part of many companies' challenge in developing solar for the C&I market. The options are relatively straightforward, but many of the smaller and even medium-sized players don't have deep institutional financing relationships or finance team that can secure attractive financing arrangements.
- Procurement. During this phase, the site developer sources and acquires the solar panels, inverters, mounting systems, and other necessary components such as battery systems. Established developers often have deep industry relationships with suppliers that they can use to get the best prices.
- Installation. System is built to meet industry standards and comply with local regulations.
- Maintenance and Monitoring Services. During this final phase of a project, a third-party is typically contracted to make sure the system is healthy and running at maximum efficiency.
- Regulatory Compliance. Navigating the regulatory environment can be complex and time-consuming, especially for smaller companies without dedicated legal teams.

As is self-evident, this is a complex subset of the U.S. solar industry that favors large, internally diversified firms that can offer a "full package" of project execution, financing and regulatory knowhow, and in some cases, long-term ownership and management of the projects themselves. Unfortunately for many smaller firms, the increase in demand fueled by enhanced incentives, falling materials costs, and a focus on clean energy has put them in a difficult position. Many such smaller firms do not have the resources, knowhow, and contacts to offer clients a complete solution, and yet feel obligated to accept large projects without already knowing how they will deliver on all aspects of them.

Customer Financing and Ownership Options

While very large enterprises are often able to simply purchase and operate solar projects once their buildout is complete, many mid-sized and smaller companies do not have this luxury. Given current incentives and increasing energy prices, solar energy often does make economic sense for C&I customers. However, solar project builds require a large upfront capital investment that is often too burdensome for smaller enterprises to bear. This in turn has led to the creation of a variety of project financing options that allow customers to enjoy the benefits of solar energy without breaking the bank.

Power Purchase Agreements (PPAs)

For customers lacking the capital to invest upfront, the most common structure is a PPA. Under a PPA, a third-party developer designs, finances, installs, and maintains the solar system on the customer's property. In return, the customer agrees to purchase the solar-generated electricity at a predetermined rate, which is usually quite a bit lower than the electric utility's rate. PPAs typically require no upfront investment from the customer, and given that they also lock in a fixed price for electricity over their 10-to-25-year term, they are a popular option in the C&I solar space.

However, because a PPA shifts project financial risk to project investors, less creditworthy companies at risk of downsizing or going out of business may have difficulty entering into a PPA.

Solar Leases

Similar to a PPA, under a lease agreement a third-party developer designs, finances, installs, and maintains the solar system on the customer's property. However, instead of the customer then purchasing the electricity from the developer, they instead enter into a long-term lease agreement with a fixed monthly payment. Such leases typically require either no upfront payment or a relatively small one, potentially have tax benefits for the customer, and often give the customer the option to purchase the system before or on the end of the lease's term.

This structure also shifts project financial risk to the developer, and hence can also be difficult for less creditworthy businesses to take advantage of.

Tax Equity Financing

Under this method of financing, investors provide project funding in return for federal tax credits and other tax benefits. Note that this is typically an incomplete financing method, requiring other forms of financing to complete the project's capital stack.

Property Assessed Clean Energy (PACE) Financing

When available, PACE financing can be an excellent option for financial solar projects. A PACE financing entails the local government giving the customer a loan that is subsequently paid off as an assessment on the property tax bill over time. This structure entails full ownership by the customer, which allows it to enjoy the full tax benefits associated with the project and value appreciation in its property. The loan itself can be very long-term, and in some cases is transferrable to a subsequent owner of the property.

Traditional Loans

Creditworthy customers can take out a loan to finance the development of their solar projects, giving them full ownership, potential tax benefits, and increased property value.

Bond Financing

Usually applicable only to larger enterprises, this financing method entails the issuance of bonds directly to investors to finance solar power projects. This method can attract rate-insensitive "impact investors" that lower total project costs for customers, which own the financed project free and clear once the bond is retired.

This list of financing methods is not exhaustive and illustrates the financing flexibility that now exists in the C&I solar industry. It also underscores C&I solar companies' need for a thorough and nuanced understanding of solar project finance, and ideally the in-house capability to secure optimal financing for their customers.

State of the Industry in 2023

Demand

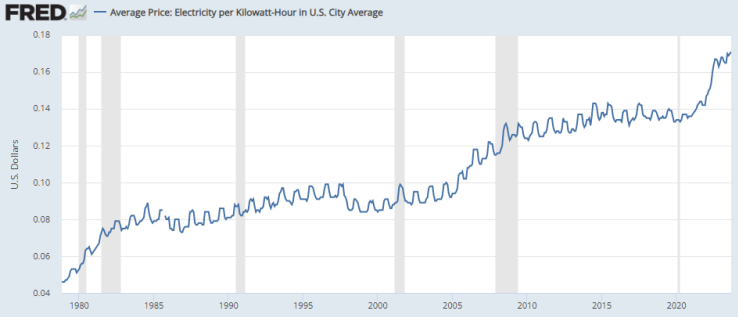
Since the passage of the Inflation Reduction Act (IRA) of 2022, the domestic solar industry has seen an acceleration of already strong demand growth, especially in the commercial & industrial (C&I) market. We attribute this acceleration in demand growth to several factors:

- Cost Savings. Given the 30% tax incentive provisions of the IRA, and other tax credits, many C&I companies now see solar power as a cost-saving technology as well as a viable method of helping fight climate change.

- Climate Change Awareness. Many companies are actively participating in reducing carbon emissions, not only for the PR value but also because of a genuine concern about global warming. Tech heavyweights like Alphabet (GOOG – NasdaqGS), Tesla (TSLA – NasdaqGS), Meta (META – NasdaqGS), and Apple (AAPL – NasdaqGS) generate much of the energy they consume via solar energy.

- Reduced Reliance on the Grid. Commercial and industrial companies are less tolerant of electric outages than are residential consumers. By installing solar and a combination of either battery systems and/or backup generators, these companies can possibly save money while being at no risk of a shutdown due to an electrical outage.

- Insulation from Energy Inflation. The average price of electricity in U.S. cities is on the rise again[6], and many companies fear this trend will continue. By moving to solar power systems that often include power storage as well, companies can lock in a fixed rate for energy costs over the long-term. This amounts to a competitive advantage that increases over time.



Supply – Large Solar-Focused Companies

The C&I solar industry is dominated by a few large players, many regional midsize companies, and myriad typically local smaller companies. These larger companies are strong beneficiaries of the accelerating growth we see in new solar (and battery) projects.

Largest U.S. Solar Companies, Based on Commercial & Industrial Total MW Installed (2021)[7]

Rank	Company	HQ Location	Primary Function	Total C&I MW Installed in 2021
1	AUI Partners	Texas	EPC[8]	310.3 MW
2	Sunshine Solar	Georgia	Installation Subcontractor	270.8 MW
3	Standard Solar	Maryland	Developer[9]	134.7 MW
4	Nexamp	Massachusetts	Developer	111.0 MW
5	ACE Solar	Massachusetts	Installer[10]	79.7 MW
6	Schuler-Haas Electric	New York	Electrical Subcontractor	77.6 MW
7	DMH Services	Pennsylvania	Installation Subcontractor	70.6 MW
8	OnSite Solar	New York	Installation Subcontractor	69.0 MW
9	M Bar C Construction	California	Installation Subcontractor	57.2 MW
10	Ameresco (AMRC – NYSE)	Massachusetts	EPC	57.2 MW
11	iSun (ISUN – NasdaqCM)	Vermont	EPC	53.0 MW
12	Pivot Energy	Colorado	Developer	47.9 MW
13	ForeFront Power	California	Developer	46.2 MW
14	New Energy Structures Co	Colorado	EPC	42.0 MW
15	MBL-Energy	California	Installation Subcontractor	41.5 MW

In many cases, a single company might play multiple roles. For instance, a company might act as both a developer and an EPC, or an EPC and an installer, or all three. Regardless, all larger companies are well-established and are quite capable of handling most or all aspects of multiple large projects internally or in conjunction with their partners and subcontractors. Therefore, they are in the perfect position to experience accelerating growth in their businesses.

[6] Source: Federal Reserve of St. Louis, https://fred.stlouisfed.org/series/APU000072610
[7] Source: Solar Power World, https://www.solarpowerworldonline.com/2022-top-commercial-solar-contractors/
[8] Engineering, Procurement, and Construction. These firms typically handle all but the earliest stages of solar projects.
[9] Developers are responsible for the very earliest stages of solar projects; many sell their projects to EPC firms after the pre-construction phase is complete, whereas integrated large firms can handle all phases of development and EPC.
[10] Installers typically handle nothing but physical onsite installation of solar power components.

Supply – Medium-Sized and Small Companies

For the middle and lower tiers of the C&I market, we are also seeing accelerating growth in new project opportunities. However, the projects are often much larger than those these companies are used to seeing and executing on. For many regional and local companies, taking on these larger projects is like them trying to drink from a firehose. They are thirsty for new business, so they will usually take these larger projects, but in many cases they just don't have the ability to execute on them.

Unlike the large, internally diversified solar companies, local and even regional companies seldom have the internal competencies to complete larger projects, simply because of the exponential increase in complexity that these projects entail. Many companies in this group have just one or two core competencies, such as sales, early-stage development, or installation. And they often lack the ability to rapidly outsource the competencies they lack, especially in the areas of technology and finance. Finance in particular is far more difficult for a 5 MW project than it is for a 500 kW project, because 5 MW projects are typically funded by institutional investors who in turn have higher standards for audits, compliance, and capital stack composition.

The accelerating demand for larger C&I projects should be a good thing for middle market companies that want and need this business, and often have the relationships to get it, if only they could quickly acquire the competencies necessary to successfully complete the projects. This situation makes these firms good acquisition targets by firms that can do it all, of which there aren't that many. Therefore, we predict that this part of the C&I solar market will enter a phase of consolidation in the very near future.

Conclusion, Industry Background and Analysis

This is indeed an exciting time to be in the C&I solar and energy storage industry, as the numbers of small and large planned projects is growing very quickly, and is likely to continue doing so for the foreseeable future. This is a clear benefit to the larger companies in the space, and to the small and midsized companies that can quickly progress up the food chain to serve larger customers and take on larger projects. Which of the myriad smaller companies will succeed at this, which will be acquired by other companies, and which will stagnate or fail still remains to be seen.

For investors, however, we believe that there are and will continue to be solid investment opportunities in this space as long as valuations do not get overinflated due to the hype in solar, EVs, and related industries. Prudent investors should look for future winners on the basis of reasonable value for growth, and on the basis of solid internal integration that will allow for serial accretive acquisitions.

Company Analysis

Company Overview

Correlate Energy is a forward-thinking organization focused on net-zero, with the team, strategy, and plan to become a major player in commercial and industrial (C&I) solar energy and energy storage. While their current operations are focused on generating strong cash flow by developing new commercial solar projects through to the construction phase, in parallel they have been aggressively developing their competence in complex financing, institutional-level audits, and in sourcing and executing attractive merger and acquisition opportunities. Correlate leadership recognizes the existence of a phenomenal but temporary opportunity to acquire the teams, project pipelines, and intellectual property of large local and regional firms that cannot move up the food chain without the institutional platform that Correlate Energy has been developing. As the Company executes its M&A strategy over the next two to three years, while also rapidly growing organically, the Company will likely experience rapidly growing revenues and EBITDA per share. To our knowledge, Correlate Energy is the first company focused on C&I projects to think about, plan for, and execute a roll up strategy that makes sense to both acquiror and acquiree(s).

On October 16, 2023 the Company filed an S-1 registration (known as a preliminary prospectus, or "red herring") with the SEC[11], mentioning Aegis Capital Corp. as the Company's "firm commitment[12]" underwriter, and their intent to uplist to the NYSE American exchange as part of what we presume could be a fairly major funding event for the Company.

Correlate Energy is based in Boise, Idaho, and trades on the OTCQB market under the symbol CIPI.

Strategic Plan

Most companies operating in the C&I segment of the solar energy market have a straightforward plan, namely to increase sales and profitability by winning and executing more projects as efficiently and effectively as possible. While this is certainly one of the Company's goals, their strategic plan is far more ambitious than that of any other C&I solar company of which we are aware.

The Company's strategic goal is to simultaneously grow rapidly organically and even more rapidly via acquiring other C&I solar companies that it can entice to join them on a basis that is accretive to per share revenue, EBITDA, and net earnings.

Mergers and Acquisitions – Roll up Strategy

Correlate's roll up strategy is relatively straightforward and is rooted in management's intimate familiarity with the C&I solar industry and the challenges that many regional C&I solar companies are now facing. Many regional C&I solar companies now have a serious high-class problem: they have more business with larger customers than they can realistically handle. While valuable, their experience with smaller ~500 kW projects does not directly map to the challenges of much larger projects, which include dealing with institutional investors, sourcing large quantities of components at "the best" prices, and modeling and managing large projects effectively and successfully.

Understanding these problems from their own personal relationships with many regional players, Company leadership has been diligently constructing in-house solutions to these companies' challenges, which collectively comprise a "platform." This platform enables the Company to effectively and efficiently handle all aspects of the solar/storage business, including not only the process steps that are inherent in taking projects from inception to completion, but also best-in-class technology systems, project modeling applications, institutional financing

[11] https://www.sec.gov/ix?doc=/Archives/edgar/data/1108645/000147793223007654/cipi_s1.htm

[12] Unlike a "best efforts" underwriting, a firm commitment underwriting means that the underwriter agrees to raise a certain amount of capital, at a minimum, and that they themselves will provide it if they do not raise enough funding from investors. This type of underwriting is typical of all major and mid-sized investment banks operating in the U.S.

relationships, institutional-grade accounting and audit capabilities, and access to complex integrated renewable energy technologies and solutions. We believe this platform would be extremely valuable to select companies in CIPI's acquisition candidate universe, and in conjunction with fair and reasonable negotiated terms just might secure several attractive acquisitions for the Company during the coming quarters.

Management believes that there are hundreds of acquisition candidates available with which they have pre-existing relationships to at least some degree. Therefore, the Company has been focused specifically on finding the optimal companies to acquire and integrate into their organization and platform. The specific things management looks for in a great potential acquisition include:

- Past history of success and current project pipelines, which upon acquisition would immediately augment the Company's revenues and EBITDA during the next few quarters.

- Reasonable leadership teams that are "coachable" and have values and cultures that dovetail with those of the Company.

- $20 million to $100 million in annual revenue run-rate, in companies that are at an inflection point in their business and likely to plateau without access to a platform and team such as the Company's.

- Founders who have reasonable valuation expectations and in general think long-term about their businesses and about how joining with Correlate would create long-term, win-win synergies.

For our part, we agree that the Company's executives and directors likely have pervasive industry relationships and have basically identified the right criteria to seek in potential acquisitions. However, this is not enough to guarantee they will be successful in executing the roll up strategy; it takes a lot more than good contacts and knowing what to look for.

In fact, succeeding with a roll up strategy at scale is downright difficult. It requires that the acquiring company have both a compelling business proposition and a compelling economic proposition for its potential acquirees. It also requires the ability to make acquisitions that are accretive rather than dilutive to per-share metrics such as revenue per share, EBITDA per share, and earnings per share. Finally, it requires the Company to have the discipline to select only those other companies that have matching cultures and values so that the acquired companies can be successfully integrated into Correlate.

Roll ups are also fraught with risks. Overpayment risk, integration risk, accounting risk, misrepresentation risk, and financial risk, to name a few. Successful roll ups have historically been executed by highly experienced teams that, as a group, can draw on deep M&A experience, industry experience and contacts, forensic accounting skills, negotiating experience, and the ability to raise additional capital as needed on reasonable terms. In our experience, it is a tall order for a company to assemble a team that has the full repertoire of knowledge, experience, and skillset to pull this off, especially at scale. **However, we believe Correlate Energy might be well on its way to doing just that[13].**

[13] Please see the "Leadership" section on page 12 to learn more about the source of our confidence in Correlate's extended team.

While risky, roll ups can also be very lucrative for shareholders in companies that manage to succeed with a roll up at scale. This is because the sum of the parts is often worth far more than the parts themselves. Examples include:

- Multiple Arbitrage. One of the most powerful drivers of growing shareholder value lies in the spread between private company valuations and public company valuations. It is not uncommon to see larger listed public companies' valuations at double those of private companies with similar business models and growth rates. While the gap between public and private valuations varies by industry, it is a structural feature of public and private markets based on the value of public companies' liquidity and relative ease of financing that will likely persist into the foreseeable future.

- Increased Operating Leverage. Larger public companies often spend less on G&A expenses as a percentage of revenues than do their smaller private counterparts, leading to higher operating and net margins. All things being equal, this leads to higher intrinsic value in public companies' market valuations.

- Business Advantages Due to Scale. Unlike most private companies[14], larger public companies are often able to develop a national or even international footprint, which can confer sales and marketing advantages that allow them to bring in more and higher quality business. We believe this is likely true in the clean energy industry, where larger public companies are more likely to win the largest contracts from the largest customers. Larger companies in this industry may also be able to source components at lower average costs due to negotiating lower bulk purchasing prices.

- Reduced Risk. Larger companies tend to have less geographical risk and lower financial risk than their private counterparts, which also contributes to their higher relative valuations.

Mergers and Acquisitions – Conclusion

While we acknowledge the risks inherent in the Company's plan to execute a roll up at scale, we believe that given its exceptional extended team the Company has a fairly high likelihood of at least moderate success, with a decent chance of great success. Furthermore, we are encouraged that the Company's base business is growing organically at a rapid pace, as evidenced by its recent new project announcements. Lastly, we are highly encouraged by the fact that the Company now has a firm underwriting deal in place with a reputable investment bank, and is reasonably likely to succeed in its bid to uplist to the NYSE American market concurrent with its stock offering. In our view, on a risk-adjusted basis, this likely makes its shares a good investment at current levels.

Organic Growth Strategy

The Company's primary focus on larger commercial and industrial projects entails rather lumpy quarterly revenues: during the 12 months ending in June '23 the Company generated $7.6 million in total revenues, vs. just $404 thousand in the prior 12 months ending June '22.

At the Company's investor summit in October 2023, management shared that the Company's total project pipeline was $532 million, based on projects the Company already had in various stages of development, with $22 million in construction, and $52 million in the late stages of development. Based on the on this, we believe 2024 organic revenues in the range of $45 million to $60 million are possible, based on projects in the pipeline that have not yet been finalized, and adjusted for risks like utility interconnection "waitlists" that are outside of the Company's control. We believe the Company's total pipeline size indicates that CIPI has been increasingly successful in winning and executing its organic growth strategy, a trend that we believe is likely to continue.

[14] A few private companies do grow to immense size, such as Cargill (2022 sales of $165 billion), Koch Industries (2022 sales of $125 billion), Publix Supermarkets (2022 sales of $48 billion), and Mars (2022 sales of $45 billion). However, we view these as exceptions to the rule, as they are quite uncommon compared with the numbers of similar public companies.

Note that management's comments do not address any revenues from M&A activities either now or in the future, despite the fact that management believes that its M&A initiatives will ultimately be a larger growth driver than the Company's current projects and project pipeline.

Project Mix and Plans

The Company's current projects are all commercial and industrial (C&I), although it is seeking to enter the residential market through a major acquisition in the near future. Residential has the benefit of allowing for more predictable cash flows and shorter completion times, and once the Company is in both markets it will be able to roll out additional products and services such as EV charging for home, work, and commercial locations. All of these systems will be power by the Company's solar solutions.

Correlate Energy's Recently Completed Rooftop Solar Projects

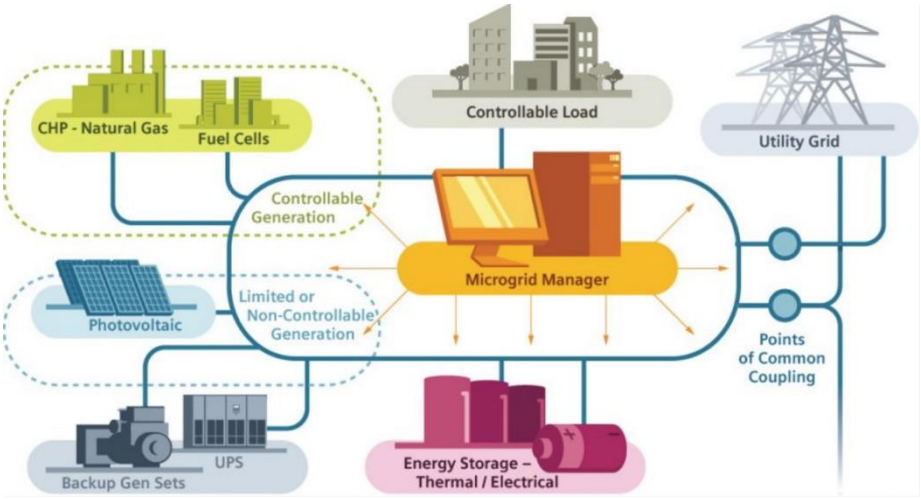
Continental Envelope

American Tire Distributors

Kyocera's U.S. Headquarters

Going forward, the Company is targeting two primary types of solar projects: standard commercial and industrial (C&I) projects, and microgrid projects. C&I projects are and will continue to be the Company's bread and butter; they typically entail either rooftop or ground-based installations with a total output averaging between 500 kW and 10 MW per project. Some of these projects also include energy storage systems in the form of batteries, which only marginally increase project complexity and provide a significant boost to the revenues each project generates.

Microgrids also provide the Company with an attractive opportunity for organic growth. These projects tend to be larger and more complex than traditional C&I solar projects, and have longer sales cycles, but can also be extremely lucrative. Microgrids can be connected to the local utility grid (or "macrogrid") and include battery systems, diesel generators, and solar energy generation systems, as well as an automated microgrid controller. The microgrid controller constantly monitors the cost of macrogrid electricity, and proactively switches away from it to solar, diesel, or stored energy to minimize energy costs and ensure an uninterrupted power supply during outages.



There has been an acceleration of microgrid projects in the U.S. over the past few years[15], as neighborhoods, military and government installations, and commercial and industrial organizations seek lower and predictable energy costs and increased energy resilience. The Company recently entered into a joint venture with eDGe Renewable Partners targeting a $100 million capital deployment to accelerate the development of microgrids, and effort that has recently borne fruit.

We expect that the microgrid segment of the market will continue to show very strong growth for at least the next 10 years, and over time will become a very important component of the Company's organic growth strategy.

Revenue Realization

Because the Company is both young and rapidly growing, it is very important for management to ensure that the Company manages its cash flow in a responsible manner. At the moment, this means that CIPI rarely maintains ownership of its projects to full completion, as it is able to generate higher IRRs by more rapidly selling its projects and investing the funds in developing new ones. However, once the Company can significantly strengthen its balance sheet[16], we expect the Company to maintain its ownership in some projects all the way through until they are in service, and in some cases for 10 to 20 years after they are in service via power purchase agreements with customers. Such long-term ownership would give the Company predictable, recurring revenues in addition to its project-based revenues, which could become a significant plus for the Company.

Recent New Customers

- On September 23, 2023 the Company announced a large microgrid project in Southern California it will be working on for a customer that represents one of the state's largest privately-owned oil and gas companies. This company currently consumes 100 MW across 20 sites and is currently seeking to reach net zero carbon emissions in terms of its generation of its own electricity. Under the project agreement, Correlate Energy will deploy up to 40 MW of solar power to a total of 20 sites, with the initial phase entailing solar deployment to seven sites for expected revenues of over $23 million.

- On May 24, 2023 the Company announced securing $11.9 million in financing from Green Bridge Energy for its EnerSys headquarters solar project in Reading, PA. This project was originally announced as a 3.8 MW project but was later expanded to 5.2 MW.

Target Market Analysis

According to Company estimates, there are approximately six million C&I facilities in the United States, of which less than 5% have adopted solar energy solutions, and less than 20% have employed even simple energy improvement technologies. With energy prices increasing and likely to continue to do so, an ever-increasing proportion of these six million facilities would experience an immediate cost savings by switching to solar power generation and/or a full microgrid solution. From the Company's perspective, this market is incredibly large, and we cannot see any possibility of market size constraints affecting the Company even in the distant future.

Target Market Sub-Segments

The best segments of the C&I market that are most attractive to the Company, especially for projects that would entail it entering into long-term power purchasing agreements with the customer, are large regional or national customers with excellent credit ratings. This would include larger real estate investment trusts (REITs), large big-box retailers, and other companies with real estate assets in the Southwest, California, and the Northeast.

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[15] For example, the Mayor of San Jose is seeking independence from the Grid with the help of Google and its microgrid. https://www.microgridknowledge.com/microgrids/article/11427318/san-jose-california-mayor-again-pushes-for-energy-independence-with-support-of-google-microgrid

[16] If the Company is able to complete its planned financing and uplisting as mentioned in its recent S-1 filing with the SEC, we would expect it to experience an immediate and pronounced strengthening of its balance sheet.

Leadership

Correlate's management and board is comprised of industry experts who have successfully financed and developed over $2 billion in clean energy projects. As a group, we believe that these individuals have the requisite contacts, knowledge, skills, and experience to simultaneously grow the Company both organically and via its M&A strategy.

Todd Michaels, ***Chief Executive Officer, and Director***

Todd is an accomplished business leader who specializes in creating business strategies, technology solutions, and strategic thinking and innovation. He founded Correlate and has been in the solar industry since 2005, formerly as VP of Product Innovations at SunEdison, Senior Director - Distributed Solar at NRG Energy (NYSE: NRG), and SVP of Project Development and Marketing at Solar Power Partners (acquired by NRG Energy in 2011).

Dave Bailey, ***Chief Revenue Officer***

Mr. Bailey brings over 15 years of executive sales, supply chain management, and energy efficiency experience from Wesco's Distributed Energy Resource division (formerly Westinghouse) and GE Supply.

Johan Themaat, ***V.P. of Finance and Acting CFO***

Mr. Themaat, who will be the Company's Chief Financial Officer upon securing D&O Insurance, has held key financial positions at private, public, and startup companies, including Mission Energy, NGL Energy Partners, and RBS. As CFO of Mission Energy, he led financial strategy, back-office operations, and corporate development. As VP of M&A and Investor Relations of NGL Energy Partners (NYSE:NGL) he was instrumental in executing the acquisition strategy, forecasting, and board communications. He gained his financial experience as an investment banker, including RBS's energy investment bank. Mr. Themaat brings his proficiency in financial strategy, planning and analysis, M&A, and capital-raising transactions to the Company.

Jed Freedlander, ***Chief Development Officer***

Mr. Freedlander has played a central role in the development of several high-profile Public-Private Partnership (P3) projects in the United States. His expertise in creating sustainable and resilient infrastructure has been instrumental in enhancing communities and driving economic growth. With a career spanning over two decades, Mr. Freedlander has garnered extensive experience in the field of infrastructure development where his roles have encompassed a wide range of responsibilities, from strategic planning to project implementation.

Roger Baum, ***Executive Vice President, Operations***

Roger Baum has successfully sourced and implemented over $1 billion in projects where his roles have spanned the entire spectrum of turnkey project delivery, from legal structuring and financing to design and construction. Prior to joining the Company, Mr. Baum was most recently the Vice President of Public-Private Partnerships for CORE Construction, a leading billion-dollar construction management firm in the US. Roger is a highly respected builder, developer, and advisor of government infrastructure projects across the United States.

Jason Loyet, ***Corporate Development***

Jason is a seasoned entrepreneur with over 20 years' experience in solar and cleantech software startups. He is a recipient of the US Department of Energy SunShot Catalyst Award and has successfully founded and sold two software companies in the streaming media industry.

Matt Fleming, ***Chairman of the Board***

As the Chairman of the Board and Chief Business Development Officer at SMG Industries (OTCQB: SMGI), Matt has showcased exceptional leadership skills and boasts a rich background in finance, technology, and operations. SMGI, a transportation services company dedicated to achieving growth, greatly benefits from his expertise.

Eli Albrecht, ***Director***

Mr. Albrecht's impressive career spans top legal firms known for M&A excellence. He's now a Partner at SMB Law Group LLP, after M&A roles at Gibson Dunn & Crutcher LLP and DLA Piper LLP. His transaction expertise and passion for sustainability make him a valuable addition to Correlate's board.

Cory Hunt, *Director*
This seasoned entrepreneur has built an extensive international network with a focus on capital markets. Through P&C Ventures, which he co-founded with Peter Lacey, he is involved with 12 companies, including 9 direct investments. Their mission is to support and advise their invested companies to ensure growth and long-term success.

Bob Powell, *Director*
The founder and CEO of Brightmark, Mr. Powell's passion for solving complex environmental problems with innovation and optimism drives their mission to leave the world a better place by changing how we see and manage waste. Prior to founding Brightmark, Bob worked in the energy industry.

Competition

Competition is relatively intense for the Company's core project development business, but the highly fragmented nature of the middle market in which the Company operates gives a significant advantage to the Company, due to its platform approach to this industry. The larger companies in the market could be extremely difficult for the Company to compete with, but they mostly work on larger projects that do not fall in the Company's target customer size. The smaller companies that do operate in the Company's market are myriad, but few if any have the capacity to compete with the Company's core value proposition, customer experience, and soup to nuts solution. Therefore, we do not believe that competitive risk is significant for Correlate Energy at this time.

Other Risks

Financing & Dilution Risk

These two risks often go hand in hand, and we think that is particularly true in this case. While the Company's success has certainly been growing, it hasn't yet shown sustainable positive cash flow. Therefore the Company has been financing the business through relatively expensive debt instruments that also include significant equity "kickers." This sort of financing is not atypical at this stage in a young company's growth, and the terms of the Company's financings have not in our opinion been egregious. However, if the Company is forced to rely on such financings for an extended period of time, it could continue creating more and more dilution for existing shareholders. This is better than going out of business, but all things being equal, certainly not optimal for per-share value creation.

One of the primary financiers of the Company to date has been P&C Ventures, owned by Cory Hunt and his business partner Peter Lacey, and we are comforted by their demonstrated commitment to helping the Company truly succeed through hands-on effort. Peter was personally responsible for a successful roll up of over 60 John Deere locations, giving him a great ability to help CIPI in its roll up strategy. Cory, too, has proven that P&C Ventures is more than just a capital provider, and has participated in calls with the CEO and other executives on more than one occasion. This gives us comfort that the Company will continue to be funded until it becomes cash flow positive.

Execution Risk

When we asked management to help us understand their greatest challenges going forward, one pertained to being able to bring on enough high-quality professionals that matched the Company's culture. While we believe that the Company and its extended team are up to the challenge, we believe there is still significant execution risk in Correlate Energy at this time.

M&A Risk

As discussed in our M&A strategy explanation, there is no doubt that a successful roll up can be very difficult to achieve. However, we feel that the Company has the right talent, acquisition strategy, and acquiree value proposition to succeed, and we also feel like this is an excellent point in the C&I solar industry's growth and maturation curve to become one of the consolidators. Despite our positive assessment of all of these factors, a significant risk of botching one or more acquisitions will remain for the foreseeable future.

Interest Rate Risk

This exogenous risk is one that any debt-driven business or market is affected by, and the Company is no exception. Financing is a key part of solar project value chain, and higher interest rates and cost of capital could make solar projects less attractive to would-be customers. However, we consider this a low-severity risk event, since rational C&I customers are likely to understand that rates are usually high because inflation is high, and unlike metered electrical service, solar energy and power purchase agreements can effectively lock-in energy pricing for many years.

Regulatory Risk

This risk is not concerning to us at the Federal level, but there have been recent state laws such as one passed last year in California that drastically reduce the rate at which regulated utilities will buy unused energy from consumers. If the passage of such laws becomes commonplace, then it could at least to some degree make solar energy a less economically attractive investment. Overall, we believe that Correlate is past the riskiest part of its growth curve, and that while the remaining risks are real, they are also manageable.

Valuation Analysis

The Company is relatively difficult to value based on historical performance at this time, primarily due to its early stage of development and highly volatile historical quarterly revenues. However, based on our extensive discussions with management over multiple calls, we developed a thorough understanding of the Company's current projects and project pipeline, and near-term / long-term plans, and created our financial model accordingly. In this model, we break out current operations from the operations of planned acquisitions, and model the entire current business plus select parts of the to-be-acquired businesses. For the fully-integrated portion of our model, we focused only on revenues, revenue growth, interest expenses, total debt, earnings before interest, taxes, depreciation and amortization (EBITDA), EBITDA margins, and EBITDA per-share estimates.

Given that the market typically values companies similar to Correlate Energy on the basis of their EV/EBITDA ratio, we felt that our modeling approach was appropriate in this case.

Upon researching the eight best public comparable companies, we found that most were in fact not very comparable with CIPI, as they often focus on different segments of the renewable energy market. Some are manufacturers of PV solar panels and other equipment, whereas others are primarily providers of electricity generated by their own solar projects. However, one relatively large company does have operations that roughly mirror those of the Company, albeit at a much larger international scale: Emeren Group Ltd. (SOL – NYSE).

Emeren Group currently has an EV/EBITDA ratio of 30.8, which we believe is significantly higher than the EV/EBITDA ratio that the Company currently deserves, for a variety of reasons. Firstly, we based our valuation of the Company on our estimate of its 2024 EBITDA, whereas Emeren's EV/EBITDA ratio is based on the market's value of its 2022 EBITDA. Secondly, Emeren is already a mature multi-national enterprise, an investment in which would clearly entail less operational risk than would one in the Company. Thirdly, our estimate of the Company's 2024 financial results are dependent on it being able to complete at least one significant acquisition during the next two to three quarters at a reasonable price, which management believes it will be able to do. We agree, but cannot be certain, and this uncertainty clearly warrants a reduction in the Company's estimated "future fair value" EV/EBITDA ratio.

However, we forecast that the Company's organic growth over the next four to six quarters will be several times greater than that of Emeren, which has a consensus 2024 revenue growth forecast of just 14.6%[17]. Considering all of these factors, we believe that a 30% discount of Emeren Group's current EV/EBITDA ratio is appropriate for the Company at this time, equating to an EV/EBITDA ratio of 21.6. As shown in our model, we forecast $12.63 million in 2024 EBITDA for the Company, and $24.17 million in debt at FYE 2024. Based on our estimated "future fair value" EV/EBITDA ratio of 21.6, we arrive at an enterprise value of $272.3 million and a market value of $248.1 million for the Company. On a fully-diluted per-share basis (including forecast dilution related to M&A) this equates to $3.24 per share.

Conclusion

Correlate Energy seems to be in the right place at the right time. Its industry is highly fragmented and ripe for consolidation, and we believe it has the platform approach and rollup experience to become a successful consolidator. The Company also has its own renewable energy projects that are in construction ($22 million) and late-stage development ($52 million), boding well for its near-term cash flow. Furthermore, we have been very impressed by the Company's leadership and governance teams, which we believe give it far greater depth of experience and industry relationships than most companies of its size. Lastly, the comparative cost-effectiveness of renewable energy systems based on solar and battery technologies is steadily increasing – even accelerating – due to falling component costs and favorable legislation, such the Inflation Reduction Act of 2022 and the 30% tax incentives it confers.

Therefore, we are initiating coverage of Correlate Energy (CIPI – OTCQB) with a Buy rating, and a 2024 year-end price target of $3.24 per share. Furthermore, we would consider upgrading our rating to Strong Buy when the Company is able to complete its first acquisition and/or successfully uplist to the NYSE American exchange in conjunction with completing its investment bank's firm-commitment stock offering.

[17] Source: Yahoo! Finance, https://finance.yahoo.com/quote/SOL/analysis?p=SOL

Correlate Energy Corp, EBITDA, Profit and Loss Model

FYE December 31, (In $000s, except per-share data)	FY 2021A	FY 2022A	Q1 '23A	Q2 '23A	Q3 '23E	Q4 '23E	FY 2023E	Q1 '24E	Q2 '24E	Q3 '24E	Q4 '24E	FY 2024E	FY 2025E	FY 2026E
Revenues, current business	98	3,404	51	4,158	7,000	10,000	21,209	12,500	15,000	17,500	20,000	65,000	87,369	111,371
Sequential growth rate, current business			*-93.5%*	*8096%*	*68%*	*43%*	*523%*	*25.0%*	*20%*	*17%*	*14%*	*206%*	*34%*	*27%*
Revenues, new acqusitions									20,625	21,808	23,059	65,493	145,941	296,435
Total revenues	**98**	**3,404**	51	4,158	7,000	10,000	**21,209**	12,500	35,625	39,308	43,059	**130,493**	**233,310**	**407,806**
Seq. growth rate, total revenues		*3357%*	*-94%*	*8096%*	*68%*	*43%*	*523%*	*25%*	*185%*	*10%*	*10%*	*515%*	*79%*	*75%*
Total cost of revenue, current business	**89**	**3,196**	46	3,083	5,425	7,750	**16,304**	9,375	11,250	13,125	15,000	**48,750**	**65,527**	**83,528**
Gross profit (loss), total, current business	**10**	**208**	5	1,075	1,575	2,250	**4,905**	3,125	3,750	4,375	5,000	**16,250**	**21,842**	**27,843**
Gross margin, current business	*9.8%*	*6.1%*	*9.6%*	*25.8%*	*22.5%*	*22.5%*	*23.1%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*	*62.6%*	*71.9%*	*79.5%*
Operating expenses, current business														
General & administrative	15	4,427	1,024	1,359	1,468	1,585	5,435	1,712	1,849	1,997	2,156	7,713	10,494	14,277
Other expenses, total	70	1,498	184	102	181	210	677	217	224	232	240	913	1,063	1,273
Total operating expenses, current business	**85**	**5,925**	**1,208**	**1,460**	**1,649**	**1,795**	**6,113**	**1,929**	**2,073**	**2,229**	**2,397**	**8,627**	**11,557**	**15,550**
Operating profit (loss), current business	(75)	(5,717)	(1,203)	(386)	**(74)**	**455**	**(1,208)**	**1,196**	**1,677**	**2,146**	**2,603**	**7,623**	**10,286**	**12,293**
Operating margins, current business	*-76.4%*	*-168.0%*	*-2371.7%*	*-9.3%*	*-1.1%*	*4.5%*	*-5.7%*	*9.6%*	*11.2%*	*12.3%*	*13.0%*	*11.7%*	*11.8%*	*11.0%*
Other income, current business														
Interest income (expense), total	(15)	(199)	(97)	(157)	(150)	(150)	(554)	(485)	(910)	(857)	(811)	(3,064)	(3,614)	(4,926)
Other income (expense), net		(1,247)	(2,110)	(1,027)			**(3,137)**							
Total other income (loss), current business	**(15)**	**(1,446)**	**(2,207)**	**(1,184)**	**(150)**	**(150)**	**(3,691)**	**(485)**	**(910)**	**(857)**	**(811)**	**(3,064)**	**(3,614)**	**(4,926)**
Income (loss) before taxes	(90)	(7,163)	(3,410)	(1,569)	(224)	305	(4,899)	711	767	1,289	1,792	4,560	6,671	7,367
Provision for income taxes													437	1,547
Net income (loss), current business ONLY	**(90)**	**(7,163)**	**(3,410)**	**(1,569)**	**(224)**	**305**	**(4,899)**	**711**	**767**	**1,289**	**1,792**	**4,560**	**6,234**	**5,820**
Net margins, current operations	*-91.7%*	*-210.4%*	*-6722.0%*	*-37.7%*	*-3.2%*	*3.0%*	*-23.1%*	*5.7%*	*5.1%*	*7.4%*	*9.0%*	*7.0%*	*7.1%*	*5.2%*
Net income (loss) per share**, basic	(0.0)	(0.203)	(0.096)	(0.043)	(0.006)	0.008	(0.134)	0.019	0.013	0.021	0.029	0.082	0.092	0.073
Net income (loss) per share**, fully diluted*					(0.004)	0.006		0.013	0.009	0.015	0.021	0.060	0.069	0.056
EBITDA, total, current and acquired businesses	**(76)**	**(5,646)**	**(3,287)**	**(1,375)**	**(29)**	**508**	**(4,184)**	**1,255**	**3,205**	**3,793**	**4,375**	**12,628**	**22,380**	**36,762**
EBITDA margin, total	*-77.2%*	*-165.9%*	*-6479.9%*	*-33.1%*	*-0.4%*	*5.1%*	*-19.7%*	*10.0%*	*9.0%*	*9.6%*	*10.2%*	*9.7%*	*9.6%*	*9.0%*
EBITDA (loss) per share, basic		(0.160)	(0.093)	(0.038)	(0.001)	0.014	(0.115)	0.034	0.052	0.062	0.071	0.228	0.329	0.459
EBITDA (loss) per share, fully diluted*		(0.160)	(0.064)	(0.026)	(0.001)	0.009	(0.079)	0.023	0.038	0.045	0.052	0.165	0.246	0.355
Weighted average common shrs., basic	53,098	35,324	35,351	36,153	37,133	37,226	36,466	37,322	61,320	61,422	61,526	55,397	68,103	80,138
Weighted average common shares, fully diluted*	53,098	35,324	51,501	52,803	54,284	54,376	53,241	54,568	83,665	83,867	84,076	76,544	90,931	103,451
Total liabilities	1,025	5,063	8,588	4,730	5,000	4,375	4,375	3,828	24,950	24,531	24,165	24,165	33,903	54,881

**** Assumes full conversion of all equity-linked instruments (most conservative and non-GAAP method)***

***** Net income for current business only, not businesses acquired in the future. EBITDA numbers consider both current business and future acquisitions***

Our Rating System

We rate enrolled companies based on the appreciation potential we believe their shares represent. The performance of those companies rated "Speculative Buy" or "Strong Speculative Buy" are often highly dependent on some future event, such as FDA drug approval or the development of a new key technology.

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BUY	We believe the enrolled company will appreciate more than 30% relative to the general market for U.S. equities during the next 12 to 24 months.
STRONG SPECULATIVE BUY	We believe the enrolled company could appreciate more than 50% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
SPECULATIVE BUY	We believe the enrolled company could appreciate more than 30% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
NEUTRAL	We expect the enrolled company to trade between -10% and +10% relative to the general market for U.S. equities during the following 12 to 24 months.
SELL	We expect the enrolled company to underperform the general market for U.S. equities by more than 10% during the following 12 to 24 months.

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Analyst Highlight

Brian R. Connell, CFA **Senior Research Analyst**

Mr. Connell has over 25 years' experience in the securities industry, as an equity analyst and portfolio manager, and as the Founder and CEO of StreetFusion (acquired by CCBN/StreetEvents), a software company serving the institutional investment community. On the sellside, Mr. Connell served as the technology analyst for Neovest, an Atlanta-based boutique, and as a Senior Analyst - Internet for Preferred Capital Markets, an investment bank based in San Francisco. Mr. Connell has also held the position of Executive Director of Marquis Capital Management, a technology-focused hedge fund.

Mr. Connell holds degrees in Economics and Psychology from Duke University, and is a CFA Charterholder.