

Dear *ChangeWave MicroCap Investor*,

Clean tech investing is one of my passions, and I've learned that the best long-term strategy is to focus on infrastructure rather than the fuel sources. Yes, solar and wind power and biofuels have their place in the energy mix and will continue to advance. But the biggest profits will be generated by the companies that solve infrastructure problems.

Maxwell Technologies ([MXWL](#)) and **Satcon Technology ([SATC](#))**, innovators in ultracapacitors and solar inverters respectively, are two solid examples of small firms that developed smart solutions for clean tech infrastructure, and both are enjoying accelerating adoption of their products in the U.S. and worldwide.

To a large degree, renewables like solar and wind have a long scaling period, require large capital investments, and, worst of all, depend on government subsidies.

For the U.S., in particular, there are tremendous opportunities to improve existing energy infrastructure and solve problems for the industry -- encompassing everything from exploration and production of fossil fuels to the guts of the electricity grid.

Our new recommendation is a company that has taken this to heart as its central strategy: "To make energy better."

1. GREEN-SHOOTS GALORE FOR ACORN

Acorn Energy ([ACFN](#)) CEO John Moore likes to point out that the No.1 use of energy is the finding, extraction, production and distribution of energy. The fact is that we have to put tremendous amounts of energy into supporting an infrastructure for making energy.

Moore believes that the solution to our energy and environmental challenges is a matter of defining the problem in terms of infrastructure and not fuel. He sides with those who believe there's plenty of conventional resources to keep the world running for a long time.

As awareness of the needed improvements to the basic resources that produce 99% of our energy grows, Acorn will be a big beneficiary of the soaring capital investments that will take place.

For Moore, the answer for the U.S. is to play to our strengths by shifting energy to a digital platform and using our know-how in software and silicon. For instance, while advanced electric meters are important, a key to their success will be transforming and overhauling the electricity transmission lines.

Acorn is a holding company that acquires companies with proven solutions for energy infrastructure problems. ACFN is not a venture capital operation, so it avoids early stage

technologies. Rather, it is typically the third investor in a company as it's transitioning to commercialization and beginning a sharp revenue ramp.

Today, Acorn holds major stakes in several impressive companies, any one of which could justify the current market valuation of ACFN.

Before I highlight each of Acorn's holdings, though, it's important to mention that ACFN generated much of its capital thanks to the successful IPO of one of its early investments.

In April 2007, Comverge (COMV) -- a company that provides peaking and base load capacity solutions to electric utilities, grid operators, and related electricity markets -- went public at eight times its trailing revenue. In December 2007, COMV completed a secondary financing through Goldman Sachs (GS) at 16 times revenue.

Acorn took advantage of the hefty valuation and exited with \$50 million in proceeds from the sale of COMV stock. Today, 15 analysts cover COMV and Acorn's management team is applying many of the lessons learned to its current business model.

The Acorn Pie

Acorn holds major interests in the following five companies. Below are overviews of each one. In the coming weeks and months, I will fill in more details as several anticipated catalysts unfold.

CoaLogix -- Clean coal technology to reduce noxious emissions

CoaLogix is a leading provider of catalyst regeneration technologies used by coal-fired power plants to reduce nitrogen oxides ("NOx") emissions. It enables customers to reduce overall NOx compliance costs and reduce their environmental footprint.

Coal-fired power plants, which represent 50% of U.S. power generating capacity, continue to be a primary target for NOx reduction, and selective catalytic reduction remains the most widely used technology by plant operators to control NOx.

There is a \$1.5 billion installed base of catalysts in U.S. coal plants that need to be regenerated or replaced every three years, starting by 2012. CoaLogix is the major player in this segment and its 2009 100%-plus sales growth is just a taste of the opportunity ahead.

DSIT -- Security systems for large-scale energy assets

DSIT supplies a full range of sonar and acoustic-related solutions to strategic energy

installations as well as defense and homeland security markets. Also, based on expertise in numerous advanced technologies, it provides wide-ranging solutions to both governmental and commercial customers.

The global war on terror has shifted the focus of governments and homeland security agencies to invest in situational awareness equipment to better protect their national infrastructure. For example, in March 2009, the U.S. Nuclear Regulatory Commission (NRC) required that nuclear power reactors (it oversees 104 facilities) obtain detection and assessment systems at all licensed U.S. nuclear power plants.

In addition to nuke plants, critical infrastructures include naval ports, oil terminals, offshore oil and gas rigs, liquid natural gas plants and terminals, coal terminals and desalination plants. In all of these cases, underwater protection is critical.

DSIT currently has four customers as it targets a market that consists of 3,000 water-based facilities at \$2 million per installation.

Coreworx -- Software for managing large energy projects

Coreworx's software manages project information and work processes on an international scale to increase efficiency and reduce risks for owners and operators and engineering and construction contractors involved with major capital projects.

Today, Coreworx software is running over 500 projects worth \$500 billion. These projects are highly complex due to sophisticated engineering and design, international collaboration and a higher level of regulation (i.e. offshore oil and gas, nuclear, hydroelectric and biochemical).

Coreworx currently has eight huge customers, including Fluor Corp. (FLR), which has 1,800 contractors that put info into its system. Coreworx's nuclear product is being used to manage licensing of new nuclear plants and return to service current fossil and nuclear plants.

Coreworx believes it can sell to the top 120 in this group and eventually go well beyond those numbers. With a total market of \$4 billion, Coreworx's outlook is great.

GridSense -- Smart-grid platform for electric utilities

According to an IBM white paper, the focus on smart meters has created a monitoring gap between the transmission network and the smart meter, and GridSense is among the leaders in this market.

Utilities face the challenge of operating and maintaining older and aging equipment with fewer human and capital resources. Engineers require solutions that are non-intrusive and

redeployable to meet changing network conditions, are inherent to use and provide a diagnosis rather than just data.

GridSense's monitoring solutions provide real-time, relevant information spanning the transmission and distribution -- overhead lines, underground power cables, transformers and substations.

Recently, Acorn negotiated the purchase of all the shares of GridSense, and expects to close on that purchase this month.

US Sensor Systems -- Seismic monitoring system for hydrocarbon reserves

US Sensor has developed a breakthrough technology in oil field seismic sensors that uses fiber optics. It expects to provide the energy industry with the needed tools to make the transition from 3D seismic to 4D seismic monitoring and greatly increase recoveries from existing oilfields.

US Sensor's fiber-optic sensor systems aim to replace the legacy expensive, unreliable and bulky electronic sensors currently in widespread use today, with its small, low-cost, ultra-reliable fiber-optic sensors.

Acorn recently purchased 10% of US Sensor with options to acquire up to 84% ownership. Although this investment is a bit earlier stage than ACFN's other ones, the technology is so compelling that Acorn's Moore describes it as a "fat pitch down the middle" that he couldn't resist jumping all over.

From Acorn to Oak

It's apparent that Acorn has built itself a very formidable portfolio of companies, each of which is well positioned to capitalize on exciting opportunities in various segments of energy infrastructure markets.

In 2009, Acorn grew revenues 51% to \$31 million, while gross profit rose 107% to \$14 million. The net loss was \$6.2 million, down from \$8.1 million a year earlier.

Last month, Acorn raised \$12 million in a private placement, the proceeds of which will be used to accelerate growth across its portfolio companies. Altogether, ACFN's cash position is close to \$20 million.

Acorn is on the cusp of busting out. Its market valuation is just below \$100 million and it's gaining the interest of numerous investment banks and analysts around Wall Street. As Acorn gets bigger, the Street will definitely take notice and jump all over it.

One major catalyst could happen very soon. A leading smart-grid company, Silver Spring Networks, is poised for a possible IPO and word has it that it will be valued at 20 times revenue. An IPO such as that would be the equivalent to the Netscape moment in 1995 that launched the Internet explosion.

At 20-times revenue, ACFN today would be valued at roughly six times its current price!

Buy ACFN Immediately

I recommend that you establish a full position in Acorn immediately. The company has achieved very significant progress during the past six months, yet its share price is just where it was last October.

The timing is excellent to get aboard Acorn. I see the stock doubling in the next eight to 12 months and longer term it has all of the ingredients to deliver the kind of multi-bagger returns we target at *ChangeWave MicroCap Investor*.

Buy Acorn Energy (ACFN) under \$7.