

**THE 2008
DOLMATCONNELL &
PARTNERS
ALTERNATIVE ENERGY
AND CLEAN
TECHNOLOGY
COMPENSATION AND
LONG-TERM INCENTIVE
STUDY**

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Introduction

The 2008 DolmatConnell & Partners Alternative Energy and Clean Technology Study is our first annual look into executive compensation and long-term incentive practices at publicly-traded Alternative Energy and Clean Technology companies in the US.

In the current economic and political environment, Alternative Energy and Clean Technology companies are gaining visibility, and the products and services that they offer put these companies on track to become industry leaders in the years to come. These companies are experiencing the perfect climate for development and are expected to continue to grow substantially. As these companies continue to gain influence in the market, it will be increasingly important to track and evaluate executive compensation in these emerging industries, as it will be crucial to their success to be able to attract, motivate, and retain the best executive talent.

As the industries continue to grow and mature, we expect that more companies will file for IPO as they look to raise capital in public markets. Consequently, the coming years will allow for further insight into executive compensation trends that we will continue to examine.

We hope that you find this study both informative and insightful. If you would like to discuss any aspect of this study further, please contact us at dcinfo@dolmatconnell.com.



Jack Dolmat-Connell
Chief Executive Officer

Study Sample Profile: Company Size

Green Movement

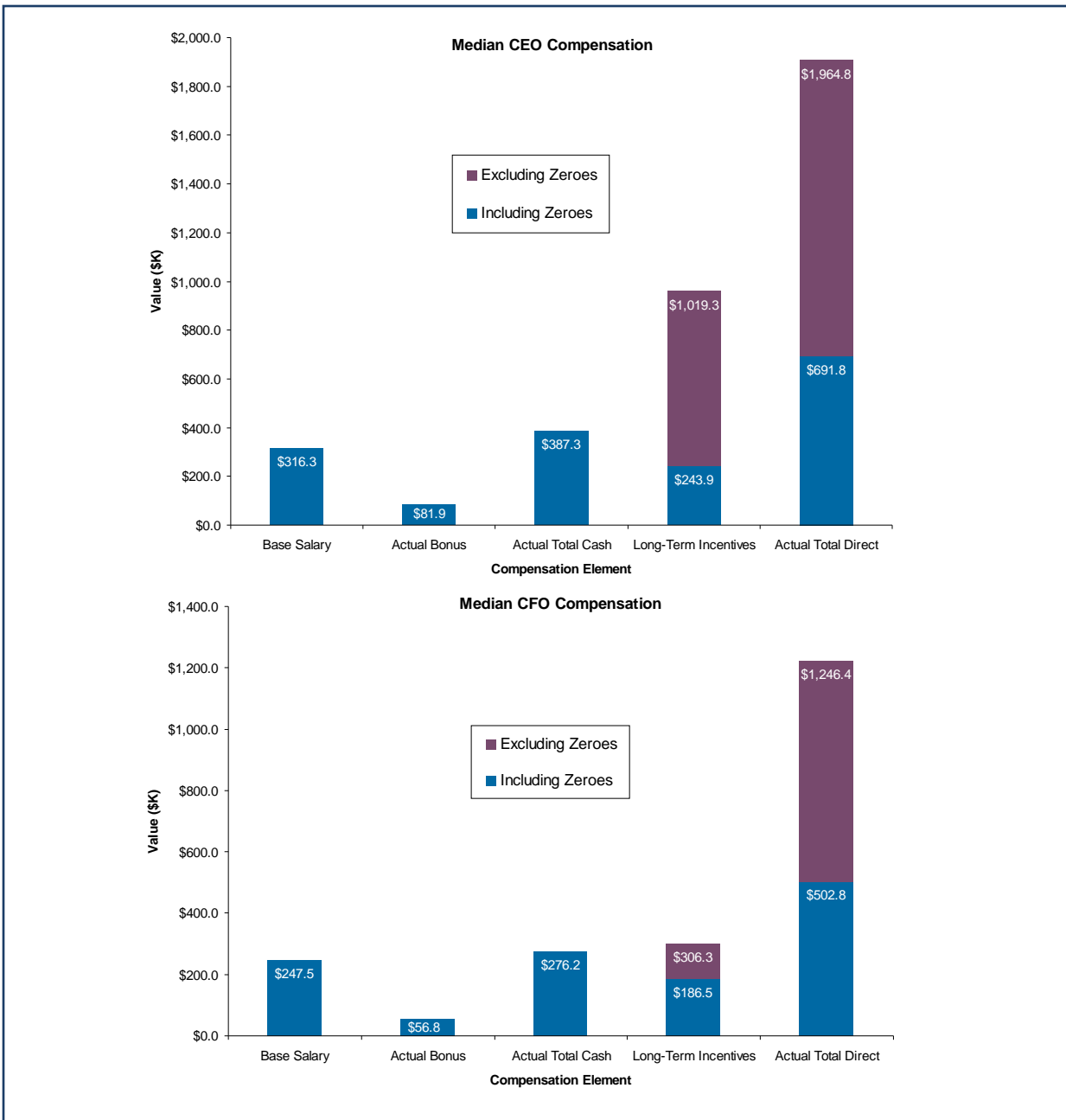
The “green” industries of Alternative Energy and Clean Technology (CleanTech) are still emerging and recently have been gaining favor in the market. The 32 companies included in this year’s study are the public companies with Alternative Energy or CleanTech as their primary business, traded on a major exchange, and based in the US. The companies are relatively small in market capitalization as well as revenue, yet still provide a reliable basis for meaningful analysis. These companies are generally not profitable with negative earnings per share and net income even at the 75th percentile for the most recent fiscal year. Our analysis shows that the companies in this study generally have pay practices that are typically found in smaller, less mature companies. While these companies are small now, we believe this industry is an emerging leader and will soon be one of the top performing sectors.

	25 th Percentile	50 th Percentile	75 th Percentile
Market Capitalization (\$M)	\$129.8	\$189.1	\$769.0
Total Shareholder Return	-55.6%	-19.0%	18.5%
Revenue (\$M)	\$15.0	\$48.4	\$135.9
EPS	(\$1.16)	(\$0.49)	(\$0.08)
Net Income (\$M)	(\$32.5)	(\$15.9)	(\$2.2)

Pay Levels: CEO and CFO Compensation

Total Compensation Elements

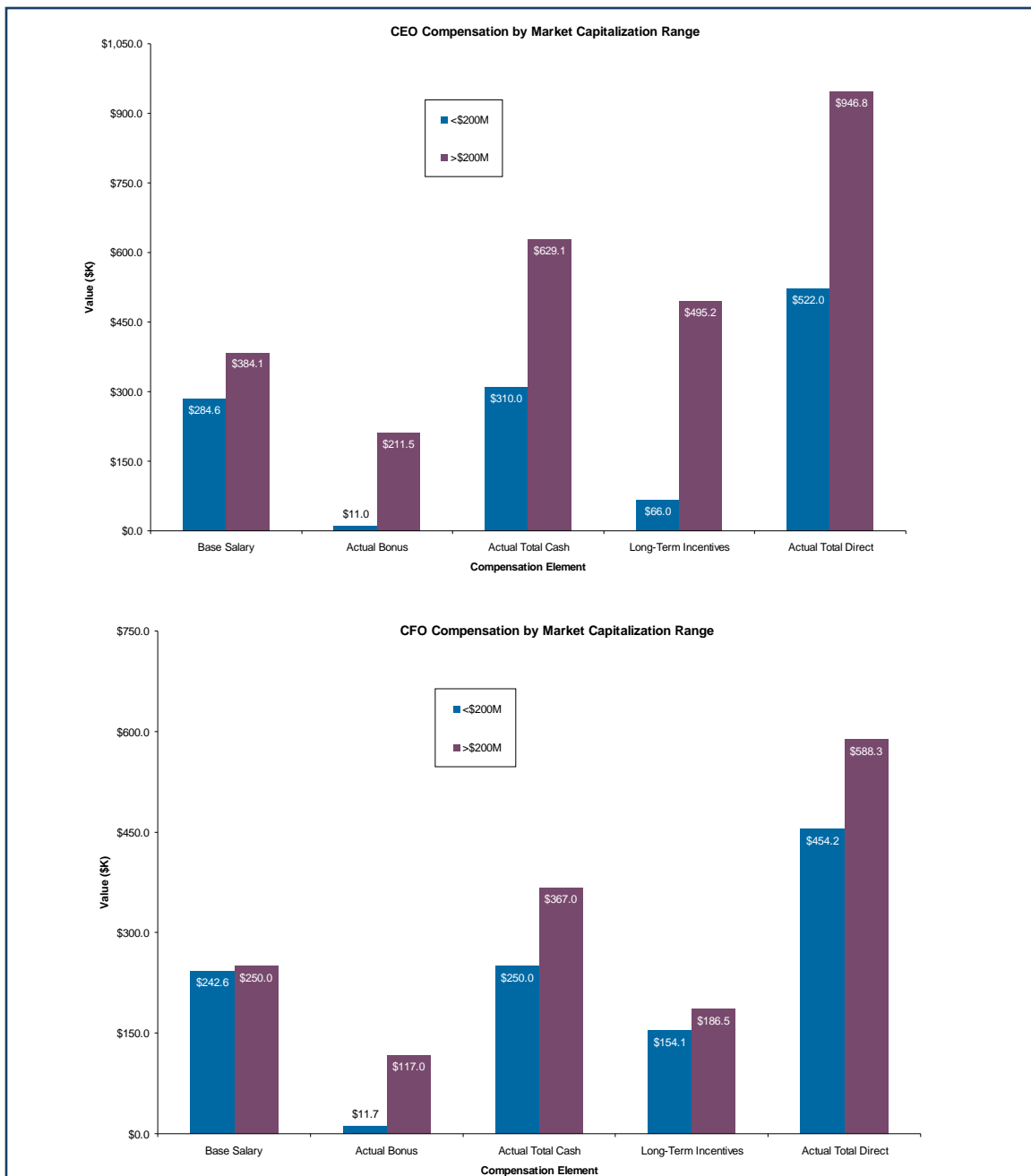
Only six companies disclosed bonus targets in the most recent fiscal year, and of those, the median target bonus as a percent of base salary for CEOs is 75% and for CFOs is 45%. Base salaries and actual bonuses are low, but reflect the small size of the companies. Due to the significant number of companies that did not provide long-term incentive (LTI) compensation in the most recent fiscal year, we have shown LTI and actual total direct compensation both including and excluding zeroes. Additionally, LTI grants at Alternative Energy and CleanTech companies are lower than cash compensation, contrary to what is typically seen in the broader market.



Pay Levels: CEO and CFO Compensation

Company Size Matters

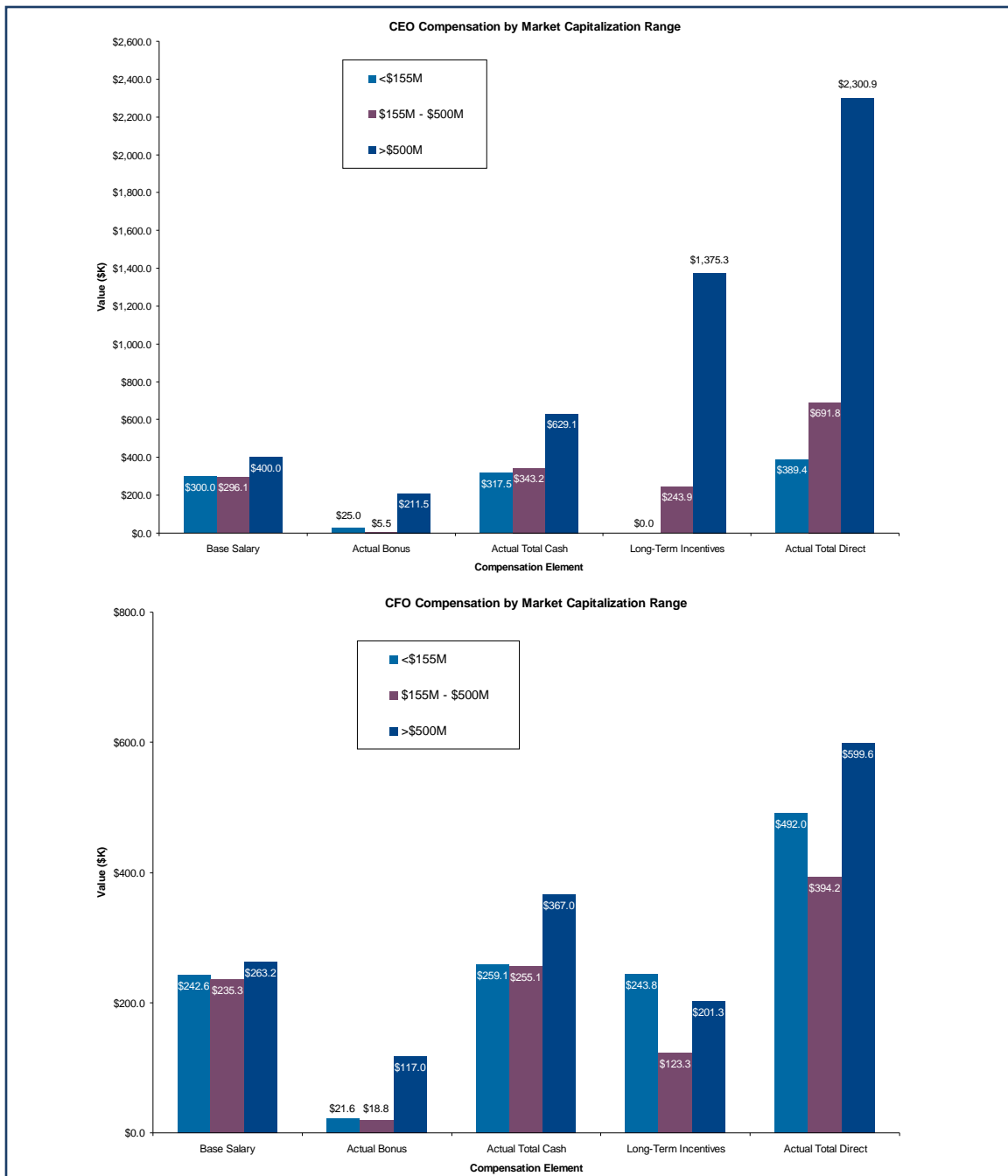
Pay is strongly correlated with company size, and our analysis in Alternative Energy and CleanTech companies shows no exception. Though revenues at many of these companies are still very small (almost 20% of companies have less than \$10M in revenue), market capitalization figures are significant enough to provide a better platform for subdividing the companies by size. Clearly, larger companies pay more than the smaller companies in every aspect of compensation. Bonus plans may not be in place at smaller firms, resulting in large disparities in actual bonus payouts between the larger and smaller firms.



Pay Levels: CEO and CFO Compensation

Company Size and Compensation

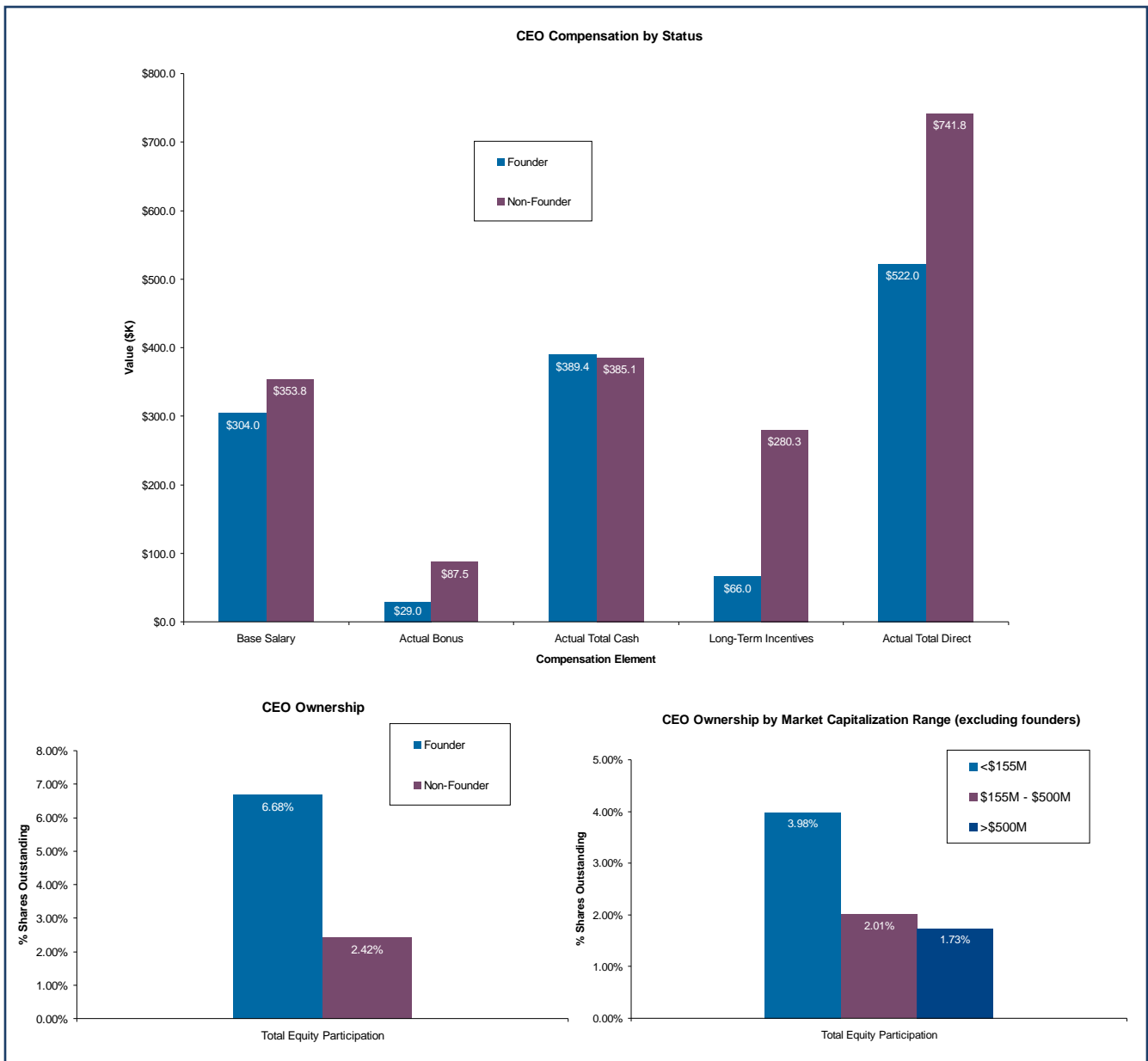
Similar to the charts on the previous page, the charts below display CEO and CFO compensation subdivided further by market capitalization. As companies increase in size, compensation also increases. Interestingly, CFOs at companies with below \$155M in market capitalization paid more than the companies in the middle third market capitalization range; however, almost half of the smallest third CFOs were recently hired, which resulted in higher-than-normal compensation due to large new-hire LTI grants.



Pay Levels: CEO Compensation and Ownership

Ownership in Growing Companies

Almost 20% of the companies included in this study have founder CEOs, and similar to the broader market, founders tend to receive less cash compensation than non-founders due to their significant levels of ownership. Due to founders' high levels of ownership, founders tend to receive less LTI on an annual basis, but hold significantly more shares from a total equity participation perspective (shares held outright, unexercised options, and unvested restricted shares as a percent of shares outstanding). Total equity participation among non-founders tends to fall as companies increase in market capitalization due to increased shares outstanding resulting in greater dilution.



Long-Term Incentives: Instrument Prevalence

Balancing Time and Performance

Unlike companies in more established industries such as Technology and Life Sciences, Alternative Energy and CleanTech companies use full-value shares almost as much as stock options. Some of the advantages that restricted shares provide include the reduction of share utilization (burn rate) and the ability to always deliver value to executives as long as stock price is greater than \$0. Stock options are the most prevalent instrument, if only by a small margin, as young companies in growth stages are taking advantage of the upside potential that stock options provide. Performance-based restricted shares are the least prevalent instrument, reflecting the difficulty of setting appropriate performance targets in an industry that is still in early stages. Furthermore, most of the companies granting performance-based restricted shares are larger than \$200M in market capitalization, again signifying the difficulty of setting long-term performance targets in smaller, less mature companies. Larger companies (over \$200M in revenues) use full-value shares significantly more than the smaller companies and time-based restricted shares, generally used as retention instruments, are more than twice as prevalent at larger companies than smaller ones.

Long-Term Incentive Instrument Prevalence		Market Capitalization Ranges	
	All Companies	<\$200M	>\$200M
Stock Options	59%	65%	53%
Time-Based Options	59%	65%	53%
Performance-Based Options	3%	6%	0%
Full-Value Shares (RSAs / RSUs)	53%	35%	73%
Time-Based RSAs / RSUs	47%	29%	67%
Performance-Based RSAs / RSUs	16%	6%	27%

Note: Represents grants made in the most recent fiscal year.
LTI instrument data is based upon CEO and CFO positions at each company.
Prevalence totals in the chart above may not equal summary prevalence figures discussed in this study as some companies grant a combination of options and RSAs or RSUs.

Long-Term Incentives: Instrument Use

Company Specific Instrument Usage

The table below displays the instruments used by each of the study companies. Nineteen percent of companies use performance-based LTI plans (LTIP), and of that 19%, two-thirds are over \$200M in market capitalization. The most prevalent performance metric used is EPS / net income, while cash flow, gross profit / margin, and other non-financial metrics were also used. Other non-financial metrics, which include such milestones as the establishment of new plants and the completion of other strategic business initiatives, were used instead of other more frequently used metrics in other industries (such as revenue). This is likely due to the stage of life of these companies, which are generally not yet profitable and therefore have more difficulty setting financial targets.

Company	Options	Time Vested Options	Performance Options	RSAs / RSUs	Time Vested RSAs / RSUs	Performance RSAs / RSUs	Performance Based LTIP	No Grants	Market Capitalization	
									<\$200M	>\$200M
Active Power, Inc.	✓	✓		✓	✓				✓	
Akeena Solar, Inc.	✓	✓							✓	
American Superconductor Corp.	✓	✓		✓	✓	✓	✓			✓
Aventine Renewable Energy Holdings, Inc.				✓		✓	✓			✓
Beacon Power Corp.	✓	✓		✓	✓				✓	
Biofuel Energy Corp.	✓	✓		✓	✓				✓	
Capstone Turbine Corp.	✓	✓		✓	✓					✓
Covanta Holding Corp.	✓	✓		✓	✓	✓	✓			✓
Daystar Technologies, Inc.	✓	✓							✓	
Energy Conversion Devices, Inc.				✓	✓					✓
Enernoc, Inc.	✓	✓		✓	✓					✓
Evergreen Energy, Inc.				✓		✓	✓		✓	
Evergreen Solar, Inc.				✓	✓	✓	✓			✓
First Solar, Inc.				✓	✓					✓
Fuel Tech, Inc.								✓		✓
FuelCell Energy, Inc.	✓	✓		✓	✓					✓
Green Plains Renewable Energy, Inc.	✓	✓		✓	✓				✓	
HydroGen Corp.								✓	✓	
Lime Energy Co.	✓	✓							✓	
Ormat Technologies, Inc.	✓	✓								✓
Pacific Ethanol, Inc.								✓	✓	
Plug Power, Inc.	✓	✓		✓	✓					✓
Power Integrations, Inc.	✓	✓								✓
Quantum Fuel Systems Technologies Worldwide, Inc.	✓	✓							✓	
Renegy Holdings, Inc.								✓	✓	
Rentech, Inc.								✓		✓
Satcon Technology Corp.	✓	✓							✓	
Spire Corp.								✓	✓	
U.S. Geothermal, Inc.	✓	✓							✓	
Verasun Energy Corp.				✓	✓					✓
Verenium Corp.	✓	✓	✓	✓	✓		✓		✓	
Xethanol Corp.								✓	✓	
Prevalence	59%	59%	3%	53%	47%	16%	19%	22%	53%	47%

Long-Term Incentives: Instrument Mix

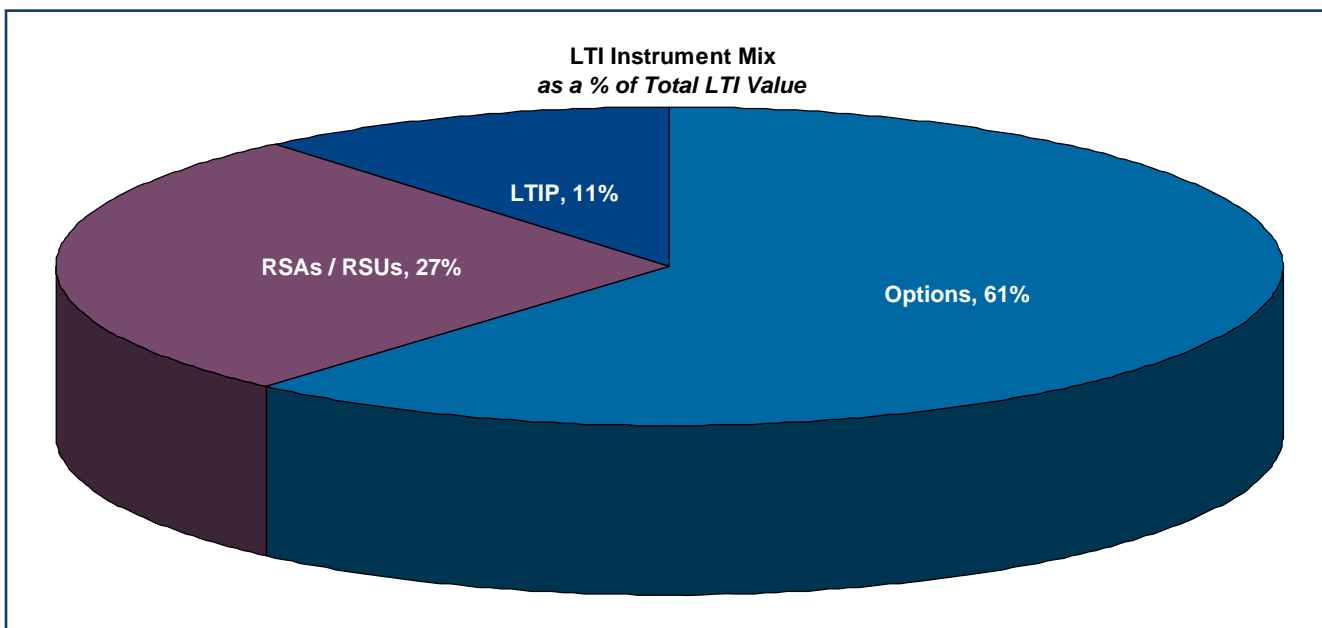
A Singular Approach

For the companies that granted LTI in the most recent fiscal year, most only employed one instrument, which is markedly different than the portfolio approach seen in the broader market. Surprisingly, almost a quarter of the Alternative Energy and CleanTech companies did not grant long-term incentives in the most recent fiscal year. Almost half of the companies that did not grant LTI in the past year have granted LTI at some time in the past, but do not yet make annual grants given their size and stage of life. The companies that have never granted LTI since being public are the smallest in the sample, and we expect to see these companies begin granting LTI annually as they mature and need to recruit and retain top talent.

	Number of LTI Instruments Used
0 (No Grants)	22%
1 Instrument	41%
2 Instruments	28%
3 Instruments	9%

Upside Potential Reigns

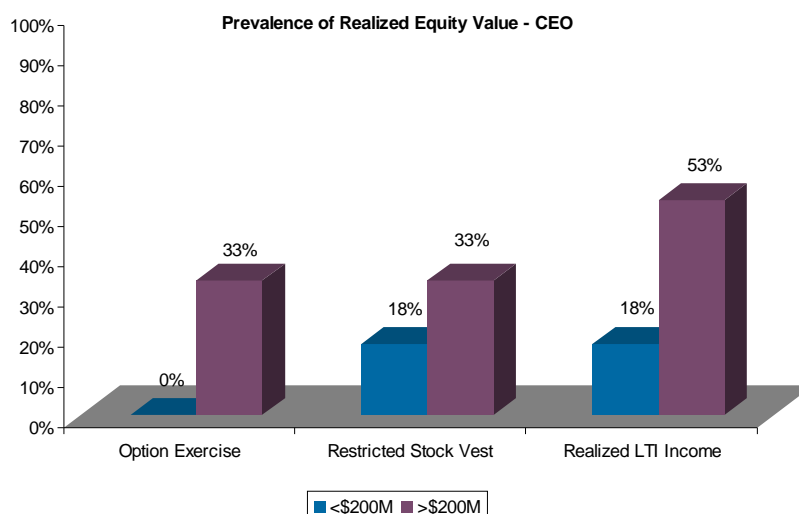
Of those companies granting LTI, the majority of grant-date LTI value is delivered in the form of stock options, similar to trends we have seen in the 2008 DolmatConnell & Partners *Tech100* and *LifeScience100* studies. However, unlike the *Tech100* and *LifeScience100*, RSAs and RSUs make up more of the value than performance-based LTI awards, due to the low prevalence of LTIP use, characteristic of less mature companies.



Realized and Unrealized Pay: Prevalence and Value

Emerging Industry, Emerging Opportunity

Realized pay (which includes option exercises, restricted share vesting, and cash compensation) and unrealized pay (consisting of outstanding equity) provide a meaningful look into actual executive income. Only recently were companies required to disclose realized and unrealized pay for executives, but they are already providing significant insight into executive compensation. Not surprisingly, realized pay in the form of equity is uncommon among CEOs in the Alternative Energy and CleanTech industries due to the less consistent LTI grant practices than typically seen in other industries. Consequently, realized equity pay at the median is generally zero as CEOs and CFOs at smaller companies do not have LTI to exercise, and CEOs and CFOs at the larger firms are choosing not to exercise in anticipation of increasing stock prices in the future. As these industries continue to grow, there is significant potential for realized and unrealized pay to increase extraordinarily, as already evidenced by unrealized equity held by CEOs. CEOs in companies with over \$200M in market capitalization have over 130 times the unrealized equity value of the smaller companies.



Median Realized Value (\$K)				
	CEO		CFO	
	<\$200M	>\$200M	<\$200M	>\$200M
Option Exercise	\$0.0	\$0.0	\$0.0	\$0.0
Restricted Share Vesting	\$0.0	\$0.0	\$0.0	\$0.0
Total Realized Equity Compensation	\$0.0	\$143.1	\$0.0	\$146.8
Actual Total Cash	\$310.0	\$629.1	\$250.0	\$367.0
Total Realized Pay	\$317.5	\$831.5	\$269.1	\$688.2

Median Unrealized Equity Value (\$K)				
	CEO		CFO	
	<\$200M	>\$200M	<\$200M	>\$200M
Vested Options	\$0.0	\$2,425.1	\$0.0	\$0.0
Unvested Options	\$0.0	\$701.4	\$0.0	\$152.6
Unvested Restricted Shares	\$0.0	\$530.0	\$73.0	\$154.1
Total Unrealized Equity Value	\$55.1	\$7,303.2	\$76.0	\$1,394.3

Note: Sum of median components may not equal median total.

Methodology: Study Sample

The 2008 DolmatConnell & Partners Alternative Energy and Clean Technology Study is an analysis of data from a group of 32 publicly-traded (on a major exchange), US-based firms in the Alternative Energy and Clean Technology industries. Median statistics have been presented in the Study Sample Profile on page 2.

- Founders and new-hires have been included due to the limited sample size.
- Approximately 40% of the companies are located in California or Massachusetts, with New York and Illinois representing another 20% of the companies.

This year's Alternative Energy and Clean Technology company list includes:

ACTIVE POWER, INC.	GREEN PLAINS RENEWABLE ENERGY, INC.
AKEENA SOLAR, INC.	HYDROGEN CORP.
AMERICAN SUPERCONDUCTOR CORP.	LIME ENERGY CO.
AVENTINE RENEWABLE ENERGY HOLDINGS, INC.	ORMAT TECHNOLOGIES, INC.
BEACON POWER CORP.	PACIFIC ETHANOL, INC.
BIOFUEL ENERGY CORP.	PLUG POWER, INC.
CAPSTONE TURBINE CORP.	POWER INTEGRATIONS, INC.
COVANTA HOLDING CORP.	QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE, INC.
DAYSTAR TECHNOLOGIES, INC.	RENEGY HOLDINGS, INC.
ENERGY CONVERSION DEVICES, INC.	RENTECH, INC.
ENERNOC, INC.	SATCON TECHNOLOGY CORP.
EVERGREEN ENERGY, INC.	SPIRE CORP.
EVERGREEN SOLAR, INC.	U.S. GEOTHERMAL, INC.
FIRST SOLAR, INC.	VERASUN ENERGY CORP.
FUEL TECH, INC.	VERENIUM CORP.
FUELCELL ENERGY, INC.	XETHANOL CORP.

Methodology: Data Collection & Analysis

The elements of compensation analyzed in this study include:

- Base Salary
- Actual Bonus – last fiscal year’s bonus plus non-equity incentive payout
- Target Bonus – last fiscal year’s bonus target
- Actual Total Cash – base plus actual bonus
- Stock Options – valued at the grant-date fair value using the Black-Scholes option pricing model
- Restricted Stock Awards (RSAs) / Units (RSUs) – valued at the grant-date full value of the shares
- Performance Shares / Units – valued at target (where applicable)
- Actual Total Direct Compensation – actual total cash plus total long-term incentive compensation (excluding non-qualified deferred compensation)
- Realized Pay – actual total cash plus options exercised and restricted stock vested
- Unrealized Pay – vested but unexercised options, unvested options, and unvested restricted shares
- Total Equity Participation – shares held plus options and restricted shares outstanding as a percentage of shares outstanding

Data employed in this study reflects proxy-disclosed compensation data from the most recently available filings as of July 2008.

Data for the survey are obtained in part from Equilar, Inc., a leading independent provider of executive and board compensation analysis.



Equilar, a NASDAQ alliance partner, is the market leader for benchmarking executive and board pay. Equilar’s online solutions help clients make informed decisions on board-level compensation matters and were voted Top 10 Product of the Year by Human Resource Executive. Equilar's research has been featured in leading media publications including Fortune, The New York Times and The Wall Street Journal.

About DolmatConnell & Partners

Who We Are

DolmatConnell & Partners is a privately held compensation consulting firm dedicated to providing independent, insightful, and innovative advice in all areas of executive compensation and Board of Directors remuneration.

At a time of unprecedented scrutiny of executive compensation programs, DolmatConnell & Partners delivers the independent advice required in today's demanding governance environment. We have no benefits brokerage, HR outsourcing, insurance, actuarial, or management consulting conflicts and no cross-selling pressures.

Our consultants draw on their significant consulting and corporate experience to provide insightful advice to a wide range of clients, including venture-backed startups and Fortune 500 companies. DolmatConnell & Partners offers expertise that rivals our largest competitors with the innovative, tailored advice and exceptional client service associated with a dynamic consulting boutique.

What We Deliver to Our Clients

Independence

- Our independence is assured by our exclusive focus on compensation consulting. Our success is determined by long-lasting client relationships, not by cross-selling additional products or services.

Insight

- Our consultants are recognized experts in executive compensation. Since our inception, DolmatConnell & Partners' consultants have been cited in numerous publications, including The Wall Street Journal and The New York Times.

Innovation

- Our expertise and exceptional client service result in sound analysis and innovative strategies that help companies deliver appropriate compensation solutions. We provide clients with access to our industry research studies and newsletters to keep them informed of the rapidly changing executive compensation landscape.

To Learn More

Visit our website at www.dolmatconnell.com.

To join our newsletter and client advisory mailing list, please email us at dcinfo@dolmatconnell.com.



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