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**Sustainability**

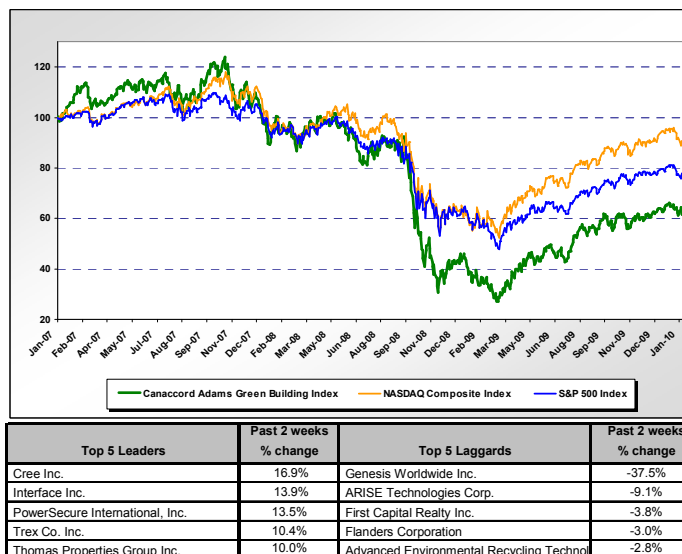
# Green Building Semimonthly

**Looking up**

If you're a "glass half-full" type of person, last week's economic reports reaffirmed that the recovery, while fragile, is strengthening. New housing starts in January, for example, jumped 21% y/y to 591,000 units. Meanwhile, the Conference Board's index of leading economic indicators increased for the tenth consecutive month in January (+0.3%) and was also up nearly 9% on a y/y basis – that marked the fastest y/y growth since 2004. And finally, recently released minutes from the Federal Reserve Board's Open Markets Committee indicated that members believe the US economy will generate inflation-adjusted growth of 2.8-3.5% in 2010 and 4% in 2011 and 2012.

Our Green Building Index rose 5.7% over the past two weeks, compared with a 4.0% increase in the S&P 500 Index. Since the start of the year, our Green Building Index is up 4.4% vs. -0.5% for the S&P 500 Index and -1.1% for the NASDAQ Comp. Index.

**Figure 1: Canaccord Adams Green Building Index**



Source: Capital IQ, Canaccord Adams. Past performance does not predict future results.

Canaccord Adams is the global capital markets group of Canaccord Financial Inc. (CF : TSX | CF. : AIM)

The recommendations and opinions expressed in this Investment Research accurately reflect the Investment Analyst's personal, independent and objective views about any and all the Designated Investments and Relevant Issuers discussed herein. For important information, please see the Important Disclosures section in the appendix of this document or visit <http://www.canaccordadams.com/research/Disclosure.htm>.



## GREEN BUILDING BLOCKS

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### A “DOLLARS AND SENSE” ARGUMENT FOR GOING GREEN

One of the most pressing questions in the green building market is whether “going green” actually makes economic sense. As we noted a couple of years ago in our report “The Green Building Boom: How to profit from the Green Building movement,” studies have shown that the perceived costs for new green construction projects were as much as three times as high compared with the actual costs. More recently, a 2009 study by the World Business Council for Sustainable Development showed the perceived cost of making green improvements to an existing building was 17% higher than the actual cost.

Despite these concerns, plenty of new green construction and retrofit projects are going forward anyway, suggesting that real estate industry participants and investors increasingly recognize the long-term economic value of going green. Their judgments do have a basis in reality, as a new report from investment consulting firm Mercer cites several key studies showing an economic benefit for being (or going) green:

- A January 2009 study by Maastricht University found a 16-17% premium on green building transaction prices (sales per square foot).
- A 2008 University of Arizona study found Energy Star properties commanded higher market values, higher rents and lower expenses compared to properties with no energy efficiency rating.
- A 2009 study by Henley University Business School (Reading, UK) found commercial building price premiums of 10% and 31%, respectively, for Energy Star and LEED-certified buildings.
- A 2008 study by CoStar Group found LEED-certified buildings achieved an \$11.33/sq. foot premium on rentals compared to non-LEED peer buildings. In addition, LEED-certified buildings generated a \$181/sq. foot premium in sales prices vs. non-LEED peer buildings. Meanwhile, Energy Star buildings also achieved rental and sales price premiums compared with non-Energy Star peer buildings, though the premiums were relatively small.

So what’s the upshot of all this? Mercer says that “market demand for energy efficient real estate is growing and supply is limited – a combination that can lead to price premiums and cost savings for [real estate] investors.” They advise real estate investors/building owners to assess their entire property portfolio to first identify poorly performing buildings in need of energy efficiency upgrades. Often times, “no- or low-cost energy efficiency improvements can have quick and dramatic impacts on property operating costs.” Thus, poorly performing buildings (from an energy-efficiency standpoint) “represent an opportunity for a significant investment gain when it comes to energy efficiency.”

This strategy makes perfect sense, in our view. Think of energy-inefficient buildings as akin to “value” stocks – their depressed values typically reflect subpar operating performance. However, savvy investors may see considerable upside potential if the inherent value of the assets can be unlocked. Frequently, energy efficiency retrofits are the solution here – and these retrofits needn’t be even that complicated or expensive, according to Mercer’s analysis.

For example, EPA guidelines for best practices in energy-efficiency retrofit projects call for lighting upgrades first, followed by reducing supplemental load sources, and then adjusting/optimizing air-delivery systems. This is not rocket science, just basic common sense.

While a number of factors are driving the trend toward energy efficiency – think of legislative mandates, social/environmental considerations, and a desire to reduce operating costs – we conclude that real estate investors/owners increasingly recognize the higher asset value of green buildings. Simply put, if green (energy-efficient) buildings can reliably command higher market prices than their less-efficient peers, more buildings are going to go green. So far, the evidence backs up this theory. And we suspect that as the credit market loosens, energy-efficiency retrofits are likely to be the top agenda item for real estate owners who lacked the capital for upgrades – particularly as they seek ways to recapture equity value lost in the commercial real estate downturn.

**Figure 2: Coverage overview**

February 19, 2010	Share Information					Revenue		EBITDA				EPS				Per Share	
(\$ in millions, except per share data)	Ticker	Price	Target Price	Mkt Cap	Rating	CY09E	CY10E	CY09E	EV/EBITDA	CY10E	EV/EBITDA	CY09E	P/E	CY10E	P/E	Net Cash/(Debt)	T Book
<b>Recycling and Enviro Solutions</b>																	
American Ecology Corp.	ECOL	\$14.98	\$18	\$273	HOLD	\$129	\$85	32	7.8x	31	8.1x	\$0.78	19.2x	\$0.75	20.0x	\$1.10	\$5.17
Astec Industries, Inc.	ASTE	\$25.81	\$25	\$585	HOLD	\$725	\$730	51	10.7x	54	10.2x	\$0.96	26.9x	\$0.95	27.2x	\$1.59	\$18.33
Casella Waste Systems Inc.	CWST	\$4.74	\$6	\$122	BUY	\$507	\$530	119	5.7x	132	5.1x	(\$3.14)	N/A	(\$0.60)	N/A	(\$21.56)	(\$2.62)
GrafTech International Ltd.	GTI	\$12.00	\$18	\$1,448	BUY	\$637	\$956	117	12.4x	239	6.0x	\$0.01	N/A	\$1.15	10.4x	\$0.06	\$4.46
Horsehead Holding Corp.	ZINC	\$10.64	\$15	\$463	BUY	\$217	\$333	(24)	N/A	54	5.5x	(\$0.70)	N/A	\$0.55	19.3x	\$3.91	\$7.56
Kadant Inc.	KAI	\$14.46	\$18	\$180	BUY	\$225	\$252	9	19.9x	22	7.6x	(\$0.29)	N/A	\$0.70	20.7x	\$0.86	\$7.75
LKQ Corp.	LKQX	\$18.83	\$17	\$2,702	HOLD	\$2,005	\$2,100	265	11.9x	303	10.4x	\$0.84	22.4x	\$0.97	19.4x	(\$3.07)	\$0.93
Metalico Inc.	MEA	\$5.56	\$7	\$259	BUY	\$291	\$421	29	12.6x	50	7.2x	\$0.09	61.8x	\$0.35	15.9x	(\$2.17)	\$0.88
Schnitzer Steel Industries Inc.	SCHN	\$48.69	\$62	\$1,368	BUY	\$1,795	\$2,241	64	23.5x	188	7.9x	\$0.29	N/A	\$2.59	18.8x	(\$4.44)	\$18.50
Sims Metal Management *	ASX:SGM	A\$19.00	A\$21	A\$3,895	HOLD	A\$6,389	A\$8,270	A143	25.6x	A471	7.8x	A\$(0.18)	N/A	A\$1.01	18.8x	A\$1.10	A\$7.19
<b>Green Building</b>																	
Apogee Enterprises, Inc.	APOG	\$14.38	\$15	\$398	HOLD	\$750	\$680	94	3.5x	63	5.1x	\$1.52	9.5x	\$0.76	18.9x	\$2.69	\$9.80
Baldor Electric Co.	BEZ	\$30.91	\$25	\$1,452	HOLD	\$1,538	\$1,565	248	10.6x	271	9.8x	\$1.35	22.9x	\$1.25	24.7x	(\$25.35)	(\$16.28)
ICF International Inc.	ICFI	\$23.01	\$34	\$364	BUY	\$663	\$755	60	9.6x	78	7.5x	\$1.33	17.3x	\$1.40	16.4x	(\$13.75)	(\$6.84)
Interface Inc.	IFSLA	\$8.49	\$7	\$539	HOLD	\$849	\$880	93	7.7x	99	7.2x	\$0.27	31.4x	\$0.31	27.4x	(\$2.74)	\$2.40
Lime Energy Co.	LIME	\$5.14	\$9	\$117	SPEC. BUY	\$81	\$110	(4)	N/A	4	22.5x	(\$0.49)	N/A	\$0.03	N/A	\$1.08	\$1.56
LSB Industries Inc.	LXU	\$14.35	\$18	\$324	BUY	\$534	\$575	58	6.3x	57	6.3x	\$0.98	14.6x	\$0.88	16.3x	(\$1.65)	\$6.70
NCI Building Systems Inc.	NCS	\$2.00	\$4	\$600	BUY	\$832	\$940	32	20.2x	59	11.0x	(\$0.56)	N/A	(\$0.41)	N/A	(\$0.15)	\$0.80
Orion Energy Systems, Inc	OESX	\$5.56	\$7	\$126	BUY	\$62	\$95	(3)	N/A	8	12.0x	(\$0.20)	N/A	\$0.15	37.1x	\$1.31	\$3.79
Real Goods Solar, Inc.	RSOL	\$3.08	\$3	\$56	SPEC. BUY	\$63	\$77	(4)	N/A	1	84.6x	(\$0.10)	N/A	\$0.02	N/A	\$0.77	\$1.60
Trex Co. Inc.	TREX	\$17.82	\$17	\$267	HOLD	\$261	\$300	37	8.5x	47	6.6x	(\$0.04)	N/A	\$0.30	59.4x	(\$2.79)	\$7.70

Source: Capital IQ and Canaccord Adams / \* Note that ASX:SGM information is in Australian dollars

Source: Capital IQ and Canaccord Adams estimates. Further information on the methodologies used to derive our target prices, and the risks that could impede achievement of these targets, is available upon request. Disclosure information for all of Canaccord Adams research coverage can be found at <http://www.canaccordadams.com/research/Disclosure.htm>.

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## CANACCORD ADAMS SUSTAINABILITY FORUM

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After enduring a challenging year, the Sustainability sector enters 2010 with secular growth drivers intensifying, as industry, governments, and consumers all begin to accelerate critical efforts on creating a cleaner, smarter and more efficient world.

New challenges and opportunities await investors moving forward, as emerging technology trends converge with commercial realities – and as quality of management, innovation, and market breadth carry added emphasis. With over 10 years of dedicated specialization in this dynamic market, we take the opportunity to help investors identify those investable areas that offer differentiated and compelling growth potential for both the short and long term.

Please join us for our 3<sup>rd</sup> annual Sustainability Forum, where we will address these issues directly. The format will be one-on-one investor meetings with some of the leading public and private companies across the Lighting, Smart Grid, Water, Transportation, and Green Building markets, among others.

**To RSVP or for more information:**

Please contact Nadine Miller at 617.371.3842 or [nadine.miller@canaccord.com](mailto:nadine.miller@canaccord.com)

Date: Wednesday-Friday, March 3-5, 2010

**Location: The St. Regis Deer Crest Resort**

2300 Deer Valley Drive East

Park City, Utah

For reservations: 435.940.5700

**Agenda:**

Wednesday, March 3: Arrival and pre-registration

Thursday, March 4 and Friday, March 5: 7:30 a.m. – 8:00 a.m. Breakfast

8:00 a.m. – 4:30 p.m. Company one-on-one meetings

**Preliminary participating companies include:**

Bridgelux, Canadian Solar (CSIQ), CAO Group, Carmanah Technologies (TSX: CMH), Control 4, Echelon (ELON), EcoSynthetix, Energy Solutions (ES), EnerNOC (ENOC), Evergreen Solar (ESLR), ESCO Technologies (ESE), First Solar (FSLR), GrafTech International (GTI), GridPoint, ICF International (ICFI), Itron (ITRI), Kadant (KAD), Landis + Gyr, Lighting Science Group (LSCG), LSI Industries (LYTS), Nalco Holdings (NLC), NCI Building Systems (NCS), Nexxus Lighting (NEXS), Nichia, Orion Energy Systems (OESX), RecycleBank, Rubicon Technology (RBCN), SemiLEDs, Solarfun (SOLF), Solexant, Supertex (SUPX), Telvent (TLVT), Tetra Tech (TTEK), and Veeco Instruments (VECO).

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## RECENT RESEARCH

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Over the past few weeks, we published an update on NCI Building Systems (NCS: NYSE: \$2.05 | BUY), which is reprinted here.

### **NCS: NEW MANUFACTURING LINE UP AND RUNNING; MAINTAIN BUY, \$4 TARGET**

#### **Event**

Our research indicates that NCI's Insulated Panel Systems (IPS) subsidiary has a new manufacturing line up and running at its Jackson, Mississippi facility. The new line produces insulated steel panel systems for roof and wall applications.

#### **Impact**

Positive. As energy efficiency grows in importance, insulated roof and wall panels are gaining greater attention within the building/construction community due to their thermal efficiency attributes. Notably, NCI has experienced this trend directly, as its insulated metal panels have continued to show y/y sales growth even through the ongoing downturn in the nonresidential construction industry. We see the company's decision to devote resources toward constructing a new manufacturing line as evidence that NCI anticipates solid growth within this market segment going forward.

While it is difficult to gauge the potential sales contribution from insulated metal panels, company management has indicated that these products could produce as much as \$150M in annual revenues in a "best-case" scenario. Using our F2012 sales estimate of approximately \$1.1B, that would represent about 15% of total sales.

#### **Action**

We maintain our BUY rating and \$4 price target, based on a "normalized" 6x EV/EBITDA ratio on longer-term projected EBITDA of \$200M.

Figure 3: NCI Building Systems income statement

	Fiscal Year 2009					Fiscal Year 2010E					Fiscal Year 2011E					FY 2011	FY 2012
	FY 2008	Q1 Jan-09	Q2 Apr-09	Q3 Jul-09	Q4 Oct-09	FY 2009	Q1E Jan-10	Q2E Apr-10	Q3E Jul-10	Q4E Oct-10	FY 2010	Q1E Jan-11	Q2E Apr-11	Q3E Jul-11	Q4E Oct-11		
Net sales	\$ 1,764,159	\$ 260,364	\$ 224,719	\$ 238,439	\$ 244,401	\$ 967,923	\$ 185,000	\$ 192,000	\$ 210,000	\$ 225,000	\$ 812,000	\$ 205,000	\$ 220,000	\$ 230,000	\$ 250,000	\$ 905,000	\$ 1,085,000
% change (sequential)	na	-49%	-14%	6%	3%	na	-24%	4%	9%	7%	na	-9%	7%	5%	9%	na	na
% change (year over year)	9%	-28%	-46%	-50%	-52%	-45%	-29%	-15%	-12%	-8%	-16%	11%	15%	10%	11%	11%	20%
Cost of sales	1,322,131	213,836	177,604	177,333	183,410	752,183	144,300	148,800	161,700	172,125	626,925	159,900	169,400	174,800	188,750	692,850	810,525
% of net sales	75%	82%	79%	74%	75%	78%	78%	78%	77%	77%	77%	78%	77%	76%	76%	77%	75%
Gross profit	439,132	16,527	31,212	61,080	60,644	169,463	40,700	43,200	48,300	52,875	185,075	45,100	50,600	55,200	61,250	212,150	274,475
Gross margin %	24.9%	6.3%	13.9%	25.6%	24.8%	17.5%	22.0%	22.5%	23.0%	23.5%	22.8%	22.0%	23.0%	24.0%	24.5%	23.4%	25.3%
General & administrative	283,589	54,307	54,654	49,603	51,613	210,177	45,000	47,000	48,000	50,000	190,000	45,000	48,000	49,000	52,000	194,000	206,000
% of total revenue	16%	21%	24%	21%	21%	21.7%	24%	24%	23%	22%	23.4%	22%	22%	21%	21%	21%	19%
Adj EBITDA	199,966	1,585	3,092	21,386	18,546	44,609	1,800	4,200	8,300	10,875	25,175	8,100	10,600	14,200	17,250	50,150	100,475
EBITDA margin %	11.3%	0.6%	1.4%	9.0%	7.6%	4.6%	1.0%	2.2%	4.0%	4.8%	3.1%	4.0%	4.8%	6.2%	6.9%	5.5%	9.3%
Restructuring/other charge	833	520,107	108,732	1,213	12,732	642,784	1,900				1,900					-	-
Operating income	154,710	(557,887)	(132,174)	10,264	(3,701)	(683,498)	(6,200)	(3,800)	300	2,875	(6,825)	100	2,600	6,200	9,250	18,150	68,475
Operating margin %	8.8%	-214.3%	-58.8%	4.3%	-1.5%	-70.6%	-3.4%	-2.0%	0.1%	1.3%	-0.8%	0.0%	1.2%	2.7%	3.7%	2.0%	6.3%
Interest/other income, net	(24,330)	(4,730)	(3,564)	(3,618)	(106,078)	(117,990)	(4,000)	(4,000)	(4,000)	(4,000)	(16,000)	(3,800)	(3,600)	(3,400)	(3,200)	(14,000)	(12,800)
Pretax income	130,380	(562,617)	(135,738)	6,646	(109,779)	(801,488)	(10,200)	(7,800)	(3,700)	(1,125)	(22,825)	(3,700)	(1,000)	2,800	6,050	4,150	55,675
Pretax margin %	7%	-216%	-60%	3%	-45%	-83%	-6%	-4%	-2%	-1%	-3%	-2%	0%	1%	2%	0%	5%
Provision for income taxes	51,499	(34,007)	(15,531)	2,675	(6,163)	(53,026)	(1,500)	(1,500)	(1,500)	(1,500)	(6,000)	2,500	2,500	2,500	2,500	10,000	32,000
Effective rate	39%	6%	11%	40%	6%	7%	15%	19%	41%	133%	26%	-68%	-250%	89%	41%	241%	57%
Net income	78,881	(528,610)	(120,207)	3,971	(103,616)	(748,462)	(8,700)	(6,300)	(2,200)	375	(16,825)	(6,200)	(3,500)	300	3,550	(5,850)	23,675
Net margin %	4.5%	-203.0%	-53.5%	1.7%	-42.4%	-77.3%	-4.7%	-3.3%	-1.0%	0.2%	-2.1%	-3.0%	-1.6%	0.1%	1.4%	-0.6%	2.2%
Preferred stock dividends					11,713		9,000	9,000	9,000	9,000	36,000	10,000	10,000	10,000	10,000	40,000	24,000
Net income applicable to stock					(115,329)		(17,700)	(15,300)	(11,200)	(8,625)	(52,825)	(16,200)	(13,500)	(9,700)	(6,450)	(45,850)	(325)
EPS	\$ 4.05	\$ (27.19)	\$ (6.17)	\$ 0.20	\$ (3.89)	\$ (37.05)	\$ (0.20)	\$ (0.17)	\$ (0.12)	\$ (0.09)	\$ (0.58)	\$ (0.18)	\$ (0.15)	\$ (0.11)	\$ (0.07)	\$ (0.50)	\$ (0.08)
% change (year over year)	+32%	-7126%	-907%	-88%	-410%	-1015%	-99%	-97%	-160%	-98%	-98%	-9%	-13%	-14%	-26%	-14%	-84%
Diluted shares	19,486	19,438	19,470	19,496	29,655	22,015	90,500	90,750	91,000	91,250	90,875	91,500	91,750	92,000	92,250	91,875	196,313
Gross margin	24.9%	6.3%	13.9%	25.6%	24.8%	17.5%	22.0%	22.5%	23.0%	23.5%	22.8%	22.0%	23.0%	24.0%	24.5%	23.4%	25.3%
EBITDA margin	11.3%	0.6%	1.4%	9.0%	7.6%	4.6%	1.0%	2.2%	4.0%	4.8%	3.1%	4.0%	4.8%	6.2%	6.9%	5.5%	9.3%
Operating margin	8.8%	-214.3%	-58.8%	4.3%	-1.5%	-70.6%	-3.4%	-2.0%	0.1%	1.3%	-0.8%	0.0%	1.2%	2.7%	3.7%	2.0%	6.3%
Net margin	4.5%	-203.0%	-53.5%	1.7%	-42.4%	-77.3%	-4.7%	-3.3%	-1.0%	0.2%	-2.1%	-3.0%	-1.6%	0.1%	1.4%	-0.6%	2.2%

Company stats as of 10/31/09

Cash/investments	\$ 90,419	Total debt	\$ 136,085
Cash per share	\$ 1.00	Total Debt/EBITDA	183%
Inventories	\$ 71,537	Debt/Equity	274%
DSOs	31	Book Value/Share	\$1.67
Inventory Days	35	Tangible Book/Share	\$0.54

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Source: Company reports, Canaccord Adams estimates  
2/18/2010

Calendar year data (ending Jan.)

Year	Revenue	Margin	EPS	Y/Y Change
2009	\$ 892,559	5.0%	\$ (10.05)	N/A
2010E	\$ 832,000	3.8%	\$ (0.56)	N/A
2011E	\$ 940,000	6.3%	\$ (0.41)	N/A

Source: Company reports and Canaccord Adams estimates



## UNDER CONSTRUCTION...

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If you're like us, you're probably not in the habit of reading press releases from the National Security Agency (NSA), the federal government organization tasked with codemaking and codebreaking. Anyway, we thought we overheard a TV news report the other day stating, in all seriousness, that NSA was the nation's leading recycler of ceiling tiles. Ceiling tiles?

Amateur sleuths that we are, we decided to investigate this seemingly improbable claim. To our surprise, we heard correctly: NSA is indeed the nation's leading recycler of ceiling tiles – and more than that, they're proud of it. In fact, the super-secretive spy agency issued a press release on the subject, which also trumpeted its “ever-growing ‘green’ program.” For details, read on:

### NSA goes “greener,” leads the nation in recycling ceiling tiles

(FT MEADE, MD)—The National Security Agency (NSA) was recognized by Armstrong World Industries (AWI) on December 18 for being the nation's leader in recycling ceiling tiles. NSA started recycling ceiling tiles in September 2008 and processed more than 400,000 ceiling tiles by November 2009.

NSA also adopted the Leadership in Energy and Environmental Design (LEED) guidelines as part of its “NSA Goes Green” program. These efforts help the agency improve its buildings, making them more efficient on the inside for its workers and more environmentally friendly on the outside for the community. NSA's ever-growing “green” program includes recycling ceiling tiles and other materials, improving its buildings, and adding fuel efficient cars to its fleet of government vehicles.

According to AWI, recycling 400,000 square feet of ceiling tiles is equivalent to diverting 400,000 pounds of waste from landfills or saving 278,000 kilowatt hours of energy. As one of the largest employers in Maryland, NSA takes its responsibility to be a good neighbor and environmentally sound very seriously.



Aerial view of NSA in Fort Meade, Maryland.

Is it a coincidence the spy agency's headquarters is designed to look like a black box? (Just wondering.)

Image source: NSA

**Figure 4: Canaccord Adams Green Building Index member companies**

Company	Primary Business
Acuity Brands, Inc. (NYSE:AYI)	Lighting fixtures
Advanced Environmental Recycling Technologies, Inc. (NasdaqCM:AERT)	Composite lumber
Akeena Solar, Inc. (NasdaqCM:AKNS)	Solar power
Apogee Enterprises Inc. (NasdaqGS:APOG)	Energy efficient glass
Baldor Electric Co. (NYSE:BEZ)	Efficient motors
Brookfield Properties (TSX: BPO)	REIT
Capstone Turbine Corp. (NasdaqGM:CPST)	Microturbines
Comfort Systems USA Inc. (NYSE:FIX)	HVAC services
Comverge, Inc. (NasdaqGM:COMV)	Demand response and energy efficiency
Cree Inc. (NasdaqNM:CREE)	LED lighting
Day4 Energy Inc. (TSX:DFE)	Solar power
Dialight PLC (LSE:DIA)	LED lighting
Eaga Plc (LSE:EAGA)	Energy efficient solutions
Echelon Corporation (NasdaqGM:ELON)	Building automation controls
Ecology & Environment Inc. (AMEX:EEI)	Environmental consulting
First Capital Realty (TSX: FCR)	REIT
Flanders Corp. (OTCPK:FLDR)	Indoor environmental quality
Genesis Worldwide Inc. (TSX:GWI)	Green building materials
Green Builders Inc. (OTCPK: GRBU)	Residential green building
Headwaters Inc. (NYSE:HW)	Building materials
Herman Miller Inc. (NasdaqGS:MLHR)	Office furniture
ICF International Inc. (NasdaqGS:ICFI)	Environmental consulting
Interface Inc. (NasdaqGS:IFSI.A)	Carpet
Johnson Controls Inc. (NYSE:JCI)	Building automation controls
Kingspan Group plc (ISE:KRX)	Energy efficient insulation
Liberty Property Trust (NYSE:LRY)	REIT
Lime Energy (NasdaqCM:LIME)	Energy efficiency
LSB Industries Inc. (AMEX:LXU)	Geothermal heat pumps
Mueller Water Products, Inc. (NYSE:MWA)	Water efficiency
Orion Energy Systems, Inc (NasdaqGM:OESX)	Energy efficient solutions
PowerSecure International, Inc. (NasdaqGS:POWR)	Energy management/conservation solutions
ProLogis (NYSE:PLD)	REIT
Real Goods Solar (NASDAQM:RSOL)	Solar power
Servidyne, Inc. (NasdaqGM:SERV)	Energy efficient consulting services
SmartCool Systems (TSXV: SSC)	Energy efficiency technology
Stantec Inc. (TSX:STN)	Architectural design and consulting
Steelcase (NYSE: SCS)	Office furniture
SunPower Corporation (NasdaqGS:SPWR)	Solar power
Thomas Properties Group Inc. (NasdaqGM:TPGI)	REIT
Trex Co. Inc. (NYSE:TREX)	Composite lumber
WaterFurnace Renewable Energy (TSX:WFI)	Heat pumps
<b>Stock Exchange Symbol Key:</b>	
AMEX: American Stock Exchange	
ISE: Irish Stock Exchange	
LSE: London Stock Exchange	
NasdaqCM: Nasdaq Capital Market	
NasdaqGM: Nasdaq Global Market	
NasdaqGS: Nasdaq Global Select	
NYSE: New York Stock Exchange	
OTCPK: Over the counter pink sheets	
TSX: Toronto Stock Exchange	
TSXV: Toronto Venture Exchange	

Source: Canaccord Adams



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## INVESTMENT RISKS

### NCI Building Systems

- NCI is heavily dependent upon the price and supply of steel. Higher steel prices could adversely affect demand for new construction, cause supply disruptions, or lower profit margins if steel costs cannot be fully passed through to customers. Lower steel prices could cause write-downs in the value of steel held. Either scenario could negatively affect the profitability and cash flow of the company.
- The construction industry is highly cyclical, and a decline in economic conditions could reduce demand for NCI's products and services offered.
- The company's convertible preferred stock will be dilutive to NCI common shareholders. Because NCI does not have sufficient authorized and unissued shares to permit the conversion of all 250,000 shares of convertible preferred stock owned by the CD&R funds, NCI intends to effect a reverse stock split.

In addition to these risk factors, we recommend that investors look at the complete risk factors, which can be found in the most recent SEC filing.

**APPENDIX: IMPORTANT DISCLOSURES**

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**Distribution of Ratings:**

Global Stock Ratings  
(as of 1 February 2010)

Rating	Coverage Universe		IB Clients	
	#	%	#	%
Buy	393	59.6%	29	29.5%
Speculative Buy	83	12.6%	56	56.6%
Hold	167	25.3%	18	18.6%
Sell	16	2.4%	0	0.0%
	659	100.0%		

**Canaccord Ratings System:**

**BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.

**NOT RATED:** Canaccord Adams does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

**Risk Qualifier:**

**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

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