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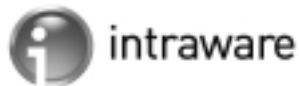
JULY 2004

FEATURED COMPANY

Intraware: Software Delivery Out of the Box

BY ELIZABETH LEVY

Have you ever visited your company's IT department? If you have, chances are that you found at least one stack of discards from the technological revolution – CDs and discs, jewel boxes, user's manuals,



and cardboard cartons galore. That stack of trash will only continue to grow. According to www.greendisk.com, U.S. consumers will generate over 10 billion CDs and disks that will turn into waste over the next five years. If you add in the packaging and shipping materials, this amounts to about 1.7 billion cubic feet of landfill, or a landfill about 1 square mile and 60 feet deep!

Most people never consider this waste stream, except to occasional-

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THE INTERNET AND THE ENVIRONMENT

BY ELLEN PFEIFER



LIKE THE AUTOMOBILE, LIGHT BULB AND PRINTING PRESS, THE INTERNET – THAT VAST INTERTWINED CONSTELLATION OF INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT) – HAS PROFOUND IMPLICATIONS FOR THE NATURAL ENVIRONMENT. ON THAT POINT, THERE IS GENERAL AGREEMENT. HOWEVER, WHETHER ITS IMPACT WILL BE POSITIVE, NEGATIVE, OR BOTH REMAINS A HUGE COMPLICATED QUESTION.

Economic researchers and scientists believe ICT has the potential to slow or even reverse ecological degradation, to have a greening effect on the environment. But that potential is so vulnerable to the million variables of human behavior and other factors that solid generaliza-

tions and predictions are impossible to make this early in Internet history.

Declining Energy Intensity: An Internet effect?

One optimistic trend points to a slight greening

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MARKETBEAT PAGE 2

Internet Stocks on the Rebound

Internet industry has become a bona-fide, double-digit growth machine



PORTFOLIO UPDATE PAGE 6

Lions Gate to Screen Fahrenheit 9/11

Entertainment group to distribute Michael Moore's award-winning new documentary



**ROBINSON ADDRESSES
NYC RENEWABLE
ENERGY FORUM**

Energy generation is clearly one of the most central and divisive issues today, impacting both the environment as well as society at large. Renewable energy, in particular, presents a unique opportunity to reduce these impacts. On June 24th, Winslow Management founder Jackson Robinson spoke at the "Renewable Energy Finance Forum - Wall Street", a conference co-sponsored by the American Council On Renewable Energy (ACORE) and Euromoney Institutional Investor Plc. and held in New York City.

At the sold-out event, Robinson updated the crowd on observations made on investing in the renewable energy sector at the ACORE meeting in 2002. He described both the risks and rewards of investing in renewable energy, as well as the market's perception of stocks within the sector. He then presented key drivers for the renewable energy industry over the next few years, pointing out that both environmental and geopolitical factors are increasingly making renewable energy an attractive choice. Looking forward, he concluded with a broad outlook for the industry, forecasting that more investors will become involved as the global market continues to grow.

For a copy of this presentation, please see <http://www.winslowgreen.com>.

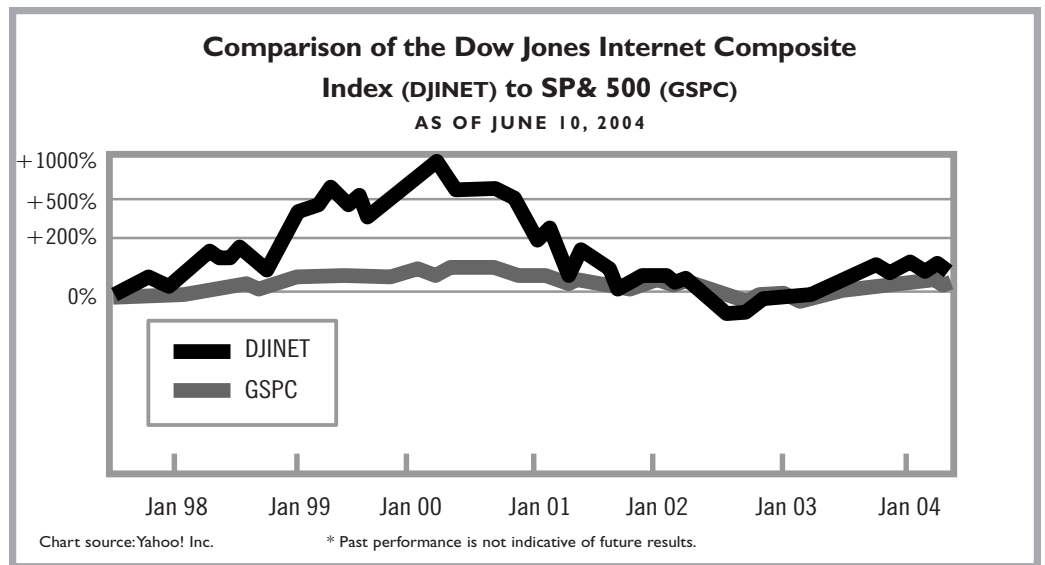
Internet Stocks: Beleaguered No Longer

BY JACKSON W. ROBINSON

Internet stocks are re-emerging. After a volatile boom and bust cycle that lasted a decade and peaked at the turn of this century, the Internet industry has become a bona-fide, double-digit growth machine. Online retail sales alone are now projected to exceed \$120 billion, according to a recent *Economist* article (May 15, 2004). Just as individuals and corporations can no longer afford to ignore the Internet, neither should growth investors.

(S&P 500) rose at an annual rate of just 18%, (see chart). But after 2000, things went downhill for the Internet sector.

From its peak in early 2000, the DJINET dropped by 94% to a new low of 27.01 in September 2002. Unable to raise capital, many second- and third-tier companies, of which there were hundreds, either closed their doors or merged with other firms. Investors who ignored or missed the Internet boom of the late 1990s felt



In June 1997, the Dow Jones Internet Composite Index (DJINET)— which tracks digital commerce and services stocks —stood at 41.77. After a modest rise in 1998, the DJINET rose very rapidly to hit 446.57 by February 2000. This ten-fold increase in less than three years generated a whopping compound annual growth rate of 143%. During the same time period, the Standard and Poor's 500

vindicated as Internet shareholders enjoyed nothing but tax losses. However, as Wall Street was souring on the rapidly declining stocks, Internet usage continued to increase, a trend that was largely overlooked. Internet companies with solid business models were gaining traction. Rising revenues were soon to be followed by legitimate profitability.

Today, the DJINET index of 40 stocks

encompasses a wide range of small to large firms with a total market capitalization of \$200 billion. The smallest stock in the index is E-Loan (EELN) valued at \$164 million. Four of the biggest stocks (Amazon, eBay, InterActive Corp. and Yahoo) enjoy valuations in excess of \$20 billion. The median company in the index is CNET Networks (CNET), valued at about \$1.5 billion.

Of the 40 DJINET companies, 35 are currently profitable. Based on a composite of earnings estimates by Wall Street analysts, 38 of the companies will be profitable by 2005, reflecting annual growth rates of 23% or three times the estimated rate for the S&P 500.

From its 2002 low, the DJINET has risen to 74.24 at the end of May 2004, a 175% increase in less than two years versus the S&P 500, which rose a modest 37%. Given the very favorable business and financial dynamics in the Internet

sector, we believe that the recent positive performance by the index presages a long-term, favorable investment trend. Among the companies that we believe should benefit from this healthy climate is Intraware (Nasdaq:ITRA), featured in this issue of *Winslow Environmental News*.

Winslow is not alone in its optimism about Internet investing. Once again, the Internet space is attracting large amounts of venture capital. For example, in June, web-site operator and technology magazine publisher TechTarget Inc. received an unusually large infusion of \$70 million in venture funding. This spring, the leading search portal company Google announced plans for an IPO seeking to raise the enviable amount of \$2.7 billion.

Not only is the Internet here to stay, we believe it promises to be one of the great long-term growth investment strategies of the 21st century. □

Winslow is not alone in its optimism about Internet investing. Once again, the Internet space is attracting large amounts of venture capital.

NEW ADDITION TO WINSLOW!

BY NICOLÉ KEANE

Winslow is pleased to welcome Elizabeth Levy as our new Environmental Analyst and Managing Editor of the *Winslow Environmental News* (WEN).

Liz joined Winslow in May of this year, bringing strong environmental research experience from the Tellus Institute, an environmental research and consultancy non-profit. At Tellus, Liz was a member of the Business and Sustainability research group, where her work focused on environmental accounting and environmental reporting. Liz has also spent time at Innovest Strategic Value Advisors, where she analyzed the environmental performance of domestic and international companies in a variety of industry sectors.

Liz will be leading the environmental audit process at Winslow. In addition to conducting financial, quantitative and technical analysis,

Winslow reviews the environmental performance of all its equity and bond holdings to generate an environmental ranking based on Winslow's proprietary screening methodology. Jackson Robinson, president of Winslow, welcomed Liz, stating, "We are extremely pleased that Liz Levy has joined the Winslow team, as she has the experience, skill set, and passion for the environment to take Winslow's environmental research to the next level."

Liz received her undergraduate degree from the College of William and Mary, where she majored in chemistry and minored in biochemistry. She also holds a Masters degree in Environmental Management from the Yale University School of Forestry and Environmental Studies, with a concentration in Industrial Environmental Management. □

One optimistic trend points to a slight greening effect that may be attributable in part to the Internet.

INTERNET continued from page 1

effect that may be attributable in part to the Internet. In the years 1996-2001, just when ICT was taking firm hold, there was a sharp decline in energy intensity (defined as energy consumption relative to constant dollar shipments of manufactured products by the Department of Energy's Energy Information Administration) in the United States. That means that energy use per dollar of GDP dropped significantly, according to researchers G.A. Boyd and John A. Laitner in their study, "recent trends in the U.S. Energy Intensity: An index number analysis." (International Association of Energy Economics Newsletter).

Laitner explains "since 1960, overall U.S. energy consumption has increased at roughly half the rate at which the nation's economy has grown. The reason for the slower rate of growth in energy use is that the nation's energy intensity has also been declining" – at an average annual rate of 1.3%.

That was true until 1996. Between 1996 and 2001, however, the decline plummeted to 2.8% a year.

(Laitner, "Information Technology and U.S. Energy Consumption: Energy Hog, Productivity Tool or Both?," *Journal of Industrial Ecology*, Vol. 6, No. 2, 2003)

What can explain this? Certainly, all electronic equipment has become more energy efficient over time. Some analysts attribute the dramatic change to weather-related phenomena. Boyd and Laitner believe the decline was caused by "structural change in the economy – the continued shift from the extraction of raw materials and the production of goods to the delivery of high-end, value-added services, including, but not limited to, Internet-related services." Dr. Joseph Romm, of the Center for Energy and Climate Solutions contends that "the Internet economy itself seems to be generating both structural and efficiency gains."

(Testimony before the House Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs, February 2, 2000)

Internet: Not an energy hog

The statistics on energy intensity would seem to be further evidence against the notion that ICT is an energy hog. Indeed some early digital doomsayers had forecast massive Internet-related increases in electricity use, and a concomitant rise in greenhouse gas emissions. For example, in a notorious 1999 article in *Forbes* magazine ("Dig More Coal – the PCs are Coming"), P. Huber and Mark P. Mills estimated that the Internet and computer-related equipment were gobbling up 8% to 13% of all U.S. electric consumption. This assertion gained wide currency throughout the mass media. However, a later study (2002) carried out by Arthur D. Little, Inc. demonstrated that Huber's and Mills' position was not supported by fact. Instead, it posited that "office and communication equipment consumes about 2.7% of delivered electricity nationwide, or just less than 9% of all electricity consumed in commercial buildings."

The Environmental Promise of ICT

This is not to say that the manufacture and deployment of ICT equipment is not energy – and resource – intensive nor that disposal of obsolete equipment is without environmental hazards. However, the huge universe of ICT operations and applications could offset its inherent environmental burden through the profound ecological enhancements it makes possible. Consider the following:

- ICT can help reduce energy consumption by shifting activities from transportation to telecommunication and by assisting the design of more energy-efficient vehicles, appliances, and equipment;
- ICT can lead to better environmental management and policy choices as the result of improved monitoring and modeling;
- ICT can lead to dematerialization by substituting

online or digitally stored data for printed material (see accompanying article on IntraWare); and

- ICT can assist in waste management by supporting waste-exchange transactions.

(Shuzo Katsumoto: "Information and Communications Technology and the Environment—An Asian Perspective," *Journal of Industrial Ecology*, Vol. 6, No. 2, 2003)



The Hard-to-Predict Variables, Unintended Consequences, Second- and Third-Order Effects

The problem with these ICT-enabled benefits is that they are all subject to the vagaries of human, economic, technological, and climatic behavior. As David Rajeske points out, "...seemingly small decisions – by consumers, logistics firms, or businesses – can have large outcomes, often shifting environmental impacts from positive to negative or vice versa." (*Journal of Industrial Ecology*, Vol. 6, No. 2, 2003).

Consider, for example, the case study of grocery home delivery in Finland as reported in the previously cited *Journal of Industrial Ecology*. The researchers wanted to know if online purchasing of groceries coupled with home delivery could result in a decrease of greenhouse gas emissions.

Using the metropolitan area of Helsinki, they created several models for e-grocery ordering and delivery. These included deliveries made within one hour or up to several days, deliveries with the customer present or those in which groceries were

left in unattended refrigerated receptacles outside a customer's home. Not too surprisingly, they found that the models offering grocery stores the greatest flexibility in delivery times and predicated on 100% market share could "reduce GHG emissions 18% to 87% from the situation in which house-

holds do the shopping trips using their own cars."

What skewed the results of the study were the many variables that, in real life, would prevent 100% participation. Among these were the unwillingness of some customers to pay for deliveries; the wide-ranging transportation habits of customers; and the necessity or preference of some shoppers to make last minute purchases. The study authors acknowledged that "implementation of the model would require significant changes in the shopping habits of customers and cooperation of a new kind between retailers and their customers."

Too Early to Get a Clear Picture

The researchers studying the environmental implications of ICT agree that much more time, data, and analysis will be needed before a clear picture emerges. In the meantime, though, the Internet can be a useful tool for getting out the word about all the urgent issues from climate change to resource depletion to pollution of soil, water and air. □

The problem with these ICT-enabled benefits is that they are all subject to the vagaries of human, economic, technological, and climatic behavior.

PORTFOLIO UPDATE

Distributed Energy Systems Corp. (NASDAQ:DESC)

WAITSFIELD, VT – Two of Distributed Energy's divisions recently announced new agreements recently. Northern Power Systems, Inc., a subsidiary of Distributed Energy Systems Corp. (DESC), first signed a \$2.0 million cooperative agreement with the U.S. Department of Energy (DOE) in June to advance the development of its NorthWind 100 (NW 100) wind turbine. Later in the month, Proton Energy Systems Inc., a DESC unit, signed a three-year distribution agreement with GE Supply, a unit of General Electric Co. (GE).

Northern's two-year agreement mandates Northern to promote development of the next generation of wind turbine technology by capitalizing on its research, development, and design strengths. The project is being undertaken with GE Energy as a major subcontractor and design partner. GE Energy is one of the leading suppliers to the wind turbine market. DESC President Walter "Chip" Schroeder stated in a June press release that devel-

oping the NW 100 "is an important element in Distributed Energy Systems' plan for growth in the renewable energy market."

Proton's agreement, over a year and a half in development, sets up GE as the nonexclusive distributor of Proton's HOGAN 40 and H-series of hydrogen generator systems used in electric generator cooling in power plants.

The products will be distributed throughout the world, excluding certain central and eastern European countries.

SurModics, Inc. (NASDAQ:SRDX)

EDEN PRAIRIE, MN – SurModics, Inc., a manufacturer of drug-coated medical devices, announced in June two new polymer technologies that enhance the release of drugs from its appliances. They are the Encore Drug Delivery Polymer Matrix and the Accolade Microparticle Drug Eluting System.

The Encore Matrix is a second-generation system that helps refine timed release of drugs. The Accolade System utilizes biodegradable microparticles in combination with a coating matrix to deliver bioactive agents, including low molecular weight drugs and proteins.

Bruce Barclay, SurModics' President and Chief Operating Officer, said the new technologies "greatly expand our potential applications in one of SurModics' targeted growth areas – site-specific drug delivery." The new offerings will allow customers to "deliver a wider variety of therapeutic agents from more

types of devices than was previously possible."

Lions Gate Entertainment

(AMEX: LGF)

SANTA MONICA, CA, VANCOUVER, BC AND NEW YORK, NY – Lions Gate Films, the motion picture production and distribution group of Lions Gate Entertainment, has agreed to distribute Michael Moore's award-winning new documentary *Fahrenheit 9/11* in the US. LGF, in partnership with Harvey and Bob Weinstein's specially created Fellowship Adventure Group, and IFC Films, will release the Cannes Film Festival *Palme D'Or*-winning film on June 25. Pay TV rights will be handled by Showtime, another Lions Gate partner.

Moore stated, "...I welcome the addition of Lions Gate and IFC to our quest in bringing good family entertainment to the viewing public. Jon Feltheimer (now head of Lions Gate) produced my series *TV Nation* and IFC produced my series *The Awful Truth*. Not only am I in good hands, I am grateful to them now that everyone who wants to see it (the movie) will have the chance to do so – thanks to the record number of screens on which they plan to open it."

Walt Disney Co. declined to release the movie – which is openly critical of George W. Bush – through its distribution subsidiary Miramax Films before the November presidential elections. Disney made the decision because it is "a nonpartisan company." Lions Gate has previously picked up two other films from

Disney, the religious satire *Dogma* in 1999 and 2001's violent *O*, based on Shakespeare's *Othello*.

Chiquita Brands International, Inc.

(NYSE: CQB)

CINCINNATI, OH – New Chiquita CEO Fernando Aguirre visited the Winslow offices recently to talk about recent company changes and plans for the future of the banana giant. Aguirre said Chiquita will move toward developing a more performance-based corporate culture, and is looking to build its marketing capabilities. Aguirre also hinted at a number of new products, several of which are currently being tested in Europe. In the U.S., Chiquita will continue to build its Fresh Cut Fruit product line and look for new markets in which to sell it.

In addition, Chiquita is looking to expand its organic fruits business. Aguirre commented that many producers are interested in growing organic bananas, and the company can earn a 10-20% premium on a crop that costs the same to produce as conventional bananas. He also reported that the company is working to develop more disease resistant, GMO-free bananas, as well as bananas with taste, size, and texture optimized for American consumers.

Aguirre emphasized one change that is sure to interest WEN readers. Chiquita, which has previously been reluctant to brag about its corporate social responsibility (CSR) practices, now plans to highlight CSR in its marketing campaigns.

INTRAWARE continued from page 1

ly bemoan the ever-increasing space it occupies. But Intraware (Nasdaq: ITRA), a company specializing in digital delivery services, constantly thinks about this junk, and the resources and money squandered generating it.

Intraware has dedicated itself to eliminating it. The company provides a service called Electronic Software Delivery and Management (ESDM), which allows software companies to transmit their products directly to customers. Instead of physical copies, a software company distributes its digital products via the Internet using ITRA's SubscribeNet.

A New Paradigm for Software Delivery

Traditionally, when a software company develops a new product or updates an existing one, the new program must be physically delivered to the customer. This simple act entails many upstream and downstream processes with real environmental and financial impacts: CDs, jewel cases, user's manuals

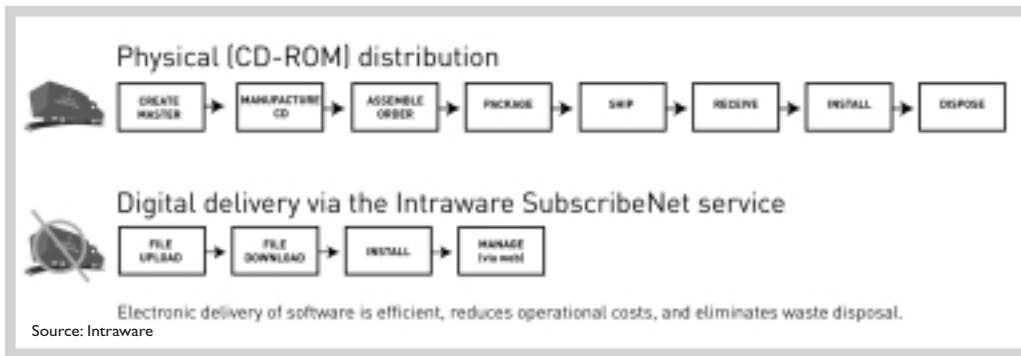
space. Astonishingly, ITRA estimates that once a product does reach its intended customers, up to half of the software may never even be opened!

ESDM Saves Money

Intraware's ESDM eliminates all of these waste-producing steps. Not only does this method spare the environment, but it enhances the bottom line of software clients. One satisfied customer, Robert Caldwell, Senior Director of IT Applications at Vignette Corp, notes that using ITRA's SubscribeNet has saved his company "literally hundreds of thousands of dollars over typical processes." Plus, he adds, "revenue recognition can be realized immediately, versus waiting several days" using traditional systems.

ESDM Provides Additional Services

ESDM does more than just get the software to end-users quickly and without waste. ITRA's Web-based delivery and support solution also allows enterprise software companies to administer licens-



and packaging materials must be manufactured, printed, stored, and transported between the manufacturer, the software company, and its clients. Resources expended include petroleum products to create the plastics, trees to produce paper and cardboard, and petroleum fuels (with their attendant greenhouse gas emissions) to power the manufacturing equipment and transportation vehicles. Once the software reaches its final destination, all of the packing and redundant materials must be disposed of--thereby taking up increasingly scarce landfill

es and track customers' use, thus leading to better management of client relationships. Vignette's Caldwell particularly appreciates the personal quarterly updates ITRA provides. Brenda Piper, Director of Manufacturing and Distribution at Progress Software, agrees. "There is no downside [to using SubscribeNet]," she says. Even though some customers initially found it hard to accept software with no packaging, "certain customers won't take it any other way."

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Great Profitability All Around

Besides benefiting his own company, Caldwell points out that Vignette's end user customers also profit from ESDM. Using SubscribeNet, these clients can access software instantly, and delivery is much more straightforward, accurate, and consistent. Piper adds that over 60% of Progress's customers are international, and by using virtual instead of physical delivery, time-consuming and expensive customs procedures are avoided. What's more, she points out, Progress's customers in 17 states don't have to pay sales tax when taking virtual software delivery.

Market Potential is Enormous

At its current level of market saturation, ITRA is already the leading provider of ESDM, with its SubscribeNet servicing 96% of the Fortune 100 companies. However, the potential market for ESDM is enormous. Any company that distributes software to customers is a potential ESDM user. Currently, ITRA divides its own clients into two categories: software and technology firms, and companies, such as financial services or healthcare businesses, that communicate with their clients through specialized digital products. Based on the percent-

age of companies using ESDM now, ITRA speculates that its market could triple, with 30% growth per year. Charles Finnie, a portfolio manager with Apex Capital, agrees that ESDM is likely to grow tremendously over the next few years, adding, "ITRA is the leading provider of services that enable electronic software delivery. As a result, we think ITRA revenues and earnings will grow rapidly over the next three years."

Peter Jackson, ITRA's CEO, admits that some companies have tried to develop their own Internet delivery systems, despite the fact that Intraware programmers can quickly develop and customize a system to meet a client's precise needs. Both Piper and Caldwell acknowledge that it made much more sense to use ITRA's expertise in software delivery than to develop an in-house system.

Caldwell says, "It's important to pick what you're good at and not try to do everything. It was much faster to let Intraware [set up the software delivery system]." Piper concurs. "This isn't our expertise, and we prefer to use the experts to provide this service to our customers." Clearly using Intraware's electronic software delivery and management system benefits both software developers and their customers. □



Should you invest for
the **environment**
superior growth
or **both?**

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