Zacks Small-Cap Research

March 24, 2014

Steven Ralston, CFA
312-265-9426
sralston@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Suite 1600, Chicago, IL 60606-3830

ForceField Energy, Inc. (FNRG-NASDAQ)

FNRG: Trichlorosilane ops divested; now totally focused on LED lighting, ORC projects and smart meters

Current Recommendation	**Neutral**
Prior Recommendation	Underperform
Date of Last Change	02/12/2012
Current Price (03/21/14)	$5.65
Six- Month Target Price	**$6.50**

OUTLOOK

ForceField Energy is pursuing opportunities in the green technology industries of LED lighting, ORC (Organic Rankin Cycle) technology and smart meters. In February, ForceField broadened its LED effort with the acquisition of Catalyst LED, a provider of LED lighting products & solutions. Management's growth initiatives over the last one-and-a-half years have transformed the company, positioning it to benefit from the secular trend toward more efficient energy generation and consumption. Recently, a LED lighting purchase order from an unnamed Fortune 100 company was announced. In February, the legacy TCS operations were divested.

SUMMARY DATA

52-Week High	**$6.25**
52-Week Low	**$4.55**
One-Year Return (%)	**5.61**
Beta	**-0.75**
Average Daily Volume (shrs.)	**23,951**
Shares Outstanding (million)	**14.9**
Market Capitalization ($ mil.)	**$84.4**
Short Interest Ratio (days)	**7.13**
Institutional Ownership (%)	**15.9**
Insider Ownership (%)	**28.2**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2013 Estimate	**N/M**
P/E using 2014 Estimate	**N/M**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small - Growth**
Industry	**Energy – Alt.**
Zacks Rank in Industry	**6 of 15**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	0.51 A	0.53 A	0.23 A	0.87 A	2.13 A
2013	0.29 A	0.22 A	0.29 A	0.33 E	1.12 E
2014	0.38 E	0.47 E	0.48 E	0.57 E	1.90 E
2015					2.50 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2012	-$0.03 A	-$0.04 A	-$0.04 A	-$0.09 A	-$0.21 A
2013	-$0.04 A	-$0.04 A	-$0.04 A	-$0.04 E	-$0.17 E
2014	-$0.05 E	-$0.04 E	-$0.04 E	-$0.04 E	-$0.16 E
2015					-$0.09 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

ForceField converted to a calendar year on 12/31/2011. Prior results adjusted.

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

KEY POINTS

- ForceField's management team seeks out the favorable investment opportunities in the emerging and fast-growing green energy and alternative energy markets. Management's primary focus is to pursue opportunities in two business segments and one other business line: LED lighting and ORC systems, along with smart meters.
- ForceField entered the **LED lighting** and **Organic Rankin Cycle (ORC) systems** industries through an exclusive distribution agreement with **Shanghai Lightsky** and the acquisition of a controlling interest of **TransPacific Energy**, both in August 2012.
- In March 2013, ForceField Energy entered into a cross-distribution agreement with PowerOneData International, giving ForceField the ability to **distribute smart meters**. A LOI was signed for a trial installation of residential electric smart meters by Empresa de Servicios Públicos de Heredia (a Costa Rican manager of utility services) was announced in July 2013.
- In February 2014, ForceField entered into Equity Transfer Agreements to divest its 90% equity interest in Zibo Baokai Commerce and Trade Co., Ltd. and its 60% equity interest in Wendeng He Xie Silicon Co. Ltd. to the minority owners of businesses, effectively **discontinuing the solar energy** [trichlorosilane (TCS) manufacturing and distribution] **segment**.
- In **LED lighting**, ForceField, through its exclusive distribution agreement with Shanghai Lightsky, offers commercial LED lighting systems and products through at least nine sub-distributors and by bidding on large commercial projects. Multiple new relationships and trials have been announced over the last few months. Several commercial trials are underway, for example, with QSR International at fast-food restaurants in Latin America and the Caribbean, Sabia Corporation at Fantastic Proceres Casino in Guatemala and Empresa de Servicios Públicos de Heredia for streetlights in Costa Rica.
  - ForceField Energy offers competitive pricing for quality turn-key LED lighting solutions and can provide attractive financing options so that the reduction of maintenance and operating costs can fund the cost of installation and operation within three years of implementation. The company has signed agreements with two unnamed "Top 10" U.S. banks for LED project financing support.
  - The conversion from traditional lighting to energy-saving LED lighting is expected to continue at a rapid pace. It is possible that LED technology could dominate the lighting market by 2016 as the marketplace adopts energy-efficient LED lighting.
    - ElectroniCast Consultants forecasts that U.S. consumption of LED lighting will reach $2.77 billion in the year 2017, up from the $891 million recorded in 2012.[i]
    - Navigant Research predicts that global revenue from LED lamps will grow from approximately $1.5 billion in 2013 to more than $8.5 billion annually in 2021.[ii]
    - WinterGreen Research anticipates that the worldwide LED lighting market will grow 45% annually through 2019 from $4.8 billion in 2012 to $42 billion by 2019 driven by declining price points and increasing consumer demand.[iii]
  - ForceField Energy has enlisted sub-distribution partners in the U.S, Germany and Ireland to aid in the marketing and sale of LED installations and retrofits. Most provide energy saving consultancy services that can demonstrate the economic benefits of converting to LED lighting.
  - The company is pursuing several direct distribution opportunities in the U.S., Latin America and the Caribbean, notably in Costa Rica and Guatemala.
  - Management is very optimistic that many of the current trials and LOIs will convert into large contracts for LED systems to be installed on a continual basis into the future.
- Through a controlling interest in and non-exclusive distribution agreement with TransPacific Energy, ForceField plans to **install two ORC units** at Zibo Qilin Fushan Iron & Steel Company in China, subject to financing. The units which convert waste heat into electric energy will be owned by ForceField who will sell the electricity generated to Zibo Qilin at a discount to the local utility's price. The anticipated annual revenue run rate is estimated to be approximately $600,000.
- Management is very optimistic that many of the current trials and LOIs will convert into large contracts for LED systems to be installed on a continual basis into the future citing that over $125 million in revenues would be generated over a multi-year period if the current LED and ORC projects

under signed initial agreements, Letters of Intent (LOI), bids and trials are successfully financed and completed. More than $40 million in LOI are in Costa Rica alone.

- In late 2013, management was successful in **uplisting** ForceField Energy's stock **to NASDAQ**. The up-listing should benefit the company through better institutional investor awareness and increased share liquidity.
- Utilizing our benchmark valuation methodology, we expect ForceField's stock to trade into the top quartile of our estimated valuation range of 1.1 and 3.2 times normalized sales, which projects at price target of $6.50.

RECENT NEWS

ForceField Energy exits trichlorosilane operations

On February 19th, ForceField Energy (FNRG) entered into Equity Transfer Agreements to divest its 90% equity interest in Zibo Baokai Commerce and Trade Co., Ltd. and its 60% equity interest in Wendeng He Xie Silicon Co. Ltd. to the minority owners of businesses, effectively discontinuing the company's trichlorosilane (TCS) manufacturing and distribution operating segment. Exiting the solar-related polysilicon market enables ForceField's management to better focus on the sale and distribution of LED lighting products, Organic Rankin Cycle (ORC) waste heat conversion systems and smart electric meters. The **divestiture of the TCS operations**, along with growth initiatives into other alternative energy industries, has meaningfully transformed the company.

Under the Wendeng Agreement, Fairfield Energy will receive 1,462,097 shares of common stock (which will be retired and classified as treasury stock) and pay $50,000 in cash to the minority owners. The retired shares should **reduce shares outstanding by approximately 8.9%**. Under the Baokai Agreement, Fairfield Energy will pay $10,000 in cash to the minority owners, who will assume 100% of any and all current and future liabilities of the Baokai operations. The effective closing date of the Agreements was back-dated to December 31, 2013.

LED Acquisition

On February 2nd, ForceField Energy announced the **purchase of the assets of Catalyst LED LLC**, an Idaho-based provider of customized LED lighting solutions to both commercial and retail customers. The acquisition broadens ForceField's LED product portfolio with Catalyst LED's existing products and also adds a direct-to-consumer distribution network through Catalyst's web-site. Cory Turnbull, the founder and President of Catalyst LED, became ForceField's U.S. Director of LED. The purchase of Catalyst's assets was for an unspecified combination of cash and common stock.

LED Marketing

In mid-February, ForceField Energy **presented a LED lighting retrofit offering** at AKFCF (Association of Kentucky Fried Chicken Franchisees) Convention held in Orlando. After having installed LED lighting retrofit at a KFC location in Latin America for QSR International, ForceField is now offering turnkey LED lighting programs to YUM! franchisees for both new upcoming and existing restaurant locations. ForceField is approved as a registered vendor by YUM!'s Caribbean and Latin American (CARIBLA) Franchise Association, which represents member markets that operate more than 800 restaurants throughout the Caribbean and Latin America. ForceField was the only participant focused on LED lighting solutions at the conference.

Recent LED Contracts

On November 14, 2013, ForceField Energy announced the receipt of a **$175,000 LED lighting purchase order** from **Motivating Graphics** Inc., a Fort Worth-based printing and packaging company. The project involves the conversion to LED lighting of the printing company's Fort Worth facilities including the administrative offices and approximately 180,000 square feet of production space. The project is expected to be completed by late December 2013.

On December 6, 2013, ForceField Energy was **awarded a contract** through a competitive bidding process for 25 100W SL3 LED **street lights for the parking facility** of the Comptroller General's Office **in Costa Rica**.

In addition, ForceField Energy announced the formation a strategic alliance with the **University of Costa Rica**. A **demonstration project** is currently underway to study the benefits of LED lighting on professors, university employees and students. Existing fluorescent tubes are being replaced with ForceField's LED tubes and panels in three academic buildings. The results of the study, along with the accompanying energy savings, may lead to further LED retrofits across the University.

On March 5, 2014, ForceField Energy announced the receipt of an **LED lighting purchase order** from an unnamed Fortune 100 company. Having already successfully installed LED products at five of the client's facilities, the current purchase order encompasses the purchase and installation of approximately **300 LED High Bay Lights** and **approximately 100 LED fluorescent-replacement lighting tubes** in a warehouse facility located in southern U.S.

Change in Accounting Firm

On January 22, 2014, Anderson Bradshaw PLLC resigned as the company's independent public accounting firm. On the same day, ForceField engaged MaloneBailey, LLP as its auditor of the financials for the year ending December 31, 2013.

Financing

During the first three quarters of 2013, the company has raised $801,900 in net proceeds through the issuance of common stock and $200,000 from issuing convertible debentures. Since September 30th, ForceField has received $930,000 in gross proceeds from the issuance of 232,500 common shares. In addition, $550,000 in 9% three-year convertible notes has been issued.

OVERVIEW

A Nevada corporation with administrative offices in New York City, ForceField Energy (FNRG: OTC), formerly SunSi Energies, is a manufacturer, distributor and licensee of green energy products and systems, including

1) LED lighting though a five-year exclusive distribution agreement sell and distribute LED lighting products manufactured by Shanghai Lightsky Optoelectronics Technology Co., Ltd. (aka Lightsky) in North American, Central and Latin American and parts of Europe,
2) ORC systems through its controlling interest of TransPacific Energy and
3) smart meters through a cross-distribution agreement with PowerOneData International.

In August 2012, ForceField entered into a five-year, exclusive North American distribution agreement with Shanghai Lightsky Optoelectronics Technology Co., Ltd. (Lightsky), a manufacturer and marketer of **LED lighting products** and systems located in Shanghai, China. Subsequently, ForceField was granted exclusive distribution rights for the Caribbean, Central and Latin American and parts of Europe. In the United States, the LED lighting market is growing at a 25.5% compound growth rate due to the lower

electrical power consumption and longer lives of LED lamps, along with government regulation designed to phase out inefficient incandescent light bulbs. Management is targeting the **commercial lighting market**, which also includes the industrial, institutional and governmental segments, where the additional advantages of LED lighting are also important selling points, specifically reduced maintenance costs (lower frequency of bulb replacements) and lower heat generation (reduced air conditioning costs). ForceField has announced seven sub-distribution deals and many commercial trials during 2013, along with multi-million dollar proposals to retrofit LED streetlights and install smart meters in Costa Rica.

ForceField owns a 50.3% controlling interest of **TransPacific Energy** (TPE) and holds a distribution agreement to provide TPE's modular **Organic Rankine Cycle (ORC) units**. Utilizing blends of proprietary refrigerants, TPE's ORC units capture heat energy from heat sources (such as industrial flue gas, geothermal sources and biomass processes) and convert the waste heat into electrical energy. TPE's competitive advantage lies in the broad range of temperatures (from 75° F to 1000° F) at which the units can operate and the benign attributes of the refrigerants (non-toxic and non-flammable). ForceField has already negotiated the installation of two ORC units at Zibo Qilin Fushan Iron & Steel Company in China. ForceField will own the ORC units and sell the electricity generated to Qilin at a discount to the local utility's price at an anticipated revenue run rate of $550,000 annually

On February 27, 2013, the company's name was official changed to **ForceField Energy** in order to better reflect the broader scope of operations within the alternative energy industries, especially through acquiring a controlling interest in TransPacific Energy (ORC technology), attaining the exclusive North American rights to distribute LED lighting products manufactured by Shanghai Lightsky (LED technology) and obtaining distribution rights to provide PowerOneData's smart meters.

DISTRIBUTION OF LIGHTSKY LED PRODUCTS

ForceField's LED strategy is primarily focused on targeting multi-location commercial companies where **retro-fitting existing facilities** with the installation of LED lighting products is able to reduce the level of electrical energy consumption and future maintenance costs. Prime targets for the rapid adoption of LED lighting are warehouses, casinos, corporate campuses, parking structures, airports and 24/7 lighting applications. In addition, ForceField expanded its marketing efforts to the **outdoor LED display** marketplace where Lightsky has a proven record of designing and installing large outdoor LED display screens. The Lightsky has also produced indoor LED display signs, a market segment which includes information resources at airports, stock markets, banks, malls and exhibitions.

The installation of LED lighting offers significantly lower ongoing energy consumption, reduced maintenance costs and attractive payback periods. Currently, many building owners are concerned about the maintenance costs associated with building operations (specifically energy consumption), along with the desire to implement cost-effective green projects. ForceField's management is seeking opportunities to deploy and demonstrate the energy saving capabilities of LED lighting utilizing Lightsky LED lighting products.

ForceField Energy has made progress increasing awareness and building a sub-distribution network for LED lighting systems. Thus far, the level of interest generated and amount of development achieved over the last year has exceeded management's expectations.

LED Relationship with Shanghai Lightsky

On August 27, 2012, ForceField Energy acquired the **exclusive North American rights** to sell and distribute LED lighting products manufactured by **Shanghai Lightsky Optoelectronics Technology Co., Ltd.** (aka Lightsky). The five-year distribution agreement automatically renews when ForceField achieves certain performance milestones. ForceField issued 150,000 shares of restricted common stock (valued at $780,000) to acquire the distribution rights for the United States, Canada and Mexico.

Subsequently, ForceField was granted exclusive distribution rights for the Caribbean, Central and Latin American and parts of Europe. ForceField also may distribute Lightsky's LED products on a non-exclusive basis elsewhere in the world.

Shanghai Lightsky Optoelectronics Technology Co., Ltd.

Shanghai Lightsky was established by Shanghai Academy of Science and Technology (SAST) and Shanghai Zhongbo Capital Co., Ltd. in 2007. Lightsky continues to work closely with SAST. Lightsky's 2,000 square-meter **R&D center** is located in Shanghai's Zhangjiang Hi-Tech Park, which is situated in the Pudong New Area District (a Special Economic Zone or SEZ) in east Shanghai. The **5,000 square-meter factory** is in central Shanghai in Pujiang Town (Minhang District).

Lightsky manufactures LED lighting products for commercial, institutional and residential applications, primarily in the categories of **illumination lighting**, **architectural lighting** and **video display systems**. Lightsky produces over 140 LED commercial and residential lighting products, including spotlights, down lights, desk lights, display lights, ceiling lights, panel lights, tube lights, candle lights, street lights, traffic lights and light bars. Lightsky offers LED lights in three color temperature ranges: warm white (3000K ± 150K), neutral white (4000K ± 250K) and cool white (5700K ± 300K).

Shanghai Lightsky not only provides LED lamps and lighting fixtures, but also designs and operates integrated **LED lighting and display projects**,. Noteworthy projects include six Pavilions at the Expo 2010 in Shanghai (UAE, the Philippines, Tibet, China State Shipbuilding Corporation, Algeria and Turkmenistan Pavilions) and extra-large outdoor LED displays at the Kunshan World Trade Center (138 square meters), Jinlin (255 square meters) and Shanghai (285 square meters). In addition, Lightsky supplies RL06 LED down lights to the Shanghai Pudong International Airport, Hong Kong University and the Shanghai Jingan Science Museum and also SL 40w solar LED solar street lights for a project in Mexico.

ForceField's LED Strategy and its Execution

ForceField's strategic LED business plan involves aggressively introducing Lightsky's LED products in the North American market by rapidly building a **network of sub-distributors** that can target large-scale customers (commercial, industrial, institutional and governmental) that would benefit from upgrading to LED lighting. An ideal client is a multi-location entity where economic evaluations strongly influence the decision-making process. The rationale to transition to LED lighting products is compelling considering the relatively short payback period (sometimes under two years) and long-term cost benefits. In addition, ForceField is **pursuing specific opportunities** for large contracts related to the conversion to LED lighting. **ForceField is actively pursuing distributing prospects** not only in its exclusive Lightsky territories, but also in elsewhere in the world as exemplified by sub-distribution relationships announced for **Germany** and **Ireland**.

Sub-Distribution Agreement Timeline

- September 2012 *Global Resource Group*
- October 2012 Strategic alliance with *Commonwealth Energy Group, LLC*
- January 2013 *Gonneville, Inc.* for both LED products and ORC systems.
- February 2013 5-year agreement with *DEK International* for both LED and ORC
- March 2013 Cross-distribution agreement with *PowerOneData International*
- April 2013 Distribution agreement with *On-Site Analysis*
- May 2013 3-year agreement - *Prime Energy Solutions AG* (Wiesbaden, Germany)
- June 2013 distribution agreement with *International Sales Network, Inc.*
- September 2013 3-year agreement - *First Choice Energy Ireland* (Ireland)

ForceField is expanding the presence in the LED through multiple sub-distribution agreements. In early **September 2012**, ForceField retained the services of **Global Resource Group**, Inc. to help generate

immediate interest in Lightsky's LED product line. Thus far, Global Resource Group has negotiated LED trials with a private hospital group in the Midwest and the Gold Rush Gaming Room, LLC, in Texas. In **October** 2012, ForceField entered into a strategic alliance with **Commonwealth Energy Group, LLC**, an energy consulting firm that can offer to its customers not only the turnkey LED lighting solutions that utilize Lightsky products, but also the energy audits required to secure tax savings, rebates and/or grants. Through the strategic alliance, Commonwealth is expected to offer to its customers turnkey LED lighting solutions utilizing Lightsky products. In addition, ForceField expects to employ Commonwealth's service platform, especially the ability to provide energy audits and facilitate the paperwork required to secure tax savings, rebates and grants.

In **January 2013**, ForceField entered into a distribution agreement with Gonneville, Inc. for both Lightsky's LED products and TransPacific Energy's ORC systems. Gonneville is a Service-Disabled, Veteran-Owned, Small Business Enterprise (SDVOB) and a Small Business Enterprise (SBE) which specializes in the distribution of MultiQuip (MQ) power generation and lighting equipment. Gonneville's customers include California and federal government agencies, which generally require multiple bids. The economic advantages of LED lighting and ORC waste heat conversion systems, along with Gonneville's SDVOB/SBE status, should lead to the awarding of contracts. As stated by Don Gonneville, President of Gonneville, Inc., "Lightsky and ORC waste heat conversion system products … integrate seamlessly into our business model …." And in **February** 2013, a 5-year distribution agreement for both LED and ORC technology products was signed with DEK International, a global supplier of to the gaming industry with a core market presence in Latin America. Initially, ForceField's LED products will be marketed by DEK on its website and marketing materials. Headquartered in Panamá, DEK operates through a network of offices in more than 25 countries with a core presence in Latin America. Through DEK, ForceField Energy signed an agreement with Sabia Corporation to supply and install LED lighting at Sabia's Fantastic Proceres Casino in Guatemala.

In **March** 2013, ForceField Energy announced that a **cross-distribution agreement** has been signed with **PowerOneData International**, Inc. for energy efficiency products in the United States, Canada, Mexico, and Latin America. Initially PowerOneData will focus on distributing the LED products for street light systems, and ForceField will concentrate on distributing PowerOneData's Geenii™ smart meters and database management software. Smart meters enable utility companies to monitor residential, commercial and industrial energy consumption to manage better energy distribution systems, for example, by detecting the deterioration of aging transformers, theft of power and faulty lamps. PowerOneData's Automated Street Light Management (ASLM) solutions track and control LED street light systems by managing energy consumption through power conditioning, timing lights and regulating lighting based on traffic flow. The cross-distribution agreement adds a potential new revenue stream (smart meters) and strengthens ForceField's LED street light initiative with PowerOneData's ASLM system.

In **April** 2013, **On-Site Analysis** Inc., after the successful completion and three-month test of an LED installation at its 15,000 square-foot Massachusetts facility, became a sub-distributor of ForceField's LED lighting products. On-Site Analysis is an automated fluids analysis company based in Palm Beach Gardens, FL with a customer base composed of companies, militaries, municipalities and other fleet service providers, all of whom are targeting effective solutions to reduce the operating costs of maintaining their fleets. Given On-Site's relationship and credibility with its clients, the selling cycle for the implementation of LED lighting projects should be short. On-Site lists over 100 high profile customers on its webpage, including Chevron, ExxonMobil, Joy Mining, Phelps Dodge, John Deere, Navistar, Volvo Trucking, Ford, General Motors, Toyota, Honeywell, Pratt Whitney, the US Navy and the cities of Los Angeles, Dallas and Charlotte.

In late **May** 2013, ForceField Energy announced the signing of an exclusive three-year sub-distribution agreement with **Prime Energy Solutions AG** of Wiesbaden, Germany. Prime Energy can maintain its exclusive distribution rights within Germany if at least $15 million of ForceField's LED products are purchased during the first 12 months. Prime Energy Solutions focuses on consulting on delivering energy saving solutions to public and commercial facilities, including buildings, streetlights and other diverse

applications. In addition, Prime Energy has non-exclusive rights to distribute ForceField's LED products outside of Germany. Prime Energy's first project is for the installation of LED lighting products at two public schools located in Germany. Upon the successful completion of the trial, Prime Energy is expected to target 243 other schools across Germany for LED conversion. Management estimates that between 18 and 24 months would be needed to obtain the approval of the various school districts involved and complete the installation of the lighting systems.

On **June** 25, 2013, ForceField Energy signed an LED distribution agreement with **International Sales Network**, Inc., a Georgia-based company with a large sales force of independent representatives across the U.S. Several test installations in Louisiana may be attributed to this relationship, including LED High Bay Lights (which are generally used in warehouses with high ceilings) at a division of Jacobson Warehouse Company in Plaquemine, a division of International Paper in Bogalusa, JohnPac, Inc. in Crowley and Harbor Pallets & Packaging, Inc.

On **September** 9, 2013, ForceField announced the signing of a three-year sub-distribution agreement with **First Choice Energy Ireland**, which hold the exclusive rights to distribute ForceField's full Lightsky LED product line in Ireland as long as minimum purchase thresholds are achieved ($250,000 over the first 90 days and $12.0 million during the first 12 months). Falling below thresholds would lower First Choice Energy's distribution status to a non-exclusive global sub-distributer. First Choice Energy Ireland is a consultancy company focused on providing energy saving solutions.

In December, 2012, ForceField expanded the scope of its LED effort by announcing the launch of a marketing campaign targeting the **outdoor LED display market**. Shanghai Lightsky has designed and installed several large, customized, high-resolution, outdoor LED displays in China as cited above. LED Display Screen Competitors include Shenzhen EASTAR Electronic Co., Ltd (CreateLED Electronics) in ShenZhen, China, Shenzhen Chip Optech Co., Ltd. in Shenzhen China, Mitsubishi Electric (Diamond Vision LED displays), Impact Video (ProStar and Smartvision LED displays) and Panasonic (Astrovision LED displays).

Commercial LED Lighting Market

ForceField is targeting the widespread opportunities in the commercial lighting market, which also includes the industrial, institutional and governmental segments. The rapid adoption of LED lighting by commercial enterprises is a favorable tailwind for ForceField and other providers of commercial energy solutions. Most large-scale commercial customers are rationale consumers who make informed decisions, especially when related to cost centers.

LED lighting is an energy-efficient alternative to both incandescent and florescent lighting. LED products usually consume over 80% less energy than conventional incandescent bulbs and can last 20 times longer. The comparison versus florescent lighting is also positive with comparable LEDs costing at least 20% less to operate and lasting five times longer. The stimulus of immediate and significantly lower energy costs, along with longer useful lives, facilitates the transition to LED lighting.

Decisions by commercial customers are driven also by other factors, including the total cost of purchasing, operating and maintaining a lighting system, such as the initial capital cost of lamps and fixtures; the cost of installation; the frequency of bulb replacement and the attendant labor costs; the heat effect of lamp operation on HVAC (heating ventilation and air conditioning) systems, etc. The cost benefits of LED lighting can be clearly demonstrated by calculating the expected payback period, which for most LED systems is between 18 and 24 months.

Another important driver in the commercial marketplace is also the ability to provide turnkey LED lighting solutions. As the manufacturers of LED product attempt to gain market share in the rapidly growing LED marketplace, dramatically higher LED sales allows for more efficient utilization of fixed cost resources, which results in price competition. Two respected market analysis firms, Groom Energy and Greentech Media (GTM Research), have noted that LED fixture prices declined 24% in the past two years and that

prices should continue to fall. However, the commercial and industrial lighting systems category (especially the application-ready or turn-key system sub-segment) is less vulnerable to the pricing pressure.

As a distributor of Shanghai Lightsky LDE lighting products and systems, ForceField offers a selection of LED products for commercial interior & exterior lighting, warehouses, light factories, multiple franchise locations, schools & universities, retail & grocery stores, museums, casinos, government buildings, parking garages & lots, pedestrian walkways, street lighting, tunnel lighting, construction zones and indoor & outdoor displays.

TRANSPACIFIC ENERGY INC.

In August 2012, ForceField Energy acquired a controlling 50.3% interest in TransPacific Energy Inc., a renewable energy company based in Carlsbad California and focused on the generation of electricity through the use of **Organic Rankine Cycles** (ORC) to recover energy from various heat sources. TransPacific is well-positioned to benefit from the deployment of green energy projects based on renewable sources and waste heat worldwide, but especially in China both where the government is overtly supporting renewable energy projects and ForceField has established important customer relationships. With offices in Henderson Nevada and Carlsbad California, TransPacific Energy became an additional **business segment for ForceField.**

While ForceField held a minority interest in TransPacific Energy**,** on June 15, 2012, ForceField's Wendeng subsidiary entered into a non-exclusive distribution agreement with TransPacific Energy (TPE) to distribute TPE's Organic Rankine Cycle (ORC) systems in China. Within three months, on September 17, 2012, ForceField announced the signing of a letter of intent to install a modular Organic Rankine Cycle system at **Zibo Qilin Fushan Iron & Steel Company** located in the Shandong Province, China. Within a month, on October 9th, 2012, ForceField announced that the project size has been expanded based TransPacific Energy's technical evaluation, which determined that the plant has the capacity for four ORC units. The definitive agreement for up to four modular ORC system units was signed on January 18, 2013.

The project's **first phase** is comprised of the **installation of two ORC units** that are expected to generate approximately 650 kilowatts of electricity. ForceField will own the ORC units and sell the electricity generated to Zibo Qilin at a discount to the local utility's price. ForceField expects to receive approximately $600,000 annually over twenty-year period. The company is still seeking financing in order to initiate the project. In the second phase, ForceField (at its discretion) may install an additional two ORC units. The Qilin project will showcase the economic and environmental advantages of installing ORC systems in order to harvest heat energy from industrial exhaust systems.

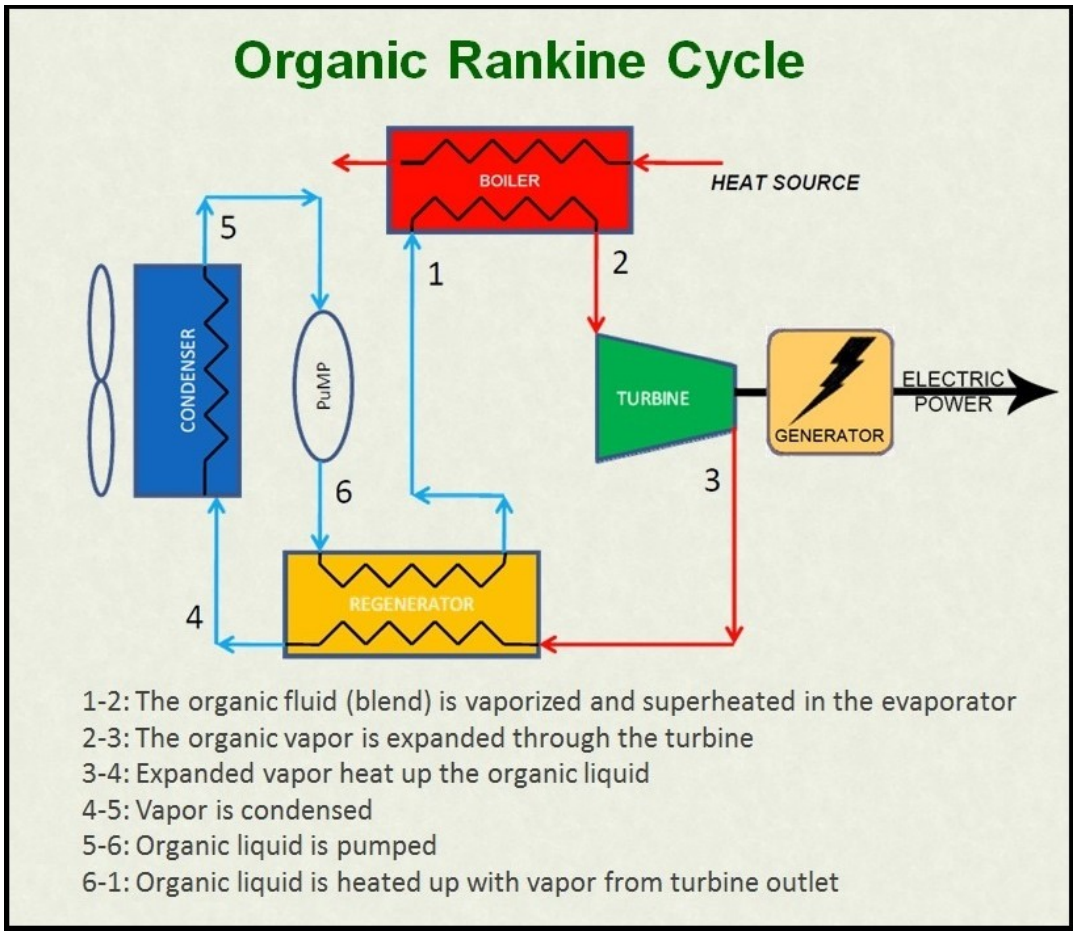
TransPacific Energy offers ORC systems under multiple terms depending on the customer's needs and preferences. Less than one option, the customer purchases the equipment and refrigerants and benefits from any green energy credits and the electricity generated. Under another option, ForceField and/or TransPacific Energy (through an LLC) owns the equipment and would enter into a long-term power agreement, under which the customer would purchase some or all of the electricity generated from the waste heat. Under the second scenario, ForceField would benefit from a reoccurring revenue stream.

Organic Rankine Cycle Technology

The **Rankine Cycle** is thermodynamic process by which heat is converted into mechanical power. The most well-known example is the steam power plant in which heat is applied to a working fluid (water) in a boiler. The steam generated flows through a closed loop and powers either pistons or a turbine, after which the water is re-condensed and returned to the boiler. The Rankine cycle is the fundamental

thermodynamic underpinning of all coal and nuclear power plants, which utilize the Rankine Cycle mechanical power to generate about 90% of the electricity produced globally.

The fundamental working principle of the Rankine Cycle applies to the **Organic Rankine Cycle** except that the working fluid is an organic liquid that has a relatively low liquid-vapor phase change temperature (boiling point) compared to water. As a result, lower temperature heat sources (such as biomass combustion, industrial waste heat, geothermal energy, solar thermal ponds, etc.) can be utilized to recover energy through the thermodynamic cycle. The use of the Organic Rankine Cycle presents both challenges and advantages. With the working fluid operating at lower temperatures, heat transfer inefficiencies from operating conditions, fluid friction, etc. can dramatically reduce the optimal thermodynamic characteristics of heat transfer process. In addition, many fluids with high ozone depletion potential, especially chlorofluorocarbons (CFCs)[1], have been phased out through the Montréal Protocol of 1996. On the other hand, organic working fluids that are non-corrosive, non-toxic, non-flammable and chemically stable, not only extend the operational life of the components within the power plant (such as valves, tubing and turbine blades), but also can alleviate environmental concerns. Energy systems based on ORC technology also benefit from government mandates and worldwide initiatives focused on the development of renewable energy.[2]

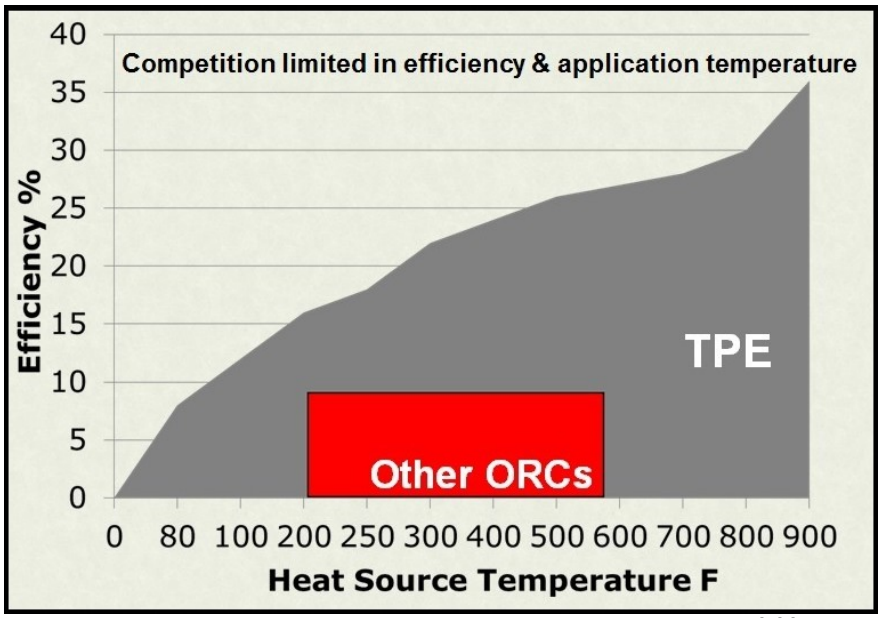


ForceField Energy

[1] CFCs were manufactured and sold under the trade name Freon.
[2] Renewable energy is energy generated from resources that are naturally replenished or renewable, which include ORC projects exploiting biomass, thermal solar and geothermal energy sources.

TransPacific Energy

TransPacific Energy designs, builds, sells and installs heat recovery and energy conversion systems based on Organic Rankine Cycle (ORC) technology. TPE's systems are custom-designed utilizing a mixture of non-toxic and non-flammable working fluids specifically formulated to maximize heat recovery from specific sources of waste or untapped heat within particular temperature ranges. In addition to using mixtures composed of multiple refrigerants, TransPacific Energy's patent-pending technology employs improved heat transfer techniques that help overcome the inherent thermodynamic inefficiencies when operating at lower temperatures. Also, TPE's process can efficiently recover heat not only in the 200º F and 575º F temperature range in which most other competitors function, but also within specific narrow temperature ranges from 80º F up to 900º F.



ForceField Energy

The heat recovery and energy conversion processes of TransPacific Energy address the needs of energy projects based on both renewable sources and waste heat. TPE's Organic Rankine Cycle technology produces electricity from renewable heat sources (such as concentrated thermal solar power, biomass, geothermal and warm ocean waters), as well as from waste heat created by industrial processes (such as flue gases from smokestacks, hot gray water and exhaust gases from engines and turbines).

The acquisition of a controlling interest in TransPacific Energy expands ForceField's footprint in green energy as well as add another revenue stream. Synergistically, ForceField can broaden TPE's geographical reach, specifically into China where the government is overtly supporting renewable energy projects and Wendeng (ForceField's subsidiary) has established important customer relationships.

In June 2012, the Research Institute for Solar Energy and New Energies (a Moroccan governmental agency) announced that SNC-Lavalin (an international engineering and construction firm), MITHRAS Energies Maroc and TransPacific Energy were selected as members of a three-company consortium to design, develop and install a 1MW Thermal Solar ORC project in Morocco. During 2012, one customer accounted for 100% of TransPacific Energy's revenue of $240,238. However, agreements were signed for the construction of an ORC unit for a large steel company in California and another for an aerospace company in Dallas, which management expects to generate revenue of an additional $800,000 in 2013.

Ownership

In May 2012, ForceField Energy entered into share exchange agreements with shareholders of TransPacific Energy in order to purchase a controlling equity interest in TPE. Through a series of

transactions, ForceField purchased 11,667,101 shares (37% of the 31,543,336 outstanding shares of TPE) from TPE (8,333,333 shares) and the remainder from three shareholders (ABH Holdings, LLC, Acme Energy, Inc., and Apela Holdings LLC). The TPE shares were acquired from the three shareholders at a fixed price of $0.06 per share with shares of ForceField common stock while shares acquired from directly from TPE were made with $520,000 in cash. In addition, ForceField acquired 4,420,000 shares (14% of the shares outstanding) from Soffimat Holdings SA with shares of ForceField common stock.

By mid-August 2012, ForceField acquired an additional $350,000 worth of TPE common stock from TransPacific and further shares from the three shareholders such that **a 50.3% controlling interest in TransPacific Energy** is held by ForceField Energy.

INSIDER TRADING AND OWNERSHIP

Corporate insiders own 13.6% of the outstanding common stock. Richard St-Julien (Chairman) beneficially controls 3,020,350 (or 20.2% of the shares outstanding) and David Natan (CEO) owns 1,025,290 shares (or 6.9%). Three Directors have been exercising option awards over the last six months.

Institutional and corporate investors own approximately 15.9% of the shares outstanding of ForceField Energy with Vivitar Financial holding 2,364,097 shares (15.8% of the shares outstanding).

VALUATION

Our valuation methodology is based on price-to-sales due the character of ForceField's enterprise. Price-to-sales valuation incorporates a company's ability to generate cash flow and increase revenues. Management's stated business plan is to focus on the alternative energy sector and to increase the sales base by concentrating on large commercial contracts for the installation and/or operation of LED and ORC projects, and by participating in the recovery of the polysilicon-trichlorosilane market.

We expect ForceField's stock to continue trading within our estimated valuation range of 1.1 and 3.2 times normalized sales. The process of determining ForceField's normalized sales level is challenging due to the unevenness of the contracts awarded in the nascent LED and ORC markets. In such cases, especially when a company's stock has remained relatively stable during the period of uncertainty (like ForceField's), one can attempt to ascertain the quartiles of P/S valuation by calibrating the stock's price (as determined by an efficient market) to the median valuation, namely 2.15 times sales. Utilizing this methodology, the top quartile valuation begins at $6.50, which is our price target.

PROJECTED INCOME STATEMENT & BALANCE SHEET

ForceField Energy, Inc.								
Consolidated Balance Sheets (in $ US) For the years ending May 31	2008 (May 31)	2009 (May 31)	2010 (May 31)	2011 (May 31)	Change to Calendar Year	2011 (Dec 31)	2012 (Dec 31)	3Q 2013 (Sept 30)
ASSETS								
Cash and cash equivalents	705	4,190	598,468	640,880		674,291	994,149	339,150
Accounts receivable (net)	-	-	-	4,669,490		3,773,556	4,469,514	3,299,336
Note receivable	-	-	-	941,314		559,325		16,330
Inventory	-	-	-	563,579		657,287	323,141	457,756
Deferred tax assets (net)	-	-	-	-		-	90,257	84,756
Prepaid expense & other current assets	-	-	-	399,086		207,837	448,601	1,002,019
Total current assets	**705**	**4,190**	**598,468**	**7,214,349**		**5,872,296**	**6,325,662**	**5,199,347**
Fixed assets	-	-	-	7,559,369		7,890,132	7,547,128	8,809,918
Goodwill	-	-	-	3,357,277		608,953	1,342,834	1,342,834
Intangible assets (net)	-	-	-	3,025,489		3,142,997	4,862,408	4,268,649
Accounts receivable (net) - non-current	-	-	-	-		-	-	-
Related party receivables - trade	-	-	-	1,177,204		489,595	413,061	-
Other assets	-	-	-	248,879		21,737	21,956	-
Total Assets	**705**	**4,190**	**598,468**	**22,582,567**		**18,025,710**	**20,513,049**	**19,620,748**
LIABILITIES								
Accounts payable	4,813	143,741	149,538	5,320,381		3,333,500	3,689,065	3,688,838
Accrued liabilities	-	-	-	256,444		373,802	679,021	566,770
Advances payable	-	-	230,981	-		-	-	-
Advances from related party	-	20,836	-	-		-	-	-
Loans payable	-	-	-	-		-	-	17,000
Related party payables	-	-	5,671	5,535,149		5,665,245	5,652,487	6,505,104
Income tax payable	-	-	-	1,561,112		886,050	1,239,067	1,054,837
Total current liabilities	**4,813**	**164,577**	**386,190**	**12,673,086**		**10,258,597**	**11,259,640**	**11,832,549**
Long-term debt	-	-	-	-		100,000	150,000	350,000
Deferred tax liabilities (net)	-	-	-	-		-	409,037	144,051
Redeemable common stock and capital	-	-	-	2,707,488		0	0	0
Share capital	26,760	26,760	27,312	29,437		30,006	16,081	16,329
Additional paid in capital	11,240	24,816	1,018,764	5,057,252		8,855,271	13,015,222	13,949,642
Retained earnings (deficit)	(42,108)	(211,963)	(833,798)	(1,253,344)		(3,701,526)	(6,922,198)	(8,964,049)
Accumulated other comprehensive income	-	-	-	100,896		280,024	317,337	408,891
FORCEFIELD'S SHAREHOLDERS' EQUITY	**(4,108)**	**(160,387)**	**212,278**	**3,934,241**		**5,463,775**	**6,426,442**	**5,410,813**
Noncontrolling interests - Equity	**-**	**-**	**-**	**3,267,752**		**2,203,338**	**2,267,930**	**1,883,335**
Total Liabilities and Equity	**705**	**4,190**	**598,468**	**22,582,567**		**18,025,710**	**20,513,049**	**19,620,748**
Common shares outstanding	26,760,000	26,760,000	27,312,500	29,436,928		30,005,628	16,080,815	16,328,771

ForceField Energy, Inc.

Consolidated Statements of Operations and Retained Earnings

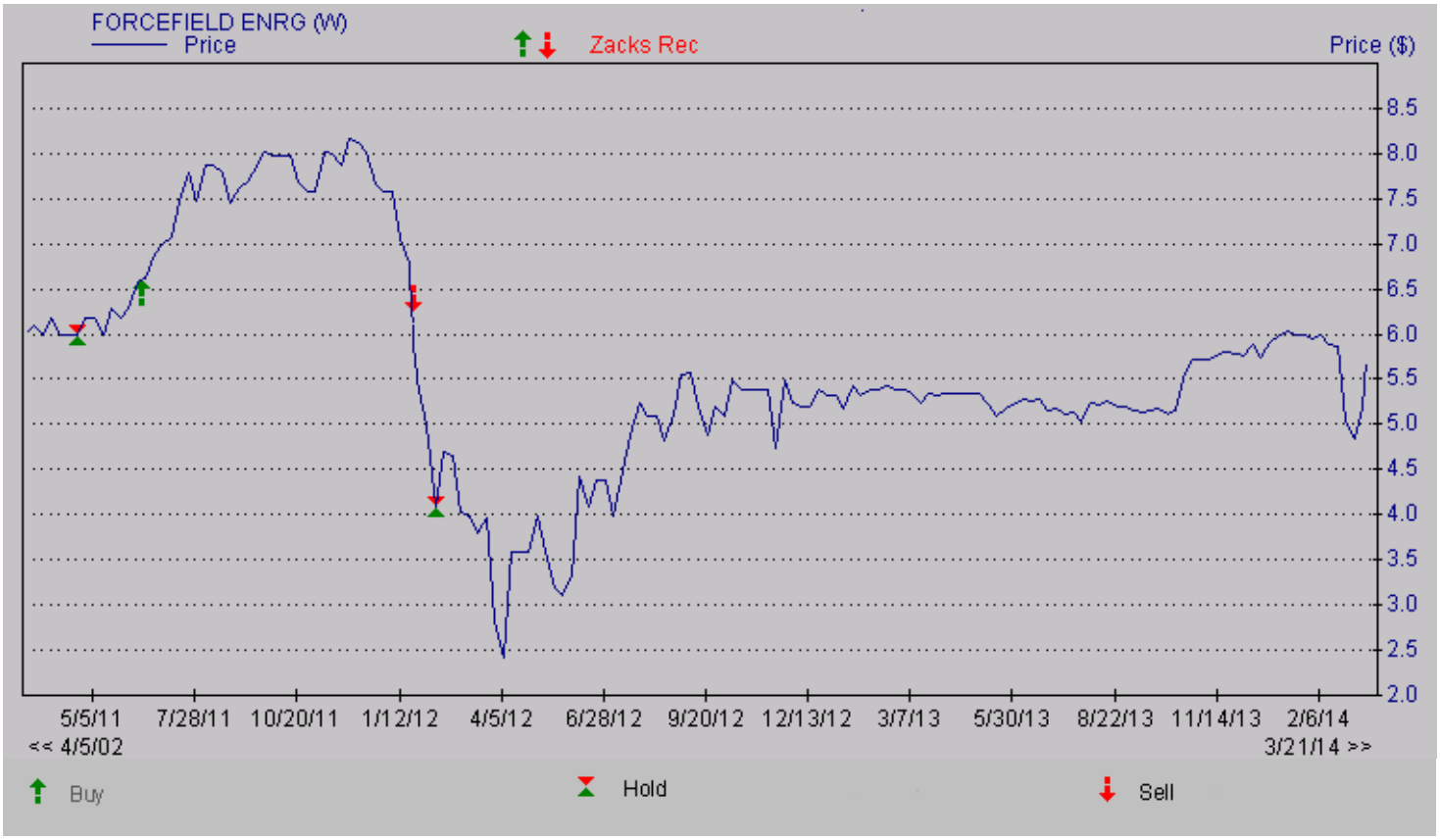
Quarterly Earnings Analysis	Year (Dec) **2011**	1Q (March) 2012	2Q (June) 2012	3Q (Sept) 2012	4Q (Dec) 2012	Year (Dec) **2012**	1Q (March) 2013	2Q (June) 2013	3Q (Sept) 2013	4Q E (Dec) 2013	Year E (Dec) **2013**
Revenue: Baokai	14,546,790	234,959	527,052	32,250	408,189	1,202,450	36,973	16,944	184	50,000	**104,101**
Revenue: Wendeng	13,791,599	272,668	(462)	133,838	280,309	686,353	16,218	139,495	257,180	200,000	**612,893**
Revenue: LED	-	-	-	-	-	-	23,599	54,510	10,903	29,671	**118,683**
Revenue: ORC	-	-	-	59,609	180,629	240,238	208,355	6,535	22,808	50,000	**287,698**
Total Revenues	**28,338,389**	**507,627**	**526,590**	**225,697**	**869,127**	**2,129,041**	**285,145**	**217,484**	**291,075**	**329,671**	**1,123,375**
Cost of sales: Baokai	14,234,315	230,260	516,511	31,599	400,019	1,178,389	36,234	16,605	180	49,000	**102,019**
Cost of sales: Wendeng	9,881,216	245,065	(3,292)	126,323	286,111	654,207	20,316	183,408	246,482	190,000	**640,206**
Cost of sales: LED	-	-	-	-	-	-	16,262	27,360	8,723	21,363	**73,708**
Cost of sales: ORC	-	-	-	59,609	180,629	240,238	203,055	(5,915)	14,878	35,000	**247,018**
Cost of sales	24,115,531	475,325	513,219	217,531	**866,759**	**2,072,834**	275,867	221,458	270,263	295,363	**1,062,951**
Gross Profit	**4,222,858**	**32,302**	**13,371**	**8,166**	**2,368**	**56,207**	**9,278**	**(3,974)**	**20,812**	**34,308**	**60,423**
Professional fees	772,868	141,710	148,014	151,424	141,149	**582,297**	189,576	192,393	112,951	117,209	**612,129**
General & administrative	3,795,974	605,119	823,282	703,640	709,896	**2,841,937**	645,941	771,159	809,613	840,135	**3,066,848**
Total Operating Expenses	**4,568,842**	**746,829**	**971,296**	**855,064**	**851,045**	**3,424,234**	**835,517**	**963,552**	**922,564**	**957,345**	**3,678,978**
Income (loss) from operations	**(345,984)**	**(714,527)**	**(957,925)**	**(846,898)**	**(848,677)**	**(3,368,027)**	**(826,239)**	**(967,526)**	**(901,752)**	**(923,037)**	**(3,618,554)**
Equity earnings (loss) from TransPacific Energy	-	-	(1,211)	(4,587)	0	**(5,798)**	-	-	-	-	**0**
Interest income (expense)	-	(2,250)	(2,518)	(4,487)	(291,406)	**(300,661)**	(4,418)	(5,175)	(7,902)	(8,800)	**(26,295)**
Goodwill impairment charge	(2,800,000)	-	-	-	(607,422)	**(607,422)**	-	-	-	-	**0**
Total Expenses	**7,368,842**	**749,079**	**975,025**	**864,138**	**1,749,873**	**4,338,115**	**839,935**	**968,727**	**930,466**	**966,145**	**3,705,273**
Pre-tax profit	**(3,145,984)**	**(716,777)**	**(961,654)**	**(855,972)**	**(1,747,505)**	**(4,281,908)**	**(830,657)**	**(972,701)**	**(909,654)**	**(931,837)**	**(3,644,849)**
Income (loss) before income taxes	(3,145,984)	(716,777)	(961,654)	(855,972)	(1,747,505)	**(4,281,908)**	(830,657)	(972,701)	(909,654)	(931,837)	**(3,644,849)**
Future income taxes (benefit)	168,746	(114,176)	(167,342)	(101,553)	49,243	**(333,828)**	(66,093)	(125,731)	(94,742)	(98,427)	**(384,993)**
Net income (loss)	(3,314,730)	(602,601)	(794,312)	(754,419)	(1,796,748)	**(3,948,080)**	(764,564)	(846,970)	(814,912)	(833,410)	**(3,259,856)**
Net income attributable to noncontrolling	(876,697)	(138,068)	(178,244)	(114,032)	(297,064)	**(727,408)**	(116,863)	(149,266)	(118,466)	(132,097)	**(516,692)**
Net income (loss) attributable to ForceField	**(2,438,033)**	**(464,533)**	**(616,068)**	**(640,387)**	**(1,499,684)**	**(3,220,672)**	**(647,701)**	**(697,704)**	**(696,446)**	**(701,314)**	**(2,743,165)**
Net income per common share (diluted)	**(0.17)**	**(0.03)**	**(0.04)**	**(0.04)**	**(0.09)**	**(0.21)**	**(0.04)**	**(0.04)**	**(0.04)**	**(0.04)**	**(0.17)**
Weighted average common shares outstanding - diluted	14,635,641	15,010,314	15,057,587	15,572,388	15,852,336	15,390,259	16,132,284	16,187,281	16,256,120	16,488,620	16,266,076
Comprehensive income (loss)											
Net income (loss)	**(3,314,730)**	(602,601)	(794,312)	(754,419)	(1,796,748)	**(3,948,080)**	(764,564)	(846,970)	(814,912)	(833,410)	(3,259,856)
Foreign currency translation adjustment	**391,346**	8,763	(59,310)	71,108	16,752	**37,313**	13,686	68,505	9,363	30,518	9,363
Comprehensive income (loss)	**(2,923,384)**	(593,838)	(853,622)	(683,311)	(1,779,996)	**(3,910,767)**	(750,878)	(778,465)	(805,549)	(802,892)	(3,250,493)
Comprehensive inc. (loss) attr. noncontrol. int.	**(755,793)**	(138,068)	(178,244)	(114,032)	(297,064)	**(727,408)**	(116,863)	(149,266)	(118,466)	(132,250)	(118,466)
Comprehensive inc. (loss) attributable to FNRG	**(2,167,591)**	(455,770)	(675,378)	(569,279)	(1,482,932)	**(3,183,359)**	(634,015)	(629,199)	(687,083)	(670,643)	(3,132,027)

ForceField Energy, Inc.

Consolidated Statements of Operations and Retained Earnings

Annual Earnings Analysis (in $ US)	**2008** (May 31)	**2009** (May 31)	**2010** (May 31)	**2011** (May 31)	Change to Calendar Year	**2010** (Dec 31)	**2011** (Dec 31)	**2012** (Dec 31)	**2013 E** (Dec 31)	**2014 E** (Dec 31)
Revenue: Baokai	-	-	-	9,755,030		1,165,239	14,546,790	1,202,450	104,101	0
Revenue: Wendeng	-	-	-	5,327,758		0	13,791,599	686,353	612,893	0
Revenue: LED	-	-	-	-		-	-	0	118,683	1,640,000
Revenue: ORC	-	-	-	-		-	-	240,238	287,698	260,000
Total Revenues	**0**	**0**	**0**	**15,082,788**		**1,165,239**	**28,338,389**	**2,129,041**	**1,123,375**	**1,900,000**
Cost of sales: Baokai	-	-	-	9,538,061		1,141,605	14,234,315	1,178,389	102,019	0
Cost of sales: Wendeng	-	-	-	3,506,938		0	9,881,216	654,207	640,206	0
Cost of sales: LED	-	-	-	-		-	-	-	73,708	1,115,200
Cost of sales: ORC	-	-	-	-		-	-	240,238	247,018	192,400
Cost of sales	0	0	0	13,044,999		1,141,605	24,115,531	2,072,834	1,062,951	1,307,600
Gross Profit	**0**	**0**	**0**	**2,037,789**		**23,634**	**4,222,858**	**56,207**	**60,423**	**592,400**
Professional fees		124,435	545,049	618,992		478,518	772,868	582,297	612,129	650,000
General & administrative	24,937	45,420	76,586	1,315,137		186,288	3,795,974	2,841,937	3,066,848	3,200,000
Total Operating Expenses	**24,937**	**169,855**	**621,635**	**1,934,129**		**664,806**	**4,568,842**	**3,424,234**	**3,678,978**	**3,850,000**
Income (loss) from operations	**(24,937)**	**(169,855)**	**(621,635)**	**103,660**		**(641,172)**	**(345,984)**	**(3,368,027)**	**(3,618,554)**	**(3,257,600)**
Equity earnings (loss) from TransPacific Energy	-	-	-	-		-	-	(5,798)	0	-
Interest income (expense)	(9,440)	-	-	-		-	-	(300,661)	(26,295)	-
Goodwill impairment charge	-	-	-	-		-	(2,800,000)	(607,422)	0	-
Total Expenses	**34,377**	**169,855**	**621,635**	**1,934,129**		**664,806**	**7,368,842**	**4,338,115**	**3,705,273**	**3,850,000**
Pre-tax profit from operations	**(34,377)**	**(169,855)**	**(621,635)**	**103,660**		**(641,172)**	**(3,145,984)**	**(4,281,908)**	**(3,644,849)**	**(3,257,600)**
Income (loss) before income taxes	(34,377)	(169,855)	(621,635)	103,660		(641,172)	(3,145,984)	(4,281,908)	(3,644,849)	(3,257,600)
Future income taxes	0	0	0	256,227		5,909	168,746	(333,828)	(384,993)	(161,832)
Net income (loss)	(34,377)	(169,855)	(621,635)	(152,567)		(647,081)	(3,314,730)	(3,948,080)	(3,259,857)	(3,095,768)
Net income attributable to noncontrolling	-	-	-	266,979		1,773	(876,697)	(727,408)	(516,692)	(623,938)
Net income (loss) attributable to SunSi	**(34,377)**	**(169,855)**	**(621,635)**	**(419,546)**		**(648,854)**	**(2,438,033)**	**(3,220,672)**	**(2,743,165)**	**(2,471,830)**
Net income per common share (diluted)	**(0.00)**	**(0.01)**	**(0.05)**	**(0.03)**		**(0.05)**	**(0.17)**	**(0.21)**	**(0.17)**	**(0.16)**
Weighted average common shares outstanding - diluted	13,380,000	13,380,000	13,486,243	13,837,626		13,660,577	14,635,641	15,390,259	16,266,076	15,840,566
Comprehensive income (loss)										
Net income (loss)							(3,314,730)	(3,948,080)	(3,259,857)	(3,095,768)
Foreign currency translation adjustment							391,346	37,313	9,363	146,007
Comprehensive income (loss)							(2,923,384)	(3,910,767)	(3,250,493)	(2,949,761)
Comprehensive inc. (loss) attributable to noncontrolling interests							(755,793)	(727,408)	(118,466)	(468,488)
Comprehensive inc. (loss) attributable to FNRG							(2,167,591)	(3,183,359)	(3,132,027)	(2,481,273)

HISTORICAL ZACKS RECOMMENDATIONS



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Steven Ralston, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand per annum.

POLICY DISCLOSURES

Zacks SCR Analysts are restricted from holding or trading securities in the issuers which they cover. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or

her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1,068 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 17.8%, Hold/Neutral- 74.3%, Sell/Underperform – 7.3%. Data is as of midnight on the business day immediately prior to this publication.

---

[i] General lighting LED lamp sales taking off in US and APAC, Aug 29, 2013, http://optics.org/news/4/8/38
[ii] LED Supply Chain Dynamics, Navigant Research forecast, http://www.navigantresearch.com/research/led-supply-chain-dynamics
[iii] LED Lighting: Market Shares, Strategies, and Forecasts, Worldwide, 2013 to 2019, October 2013, http://www.reportsnreports.com/reports/269046-led-lighting-market-shares-strategies-and-forecasts-worldwide-2013-to-2019.html