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Orion Energy Systems, Inc. Announces Restructuring of OAM Division Relating to Customer Finance Programs

Company Receives Important Commitments to Fund Customer Finance Programs Going Forward

MANITOWOC, Wis.--(BUSINESS WIRE)-- Orion Energy Systems, Inc. (NYSE Amex: OESX), a leading power technology enterprise, announced today a restructuring of the Orion Asset Management (OAM) division in relation to financing and funding certain of the Company's customer finance programs going forward.

Orion has renewed a long-standing relationship with a third-party finance company to sell certain qualifying Orion Throughput Agreement (OTA) contracts on a non-recourse basis going forward. The finance company will take over various back-office procedures relating to the financing and funding of qualifying OTA contracts, previously handled by the OAM division, including preparation of the underlying OTA contract, credit application, credit underwriting and contract servicing. As part of the arrangement, the finance company has agreed to purchase the future cash flows from certain qualifying OTAs that meet its credit standards, at costs of capital that are expected to be consistent with rates that Orion has charged finance customers historically. From fiscal 2004 through fiscal 2010, Orion had sold, without recourse, 155 OTA contracts to the third-party finance company, which has experienced a favorable performance history relating to the previously-sold OTAs.

Orion also has entered into a similar-structured arrangement with a third-party developer and owner of renewable energy systems to sell certain qualifying solar Power Purchase Agreement (PPA) contracts on a non-recourse basis going forward. Orion has received a preliminary term-sheet commitment for certain proposed solar PPA projects that are in the process of being finalized.

During the past two fiscal years, Orion has been funding the system costs of its OTA and PPA financing contracts primarily with its own cash. Total product and installation costs incurred related to equipment leased to customers under existing OTAs and PPAs was \$7.8 million and \$4.8 million, respectively, as of December 31, 2010. The total investment of \$12.6 million has been partially offset by the initial \$2.4 million funding agreement for OTAs entered into with a financial institution in September 2010. Going forward, as a result of the agreements discussed above, certain qualifying OTA and PPA projects funded under these arrangements are expected to ultimately result in more timely cash inflows and contribute to an overall improved operating and free cash flow profile for Orion.

Neal Verfuert, Chief Executive Officer of Orion commented, "These arrangements represent an important inflection point in Orion's business as we continue to gain momentum with our innovative OTA and PPA financing solutions. The renewed relationship with the long-standing OTA-financing partner and new arrangement with the renewables-funding partner is expected to provide Orion the ability to recognize GAAP revenue from certain qualifying OTA and PPA contracts on a more-timely basis, which will essentially be the equivalent of a cash sale. At the same time, the agreement will strengthen our balance sheet and allow the Company to further scale its customer finance offerings."

Mr. Verfuert continued, "Orion's financial performance over the past two fiscal years has been negatively impacted from the timing mismatch issues created from the OTA and PPA agreements. Going forward, these arrangements will enable Orion to better focus on our core competencies of designing, manufacturing and selling energy-efficient lighting and renewable technologies, and ultimately reflect our progress on a more-timely basis within our GAAP financial results."

The Company believes the financing arrangements entered into are further validation of its ability to finance its OTA and PPA projects. Management continues to pursue other debt financing alternatives for its customer finance programs and remains focused on obtaining additional funding at a reasonable cost of capital.

Orion Energy Systems Inc. (NYSE Amex: OESX) is a leading power technology enterprise that designs, manufactures and deploys energy management systems — consisting primarily of high-performance, energy efficient lighting systems and controls and related services for commercial and industrial customers — without compromising their quantity or quality of light. For more information, visit www.oesx.com.

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