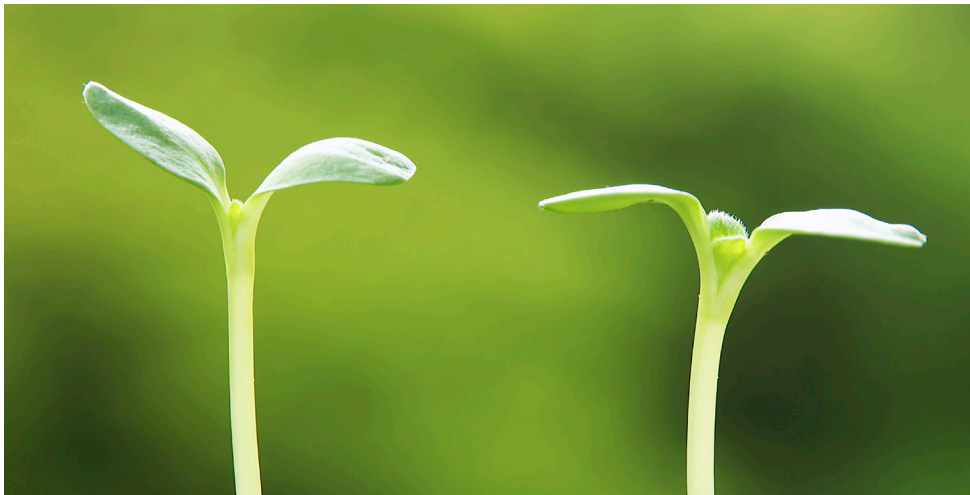


# VIEW ON VALUATION

A NEWSLETTER FROM BDO VALUATION ADVISORS



## GOING GREEN? NOW EARN GREEN, NOT TAX CREDITS.

### PAYMENTS FOR SPECIFIED ENERGY PROPERTY IN LIEU OF TAX CREDITS UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

President Obama signed the American Recovery and Reinvestment Act of 2009 on February 17, 2009 to preserve and create jobs in order to promote economic recovery in the near future. Through this Act, the United States Department of the Treasury has created a program (Section 1603) to "make payments to eligible persons who place in service specified energy property and apply for such payments." Under Section 1603, the Treasury will reimburse eligible applicants for a portion of their expense, generally equal to 10% or 30% of the cost basis of the property. By receiving such payments, applicants are

electing to forego tax credits under sections 48 and 45 of the Internal Revenue Code ("IRC") with respect to such property for the taxable year in which the payment is made or any subsequent taxable year. It is expected that this program will help to create and retain jobs in the near future, as well as expand the use of clean and renewable energy and decrease the nation's dependency on non-renewable energy sources.

### ► DID YOU KNOW...

World solar photovoltaic ("PV") market installations reached a record high of 6.43 gigawatt in 2009, representing a 6% growth over the previous year. The solar PV industry also generated \$38 billion in global revenues in 2009.

The Global Wind Energy Council ("GWEC") predicts that the global wind market will grow by over 155% from its current size to reach 250 GW of total installed capacity by 2012. The electricity produced by this wind energy will account for 3% of global electricity production.

*Global Wind Energy Council ([www.gwec.net](http://www.gwec.net))*

Cogeneration, also known as Combined Heat and Power (CHP) is the on-site production of two types of energy, usually electricity and heat, both from a single fuel source. Today, cogen produces almost 10% of the United States' electricity, saving consumers up to 40% on energy expenses. Cogeneration systems not only allow commercial and industrial users to operate at higher energy efficiencies, costs are reduced, power reliability is increased, and natural resources are conserved.

Landfill gas is produced through the breakdown of waste deposited in a landfill and can be converted and used directly by industrial plants or to power turbines that create electricity. As of April 2010, the EPA estimates that there are approximately 530 additional candidate landfills that could turn their gas into energy, producing enough electricity to power 720,000 homes.

*United States Environmental Protection Agency, Landfill Methane Outreach Program, ([www.epa.gov/lmop/basic-info/index.html](http://www.epa.gov/lmop/basic-info/index.html))*

► Read more on page 2

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Applicants who are eligible for payments under Section 1603 are the owner or lessee of qualified specified energy property and must have originally placed the property in service. Those who are not eligible are any federal, state or local government or any political subdivision, agency or instrumentality thereof; an organization that is described in section 501(c) of the IRC and is exempt from tax under section 501(a) of the IRC; any entity referred to in section 54(j)(4) of the IRC; or any partnership or other pass-thru entity, any direct or indirect partner of which is an organization or entity described above unless this person only owns an indirect interest in the applicant through a taxable C corporation.

In the special case of a sale-leaseback transaction, the following criteria must be met in order to receive payments under Section 1603:

- The lessee must be the person who originally placed the property in service
- The property must be sold and leased back by the lessee, or must be leased to the lessee within three months after the date the property was originally placed in service
- The lessee and lessor must not make an election to preclude application of the sale-leaseback rules

In order for property to qualify for the Section 1603 payment, it must either have been originally placed in service between January 1, 2009 and December 31, 2010, regardless of construction start date, or be placed in service after 2010 yet before the applicable credit termination date if the construction of such property begins between January 1, 2009 and December 31, 2010.

Property that is eligible to receive Section 1603 payment is "specified energy property", this includes only tangible property that is used as an integral part of the activity performed by the qualified facility and located at the site of such facility. This does not include a building, but may include



## OUR FIXED ASSET GROUP HAS THE EXPERIENCE TO SUPPORT ANY VALUATION REQUIRING EXPERTISE IN MACHINERY AND EQUIPMENT FOR A VARIETY OF APPLICATIONS.

structural components of a building. The tangible property is tangible personal property and other tangible property as defined in sections 1.48-1(c) and (d) of the Income Tax Regulations.

Applications for payments under Section 1603 can be found at [www.treasury.gov/recovery](http://www.treasury.gov/recovery), all applications must be received before October 1, 2011. The Treasury will review and make payments to those qualified applicants within 60 days of receipt of the complete application.

### THE TABLE BELOW LISTS THE CREDIT TERMINATION DATE AND THE GRANT RATE PER EACH TYPE OF ENERGY PROPERTY

SPECIFIED ENERGY PROPERTY	CREDIT TERMINATION DATE	APPLICABLE PERCENTAGE OF ELIGIBLE COST BASIS
Large Wind	January 1, 2013	30%
Closed-Loop Biomass Facility	January 1, 2014	30%
Open-Loop Biomass Facility	January 1, 2014	30%
Geothermal under IRC sec. 45	January 1, 2014	30%
Landfill Gas Facility	January 1, 2014	30%
Trash Facility	January 1, 2014	30%
Qualified Hydropower Facility	January 1, 2014	30%
Marine & Hydrokinetic	January 1, 2014	30%
Solar	January 1, 2017	30%
Geothermal under IRC sec. 48	January 1, 2017	10%
Fuel Cells	January 1, 2017	30%
Microturbines	January 1, 2017	10%
Combined Heat & Power	January 1, 2017	10%
Small Wind	January 1, 2017	30%
Geothermal Heat Pumps	January 1, 2017	10%

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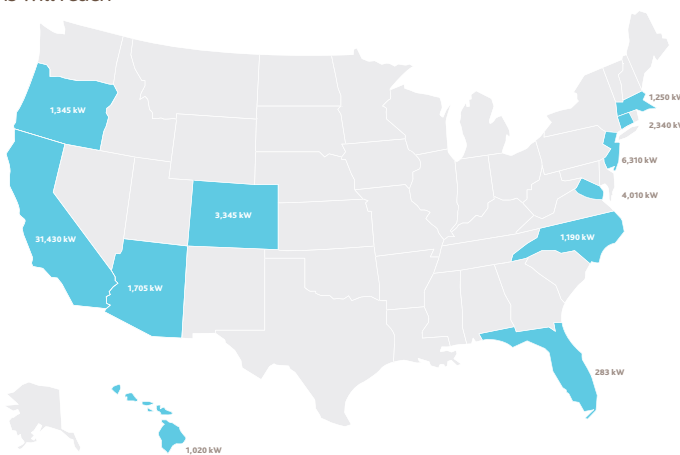
▶SOLAR MARKET UPDATE

Solar photovoltaic (“PV”) power is one of the fastest growing renewable energy sources in the world. The worldwide market for this energy is growing at a rate of approximately 30% a year. Over the last two years the global solar PV market experienced tremendous growth, with 11,980 megawatts (“MW”) of installed capacity coming online in 2008 and 2009, as compared to 2,392 MW installed in 2007. Europe and Asia lead the solar PV market with a share of 66% and 17% respectively in 2009. It is expected that the global installed capacity of solar power systems will reach approximately 80 gigawatt production (“GWp”) by 2015 and 433 GWp by 2025.

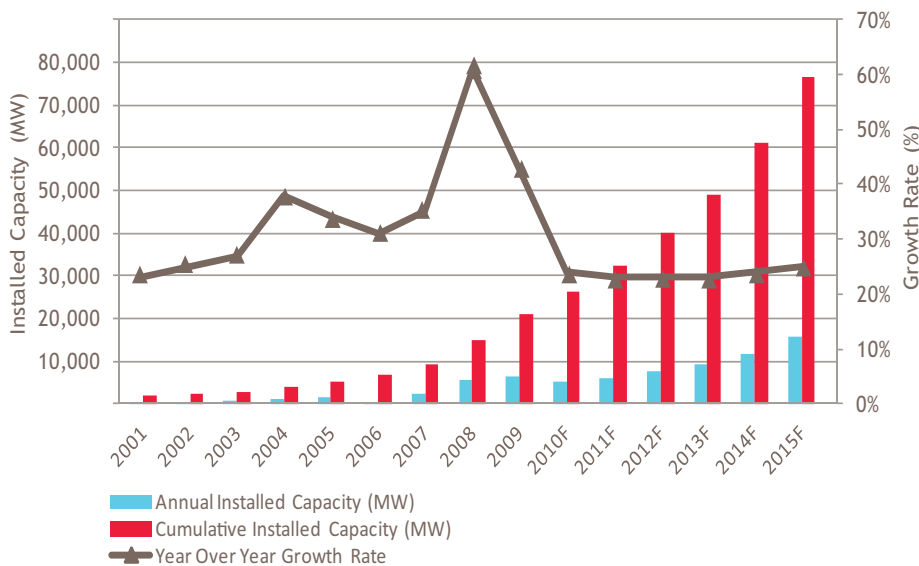
Growth in the US has largely been facilitated by the financial incentives provided by both federal and state governments; the chart below indicates the annual and cumulative installed

capacity for the United States up to 2015. California is the largest solar PV market in the US- accounting for close to 66% of the country’s total cumulative installed solar PV capacity. Other states with high cumulative installed capacity include NJ, CO, AZ, NY and HI.

The following map breaks out the total capacity of the solar installations valued by BDO Valuation Advisors by location.



GLOBAL SOLAR PV MARKET, HISTORICAL AND FORECAST  
INSTALLED CAPACITY, MW, 2001-2015



The US Solar PV Market Analysis: Policies and Incentives, Industry Trends and Forecasts to 2015. Global Data, February 2010

**BDO  
KNOWS  
SOLAR**

We are relied upon by a number of the world’s largest and most successful financial institutions as one of the leading authorities on solar energy in the financial industry. Since 2007, we have provided valuation opinions for more than 220 solar installations with a capacity of more than 53 megawatts. These solar installations are located in eleven different States and have a combined value of greater than \$330 million. Our analysis for solar installations include opinions of the current and future fair market value for the individual installations, as well as support for the economic useful life of the installations as well as support for various compulsion tests under a lease agreement.

To view our selected client list, please visit: [www.bdovaluation.us.com/transactions](http://www.bdovaluation.us.com/transactions)

## ►RECENTLY COMPLETED ENGAGEMENTS

**Printing Press Manufacturer** – Valuation of machinery & equipment at five locations in the USA, France, UK, and Japan for a Purchase Price Allocation.

**Wind Farm** – Valuation of approximately 30 wind turbines at two California locations for financial reporting purposes.

**Passenger Trains** – Valuation of 10 passenger train sets operating in France for a sale/ leaseback transaction involving a UK Bank.

**Cogeneration Facility** – Valued a 150 megawatt cogeneration facility being constructed in Germany for financing purposes.

**Chemical Production Facility** – Valued a Polyethylene Terephthalate (“PET”) Facility being constructed in Germany for financing purposes.

**Truck Lease Portfolio** – Audited the management of a truck lease portfolio to confirm the portfolio manager was complying with the portfolio management contract requirements.

**Water Treatment Facility** – Valued the assets that comprise a fresh water treatment facility operating in California for end-of-lease purposes.

**Lease Impairment** – Valued specific leases currently owned by a major US Bank to verify whether the value of the leased equipment compared to the current lease contracts created a potential impairment.

**Hospital Equipment** – Valued specific hospital machinery and equipment related to an internal lease transaction based on changes in Stark Law.

**Dairy Farm Facility** – Valuation of machinery & equipment collateral leased to a dairy farm by a major US bank for lease exposure purposes.

**Landfill Gas Facility** – Valuation of 2 landfill gas facilities located in Pennsylvania for a Purchase Price Allocation.

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## BDO VALUATION FIXED ASSET PRACTICE

BDO's fixed asset team offers the hands-on experience and skills to address your business needs. In addition to the valuation of solar collection assets, we have the ability to support any valuation requiring expertise in machinery and equipment for a variety of applications including:

- Lease Financing
- Purchase Price Allocations
- Mergers & Acquisitions
- End-of-Lease Dispositions
- Portfolio Reviews
- Impairment Analysis

## ABOUT BDO VALUATION ADVISORS, LLC

BDO Valuation Advisors, LLC provides quality, professional, and thorough execution so you understand the earnings, tax, and strategic significance of valuation. Our conclusions are independent, and are used for management planning, transaction support, adverse matter resolution, tax planning, and financial reporting, in full compliance with FASB, IAS, SEC, IRS, and other regulatory or administrative requirements.

BDO Valuation Advisors, LLC is a separate legal entity and is affiliated with BDO USA, LLP, a New York limited liability partnership and national professional services firm.

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