

FINANCING THE FUTURE - THE NEW ENERGY EQUATION

Data Sources

New Energy Finance Report

Deloitte and Cleantech Group LLC.

Bloomberg New Energy Finance

Cascadia Capital LLC, is a national investment banking firm for emerging growth companies in a wide range of industries.

Sustainable Industries Energy Efficient Sector M&A Scheduled to Accelerate In Second Half of Year

In Q2 2011 equity financing and M&A were down from Q1 2011. This is partly due to Q1 being a very strong bounce back quarter as deals that were expected to close in Q4 2010 slipped in to Q1 2011. The other reason for the downturn is that Q2 2011 saw rotation in the sector as money left the capital intensive biomaterials/biofuels and solar sectors and moved into the more capital efficient energy efficiency sector. Indeed energy efficiency was the top sector in cleantech Q2 2011 with the largest amount of investment dollars (\$428 million) and the largest number of deals (38).

In our opinion, the transaction signaled that the energy efficiency sector has come of age and put pressure on other large corporations in the energy services sector to strategically respond.

As robust as the efficiency sector is from an investment standpoint, we believe that the sector will explode with M&A transactions in Q3 2011 and Q4 2011. The Schneider Electric purchase of Summit Energy Services for \$268 million was priced at approximately 4X revenue. Summit Energy offers a real time energy management solution that enables users to save energy. Their product is a software based solution. In addition to software margins, Summit also has a subscription based business model that pays on a monthly basis making it very attractive from a

margin and visibility standpoint. Wall Street likes the Summit business model and puts a premium valuation on it.

In our opinion, the transaction signaled that the energy efficiency sector has come of age and put pressure on other large corporations in the energy services sector to strategically respond. The companies which have developed the product/technology are having a hard time accessing the large corporate clients that are buyers of their product. Consequently, the large energy services companies are hearing from their clients that they want real-time energy management products. So, rather than build such products, we expect the large energy services companies to gain the product capability through acquisitions.

Cascadia is currently representing, a large energy services corporation on a buy side engagement. We have spoken to approximately 60 potential target companies and more than 50 of those have been contacted by other potential buyers regarding a sale process. This leads us to the conclusion that the real-time demand management sector will see massive consolidation.

EQUITY

Global Venture Capital and Private Equity New Investment in Clean Energy

- Q2 2011 global cleantech ventures investments totaled \$1.83 billion over 161 deals. Total investment volume was 33% lower than Q1 2011 and 10% lower than Q2 2010.
- North American cleantech investments totaled \$1.42 billion over 113 deals during Q2 2011, a decrease of total invested capital of 10% from Q2 2010.

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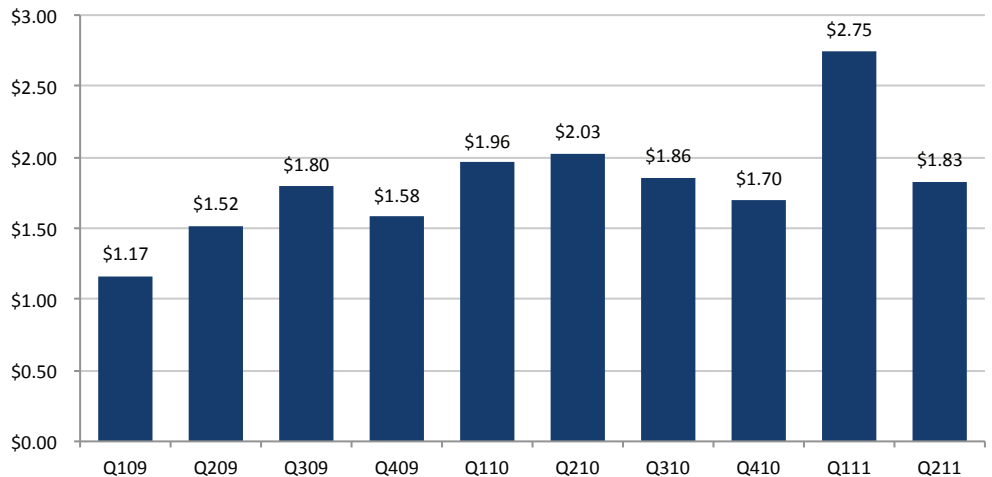
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EQUITY

- Europe & Israel investments totaled \$312 million over 38 deals in Q2 2011, an increase in total invested capital of 58% from Q1 2011, but a decrease of 7% from Q2 2010.
- Asia & Pacific investments totaled \$103 million across 10 deals in Q2 2011.

Global VC Investment \$USD Billions



- Follow-on deals again accounted for the majority amount of cleantech invested capital in Q2 2011; 87% of all invested capital were Series B or later rounds, as compared to 93% in Q1 2011. We expect this trend to continue as investors look to back the winning companies in their portfolios while opportunistically looking to exit certain investments.
- Energy Efficiency was the top sector in cleantech investing in Q2 with the largest amount of invested capital (\$428 million) and the largest number of deals (38 deals). This continued trend is no surprise given competition for venture and growth equity dollars in the internet / new media space where capital expenditures are significantly less.
- Solar and Biofuels/Biomaterials had the second and third largest amount of invested capital this quarter with \$363 million (27 deals) and \$237 million (12 deals), respectively. While solar will continue to attract significant capital share, we are encouraged by the biofuels and biomaterials opportunities as we expect this category to receive increased attention now that technologies have matured.

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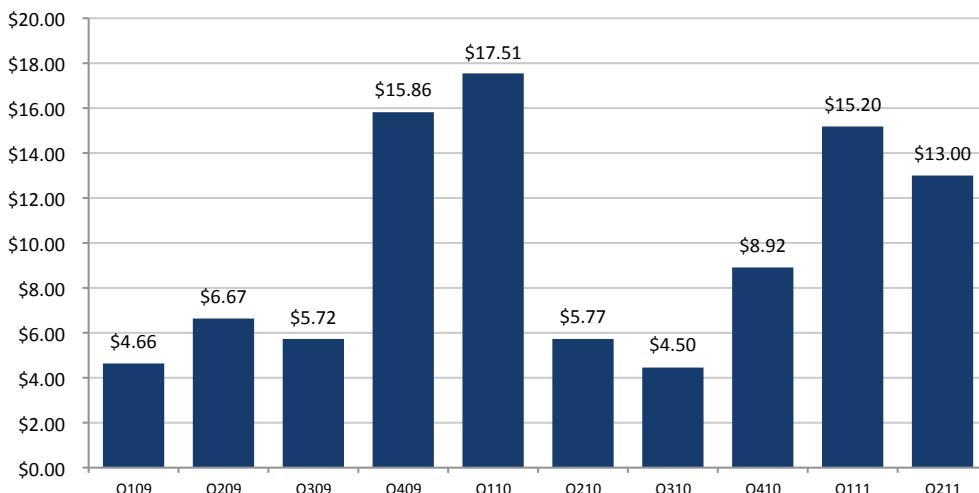
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M&A

Global Clean Energy M&A Volume

There were 86 M&A transactions in Q2 2011, of which 31 deals were disclosed for a total of \$13 billion. This deal total was down compared to 140 transactions totaling \$15.2 billion in Q1 2011. While this quarter's figures may on the surface represent a slowing of momentum in the M&A markets, we think the downward adjustment was more a function of the robustness of the Q12011 activity and that the Q2 2011 numbers indicate more of a steady state environment.

Global M&A Volume \$USD Billions



KEY M&A TRANSACTIONS

TOSHIBA

■ The largest deal of the quarter was Toshiba's acquisition of Landis + Gyr for \$2.3 billion. Toshiba, an electronics and electricity-generating equipment conglomerate, will instantly become a major player in the smart grid space that is predicted to grow 6 times (\$70.9 B) over the next decade. (Financial Times and Greentech Media). This deal is one of many similar stories of large, established industrial players acquiring one of the leading companies in a hyper growth space. There will be many more of these headlines to come in the near future.



Services for \$268 million. Summit Energy specializes in consulting and energy

management services for large organizations with a concentration in the industrial market. This acquisition further expands Schneider Electric's smart grid product and service offering. The built environment is seen as both a massive opportunity and a wide open playing field for IT and technology-enabled solutions providers. Technology centric sellers jockeying to position themselves to a handful of eager buyers have created an extreme amount of froth in this space.

■ Schneider Electric acquires Summit Energy

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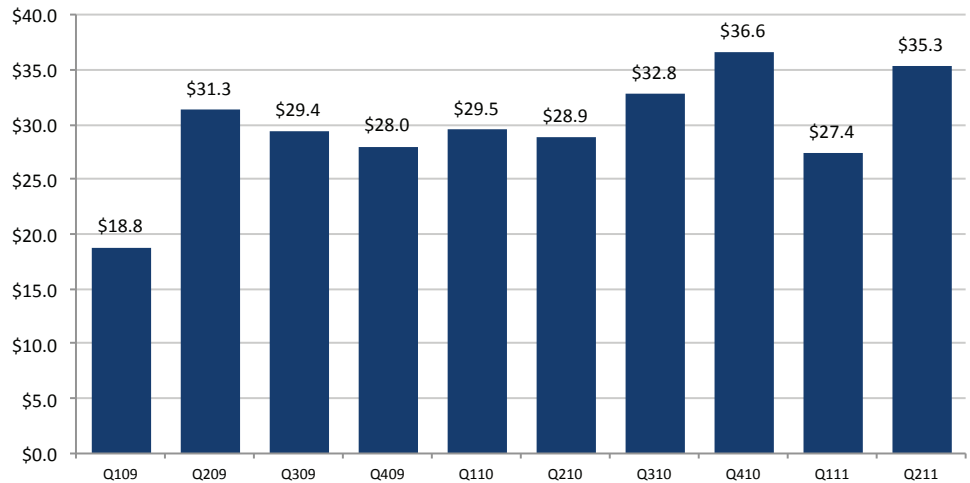
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PROJECT FINANCE

Global Asset Financing of New Build Clean Energy Assets

Global Asset Financing \$USD Billions



- China led the way in project development, with 110 projects financed with a capital value of \$10.0B. In the U.S., 34 projects were financed with a capital value of \$8.2B.
- Wind accounted for the largest portion of new build asset financing with \$17.3 billion and solar followed with \$12.9 billion.
- Biomass & Waste projects totaled \$2.1 billion in asset financing and geothermal totaled \$1.5 billion. Other projects (biofuels, small hydro and marine) combined for a total of \$1.5 billion.
- Solar project development is starting to accelerate, supported by Department of Energy loan guarantees.
- Biofuels projects are turning to gasification technologies to produce diesel and ethanol from biomass.
- Wind turbine costs are declining quickly to offer a competitive alternative to generation from natural gas.
- The 33% RPS standard in California is expected to promote project development. However, the delay in the negotiation of compliance conditions for publicly owned utilities may soften PPA rates in California into 2012.