BUSINESS DIMENSION OF CAPITAL EQUIPMENT INVESTMENT
Recession began in Dec. 2007. Economic toll of credit crunch, housing slump, labor market contraction has been severe but modest recovery is underway.

The Q4:2008 decline was the steepest since the Q1:1982 drop of 6.8%.

2012 is expected to see a modest but choppy acceleration in growth continuing into 2013.

* Estimates/Forecasts from Blue Chip Economic Indicators.
Source: US Department of Commerce, Blue Economic Indicators 5/12.
Financial Sector is Stabilizing
- Banks are reporting quarterly profits
- Many passed recent stress tests with flying colors
- Many banks expanding lending to creditworthy people & businesses
Housing Sector Showing Improvement

- Mortgage rates at record lows
- Existing home sales April at annual rate 4.62 M
- New Home Sales April up 3.3% Annualized basis
SIGNS THAT THE ECONOMY IS ON ITS WAY TO RECOVERY

- **Consumer Sentiment**
  - U of M Consumer Sentiment Index May 77.8 up from 76.4 in April

Optimism among consumers is recovering, in part due to an improving jobs outlook, after plunging amid the debt debate debacle and S&P downgrade.
Job Market Improving

Recent Unemployment rate 8.1–8.2%

Lowest point since Jan ‘09
Unemployment and Underemployment Rates: Stubbornly High in 2012, But Falling

Unemployment stood at 8.2% in May 2012

Unemployment peaked at 10.1% in October 2009; highest monthly rate since 1983.

Peaks rate in the last 30 years: 10.8% in November - December 1982


Stubbornly high unemployment and underemployment constrain overall economic growth, but the job market is now clearly improving
Help Wanted: In Unexpected Twist, Some Skilled Jobs Go Begging

BY BEN CASSELMAN

DENVER—Ferrie Bailey’s job should be easy: hiring workers amid the worst stretch of unemployment since the Depression.

A recruiter for Union Pacific Corp., she has openings to fill, the kind that sometimes seem to have all but vanished: secure, well-paying jobs with good benefits that don’t require a college degree.

But they require specialized skills—expertise in short supply even with the unemployment rate at 9%. Which is why on a recent morning the recruiter found herself in a hiring hall here anxiously awaiting the arrival of just two people she had invited to interviews, winnowed from an initial group of nearly five dozen applicants.

With minutes to go, the folding chairs sat empty. “I don’t think they’re going to show,” Ms. Bailey said, pacing in the basement room.

Her challenge is a familiar one to recruiters, especially in industries that require workers with trade skills such as welding. Union Pacific struggles to find enough electricians who have worked with diesel engines. Manufacturers in many places can’t find enough machinists. Oil companies must fight for a limited supply of drilling-rig workers.

“There’s a tremendous shortage of skilled workers,” said Craig Giffi, a vice chairman of the consulting firm Deloitte. A recent survey it did found that 83% of manufacturers reported a moderate or se-
As percentage of U.S. Economy prior to recession highest in history

U.S. manufacturing alone is 6th largest economy in the world, and trending up

GDP per hour in U.S. is second best in the world behind Norway.

Production ramping up wide range of industries

U.S. Manufacturing output rose 3.9% per year 1997-2007, and productivity grew 6.8% per year same period.

2007 manufacturing output 3 x 1967 with 13.9 M workers vs. 17.9 M – due to productivity growth.

Goods production 6% higher than 2007 (adjusting for inflation) vs. 2% for service sector.
Manufacturing Growth for Selected Sectors, 2012 vs. 2011*

<table>
<thead>
<tr>
<th>Sector</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Manufacturing</td>
<td>9.8%</td>
</tr>
<tr>
<td>Durable Mfg.</td>
<td>11.4%</td>
</tr>
<tr>
<td>Wood Products</td>
<td>7.1%</td>
</tr>
<tr>
<td>Primary Metals</td>
<td>31.4%</td>
</tr>
<tr>
<td>Machinery</td>
<td>13.5%</td>
</tr>
<tr>
<td>Electrical Equip.</td>
<td>7.2%</td>
</tr>
<tr>
<td>Transportation Equip.</td>
<td>12.7%</td>
</tr>
<tr>
<td>Non-Durable Mfg.</td>
<td>8.5%</td>
</tr>
<tr>
<td>Food Products</td>
<td>4.5%</td>
</tr>
<tr>
<td>Petroleum &amp; Coal</td>
<td>13.5%</td>
</tr>
<tr>
<td>Chemical</td>
<td>4.0%</td>
</tr>
<tr>
<td>Plastics &amp; Rubber</td>
<td>9.0%</td>
</tr>
<tr>
<td>Textile Products</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

Manufacturing of durable goods has been especially strong.

Manufacturing Is Expanding Across a Wide Range of Sectors

*Seasonally adjusted; Date are YTD comparing data through March 2012 to the same period in 2011.
"Our average customer wants a turnaround in less than three weeks," Dietzen says. "You're not going to get that in China."
The next few years will bring a wave of reinvestment by U.S. multinational manufacturers in their home base, as rising wages and a strong yuan currency make China a less attractive production center, the paper by the Boston Consulting Group (BCG) predicts.

*Caterpillar Inc has repatriated manufacturing of construction excavators, boosting investment in facilities in Texas, Arkansas, and Illinois.

*NCR Corp brought back production of automatic teller machines to Georgia, creating 870 jobs.

*Toymaker Wham-O moved production of Frisbees and Hula-Hoops from China and Mexico to the United States.
The appeal of a shorter supply chain and fewer headaches from issues like intellectual property will also help encourage jobs and production to come back to the United States, BCG said. Policy could also nudge manufacturers to make the move. High unemployment is driving state incentives to attract factories, while unions are becoming more flexible.

General Electric Co’s example supports the study’s contentions. GE’s appliance unit is in the middle of a four-year, $600 million plan to build up its manufacturing presence in Louisville, Kentucky, adding some 830 new jobs.
Otis Shifts Work Closer to Home

By Timothy Aeppel

Globalization has come full circle at Otis Elevator Co. The U.S. manufacturer, whose elevators zip up and down structures as diverse as the Empire State Building and the Eiffel Tower, is moving production from its factory in Nogales, Mexico, to a new plant in South Carolina.

More startling: Otis says the move will save it money.
What’s happening at Otis is part of a broader shift in the way manufacturers tally costs.
Their outlook has been changing as the cost of producing abroad has risen and they have devised more efficient ways to make things close to where they want to sell them.

International companies ranging from Ford Motor Co. to General Electric Co. have started returning to the U.S. some jobs that they had previously shipped offshore, a process sometimes dubbed as “reshoring.”

“It’s a trickle, it’s not a trend—but clearly companies are now thinking more about it,” says Paul Scott, executive director of the Alliance for American Manufacturing, a nonprofit alliance of business and labor groups that lobbies for domestic production.

When Otis moved production down to Mexico in 1998, “it clearly was for cost-oriented reasons,” says Didier Michaud-Daniel, chief executive of the United Technologies Corp. unit.
“But since then, logistics costs have increased a lot.”

Otis declined to disclose all its cost calculations, but it said the new South Carolina plant will undercut the costs of producing in Mexico.

Among other things, the plant will be closer to many of the company’s customers, about 70% of whom are on the East Coast of the U.S.

The company figures that will lower its freight and logistics costs 17.3%.

Another 20% of savings, the company says, will come from “efficiencies” of having all its white-collar workers associated with elevator design and production located at the new factory.
The company, which is based in Farmington, Conn., had only final-assembly operations in

Please turn to the next page
Key strategies aim to get manufacturing thriving

Having enough skilled workers in the pipeline new industry challenge

By Quentin Harris

As Siemens Energy in Charlotte debuted its state-of-the-art gas turbine plant in 2011, its opening raised a wave of successes and challenges facing the region’s manufacturing sector.

With bright lights, white coats, and humming motors, global company officials and Charlotte production workers and engineers inside the $600 million production plant unveiled their first gas turbine engine to order for a power plant in Mexico.

It’s a product that requires engineers and graduates with high-school and on-the-job training to assemble. The plant hired 750 new jobs, with 400 more to come – enough people to churn out $600 million in exports annually.

But finding enough skilled workers to handle the facility’s technology jobs is proving challenging.

Out of every 2,000 job candidates, about 100 pass a skills test covering reading, math and mechanical aptitude skills, according to the reserve program, according to Mark Pringle, director of operations for Siemens Energy in Charlotte.

“ar have huge reservoirs of great technology-driven industries, including engineering, information technology and manufacturing,” Pringle said.

Having enough skilled manufacturing workers in the pipeline is a key challenge facing the Charlotte region’s manufacturing sector. That’s why many of the area’s manufacturers say they’re investing in training, innovation and other strategies to ensure that manufacturing— which powered the Carolinas’ growth through much of the 20th century—will thrive in the 21st.

The region shed hundreds of thousands of jobs in the last decade, as manufacturing and other traditional sectors like textiles and tobacco in low-paying jobs with a technology base.

Since 2010, the Carolinas have lost 435,000 manufacturing jobs, nearly a 40 percent decrease in jobs, according to the Bureau of Labor Statistics.

But there are bright spots. Even today, 86,000 manufacturing jobs, which
ECONOMIC BACKDROP

- Improving economic conditions, with potential for growth.
- Stabilized financial system
- Low interest rates currently
  - Increased Lending
- Reshoring and improved manufacturing environment
- Improving job market
☐ Financing Alternatives
☐ Tax Incentives
☐ Special Programs
FINANCING EQUIPMENT - PAY CASH

☐ Pros
  ☐ Balance Sheet cash is nice to have but not always necessary
  ☐ Eliminates fees associated with financing
  ☐ Preserves key operating ratios like debt to equity

☐ Cons
  ☐ Takes money away from your Working Capital
  ☐ Takes money away from Long Term Investments
  ☐ Does not help you establish a good credit rating incase you need to finance a larger machine in the future

Pros | Cons
FINANCING EQUIPMENT – BANK (line of credit)

- **Pros**
  - Attractive Interest Rates
  - Aggressive Banks
  - Customized terms

- **Cons**
  - Covenants and Restrictions
  - Interest Rate exposure
  - May take money away from other bank financing needs like plant expansions
Frees working capital for more productive uses.
Permits 100% financing vs. 80% through other methods.
Does not disturb present bank lines.
Flexible terms & structures to meet cash flow needs.
DISADVANTAGES OF LEASING OVER PAYING CASH OR BANK FINANCING

- Contracting for fixed number of payments, it is not a principal & interest loan.
- Make sure you know what the purchase option is at the end of the lease.
- Do not give a deposit to any lease company until you see the lease contract. Only give advance deposits to the equipment supplier.
- Make sure you know who you are dealing with.
Leases now make up some 50% to 60% of all new capital equipment acquisitions.
TYPES OF LEASES

OPERATING LEASES

CAPITAL LEASES
Operating Leases are leases that are commonly offered on automobiles, computers, and copiers. It is assumed the Lessee will be returning the asset at the end of the lease term.
- Lease payments are treated as an operating expense by the Lessee.
- An Operating lease covers the use of an asset for a short period of time and total amount of payments do not cover the cost of the asset.
Most common type of lease used for manufacturing equipment purchases. It is assumed that Lessee will want to keep and own the equipment at the end of the lease term. A Capital Lease covers the use of the equipment for a longer period of time and the total amount of payments and purchase option do cover the cost of the asset. It is really just another financing alternative even though it is called a lease.
Interest cost should be estimated and listed as an interest expense like any other bank loan.

Equipment should be depreciated over the same period as if you had paid cash for the equipment.

Lessee is also eligible for the same tax benefits as if they paid cash or financed through a bank loan.
WHAT PRODUCTION EQUIPMENT CAN BE LEASED?

- Manufacturing Equipment (New or Used)
- Material Handling Equipment
- Software
- Dust Collectors
- Air Compressors
WHAT COSTS CAN BE INCLUDED IN A LEASE?

- Equipment purchase price
- Installation & Training
- Software
- Freight
- Rigging
- Accessories
Although businesses would benefit if they could simply deduct the full cost of their asset acquisitions in the year of purchase, the tax law generally does not allow that approach.

Deductions must be spread out regardless of whether a business pays cash or finances the purchase.

To figure out the deduction for a particular item, one must know not only the property's cost but also the recovery period, and depreciation method. Various IRS regulations and procedures spell out the details.
## DEPRECIATION EXAMPLE

$60,000 Edge Polisher @ 7yr Depreciation

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>25,000</td>
<td>50,000</td>
<td>60,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>8,571</td>
<td>8,571</td>
<td>8,571</td>
<td>8,571</td>
</tr>
<tr>
<td>Taxable income</td>
<td>$16,429</td>
<td>$41,429</td>
<td>$51,429</td>
<td>$31,429</td>
</tr>
</tbody>
</table>

Cont'd

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>$45,000</td>
<td>$55,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>8,571</td>
<td>8,571</td>
</tr>
<tr>
<td>Taxable income</td>
<td>$36,429</td>
<td>$46,429</td>
</tr>
</tbody>
</table>

EBITDA=Earnings Before Interest, Taxes, Depreciation and Amortization
Sec. 179 allows a company to immediately deduct the cost of qualifying property instead of capitalizing and depreciating the property.

Election is made on Form 4562 and must be made in the tax year the property is placed in service.
QUALIFYING PROPERTY

Qualifying property must be:

- Tangible personal property
- Depreciable under Code Sec. 168
- Acquired by purchase for use in the active conduct of a trade or business

Eligible property includes:

- Machinery and equipment
- Furniture and fixtures
- Most storage facilities

SECTION 179 – QUALIFYING PROPERTY
Maximum deduction in 2010 first increased from $134,000 to $250,000 as a result of H.R. 2847

Small Business Jobs Act signed 9/27/10 increased to $500,000

Raised investment limit without penalty to $2,000,000

Deduction is reduced dollar for dollar by the cost of qualified property placed in service during the year over the investment limitation

Increase temporary for 2010 and 2011. Reverted in 2012 To $139,000 and $560,000 investment limit.

If losing money before or after this deduction, unused portion can be carried over into next year’s tax return

The total cost of property depreciated cannot exceed taxable income for the year. Amounts disallowed for this reason can be carried forward.
**EXAMPLE #1**

**ABC Industries buys an Edgebander**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$60,000.00</td>
</tr>
<tr>
<td>Less Section 179 Allow.</td>
<td>$60,000.00</td>
</tr>
<tr>
<td>Adjusted Basis</td>
<td>$0.00</td>
</tr>
<tr>
<td>Regular 1st year Depr. (based on 7 years)</td>
<td>$N/A</td>
</tr>
<tr>
<td><strong>Total 1st year Write-off</strong></td>
<td><strong>$60,000.00</strong></td>
</tr>
<tr>
<td>(100% of purchase price)</td>
<td></td>
</tr>
</tbody>
</table>

**Income Tax Savings & Add’l cash flow (based on 34% fed tax)**

$20,400.00 (34% of purchase price)
EXAMPLE #1 (continued)

- **Year 1 Tax savings for ABC Industries**
  $20,400.00

- **Year 1 lease payments for ABC Industries**
  $15,033.00

\[\text{Additional cash flow of } \$5,367.00\]

*Return on Investment of 36% in Year 1*

Without factoring production and efficiency GAINS!!!
The Small Business Jobs Act also provided an additional first year depreciation “bonus” equal to 50% of the adjusted cost basis for equipment acquired after January 1, 2010 and placed in service before January 1, 2011.

Job Creation Act signed 17 December increased to 100% for equipment delivered prior 12/31/11.

No dollar limit

If paper loss generated, can be carried back 2 years or forward up to 20

1 January 2012 bonus depreciation reverted to 50% for equipment delivered prior 12/31/12.

Provision “sunsets” after 12/31/12.

[ Used equipment purchases do not qualify for bonus depreciation. ]

*
IN LIGHT OF 100% BONUS DEPRECIATION, WHAT IS ROLE OF SECTION 179 DEPRECIATION?

- Bonus depreciation – new equipment only
- Section 179 – new or used
- Use both to maximize benefits
- Keep calendar in mind
  - To qualify for enhanced deductions equipment must be in place prior 12/31/12.

IN LIGHT OF 50% BONUS DEPRECIATION, WHAT IS ROLE OF SECTION 179 DEPRECIATION?

- Bonus depreciation – new equipment only
- Section 179 – new or used
- Use both to maximize benefits
- Keep calendar in mind
  - To qualify for enhanced deductions equipment must be in place prior 12/31/12.
EXAMPLE #2: ABC INDUSTRIES BUYS A HOLZMA PANEL SAW…

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$150,000.00</td>
</tr>
<tr>
<td>Less 50% Bonus Depreciation</td>
<td>(75,000.00)</td>
</tr>
<tr>
<td>Adjusted Basis</td>
<td>$75,000.00</td>
</tr>
<tr>
<td>Less Section 179</td>
<td>(75,000.00)</td>
</tr>
<tr>
<td>Adjusted Basis</td>
<td>$0</td>
</tr>
<tr>
<td>Total 1st year Write-Off</td>
<td>$150,000.00</td>
</tr>
<tr>
<td>Income Tax Savings &amp; Addt’l</td>
<td>$51,000.00</td>
</tr>
<tr>
<td>Cash flow (based on 34% fed tax)</td>
<td></td>
</tr>
</tbody>
</table>
As in example #1, ABC Industries would have enough tax incentives and cash flow to cover the first-year lease payments of $36,504 for the Holzma Panel Saw with an additional amount of $14,496 left over.

The next slide will show the impact of tax liability related to equipment acquisitions.
**ABC INDUSTRIES**  
**Without Purchase**

- EBITDA: $1,000,000
- Depreciation: $0
- Taxable Income: $1,000,000

- **Tax Due (34%)**: $340,000

**ABC INDUSTRIES**  
**With Purchase**

- EBITDA: $1,000,000
- Depreciation: $150,000
- Taxable Income: $850,000

- **Tax Due (34%)**: $289,000

**Tax Savings and Additional Cash Flow of $51,000**

Before production and efficiency gains!
Net operating loss (NOL) = tax-deductible expenses exceed taxable revenues.

The federal tax laws permit taxpayers to use the losses of one year to offset the profits of other years (carryback and carryforward).

**Bonus Depreciation** = can create a net operating loss
  - Deduction can be carried back (up to two years) and generate refund on taxes paid in previous years.

**Section 179 Deduction**
  - If company cannot use full deduction this year, remaining portion can be carried over into next.
WHAT IF THIS YEAR IS A LOSS?

Loss Carryback

Loss Carryforward

Provision of the Tax Code in place many years.
Sec. 199 provides a deduction to taxpayers for qualified production activities based in the U.S.

The applicable percentage deduction is:
- 9% for tax years 2010 and later
Domestic production gross receipts) are the gross receipts of the taxpayer that are derived from qualified domestic production activities.

Qualified production activities expenses include the cost of goods sold allocable to the receipts, direct selling, general and administrative expenses and a portion of indirect selling, general and administrative expenses.
QUALIFICATION FLOWCHART

Property or Services?

Qualified Personal Property, Software?
- Yes
  - Produced by Taxpayer?
    - Yes
      - In Whole or Significant Part Within the U.S.?
        - Yes
          - Qualified
        - No
    - No
  - No
- No

Construction, Engineering, or Architecture?
- Yes
  - Related to U.S. Construction Project?
    - Yes
      - Performed in the U.S.?
        - Yes
          - Qualified
        - No
    - No
- No

Non-Qualified
**ABC INDUSTRIES**

- Revenue: $2,000,000
- Domestic Sales: $1,500,000
- Less COGS: $-900,000
- Adjusted Basis: $600,000
- Less Direct SG&A: $-75,000
- Less Indirect SG&A: $-75,000
- Qualified Income: $450,000

**2010 Rate @ 9%**

$40,500

Section 199 Estimated Tax Savings @34% Tax Rate = $13,770
# Sec 199 Qualified Production Activities Deduction

**Directions:** Fill in all cells outlined in **Blue** and the sheet will calculate.

<table>
<thead>
<tr>
<th>Gross Receipts</th>
<th>Domestic Production Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Gross Receipts</td>
<td>$2,000,000.00</td>
</tr>
<tr>
<td>Domestic Production Gross Receipts</td>
<td>$1,500,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost of Goods Sold</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost of Goods Sold</td>
<td>$1,300,000.00</td>
</tr>
<tr>
<td>Total Domestic Cost of Goods Sold</td>
<td>$900,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross Margin</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Gross Margin (in Dollars)</td>
<td>$700,000.00</td>
</tr>
<tr>
<td>Total Domestic Gross Margin</td>
<td>$600,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Selling, General &amp; Administrative Expenses (SG&amp;A)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total SG&amp;A Expenses</td>
<td>$175,000.00</td>
</tr>
<tr>
<td>Total Direct SG&amp;A Expenses</td>
<td>$75,000.00</td>
</tr>
<tr>
<td>Remaining Indirect SG&amp;A Expenses</td>
<td>$100,000.00</td>
</tr>
</tbody>
</table>

| SG&A allocation % based on Gross Receipts ratio to total | 75.00% |

| Remaining Indirect SG&A allocated | $75,000.00 |

<table>
<thead>
<tr>
<th>Taxable Income/Qualified Production Activities Income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$450,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Qualified Production Activities Deduction @ −9% for 2010</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>$40,500.00</td>
</tr>
<tr>
<td>Total Domestic W-2 Wages Per Payroll Tax Return</td>
<td>$172,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deduction equals the lesser of (a) or (b)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$40,500.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section 199 Estimated Tax Savings @34% Tax Rate</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$13,770.00</td>
</tr>
</tbody>
</table>

---

***This example is intended to provide an estimate only. You MUST consult your tax advisor for further details.***
First enacted in 1981; extended 14 times
Most recently under Job Creation Act extended to 12/31/11
The R & D method has been called the alternative simplified credit method ("ASC") and may be beneficial to taxpayers that have not been able to claim much of an R & D tax credit in the past under the other R&D credit methods (i.e., regular credit method, alternative incremental credit method).
Under the new ASC method, taxpayers generally claim an R&D tax credit equal to approximately 7.8% of the year’s qualified research expenses ("QREs")
Activities generating QREs qualify if they are:

1. Intended to develop a new or improved “business component” i.e., product, process, software, technique, invention, or formula
2. Through a process 80% or more of the elements of which comprise a process of experimentation
3. Which fundamentally relies on principles of engineering or the physical, biological, or computer sciences
Different Assembly Process
Diversification into Different Materials
Work Cell Layout
EARLY STAGES:

☐ Green
## Section A: CUSTOMER INFORMATION

<table>
<thead>
<tr>
<th>Customer Name</th>
<th>Electric Account Number</th>
<th>Note</th>
<th>Application Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Facility Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Location Identification</th>
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</thead>
<tbody>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>Mailing Address (different from above)</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contact Person/Title</th>
<th>Telephone Number</th>
<th>Incorporation (Check one)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Federal Tax Identification Number</th>
<th>Rebate Payment Preference (Check one)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prepaid Airstrike Payment to Contractor</th>
<th>Customer Signature</th>
</tr>
</thead>
</table>

## Section B: CONTRACTOR INFORMATION

<table>
<thead>
<tr>
<th>Contractor Name</th>
<th>Contact Person/Title</th>
<th>Contact Person Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mailing Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Federal Tax Identification Number</th>
<th>Incorporated? (Check one)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
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</table>

<table>
<thead>
<tr>
<th>Telephone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

## Section C: DOCUMENT APPROVALS

### PRE-INSTALLATION INSPECTION

<table>
<thead>
<tr>
<th>Utility Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### PRE-APPROVAL OFFER

<table>
<thead>
<tr>
<th>Technical Review - Utility Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

<table>
<thead>
<tr>
<th>Utility Signature</th>
<th>Date</th>
<th>Amount of Rebate Offer ($)</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

By signing and dating below, customer accepts this rebate offer and agrees to the Utility Terms and Conditions attached hereto. This agreement is contingent upon continued approval and authorization by the Commission to recover said amounts from the System Benefits Charge. The rebate amount cannot exceed the total project costs.

Customer Signature: Date:

### POST-INSTALLATION INSPECTION

<table>
<thead>
<tr>
<th>Utility Signature</th>
<th>Date</th>
<th>Total Project Cost ($)</th>
<th>Amount of Rebate ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

### MANAGEMENT APPROVAL

<table>
<thead>
<tr>
<th>Utility Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

Form RCP07

Rev. 5/05

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stiles
Your success is our business

HOLZMA
- U.S. Economy well into recovery
- Manufacturing trends positive
- Interest rates low
- Special Programs available and helpful
- Put tax code to work for you

Questions???