Harbinger Research
Independent Investment Analysis

Coverage Initiation Report

United States, Europe, Asia
Renewable Energy – Solar EPC

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Premier Power Renewable En. (PPRW – OTCQB)

PPRW is Focused On Pricing Power and Competitiveness through Product Differentiation, and on Margin Expansion through Cost Control and Project Risk Assessment. PPRW Shares Trade at Unreasonably Low Multiples at this Time.

Strong Speculative Buy

Recent Price: US$0.32

Market Data (closing prices, October 24, 2011)	
Market Capitalization (mln)	9.6
Enterprise Value (mln)	42.2
Basic Shares Outstanding (mln)	29.9
Fully Diluted Shares (mln)	29.9
Avg. Volume (90 day, approx.)	3,889
Institutional Ownership (approx.)	41.5%
Insider Ownership	10.2%
Exchange	OTCQB

Balance Sheet Data (as of June 30, 2011)	
Shareholders' Equity (mln)	10,897
Price/Book Value (as of 10/11/11)	0.88x
Cash (000s)	4,357
Net Working Capital (000s)	(427)
Long-Term Debt (000s)	373
Total Debt to Equity Capital	3.40

Company Overview

Premier Power Renewable Energy develops, designs, installs, and supports solar power systems for commercial, financial, and utility-class customers in the United States, Italy, T Czech Republic, Slovakia, Bulgaria and to a lesser extent throughout much of Europe. It also distributes to other EPC firms and non-specialist contractors. Most recently it has focused on the creation of utility-class power plants that it permits and builds and then resells to institutional investors, primarily in Southern Italy. The Company is based in El Dorado Hills, CA, and trades on the OTCQB under the symbol PPRW.

Company Contact Information

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Summary and Investment Opportunity

- **Solar Energy Construction is Strong Internationally and Strengthening in the U.S.**

The demand for renewable energy sources such as solar power has been growing on a global basis for many years – a situation which has intensified with higher oil prices and a rapidly industrializing second and third world. In parallel, solar technology has become more and more cost-competitive, as solar cell production costs have fallen and solar technology has improved. Overall, these factors have led to a steadily improving market for new solar electricity plants, and further strengthening is nearly certain both in the U.S. and abroad.

- **Premier Power Is ISO 9001 Certified and Provides High Performance Solar Plants**

Premier Power's engineers have deep experience in all aspects of solar plant planning and construction, and over the years have accumulated an understanding of many of the factors that lead to superior operating performance. The Company has institutionalized this knowledge into an ISO 9001 certified business process that allows its power plants to routinely outperform others – at a typical performance ratio of 85% versus an industry average of under 75%. This gives Premier Power a key competitive advantage in what is typically considered a commodity-product market. We believe that over time this will directly translate into additional gross margins and incremental contract wins, as the advantages of its production processes become more apparent.

- **New Contracts in Additional Markets Provide Revenue Growth and Reduced Risk**

As evidenced by the Company's recently-announced Bulgarian contract, PPRW is having significant success in penetrating new growth markets such as Eastern Europe. These new markets are providing strong revenue growth and geographic diversity, strengthening our investment thesis in the Company's shares. We expect the Company to continue to announce contract wins in all of its key markets, as well as deliver higher gross and operating margins as it completes the actual construction and delivery of the new projects awarded under these contracts.

- **Strong Fundamentals Not Yet Reflected in Current Stock Price or Market Value**

Premier Power has an ISO 9001 certified offering that provides a real performance advantage vis-à-vis the other offerings available in the marketplace. It is growing revenues and has successfully grown into new growth markets, while continuing to improve its offerings and hone its internal processes. This means growing sales and gross margins, and should clearly also mean higher market multiples for PPRW shares. However, the stock currently trades at just 0.22x our 2012E revenues of 180M, well below that of its peer group. ***We therefore rate PPRW shares Strong Speculative Buy, and set our 12-month price target at US$0.75 per share.***

P&L (000s)	FY'10A	Q1 '11A	Q2 '11A	Q3 '11E	Q4 '11E	FY'11E	FY'12E	FY'13E
Revenues	**86,787**	**12,811**	**26,550**	**21,100**	**39,600**	**101,061**	**180,000**	**270,000**
Rev CAGR	*182.%*	*277%*	*194%*	*-22%*	*-14%*	*16.4%*	78.1%	*50.0%*
Gr. Margin	*8.2%*	*0.0%*	*3.6%*	*6.4%*	*7.3%*	*5.2%*	8.8%	*9.5%*
Op. Income	(4,190)	(2,850)	(1,947)	(1,488)	(222)	(6,507)	990	6,750
Op. Margin	*-4.6%*	*-22.2%*	*-7.3%*	*-6.7%*	*-0.6%*	*-6.4%*	0.6%	*2.5%*
Net Inc.	**(716)**	**(3,739)**	**(2,002)**	**(1,545)**	**(272)**	**(7,462)**	**768**	**6,214**
Net Margin	-0.8%	-29.2%	-7.5%	-7.0%	-0.7%	-7.5%	0.4%	2.3%
Dil. EPS	**(0.03)**	**(0.14)**	**(0.07)**	**(0.05)**	**(0.01)**	**(0.25)**	**0.02**	**0.15**
Dil. Shrs.	26,592	27,062	29,895	32,245	33,250	30,613	36,575	40,233

Please see analyst certification and required disclosures on page 13 of this report.

Industry Background

Solar Power Basics

Solar power is one of the leading green energy technologies, and is used by a wide variety of individuals, companies, and utilities in much of the developed world. The solar power industry can be broadly categorized by the producers/manufacturers of solar cells and other equipment, the distributors and installers of solar systems, and the entities that use solar systems to generate power on an ongoing basis. The consuming entities can be thought of in terms of residential users, commercial users, electric utilities, and in some cases, "the grid."

Solar cell manufacturers typically specialize in either (newer) thin-film or (older) crystalline silicon technology, and are based in many manufacturing centers around the globe, especially in China. The solar cell manufacturing industry is economically and geopolitically cyclical, which causes inherently unpredictable periods of demand-driven price inflation and supply constraints and periods of oversupply and stable or falling prices. This industry is also highly sensitive to the emergence of new solar technologies, which could in the future create industry-wide disruption and near-immediate product obsolescence for certain manufacturers. At this time, however, the solar industry is on the upswing globally, and we believe this is likely to continue for at least the next several years, based on current geopolitical, technological, and economic factors. Also, it is important to note that as the costs of manufacturing and operating solar power plants have continued to fall, the costs of operating power plants based on traditional energy sources such as oil and coal have on average risen, creating an ever-more favorable economic environment for solar energy. We believe this is likely to continue into the foreseeable future, as both solar cell technology and solar plant operational efficiency continue to improve.

Solar projects vary in scope from the very small, which typically power a single residential home, to the very large, which generate power for electric utilities and very large corporate consumers. Within this range mid-sized projects are most common, and include commercial projects meant to power schools and corporations, as well as medium-sized projects designed specifically for financial owners that purchase solar plants to provide “feed-in” electricity to the power grid.

Historically, most residential and commercial projects have been built and managed by mom-and-pop distribution and installation firms, although some of the larger projects have been run by larger engineering, procurement, and construction (EPC) companies with a specialization in solar energy. Over the last few years, however, we have seen a marked shift in both the types of projects being built and in the types of firms building them. Average project sizes are growing quite rapidly, and in most markets many of the mom-and-pop providers are being acquired, leaving only the larger EPC firms to bid for the newer, larger projects. We expect industry consolidation in the installation and distribution businesses to proceed fairly rapidly in most markets, as the smaller providers simply cannot handle the more rigorous demands of larger more complicated solar projects. The larger solar cell manufacturers acquiring specialized EPC companies such as Premier Power, as they have begun to seek vertical integration and direct end-user relationships throughout their key markets.

We have seen this consolidation evidenced by the acquisition of EI Solutions by Suntech, which is a China-based solar cell manufacturer and EPC company (STP – NYSE) with a current market cap of US$451M. According to Suntech, it purchased solar installer / EPC firm EI Solutions (in 2008) because “EI Solutions is seen as a vital launch pad for the securing of lucrative commercial, utility, and government contracts,” a sentiment that seems to resonate industry-wide. In fact, many solar cell manufacturers have purchased “downstream” installers/EPC firms in recent years, largely because of their direct relationships with customers and the benefits that those relationships entail. Other EPC acquirers include: Sunpower (NasdaqGS - SPWRA, of Powerlight/Sunray), First Solar (NasdaqGS: FSLR, of DT Solar), Sharp (Mkt. Cap US$9.7B, ADR on Pinks, of Recurrent Energy), Mitsui (Mkt. Cap US$526B ADR on Pinks, of Sunwize/Genself), MEMC (NYSE - WFR, of SunEdison), and LDK Solar ((NYSE - LDK, of Solar Power, Inc.). We believe that although these acquisitions vary greatly in size and complexity, the underlying attractiveness of solar EPC companies is clear.

Solar Power in the United States

In the United States, solar power costs exceed those of other power sources (such as coal, oil, hydroelectric, and nuclear) by a wide margin, making solar power inherently uneconomical in the U.S. at this time. However, given solar energy's status as a non-polluting, renewable energy source, the Federal government provides tax and other incentives to reward those who build and deploy solar power solutions; these incentives are often augmented further by the more environmentally focused state and local governments. Over time, we expect solar to become more and more economical in the U.S., apart from government subsidies, largely due to the ongoing shift in fossil fuel costs.

Because state and local incentives vary widely by region, solar power is far more viable in some states than it is in others. Traditionally, the largest incentives (and hence best markets) for solar have been in Western states such as California and Oregon, although some Eastern states (notably New Jersey) have in recent years launched very competitive incentive programs. In those states where incentives are strong, the combination of federal and local incentives typically make solar power competitive with other power generation technologies, leading to relatively robust solar markets. Because of the wide disparity in states' tax incentive programs, the United States really consists of 51 distinct solar markets, each of which exhibits its own unique characteristics.

Solar Power in Europe

Unlike in the United States, solar power is currently economically viable in Europe, primarily due to the higher grid costs that are pervasive there, and to a lesser extent due to each country's solar energy subsidies. The European market is not entirely homogenous, and signicant variation in regulatory, irradiation, and economic factors does exist. This variation makes certain markets far more attractive to the Company than others.

- **Eastern Europe.** Almost every country in this region is seeking to join the European Union, as EU membership offers these countries myriad economic and developmental advantages. However, new members are required to meet complex and stringent requirements pertaining to most aspects of law and government, including each country's electricity-related carbon footprint. Since these countries have such strong incentives to qualify for EU membership, they have broadly enacted laws and incentives that are extremely favorable to the builders and operators of solar energy facilities, such as Premier Power.

- **Southern Europe.** Solar energy in this region is inherently more attractive than it is in other parts of the continent, simply due to the higher amount of solar radiation these countries receive. However, each of these countries (Spain, Portugal, Italy, and Greece) exhibit different political and regulatory environments, making some of them (most notably Italy) more attractive markets than others.

We believe that the countries in Europe will continue to constitute an important part of the global solar energy markets for the foreseeable future, boding well for Premier Power's operations there.

Solar Power in China

The potential market for solar power in China is extremely large, as the population of China is over four times that of the United States and is rapidly approaching first-world standards of living. This rapid economic growth creates strong demand for electricity, a significant portion of which will come from solar energy. In fact, the Chinese government has established a large investment organization (the CECEP Investment Fund) to fund the development of solar energy projects – they have currently invested in over one GigaWatt of solar generation capacity - Premier Power has so far been the only non-Chinese firm to be approved to work on such projects.

Solar Power in Italy

The Italian market has emerged as one of the highest growth markets in Europe. It shares Spain's status as a southern European country with a high frequency of sunny days, especially in its southern provinces, and its extremely high grid-cost of electricity (the highest in Western Europe at US$0372/kWh, as of 2009) makes solar power inherently competitive there. Also, at least historically, the complex and inefficient regulatory environment in Italy has prevented the runaway growth of solar that we saw in Spain (through 2008). In fact, Italy has many fully-constructed solar projects that have been sitting idle because their owners have been unable to get grid-connection permits. Overall, we expect Italy's regulatory and permitting environment to remain complex and inefficient, creating a high barrier to entry for any foreign firms that lack true local market expertise and government relationships required to succeed there. That said, recently enacted changes in Italy's regulatory system have recently created a deteriorating pricing environment for new solar projects, which should slow but not completely stifle in Italian solar industry going forward.

Conclusion

Solar power is an up-and-coming green energy technology that is rapidly growing in parts of Europe and the United States. However, producers of solar cells and the creators and managers of solar generation projects face widely differing local pricing and regulatory environments, creating a high degree of market uncertainty and numerous financial and operational challenges. Overall, we expect solar power to be a high-growth industry for many years to come, and although we do not believe that this growth will be geographically homogenous nor consistent over time, we do believe it will strongly favor Premier Power.

Company Analysis

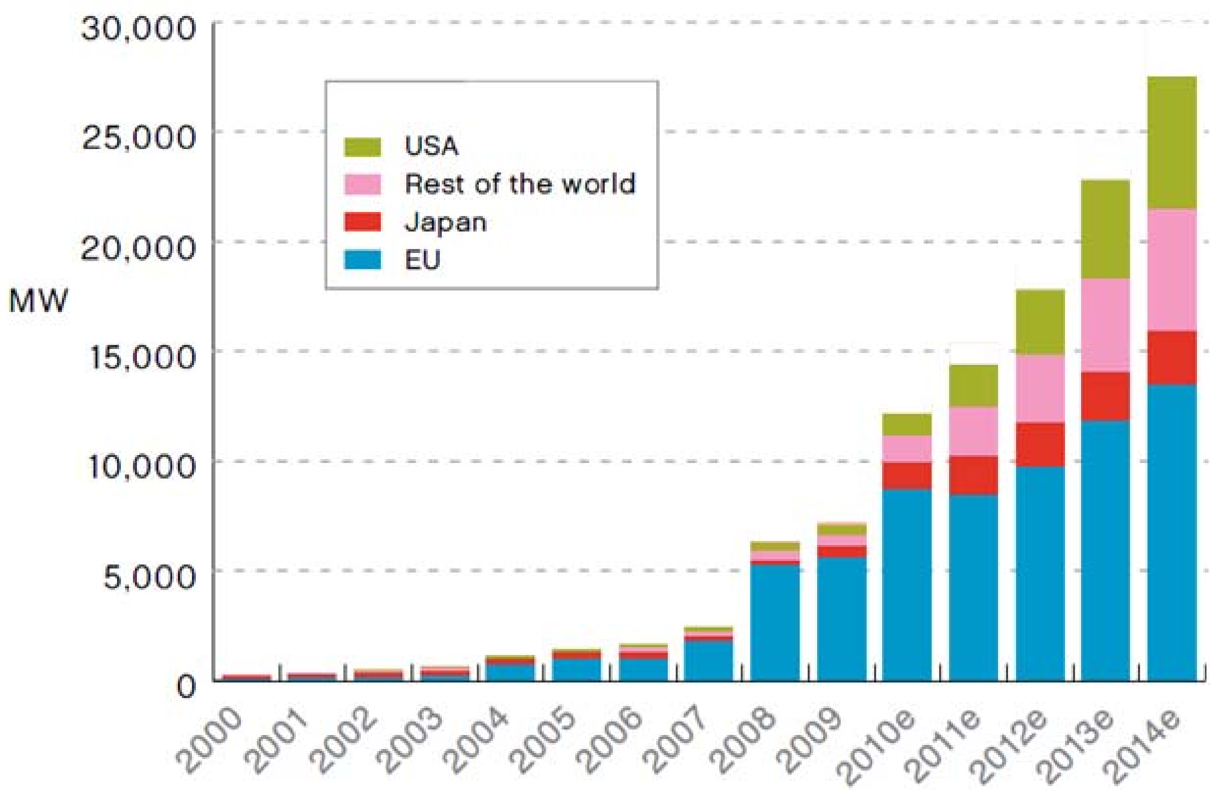
Corporate History and Overview

Premier Power Renewable Energy is a leading builder and integrator of solar power generation systems for commercial and utility customers, with offices in California, New Jersey, Spain, Italy, and the Czech Republic. In addition to its traditional solar power EPC (engineering, procurement, and construction) business, the Company derives a significant portion of its revenues from the development of Company-owned projects, which involve the Company owning and reselling the power generation facilities it builds for institutional financial buyers. Historically, the Company has derived most of its revenues from the U.S., Spain (until 2009), and more recently Italy; in 2011 and 2012 its revenues will also include significant contribution from Eastern European countries such as the Czech Republic, Slovakia, and Bulgaria. It also plans to expand into the Canadian and select other western-hemisphere markets in 2012 and beyond, as these markets offer pricing and margin fundamentals.

The Company was founded in 2001, and was spun off from CA-based green home builder Premier Homes in 2003. The Company subsequently went public through a reverse merger in 2008, and now trades on the OTCQB under the symbol PPRW.

Industry Analysis

The global market for solar energy and new solar projects is currently strong and is expected to strengthen further. Specifically, the United States is exhibiting a renewed interest in solar energy, and improving solar cell technologies are consistently pushing solar energy closer to economic competitiveness.



Source: EPIA

Current and Expected Global Solar Power Generation Capacity

Given the increasing global demand for solar energy, we believe that Premier Power has and should continue to have a very favorable economic environment in which to operate.

Products and Services – Competitive Positioning and Profit Maximization

In addition to solar equipment distribution, the Company provides engineering, procurement, and construction (EPC) services to various classes of customers in the solar power generation industry, primarily in the United States, Italy, and select countries in Eastern Europe. The EPC services industry is based on a contractor model, where various companies "bid" for projects and the lowest bidder is usually given the award. Under this structure, competition is mainly based on price, and the EPC services provided by each company are perceived as a near-perfect commodity, with each firm's offering seen as basically interchangeable with all others. This structure creates a very difficult business environment for contracting firms, as profits are always very difficult to eke out and gross margins are rarely higher than 8% - 10% and typically 5% or less. Although this is indeed a difficult business environment, it also embodies an opportunity: small changes in gross margin can have a disproportionately large impact on an EPC company's bottom line.

To improve this situation, the Company has begun to take full ownership of some of its development projects, primarily in Italy, and most recently in Bulgaria, with the intention of selling them to financial investors once fully constructed, permitted, and operating. It has completed five such sales to financial investors as of October 2011, and since these projects carry higher gross margins than do comparable EPC projects, it plans to aggressively expand this business going forward – with the key constraint being capital available to deploy during the build-and-sell process.

While this strategy places more operational, financial, and regulatory risk on the Company, it also allows them to generate much higher profits from each construction project than would otherwise be available. Given the Company's long history of successfully completing projects on time and of excellent quality, we view this as a good profit-maximizing decision, and expect more capital to be available to fund it as the Company continues to mature.

<u>Gross Margin Expansion – Competitiveness and Pricing Power</u>

In addition, the Company has taken several steps to differentiate its product offerings (other than by improving its business model), allowing its offerings to some degree to become "de-commoditized" in the eyes of the customer. This has begun to allow the Company to compete on variables other than price, helping the Company both win additional business and potentially generate higher gross and operating margins (which depend on both pricing power and cost-control).

The Company's primary two product differentiators are its proprietary yield-optimization process, which maximizes the amount of electricity generated by the level of solar radiation available at each site and its ISO 9001 certification, which is rarely held by firms in the EPC industry. The Company's yield maximization technology is by far the more important these two advantages, as it entails real economic benefit to the Company's customers; the ISO certification confers mostly a sales and marketing advantage, as it ensures that each customer will get the same high-quality result the Company's previous customers have experienced.

Yield Optimization

Over the years, Premier Power's engineering teams have learned a great deal about the little problems that cause a generation facility to deliver sub-optimal conversion of solar energy to electricity. These little problems can be small leaks in transmission lines, random acts of vandalism that go undetected and slightly damage equipment, and a variety of other seemingly unimportant issues that can nevertheless add up to meaningful reductions in the energy a solar plant delivers. And, because of the high fixed costs involved in constructing solar plans, small changes in output can and usually do equal large changes in return on invested capital, or ROIC. For example, the China CECEP Investment Fund assumes a "performance ratio" of 75%, which indicates that a plant should actually convert into electricity 75% of the solar energy that could theoretically be converted, given the limitations of the plant's underlying technology. This assumption of a 75% performance ratio, when considered in light of natural irradiation levels and construction costs, drives the fund's analysis of the economic viability and attractiveness of all projects it considers - and determines what it will ultimately pay for those it purchases.

However, because Premier Power has transformed each of its engineer's insights into a proprietary body of knowledge, and has then standardized all of its production processes based on this knowledge, it is able to do far better than industry standard. On average, its power generation facilities have been operating at an 85% performance ratio; depending on the specific cost dynamics of each location, this can mean an increase of ROIC of one-third or more. We believe that this is a powerful product differentiator for the Company, and that it will continue both to expand its EPC businesses and to increase the end-value of its wholly-owned "for resale" generation sites. Also, it is of specific note that the market for up-and-running solar power plants is fairly efficient in terms of financial buyers' required IRR, meaning that real IRR gain's delivered by the Company's technology should translate directly into improved gross margins on its projects.

ISO 9001

The ISO 9001 certification is awarded by the International Organization for Standardization, which is an international organization spanning 162 countries. This organization is dedicated to the standardization of "best practices" and, in the case of the ISO 9000 family of standards, is promulgating an "international consensus on good quality management practices." To qualify for ISO 9001 certification, the Company had to standardize its entire business process to make a high quality end-product the result of a repeatable, standard process. In this case, this meant standardizing over 90 process steps so that each project would be executed with the highest level of quality – and this of course is perceived by customers as reducing project risk and thus enhancing the Company's value proposition.

Gross Margin Expansion – Cost Reduction and Control

Other than becoming more competitive and gaining pricing power, the key drivers of the Company's future profitability involve understanding each project's likely future costs, bidding appropriately, and implementing internal systems that generate alignment between the Company's overall profitability objectives and the incentives of its field-level team members. The Company has begun to implement such systems as follows:

Initiatives	Activities	Status
Focus on large commercial projects for repeat customers. (EPC)	Terminated residential personnel Eliminated all crews, move to a sub contractor business model	100%
Scheduling & Estimating. Timely development of accurate estimates for scopes of work and schedules	Hire Chief Estimator Purchase estimation software	100%
Risk Management. Pro-active identification of project-specific risks prior to contract execution.	Tightened proposal process with early id of risks Project feasibility scorecard Sales commission based on margin Formalize scope of work definitions, next step is software based Proprietary software to CAD for accuracy pre proposal Improvement to process for Sub contractor qualification, monitoring and contracts	75%
Budget Control. Ensure that Engineering completes its task on time and on budget.	Promoted new VP of Operation with strong budget control focus Clear communication of budgets to teams Formal review of all PO and deviation from budgets	75%
Project Management. Complete projects on time and on budget.	Hire Senior Project Manager Hire Senior Construction Manager	75%
Cost Accounting. Timely and accurate reporting of job costing, accruals, purchase order, A/R and A/P management.	Integration between project budgets and accounting software	50%
Procurement. Obtain pricing power in respect of equipment purchases	Global procurement team to lever our international footprint	75%

Source: Premier Power

Overall, we believe that the Company is doing the right things to translate its strong revenue growth into solid profitability and profit growth. It has proven it is capable of taking principal ownership in its projects, and can achieve superior levels of profitability by successfully building, operating, and selling projects to financial investors. It has also demonstrated that it can repeatedly and consistently produce a higher-performance plant that is standard in its industry, which lends it a powerful competitive advantage, and it has achieved the ISO 9001 certification so that it is easier to convince potential customers of this fact. Considering these factors, we believe the Company will soon achieve much higher levels of profitability while accelerating its current revenue growth – and we must assume that as this is reflected in the Company's reported financial results its market valuation will improve significantly from current levels.

Products and Services – Market Segments

Distribution

The Company acts as a distributor of many components required in the construction of solar power plants, serving non-specialist construction firms and larger end-users. Because of its expertise in this industry, it can offer non-specialist firms important benefits – such as delay-free customs clearing – as part of its overall parts procurement package. While not an extremely large source of revenues or profits for the Company, its distribution operations do provide a meaningful contribution to sales and gross profits at a very low operational cost to the Company.

Rooftop Solar

This segment of the market constitutes the low-end of the EPC solar industry, and as such is characterized by low margins and a high level of commoditization and competition. Although these types of installations are not the focus of the Company, they have provided a steady base of cash flow over the years. The typical rooftop customer is either residential or commercial and is essentially seeking to generate power instead of drawing it from the grid. As a result of this, demand is typically driven primarily by cost benefits, so in most countries demand is highly dependent on subsidies and tax benefits. Note that a portion of these projects are actually ground-based rather than rooftop-based, but are in all other aspects identical. Going forward, the Company is focusing solely on ground-based and rooftop commercial generation projects, in addition to its Company-owned development projects and its larger, utility-class EPC projects.

Rooftop Solar Array

Commercial Rooftop Solar Plant

Ground-based Commercial and Utility Class Solar

This class of project, which typically generates between 1MW and 5MWs of power, is typical of larger commercial enterprises as well as electric utilities. Depending on the specifics of the customer and the market, these projects are typically ground-based fixed-array solar farms that use a mix of thin-film and crystalline technologies. These types of projects constitute the "sweet spot" of the market for Premier Power, as they (and the Company's product differentiation initiatives) allow it to operate with a significant competitive advantage. Going forward, the Company is continuing to move its EPC business upstream, targeting business opportunities that involve even larger utility-class customers. These projects tend to carry very tight gross margins, but because of the level of maturity Premier Power has attained, we believe they can successfully win and execute on these much larger revenue and profit opportunities. This should increase per-share revenues and earnings even as it may also place a drag on gross margin improvements. Note that this effect should be at least partially offset by higher margins the Company's competitive advantages will create going forward.

Unlike the Company's middle-market projects in the United States, which are more traditional in nature, Premier Power's Italian (and Bulgarian) businesses are somewhat unique, and at this point are crucial to the Company's long-term growth and success. In the Fall of 2009, Premier Power acquired ARCO Energy, an Italian EPC firm. This firm came with a nice pipeline of potential business, but more importantly, it came with professionals who possess an intimate familiarity with the Italian market, and possess all of the key relationships that allow them to navigate the highly complex regulatory (bureaucratic) environment. Although ARCO's pipeline of business initially proved difficult to execute upon, the Company now seems well-integrated and is hitting on all cylinders.

In Italy, the Company's sole focus has been on developing middle-market projects from start to finish. The key elements of this process are as follows:

1. Identify, negotiate for, and purchase a good site for constructing a solar power plant
2. Secure permits for building and grid connection (often done concurrently with step 1)
3. Design and build power plant
4. Submit for feed-in tariff and electricity sale rates with local utility (guaranteed at US$0.60/kW for 20 years, although over time this rate will be successively lower for newer projects)
5. Sell completed site to financial buyer (such as private investment partnership, or "hedge fund")
6. Repeat process (often for the same financial buyer, pursuant to a framework agreement)

The Company has already completed several of these projects – each of which typically generates US$5M in revenue – and they a very strong sales pipeline. Each project carries gross margins in excess of 20% (sometimes significantly higher) and yet still delivers an after-tax IRR of over 15% per year to the projects' financial buyers.

Ground-based Fixed Array

Ground-based Tracking Array

Growth Plan

The Company's growth plan is a fairly straightforward extension of its product positioning and current competitive advantages in the market. The salient points of this plan are as follows:

- **Geographic Diversification.** The Company has recently expanded into the Czech Republic, Slovakia, and Bulgaria, and is in the early stages of further expansion into Asia, Canada, and select Latin

American markets at this time. We view this as a positive driver of revenue growth and as a significant reduction in country-specific risk[1]. Furthermore, we view the Company's recently announced contract win in Bulgaria as a strong indication that this strategy is working.

- **Gross Margin Maximization.** As we have already discussed, the Company is doing all it can to gain competitive differentiation (i.e. pricing power) in the marketplace, and we believe both its ISO 9001 certification and its power yield optimization strategies should be effective in this regard on an ongoing basis. In addition, management tells us that gross cost reductions as a percentage of revenues should occur to an increasing degree over the next 12-18 months, as the Company gains scale in terms of project size and in terms of total volume per region. The Company believes that overall gross margins could approach 10% by mid-2012 and nearly 11% by late 2013; given the revenue growth we forecast, an improvement of anything close to this magnitude should have a profoundly positive effect on the Company's market valuation.
- **Acting as Principal Instead of Contractor.** The Company continues to seek out opportunities whereby it can own an entire development project from inception to sale; large pools of capital dedicated to renewable energy should keep the investment industry's ROIC requirements relatively low and the potential profit in these projects relatively high. The primary challenge as we see it, then, will be for the Company to continue to successfully identify and acquire potentially successful projects in those locations where fundamentals support this model.

As long as the Company is able to execute on this plan, and as long as its key markets do not implode as Spain's did in 2009, we believe the Company is likely to succeed at its goals of rapidly growing while expanding gross and operating margins.

Key Management

Dean R. Marks, President and Chief Executive Officer

As President, Dean plays a vital role in the company's sustained growth and increased market share. Dean has been involved in the solar industry since the early 1980s, when he was a key factor in the growth of Servamatic Solar Systems, one of the largest solar companies in the United States. During his time at Servamatic, the Company grew to 2,200 employees and 20 offices, as it engineered and installed solar thermal systems for space and water heating across the sunbelt. Dean has extensive training and experience in Total Quality Management and Problem Solving Principles. He has lived totally off-grid for 7 years, in a home utilizing 100% renewable energy, and he has also co-authored several preeminent papers promoting renewable energy. Dean is an Eagle Scout and holds a Bachelor of Science from Auburn University, with special emphasis in Environmental Science.

Miguel de Anquin, President

As Premier Power's Chief Operating Officer, Miguel has achieved several milestones relating to sales growth and profits. An accomplished corporate strategist and marketer, his vision and expertise in business performance have driven notable enterprise growth in the solar energy sector. His strategic approach to building a business is reflected in his work as Director of Marketing for Nordic Information System and Next Information System. Prior to this, he was a technology advisor for General Electric and IBM, and developed the data security auditing system for Bank of America. Miguel has increased Premier Power's profitability through brand revitalization that included major shifts in brand strategy, operations, marketing communications, and sales tactics. Miguel has an MBA from UC Davis and a BS in Computer Science from the Universidad de Belgrano.

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[1] Spain was the fastest-growing solar energy market in the world through 2008, with CAGRs of over 100%. Then the Spanish government radically altered subsidy legislation, not only stifling future solar projects but also making those already built suddenly uneconomical for those who invested in them. This all but destroyed the Spanish solar energy industry and put many EPC firms into bankruptcy. Premier Power was able to survive this and continue to grow because of its geographic diversity.

Frank Sansone, Chief Financial Officer

Frank brings over 15 years of experience in financial management and compliance to Premier Power, and has extensive experience working for both public and private companies. Most recently, he served as Chief Financial Officer at LiveOffice, LLC, where he oversaw the company's financial planning and analysis. Prior to this, he served as Chief Financial Officer at Guidance Software (NASDAQ: GUID), where he oversaw the company's worldwide financial planning and analysis, accounting, treasury, investor relations, and tax functions. Frank helped lead the company through a successful initial public offering and organic revenue growth (from 2002 to 2008) at a compound annual growth rate of 44%. Prior to his time at Guidance Software, Frank was a Director and Vice President of Finance for Aspen Technology (NASDAQ: AZPN), where he led the revenue department and played a key role in the company's Mergers and Acquisitions group. He also served as Petrolsoft Corporation's Vice President of Finance, building an organization that was ultimately acquired by Aspen Technology. Before joining Petrolsoft, Frank directed services for Fortune 500 and middle-market companies as a manager at PricewaterhouseCoopers and developed extensive experience in SEC reporting, initial public offerings, and mergers and acquisitions. Mr. Sansone earned a Bachelor of Science in Accounting from the University of La Verne, and is a certified public accountant.

Stephen Clevett, Chief Operating Officer

Mr. Clevett is a recognized leader in the energy sector with over two decades of commercial transaction experience acquiring, developing, financing and restructuring projects for both domestic and international clients, as well as leading a broad array of merger and acquisition activities on both the buy and sell side. His credentials include key management, development and project finance roles in dozens of large-scale power generation projects with an aggregate value in excess of $1.4 billion as well as several well-publicized energy sector mergers and acquisitions. Mr. Clevett served as President and Chief Executive Officer of the Optimira Energy Group a leading energy services company (ESCO). He held various positions within the Bechtel Enterprises Group; including director of corporate development at U.S. Generating Company and asset manager of on-site cogeneration projects for multinational industrials. Mr. Clevett started his career as an engineer for Hess Corporation at the St. Croix refinery. Mr. Clevett holds an M.B.A. from Rutgers Graduate School of Management and a Bachelor of Engineering from Stevens Institute of Technology.

Competition

Premier Power is at its core an EPC firm with an expertise in the solar power plant industry. As such, it faces intense competitive pressure in each of its markets and business segments – this pressure keeps margins relatively low and the requirement to grow and innovate relatively high. Although the Company's efforts to differentiate its products as "high-performance solar" with the ISO 9001 certification should give it a distinct competitive advantage, we expect competition and margin pressure to remain intense for the foreseeable future.

Other Risks

Without a doubt, the most significant risk the Company is facing pertains to its ability to raise sufficient capital from strategic investors and/or the U.S. equity markets, or from alternative funding sources such as solar cell vendors. Although the Company doesn't "need" the capital in that it wouldn't survive without it, it does need the capital to execute on its growth plan and generate the market value we believe it can and will. Luckily, as the Company matures it will continue to gain stability and access to additional funding sources. While this is no guarantee that it will be able to raise the required capital on a timely basis, we believe this risk is more than accounted for in the Company's current market valuation.

Valuation and Investment Opinion

With its current enterprise value of just over US$42 million, we believe Premier Power is quite significantly undervalued, trading at a much lower ratio of enterprise value to 2011E sales than any of its closest competitors. For example, we note that Solar Power, Inc. (SOPW – OTCQB) trades on the same market and at a similar market cap to the Company – and yet trades at 0.55x 2012E revenues, vs. the Premier Power's multiple of just 0.22x 2012E revenues. Furthermore, PPRW has been growing its top line at an impressive rate, and has just recently developed a real basis for product differentiation and at least some degree of pricing power. The only real challenge still facing the Company that could account for its currently low valuation, then, is in regards to its realized gross margins. While we believe that its gross margins will and must improve, and we see logic in its initiatives designed to accomplish this, we have yet to see reported margins improve above normalized historical levels. Assuming the Company is successful in continuing to grow sales while lifting gross margins into the 8% - 9% range and operating margins into the 2% - 3% range, then we believe a much higher enterprise value will be appropriate.

Peer Group Analysis – Premier Power (PPRW – OTCQB)

Company Name and Symbol	Price per Share*	Market Cap	Enter-prise Value*	EntVal/Rev Forecast 2012E	Est '11-'12 Revenue Growth	EntVal/Rev Forecast 2013E
Premier Power (PPRW – OTCQB)	**0.32**	**7.5**	**40.1**	**0.22**	**78%**	**0.15**
Solar Power, Inc. (SOPW - OTCQB)	0.31	56.9	71.1	0.55	91%	N/A
First Solar (FSLR – NasdaqGS)	57.95	5,000	5,900	1.25	31%	N/A
Akeena Solar (WEST - NasdaqCM)	0.77	9.3	13.1	0.38	111%	N/A
Real Goods (RSOL - NasdaqGM)	1.94	34.8	57.2	0.27	67%	N/A

*Market Data as of market close, 10/24/11; Per-share data for PPRW computed from diluted common shares outstanding

Conclusion

Premier Power has been taking all of the right steps over the last couple of years. It has been growing sales through aggressive geographic expansion and through increasing same-country sales to the degree possible. Furthermore, it has developed a real competitive advantage in terms of its product offering, which should lead both in increased comparative-product competitiveness and incremental gains in gross margins. Based on our belief regarding future strength in the solar power industry on a global basis, we see PPRW experiencing steadily growing sales and margins for the foreseeable future. Given that it currently trades at just 0.22x our 2012 revenue estimate and 0.15x our 2013 revenue estimate – well below all that of the companies in it pier group – we believe PPRW shares represent a significant opportunity for risk-tolerant investors. ***We therefore rate the shares of PPRW a Strong Speculative Buy, and set our 12-month price target at US$0.75 per share.*** We further see significant upside to this price target as probable as the Company delivers on its commitments of multi-national growth and much higher gross and operating margins.

Our Rating System

We rate enrolled companies based on the appreciation potential we believe their shares represent. The performance of those companies rated "Speculative Buy" or "Strong Speculative Buy" are often highly dependent on some future event, such as FDA drug approval or the development of a new key technology.

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STRONG BUY	We believe the enrolled company will appreciate more than 20% relative to the general market for U.S. equities during the next 12 to 24 months.
BUY	We believe the enrolled company will appreciate more than 10% relative to the general market for U.S. equities during the next 12 to 24 months.
STRONG SPECULATIVE BUY	We believe the enrolled company could appreciate more than 20% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
SPECULATIVE BUY	We believe the enrolled company could appreciate more than 10% relative to the general market for U.S. equities during the next 12 to 24 months, if certain assumptions about the future prove to be correct.
NEUTRAL	We expect the enrolled company to trade between -10% and +10% relative to the general market for U.S. equities during the following 12 to 24 months.
SELL	We expect the enrolled company to underperform the general market for U.S. equities by more than 10% during the following 12 to 24 months.

Analyst Certification

I, Brian R. Connell, CFA, hereby certify that the views 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.

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Harbinger Research
Independent Investment Analysis

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Our Team

Brian R. Connell, CFA **Senior Managing Director**

Mr. Connell has over 15 years' experience in the securities industry, as an equity analyst and portfolio manager, and as the founder and CEO of StreetFusion (acquired by CCBN/StreetEvents), a software company serving the institutional investment community. On the sell-side, Mr. Connell served as the technology analyst for Neovest, an Atlanta-based boutique, and as a Senior Analyst - Internet for Preferred Capital Markets, an investment bank based in San Francisco. Mr. Connell has also held the position of Executive Director of Marquis Capital Management, a technology-focused investment management organization.

Mr. Connell founded Harbinger Research in 2004 with the purpose of providing high quality research coverage to deserving smaller companies. Mr. Connell also holds degrees in Economics and Psychology from Duke University, and is a CFA Charterholder.

Scott R. Greenstone, CFA **Senior Research Analyst, Healthcare**

Prior to joining Harbinger Research, Mr. Greenstone founded StratFin, an ongoing enterprise that helps scientific-entrepreneurs build businesses. Prior to forming StratFin, Mr. Greenstone was the head of business development at Varian, Inc., a $1 billion manufacturer of scientific instruments responsible for co-developing global strategy and for sourcing and executing mergers and acquisitions, partnerships and OEM relationships. Previously, he led financial planning and analysis at Symyx Technologies and Xenogen.

Prior to his operating roles, Mr. Greenstone was a research analyst, covering precision instrumentation and life science companies for ten years at several investment banks including Thomas Weisel Partners & Salomon Brothers. Mr. Greenstone has an MBA from the University of Texas at Austin and a B.S. from Lehigh University. He also holds the Chartered Financial Analyst designation.

Mikael J. Asp, CFA **Senior Research Analyst, Technology, Media, and Telecom**

Mikael Asp has over 12 years of investment experience across sell-side equity research, private equity, and hedge funds. Prior to joining Harbinger Research, he was a Technology, Media and Telecom Portfolio Manager for PioneerPath Capital, part of a hedge fund incubation unit in New York. Previously, Mr. Asp was a Senior TMT Analyst at Deephaven Capital in Minneapolis, MN. Mr. Asp also worked at Churchill Capital, a private equity firm based in Minneapolis, MN. Prior to his time at Churchill, Mr. Asp spent three years combined writing sell-side equity research for Piper Jaffray and JPMorgan Chase. Mikael J. Asp is a CFA Charterholder and has a B.A. in Finance from St. Thomas University.

Tom Kerr, CFA **Senior Research Analyst, Consumer, Retail, Services**

Tom Kerr has worked in the financial services industry for over 25 years. Prior to joining Harbinger Research, he was a Portfolio Manager and Equity Analyst for a $4 billion investment firm in Los Angeles. There he was the co-manager of the small-cap value strategy as well an Equity Analyst covering consumer products, business services, retail and media industries. Prior to that Mr. Kerr was a financial analyst at a large international bank as well as at one of the world's largest corporations. Mr. Kerr has also been a contributing writer to TheStreet.com and RagingBull.com.

Mr. Kerr is a CFA Charterholder and has a B.B.A in Finance from Texas Tech University. He currently resides in Southern California.

Premier Power (PPRW - OTCQB), Profit and Loss Model

(In thousands, United States Dollars)	FY 2009A	Mar '10A	Jun '10A	Sep '10A	Dec '10A	FY 2010A	Mar '11A	Jun '11A	Sep '11E	Dec '11E	FY 2011E	FY 2012E	FY 2013E
Revenues													
Total Revenues	**30,750**	**3,399**	**9,026**	**28,289**	**46,073**	**86,787**	**12,811**	**26,550**	**22,100**	**39,600**	**101,061**	**180,000**	**270,000**
Year-over-year growth rate	***-30.5%***					***182.2%***	***276.9%***	***194.2%***	***-21.9%***	***-14.0%***	***16.4%***	***78.1%***	***50.0%***
Gross Costs													
Cost of sales	**26,292**	**3,368**	**8,576**	**26,770**	**40,951**	**79,665**	**12,805**	**25,589**	**20,688**	**36,722**	**95,804**	**164,250**	**244,350**
Gross Profit	**4,458**	**31**	**450**	**1,519**	**5,122**	**7,122**	**6**	**961**	**1,412**	**2,878**	**5,257**	**15,750**	**25,650**
Gross Margin	*14.5%*	*0.9%*	*5.0%*	*5.4%*	*11.1%*	*8.2%*	*0.0%*	*3.6%*	*6.4%*	*7.3%*	*5.2%*	*8.8%*	*9.5%*
Selling and marketing	2,910	742	771	1,436	1,660	4,609	1,023	1,217	1,200	1,400	4,840	6,660	8,775
S&M expense margin	9.5%	*21.8%*	8.5%	5.1%	3.6%	5.3%	8.0%	4.6%	5.4%	3.5%	4.8%	3.7%	3.3%
General and administrative	5,809	1,659	1,521	1,666	1,686	6,532	1,833	1,691	1,700	1,700	6,924	8,100	10,125
G&A expense margin	18.9%	48.8%	16.9%	5.9%	3.7%	7.5%	14.3%	6.4%	7.7%	4.3%	6.9%	4.5%	3.8%
Total SG&A expense	8,719	2,401	2,292	3,102	3,346	11,141	2,856	2,908	2,900	3,100	11,764	14,760	18,900
Operating Income	**(4,260)**	**(2,370)**	**(1,842)**	**(1,583)**	**1,776**	**(4,019)**	**(2,850)**	**(1,947)**	**(1,488)**	**(222)**	**(6,507)**	**990**	**6,750**
Operating Margin	*-13.9%*	*3.3%*	*7.9%*	*11.2%*	*13.2%*	*-4.6%*	*-22.2%*	*-7.3%*	*-6.7%*	*-0.6%*	*-6.4%*	*0.6%*	*2.5%*
Interest expense	(89)	(37)	(38)	(38)	(611)	(724)	(30)	(50)	(50)	(50)	(180)	(207)	(238)
Other income	23		(64)	21	(181)	(224)	(1)	100	(7)		92		
Change in fin instruments' fair value	6,485	1,254	4,522	48	429	6,253	(92)				(92)		
Interest income	44	1	4		21	26	(952)				(952)	25	29
Total other income (expense)	6,464	1,218	4,424	31	(342)	5,331	(1,075)	50	(57)	(50)	(1,132)	(182)	(209)
Income before income taxes	2,203	(1,152)	2,582	(1,552)	1,434	1,312	(3,925)	(1,897)	(1,545)	(272)	(7,639)	808	6,541
Provision for income taxes	(1,452)	(346)	1,855	(364)	883	2,028	(186)	9			(177)	40	327
Implied Tax Rate	*-66%*					*155%*					*2%*	*5%*	*5%*
Net income (loss)	**3,655**	**(806)**	**727**	**(1,188)**	551	**(716)**	**(3,739)**	**(1,906)**	**(1,545)**	**(272)**	**(7,462)**	**768**	**6,214**
Less income attributable to minority interest	**85**							**(96)**					
Net income	**3,570**	**(806)**	**727**	**(1,188)**	**551**	**(716)**	**(3,739)**	**(2,002)**	**(1,545)**	**(272)**	**(7,558)**	**768**	**6,214**
Net Margin	***11.6%***					***-0.8%***	***-29.2%***	***-7.5%***	***-7.0%***	***-0.7%***	***-7.5%***	***0.4%***	***2.3%***
Net income year-over-year growth rate													
Net income per common share, basic	0.14	0.01	0.03	(0.04)	0.09	(0.03)	(0.14)	(0.07)	(0.05)	(0.01)	(0.25)	0.02	0.15
Net income per common share, diluted	0.11	0.01	0.03	(0.04)	0.08	(0.03)	(0.14)	(0.07)	(0.05)	(0.01)	(0.25)	0.02	0.15
Weighted average basic shares outstanding	26,050	26,054	26,602	26,602	26,602	26,592	27,062	29,895	32,245	33,250	30,613	36,575	40,233
Weighted average diluted shares outstanding	31,273	31,229	32,902	26,602	26,602	26,592	27,062	29,895	32,245	33,250	30,613	36,575	40,233

Premier Power (PPRW - OTCQB), Balance Sheet as of 6/30/2011

(In thousands, United States Dollars)	
Assets	
Current Assets	
Cash and cash equivalents	**4,357**
Accounts receivable	19,300
Inventory	9,268
Prepaid expenses and other current assets	1,635
Costs and est. earnings in excess of billings on inc.	801
Other receivables, net	254
Deferred tax assets	601
Total Current Assets	**35,615**
Property, plant & equipment, net	419
Intangible assets, net	773
Goodwill	12,302
Total Assets	**49,109**
Liabilitiies & Equity	
Current Liabilitiies	
Accounts payable	22,864
Accrued liabilities	4,939
Billings in excess of costs and est. earnings on inc.	7,075
Taxes Payable	667
Customer deposits	216
Borrowings, current	882
Total current liabilities	35,761
Borrowings, non-current	373
Contingent consideration liability	0
Total liabilities	**36,134**
Series C convertible preferred stock	
Stockholders' Equity	
Common stock, 60M auth, 29.904M issued and out.	
Additional paid-in capital	22,855
Accumulated deficit	(11,842)
Accumulated other comprehensive loss	(119)
Total Stockholders' Equity	**10,894**
Total Liabilities and Stockholders' Equity	**47,028**