BCC Solar Energy Advantage, Inc.
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Boston Community Capital (BCC) is seeking a tax equity investor to purchase the Renewable Energy and New Markets tax benefits of a $5 million, 770 kilowatt solar PV aggregation to be placed in service in the first quarter of 2011. The individual PV systems included in this aggregation will serve affordable housing developments, municipal facilities and community facilities serving low income communities. It is anticipated that the aggregation will include 5-6 six separate PV installations. All systems will be located in Massachusetts. The total size of this transaction is $5 million and we are seeking an equity investment of $3.3 million. The remaining $1.7 million has been committed as debt by BCC. We project that this investment will generate a pre-tax return for the investor of approximately 18%.

Our transaction includes both New Markets Tax Credits (NMTC) and the federal renewable energy incentives—the 30% renewable energy tax credit (or "1603" tax grant, if eligible) and the accelerated depreciation. BCC has allocated $5 million from its current NMTC allocation to this transaction. BCC's intent is to replicate this proposed structure to develop an ongoing solar development business serving low income communities and institutions of at least $10-15 million annually. BCC has a pending $150 million NMTC application and will allocate up to $15 million from that allocation, if awarded, for additional solar projects to be developed in 2011.

BCC currently owns and operates over 1.3 megawatts of solar PV installations in Massachusetts, making us one of the largest non-utility, third party owners of PV in the state. We are currently in development on an additional 600 kW of PV capacity.

Below, are the major details of the proposed investment, the financing structure and the PV projects. Also included is a brief primer on the New Markets Tax Credit program, how we will use the NMTC in this proposed transaction, and a diagram of the proposed transaction.

BCC Solar Energy Advantage Proposed Investment

Overall Investment Size
- Total Investment Qualifying for NMTC basis : $5,000,000
- Investment from Tax Equity Investor: $3,300,000
- Leveraged Loan from BCC entity: $1,700,000 (committed)

Investor Considerations based on assumption of $3,300,000 investment
- Renewable Energy Investment Tax Credit (or Treasury 1603 Grant): $1,415,000
  - calculated at 30% of total systems cost ($4,720,000)
  - If Treasury grant option available, grant paid as non-taxable cash grant to investor approximately 120 days after systems placed in service
- New Markets Tax Credit: $1,950,000
  - Calculated as 39% of NMTC basis ($5,000,000)

    - Tax credit earned at 5% of the NMTC basis annually in first three years and 6% annually for next 4 years
- MACRS Depreciation: $665,000 estimated tax benefit
    - Assumes 34% tax rate
    - Calculated on net operating income of PV systems
    - MACRS depreciation (accelerated 6 year schedule for PV equipment)
- Preferred cash distribution: $67,000 annually
    - 2% annually of total equity investment
    - Priority cash distribution ahead of any leverage loan payments

System Details
- 770 total kW DC
- Multiple systems, all placed in service at approximately the same time (first quarter 2011)
- All system hosts are affordable housing developments, community facilities serving low income communities, or municipal facilities
- Annual kWh generation 885,500 (DC kW to AC kWh conversion factor of 1150)
- Annual degradation: .5%

System Costs
- Total cost: $4,720,000 (basis for Federal ITC or 1603 grant and depreciation) ($6.13 per watt)
- Hard costs: $5.30/watt
- Soft costs: $.40/watt
- Developer fee: $.43/watt (7.5% of hard and soft costs)
- Working capital: $30,000 (not in RETC basis)

Income and expenses of the PV systems
- PPA for electricity: 10 cents per kWh fixed for 20 years
- SREC: at least 40 cents per kWh fixed for years 1-5, 28.5 cents per kWh for years 6-10
- REC: 3 cents per kWh for years 11-20
- Operating expenses: 5 cents per kWh fixed for 20 years (includes insurance, O&M, Monitoring)
- Administrative expenses: $25,000 per year fixed

New Market Tax Credits: A Primer

The New Markets Tax Credit (NMTC) is a 7- year tax credit allocated through competitive rounds by the United States Treasury Department's CDFI Fund, with the purpose of spurring private sector investment in projects serving and/or located in low income communities. (The rules of the NMTC program are complex and, as is obvious below, have created a language of its own.) This primer, along with the diagram at the end, are intended to give an initial description of how the NMTC program will fit with the third party solar ownership model and how the flow of funds and tax benefits will work.

Only certified community development entities (CDEs) are eligible to be awarded NMTC allocations. The Treasury Department's CDFI Fund certifies CDEs, which must: be a domestic corporation or partnership; demonstrate a primary a mission of serving, or providing investment capital for, low-income communities or low-income persons; and maintain accountability to residents of low-income communities through representation on a governing board of or advisory board to the entity.

Boston Community Capital and its affiliates are certified CDEs. BCC has received four NMTC allocations totaling $300 million and has a pending application for an additional $150 million allocation. NMTC allocations may be sub-allocated to other affiliated certified CDEs. BCC has established a series of LLCs as certified CDEs for this and other future transactions. BCC has committed to sub-allocate $5 million for this transaction.

An investor who makes a Qualified Equity Investment (QEI) in a CDE that has received a NMTC allocation may claim a tax credit equal to 5% of the QEI in each of the first three years and a 6% credit in the next four years. Upon receiving the QEI, the CDE will admit the investor as a 99.9% owner, with BCC remaining manager and retaining the remaining .1% ownership interest.

To enhance the value of the NMTC to the tax equity investor, the QEI is typically made by an investment fund (Fund), which funds the QEI in part with equity from the tax equity investor and in part from a loan (leveraged loan) from an another entity. In this way, the tax equity investor, as the owner of the Fund, receives a tax credit based on the total value of the QEI, but has only invested a portion of the total QEI. In the proposed transaction, the QEI is $5 million and the proposed tax equity investment is $3.3 million. The remaining $1.7 million leveraged loan has been committed by BCC.

The CDE must use substantially all (95%) of its assets to make Qualified Low-Income Community Investments (QLICIs) in Qualified Active Low Income Community Businesses (QALICBs). BCC will establish a new entity to install, own and operate the solar PV systems. This entity will be located at BCC's location in Roxbury, Mass, and will qualify as a QALICB. Once the QLICI investment is made into the QALICB, the CDE will own 99.9% of the QALICB, with BCC's affiliate, BCC Solar Energy Advantage, Inc. (a C Corp), as the manager and remaining .1% owner. The proceeds of the QLICI will be used to pay for the solar equipment and installation. The 5% of the QEI not invested in the QLICI will be used to pay a portion of BCC's NMTC fee.

Federal Renewable Energy Tax Benefits and Cash Flow

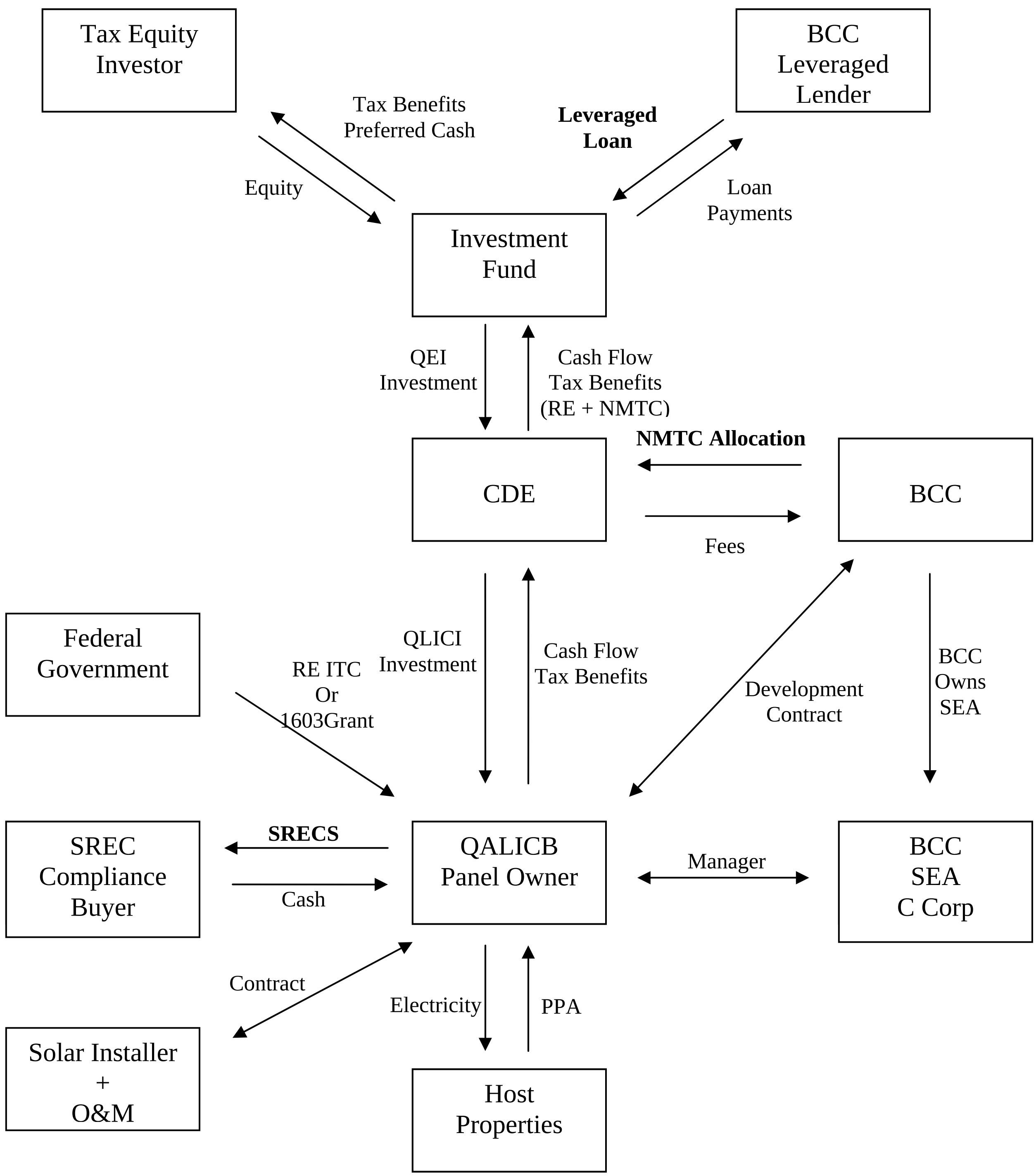
Once the PV systems are placed in service, the owner of the system will be eligible for the federal renewable investment tax credit (or if still available, the Treasury 1603 grant in lieu of the ITC). The ITC will be flow from the QALICB through the CDE and Fund to the tax equity investor.

The PV systems will generate revenue both through the sale of electricity to the hosts under 20-year power purchase agreements and the sale of Massachusetts Solar Renewable Energy Certificates (SRECs). BCC has signed term sheets for PPAs for the full 770 kW. In addition, BCC has signed a contract to sell SRECs, including all SRECs generated by these PV systems. The QALICB will pay all O&M, insurance and monitoring costs and administrative costs. To the extent necessary, depreciation will be applied to net income of the QALICB. All remaining NOL benefits and substantially all of the remaining cash flow will be paid to the CDE to support the QLICI investment.

After paying administrative costs and fees, the CDE will distribute substantially all of the cash flow to the Fund. The Fund will make a 2% preferred distribution to the tax equity investor. All remaining residual cash flow would be used to service and pay down the leveraged loan. To the extent that there was not sufficient cash flow to service the interest payments, any unpaid interest would be added to the principal of the leveraged loan. Tax benefits from the net operating income flowing from the QALICB through the CDE to the Fund, would be distributed to the tax equity investor.

At the end of the NMTC compliance period, there would be a put/call (or flip) of the Investor's interest in the Fund to the BCC entity.

BCC Solar Energy Advantage
New Market Tax Credit Investment Structure



*Transactions in bold are committed