



SUMMARY OF ANNUAL EQUITY ACCOUNTS

Capital Account (Item A)

A Capital Account is required to be maintained for each Member and represents a running total of (i) capital contributions, (ii) distributions and (iii) allocation of net profits and losses. In order for allocations of net profits and losses to be respected for income tax purposes, the Capital Account must be maintained in accordance with the Regulations and distribution of liquidation proceeds of the LLC must be made in accordance with the Members' capital account balance.

Tax Basis (Item B)

The Tax Basis account represents the Member's tax basis in its LLC interest. It is often referred to as the "outside basis". A Member's tax basis is equal to the total of (i) the cost of the Interest (initial capital contribution or amount paid for the Interest), (ii) additional capital contributions, (iii) distributions, (iv) allocations of net profits and losses and (v) the Member's share of the liabilities of the LLC.

Taxable Income Allocation (Item C)

The Taxable Income Allocation account represents the Member's pro rata share of the taxable income or loss of the LLC, as adjusted for special allocations of income or loss items attributable to Minimum Gain Chargebacks and certain loss limitations.

A. Capital Account

A.1 Opening Balance. The Member's initial capital contribution in the first year, and end of prior year's balance for each subsequent year.

A.2 Cash Distributions. The amount of actual cash (or property) distributions made during the year. Constructive Cash Distributions resulting from a reduction in a Member's Share of Liabilities do not affect Capital Account Balances. See "Member Share of LLC Liabilities" (E.1).

A.3 PTC Contributed to Project. The Tax Investor will be contributing additional capital to the LLC on a quarterly basis equal to the amount of the estimated Production Tax Credits that will be allocated to the Tax Investor Member based on electricity production for the prior quarter. No other capital contributions are required of any Member.

A.4 Minimum Gain Chargeback. A priority allocation of gross income is made to the extent the Investor's share of Minimum Gain decreases during the year. See "Minimum Gain Chargeback" (D.3).

A.5 Initial Net Income Allocation. This is a preliminary allocation of Net Income or Net Loss after redetermination for the priority allocation of gross income to Minimum Gain Chargebacks, if any. See “LLC Level Taxable Income Determinations” (C.1).

A.6 Preliminary Capital Account Balance. A preliminary ending capital account balance is determined for purpose of determining any Excess Loss Limitation.

A.7 Excess Loss Limitation. If the balance in the Preliminary Capital Account is negative, and the negative balance exceeds the Member’s share of Minimum Gain at the end of the year, there is a reallocation of net loss to the other Member(s) to the extent of that excess. See “Member Level Excess Loss Limitation” (C.2). A positive number indicates loss reallocated away from the Member. A negative number indicates loss reallocated to the Member.

A.8 Basis Adjustments. Certain excess distributions can result in basis adjustments to a Member’s share of the assets of the LLC. These basis adjustments result in an increase in the Capital Account. See “Section 731(a)(1) Gain from Excess Distributions” (F.4).

A.9 EOP Capital Account. Final end of year Capital Account balance that carries over unchanged to become the beginning of period Capital Account balance for the next year.

B. Tax Basis

B.1 Initial Basis. A Member’s initial basis is equal to the sum of the Member’s initial capital contribution and the Member’s share of the liabilities of the LLC. See “Member Share of LLC Liabilities” (E.1).

B.2 BOP. Initial Basis in year one and carryover from EOP without change in each subsequent year.

B.3 BOP Liab – EOP Liab. Since a Member’s basis includes its share of liabilities of the LLC, any change in those liabilities (either through increased borrowings, debt payments or changes in the ratio in which those liabilities are shared among the Member’s) results in a change in the Member’s basis. See “Member Share of Liabilities” (F.1). A reduction in a Member’s share of liabilities is treated as a Constructive Cash Distribution reducing basis.

B.4 Cash Distributions. Same as for Capital Account.

B.5 PTC Contributed to Project. Same as for Capital Account.

B.6 Minimum Gain Chargeback. Same as for Capital Account.

B.7 Excess Loss Limitations Reallocation. Same as for Capital Account.

B.8 Initial Net Income Allocation. Same as for Capital Account.

B.9 Section 731(a)(1) Gain. Distributions, both cash or property and constructive cash distributions from reductions in share of liabilities, in excess of a Member's Tax Basis at the end of the year (after all allocations for the year) result in the recognition of §731(a)(1) gain by the Member. See "Section 731(a)(1) Excess Distributions" (F.4). The amount of the gain recognized is added to the basis of the Member.

B.10 EOP Basis.

C. Taxable Income Allocation

C.1 LLC Level Taxable Income Determinations

(a) Partnership Taxable Income (Loss). LLC taxable income or loss before any adjustments.

(b) Total Minimum Gain Chargeback. An amount of LLC gross income equal to the aggregate Minimum Gain Chargebacks of the Members (see "Minimum Gain Chargeback" (D.3(a))) is subtracted from Partnership Taxable income (loss).

(c) Redetermined Taxable Income Loss to be Allocated. The Redetermined Taxable Income is allocated among the Members in accordance with the Sharing Ratios for the year.

C.2 Excess Loss Limitation. A Member cannot be allocated losses for tax purposes to the extent that such loss would reduce the Member's "Adjusted Capital Account" below zero. A Member's Adjusted Capital Account is equal to the sum of the Member's regular Capital Account balance, the Member's share of Minimum Gain of the LLC and other amounts which the Member is deemed obligated to restore to the LLC under the Treasury Regulations. Excess losses not able to be allocated to the Member are reallocated to the other Members.

(a) Initial Net Income (Loss) Allocation after Minimum Gain Chargeback. The Member's pro rata share of Redetermined Taxable Income (Loss) based on the Profit Sharing Ratios for the year (C.1(c)).

(b) Excess of Negative Capital Account Balance over Share of Minimum Gain. This amount represents the excess loss over Adjusted Capital Account balance that must be reallocated to the other Member(s). The excess is added back to the initial loss allocation to the affected Member (This calculation assumes no Member has a deficit restoration obligation, the amount of which would also be included in the Adjusted Capital Account balance).

(c) Reallocation of Excess Loss from Other Member. Excess loss reallocated from a Member subject to the Excess Loss Limitation is allocated to the other Member(s).

C.3 Final Bottom Line Net Income Allocation. This represents the sum of the Member's (i) Minimum Gain Chargeback, if any, (ii) Initial Net Income (Loss) Allocation and (iii) any Excess Loss reallocation away from or to the Member.

D. Minimum Gain Accounts

D.1 LLC Minimum Gain. A Member can deduct losses to the extent of its Capital Account balance and to the extent of its share of “recourse liabilities” (liabilities for which a member or members are personally liable) and of the amount of its obligation to restore a negative balance in its Capital Account (since the Member would be bearing the economic risk of such losses). While no Member is personally liable for non-recourse debt and cannot bear the economic risk of losses ‘financed’ by such non-recourse debt, a Member may be allocated losses attributable to its share of such nonrecourse debt if the requirements of §704(b) are met, including a minimum gain chargeback. A Member cannot be allocated losses in excess of that Member’s Adjusted Capital Account, however. See “Excess Loss Limitation” (C.2).

(a) Nonrecourse Debt—EOP.

(b) Basis of Property--EOP.

(c) LLC Minimum Gain (Aggregate Nonrecourse Deductions). Minimum Gain at the LLC level is defined as the excess of nonrecourse debt over the basis of the property financed by that debt. This represents the amount of losses ‘financed’ by the nonrecourse lender.

(d) LLC Liabilities Net of Minimum Gain. Each Member is deemed to have a share of LLC Liabilities equal to the Member’s share of LLC Minimum Gain. The balance of LLC Liabilities net of LLC Minimum Gain is allocated among the Members in accordance their sharing ratios.

(e) Increase in LLC Minimum Gain. Increases in LLC Minimum Gain will result from nonrecourse deductions (principally accelerated depreciation) that decrease the basis of LLC property by an amount greater than the amount by which the nonrecourse debt secured by the property is reduced by principal payments.

(f) Decrease in LLC Minimum Gain. Decreases in Minimum Gain will result in later years as principal payments and debt retirements exceed the amount of depreciation and other nonrecourse deductions of the LLC.

D.2 Member Level Minimum Gain Accounts

(a) BOP Minimum Gain. A Member’s initial share of LLC Minimum Gain is zero. The Member’s share of Minimum Gain going forward is it’s share of LLC Minimum Gain at the end of the prior year plus the Member’s share of the current year increase or decrease in LLC Minimum Gain.

(b) Share of Increase in LLC Minimum Gain. The Member’s share of an Increase in LLC Minimum Gain for the year is equal to the Member’s profit sharing ratio for the year.

(c) Share of Decrease in LLC Minimum Gain. A Member's share of a Decrease in LLC Minimum Gain for the year is equal to the Member's percentage share of the LLC's aggregate Minimum Gain account as of the end of the prior year (D.1(c)) multiplied by the decrease in the LLC's Minimum Gain.

(d) EOP Minimum Gain.

(e) Percentage Share of Prior Year LLC Minimum Gain. This is the percentage that the Member's Minimum Gain Account bore to the LLC's Minimum gain Account as of the end of the prior year.

D.3 Minimum Gain Chargeback

(a) Preliminary Minimum Gain Chargeback. Since a Member is allowed to deduct losses in excess of capital contributed to the extent attributable to nonrecourse deductions (Minimum Gain), the Member is required to be specially allocated LLC gross income in future years to the extent that the Member's aggregate share of the Minimum Gain decreases in any such year. This preliminary Minimum Gain Chargeback amount is equal to the Member's Share of Decrease in LLC Minimum Gain for the year.

(b) Offset for Capital Contributions Used to Retire Debt. The source of principal payments on nonrecourse debt which result in decreases in LLC Minimum Gain can be capital contributions of the Members in the year of the payment. The Minimum Gain Chargeback of a Member for a year will be reduced to the extent that a Member has contributed capital to the LLC which is used to repay nonrecourse debt during that year. There is no carryover to future years of contributions in excess of the Minimum Gain Chargeback, if any, in a year.

(c) Preliminary Minimum Gain Chargeback before Gross Income Limit. To the extent that a Member's Minimum Gain Chargeback exceeds any offset for Capital Contributions during the year, the Member must be specially allocated gross income of the LLC.

(d) Aggregate LLC Gross Income.

(e) Minimum Gain Chargeback Capped by Gross Income. The special allocation of gross income cannot exceed the LLC's gross income for the year.

E. Share of Liabilities Accounts

E.1 Member Share of LLC Liabilities. A Member's share of LLC Liabilities is part of the Member's basis in its LLC interest. Any increase in such share increases basis and any decrease decreases basis. A change in a Member's share of liabilities can result from additional borrowings, principal payments on debt and changes in the profit-sharing ratios of the Members. In addition, a Member is allocated an amount of LLC Liabilities equal to the Member's share of Minimum Gain. Accordingly, the calculation of a Member's share of liabilities is a two step

process. Allocate an amount of LLC liabilities to the Members in an amount equal to their respective shares of LLC Minimum Gain and allocate the balance in accordance with their respective profit-sharing ratios for the year (assuming all debt is nonrecourse debt).

(a) Share of Minimum Gain. The EOP balance from D.2(d) is used.

(b) Share of Remaining Liabilities. This amount is equal to the LLC's non-recourse liabilities multiplied by the Member's Profit Sharing Ratio for the year.

(c) Share of Liabilities. Total of Minimum Gain and Share of Remaining Liabilities.

(d) Reduction in Share of Liabilities. Any reduction in the amount of a Member's share of LLC Liabilities at the end of the year from the amount as of the end of the prior year is deemed to be a "Constructive Cash Distribution" to the Member.

F. Section 731(a)(1) Excess Distributions. Distributions to a Member are tax-free to the Member to the extent they do not exceed the Member's tax basis in its interest. Distributions include both cash and property distributions and Constructive Cash Distributions resulting from a reduction in the Member's share of liabilities of the LLC. (E.1(d)). Distributions (including Constructive Cash Distributions) in excess of a Member's basis are deemed to be a sale of a part of the Member's interest and the Member will recognize gain to the extent of such excess pursuant to §731(a)(1) of the Code.

F.1 EOP Tax Basis Before Distributions. A preliminary determination of the Member's basis is made after all allocations and adjustments but before distributions.

F.2 Constructive Cash Distributions. This amount is the dollar amount of the reduction, if any, in the Member's share of LLC liabilities for the year. (E.1(d)).

F.3 Cash Distributions.

F.4 Section 731(a)(1) Gain from Excess Distributions. In the event the sum of Constructive Cash Distributions and Cash Distributions to the Member during the year exceed the EOP Tax Basis Before Distributions, the Member will recognize gain in the amount of the excess on a deemed sale of part of its Membership Interest. The gain will increase the basis of the Member so that the end of year basis of the Member will equal zero. The gain recognized will also result in an increase in the basis of the LLC's assets under Section 734(b) (assuming a Section 754 election is in effect) and will result in an increase in the Members' Capital Accounts under Regulation §1.704-1(b)(2)(m)(4).