

You will own the assets for 6 years, after which time you may sell them without recapture of the tax benefits.  
Or you may continue ownership and receive cash flow from each property owner for the remaining 14 years.  
Please hover over the cells with red triangles to read detailed notes.

|                            |                    |
|----------------------------|--------------------|
| <b>EQUITY CONTRIBUTION</b> | <b>100,000 [1]</b> |
|----------------------------|--------------------|

| <b>6-YEAR BENEFITS SUMMARY [2]</b> |             |
|------------------------------------|-------------|
| Total Tax Benefits                 | 139,278 [4] |
| Gross Tax Savings                  | 39,278 [6]  |
| Gross Tax Savings %                | 39%         |
| Operating Expenses                 | 5,117 [8]   |
| Net Benefit                        | 34,161 [10] |
| Net Benefit %                      | 32%         |

| <b>PURCHASE SUMMARY</b>                 |              |
|-----------------------------------------|--------------|
| Equity Contribution                     | 100,000      |
| Upfront Income from Sale of Electricity | 154,216      |
| Asset Purchase Price                    | 254,216 [13] |

| <b>20-YEAR BENEFITS SUMMARY [3]</b> |             |
|-------------------------------------|-------------|
| Total Benefit                       | 152,323 [5] |
| Gross Benefits                      | 52,323 [7]  |
| Gross Benefits %                    | 52%         |
| Operating Expenses                  | 5,117 [9]   |
| Net Benefit                         | 47,206 [11] |
| Net Benefit %                       | 45%         |

| <b>FEDERAL TAX CREDIT AMOUNT (\$)</b> |                |
|---------------------------------------|----------------|
| Asset Purchase Price                  | 254,216        |
| Tax Credit % (blended avg)            | 40% [12]       |
| <b>Federal Tax Credit Amount (\$)</b> | <b>101,686</b> |

### ANNUAL TAX BENEFIT CALCULATION

|                              | YEAR 1         | 2                  | 3            | 4            | 5            | 6            | 6 YR TOTAL     |
|------------------------------|----------------|--------------------|--------------|--------------|--------------|--------------|----------------|
| Federal Tax Credit           | 101,686        |                    |              |              |              |              |                |
| Federal Depreciation Benefit | 22,011         | 302                | 310          | 320          | 329          | 339          |                |
| State Depreciation Benefit   | (13,643)       | 10,928             | 6,603        | 4,010        | 4,013        | 2,069        |                |
| <b>Total Tax Benefit</b>     | <b>110,054</b> | <b>11,229 [14]</b> | <b>6,914</b> | <b>4,330</b> | <b>4,343</b> | <b>2,409</b> | <b>139,278</b> |

#### SAVINGS FROM FEDERAL DEPRECIATION

|                                                  | YEAR 1          | 2            | 3            | 4            | 5            | 6            |
|--------------------------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|
| Income from Sale of Electricity                  | 154,216 [15]    | 0            |              |              |              |              |
| Operating Expenses - Annual                      | (791)           | (815)        | (839)        | (864)        | (890)        | (917)        |
| Federal Depreciation                             | (203,373)       | 0            | 0            | 0            | 0            | 0            |
| Net Income                                       | <b>(49,948)</b> | <b>(815)</b> | <b>(839)</b> | <b>(864)</b> | <b>(890)</b> | <b>(917)</b> |
| State PTE Tax % (if applicable)                  | 0               | 0            | 0            | 0            | 0            | 0            |
| State PTE Tax Payment (if applicable)            | (9,540)         | 0            | 0            | 0            | 0            | 0            |
| Federal Income (after PTE payment if applicable) | (59,488)        | (815)        | (839)        | (864)        | (890)        | (917)        |
| Federal Income Tax Rate                          | 37.00%          | 0            | 0            | 0            | 0            | 0            |
| Federal Depreciation Savings (Payments)*         | <b>22,011</b>   | <b>302</b>   | <b>310</b>   | <b>320</b>   | <b>329</b>   | <b>339</b>   |

#### SAVINGS FROM STATE DEPRECIATION

|                                 | YEAR 1          | 2             | 3            | 4            | 5            | 6            |
|---------------------------------|-----------------|---------------|--------------|--------------|--------------|--------------|
| Income from Sale of Electricity | 154,216         | 0             | 0            | 0            | 0            | 0            |
| Operating Expenses - Annual     | (791)           | (815)         | (839)        | (864)        | (890)        | (917)        |
| State Depreciation              | (50,843)        | (81,349)      | (48,809)     | (29,286)     | (29,286)     | (14,643)     |
| State Asset Sale                |                 |               |              |              |              | 0            |
| State Income                    | 102,582         | (82,164)      | (49,648)     | (30,150)     | (30,176)     | (15,560)     |
| State Income Tax rate           | 13.30%          | 13.30%        | 13.30%       | 13.30%       | 13.30%       | 13.30%       |
| Savings From State              | <b>(13,643)</b> | <b>10,928</b> | <b>6,603</b> | <b>4,010</b> | <b>4,013</b> | <b>2,069</b> |

#### Disclaimer

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[1] This is your redirected tax dollars - you may reduce withholdings from your W2 or Quarterly Tax Payments to make this contribution

Cell: B11

[2] This summary assumes you sell every asset you own in the 6th year for a total gain on sale of \$1. We use \$1 as an estimated plug number as it's the lowest amount you would sell the assets for.

The actual amount of the sale could be higher and therefore your total benefit could be higher.

Cell: A14

[3] This summary assumes the asset owner owns every asset for 20 years (the term of the Power Purchase Agreement with the property owner).

The additional benefit comes from the annual maintenance payments each property owner will pay each year for 14 years. Inception Financial will collect this payment and send to the asset owner. The total benefit shown here is after tax.

This 20 Yr summary assumes that every property owner makes this payment for 14 years. The 6 yr Summary would be the lowest benefit, and the 20 Yr summary would be the highest benefit.

Per the IRS, solar assets have a life expectancy of 35 years, so there may still be useful life of the asset at the end of 20 year contract period, and therefore there are further options to monetize the asset - such as selling the assets, or executing a new contract to sell the electricity to the property owner. None of these monetization opportunities are included in these numbers.

Cell: D14

[4] This is the value of both the tax credit and the savings from the depreciation expense

Cell: B15

[5] This is the value of the tax credit, the savings from the depreciation expense, and the annual maintenance payments from the property owner.

Cell: G15

[6] This is the gross tax savings after the equity contribution is deducted.

Cell: B16

[7] This is the gross tax savings after the equity contribution is deducted.

Cell: G16

[8] This is the total annual operating expenses the asset owner will pay over 6 years - this pays for Insurance, Monitoring, and Warranties.

This is an out of pocket expense, and hence why the value is being shown here.

Cell: B18

[9] This is the total annual operating expenses the asset owner will pay over 6 years - this pays for Insurance, Monitoring, and Warranties.

There is no additional operating expense for years 7-20 included in this number because there is income being generated from the annual maintenance payments the property owner is paying (starting in the 7th year), which covers the operating expenses, and provides a net profit each year.

Cell: G18

[10] This is the net benefit after deducting out of pocket Operating Expenses from the gross benefit.

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[11] This is the net benefit after deducting out of pocket Operating Expenses from the gross benefit.

Cell: G19

[12] This is a blended average. Solar assets qualify for a minimum of 30% tax credits. But some assets qualify for a 40% tax credit.

The additional 10% is due to various criteria. Most assets qualify because they are in an "Energy Community." The Energy Dept has a published map of these areas.

An example of one criteria is an area that had once been powered by a coal power plant that has been decommissioned.

Cell: G24

[13] The equity contribution + the upfront income from the property owner allows the asset owner to purchase the assets.

The asset owner has a liability to deliver electricity to the property owner.

Cell: B25

[14] This negative number shows a tax liability in the second year. This is simply because of the deferred income.

Utilizing the deferral rules an asset owner may accrue the income over two tax years. The first year would include the actual sale of electricity in that tax year, with the balance of income deferred to the 2nd tax year.

Many asset owners select this option because bonus depreciation has been stepped down and there is not enough depreciation in the first year to offset the income.

The asset owner has two options.

The first is to pay this tax bill. There is an excess of savings from the first year, so the asset owner can simply plan for this and use some of that excess savings to make this payment - the combined savings over the two years is still net positive.

Or the asset owner can purchase a modest amount of assets the following year to generate enough tax credits and depreciation which eliminates this tax liability. You may review the Year 2 tab which shows the amount of equity contribution and the tax benefits needed. Then review the combined tab, which combines the cash flow statements from year 1 and year 2, showing there is enough tax credits and depreciation each year so that there is no longer any tax liability.

Cell: C32

[15] Utilizing the deferral rules an asset owner may accrue the income over two tax years. The first year would include the actual sale of electricity in that tax year, with the balance of income deferred to the 2nd tax year.

Many asset owners select this option because bonus depreciation has been stepped down and there is not enough depreciation in the first year to offset the income.

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