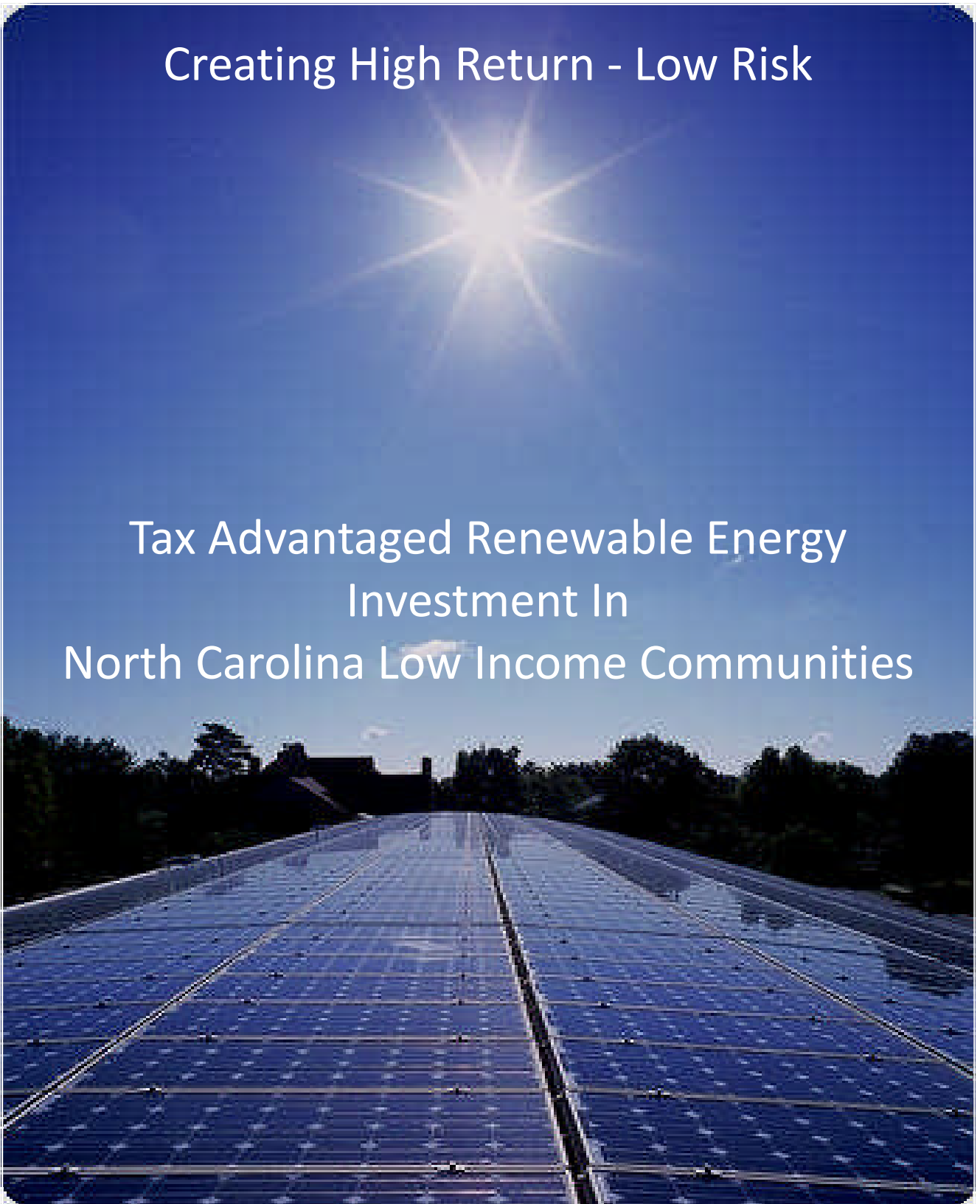




Sustainable Energy Community Development Company, LLC

Creating High Return - Low Risk

Tax Advantaged Renewable Energy  
Investment In  
North Carolina Low Income Communities



# The S.E.C.D.C.

Sustainable Energy Community Development Company is a North Carolina limited liability company formed for the expressed purpose of developing and implementing a hybrid investment model that combines federal *New Markets Tax Credits* with existing federal *Business Energy Investment Tax Credits* and North Carolina *Renewable Energy Tax Credits*.

This unique coupling of tax incentives allows an SECDC investments to avoid problems found in conventional renewable energy investments and achieve high return on investment (ROI) at lower risk. Another result of this hybrid model is that SECDC investments specifically target North Carolina low income communities, and use North Carolina installers and manufacturers.



The combined effect is a high ROI, low risk, green investment with a significant public image/marketing asset for economic development in low income areas, commitment to renewable energy and support of North Carolina's green industry sector.

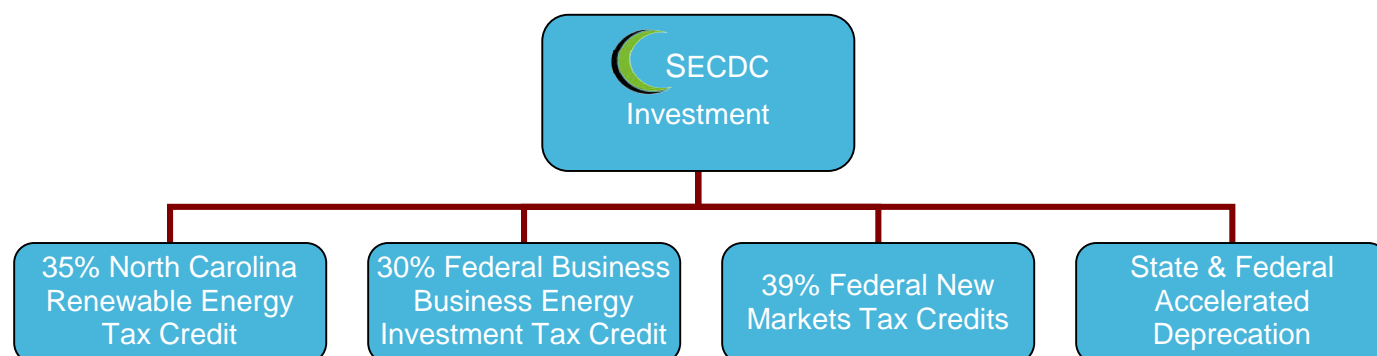
## A SECDC investment:

- High ROI (over 12% annual return after taxes)
- Low Risk
- Returns over 43% of the investment in the first year
- Invests in Renewable Energy
- Provides an excellent Public Relations /Marketing Asset
- Promotes North Carolina's Green Industry Sector
- Creates Economic Development in low income areas

# The Investment Model Credits

The hybrid SECDC investment combines the federal low income community development New Markets Tax Credit, with existing federal and state renewable energy tax incentives. The result is a tax advantaged investment that provides a high after-tax return with very limited risk, and avoids power sale concerns inherent in other green energy investments.

SECDC investments are bundled into renewable energy projects of up to \$7.5 million each. The total investment is upfront, with a seven year term. Tax credits total 100% of the investment and the project is subject to accelerated depreciation.



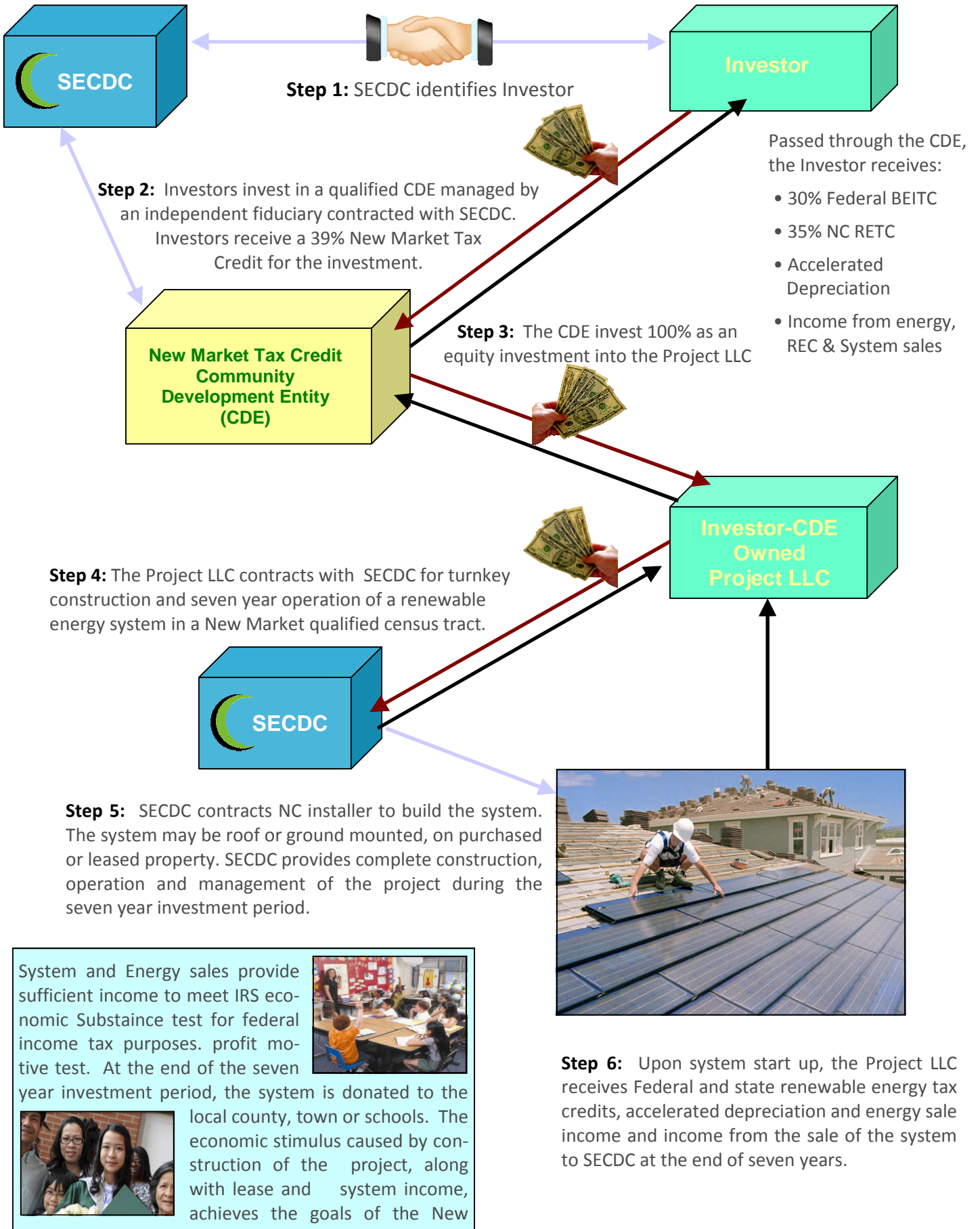
**Federal New Market Tax Credits (NMTC):** Authorized by 26USC § 45D, the Market Tax Credit program promotes investment in federally designated low income communities. Equal to 39% of the overall investment, the credit is taken over seven years (5% in each of the first three years, 6% in each of the following four years). The US Treasury's Community Development Financial Institutions Fund (CDFI) administers this credit. Tax credits are allocated to approved Community Development Entity (CDE) applicants and the credits are issued by the CDE to Investors in the CDE. The CDE must then use that investment to finance business activities in qualified census tracts.

**Federal Business Energy Investment Tax Credits (BEITC):** Available under 26 USC § 48, this credit was significantly expanded under the *Energy Improvement and Extension Act of 2008*. Equal to 30% of the installation cost of solar or wind systems with no maximum, this credit was historically taken as a tax credit in the first year. However, changes made in the *American Recovery and Reinvestment Act of 2009* allow the credit to be converted into a cash grant within 60 days of system activation.

**North Carolina Renewable Energy Tax Credits (NCRETC):** Available under NCGS 105-129.15, this tax incentive became active January 1, 2009. The credit is equal to 35% of the installation cost and is taken equally over five years. There is a maximum of \$2.5 million per installation. The amount of credit used in a single year can not exceed 50% of the Investor's North Carolina tax liability reduced by the sum of all other state tax credits taken. The credit can be taken against Corporate tax, Franchise tax, Income tax or Gross premiums tax. Unused credit maybe carried forward for five years.

**Accelerated Depreciation (MACRS):** The investment qualifies for accelerated depreciation over the seven year investment lifespan with approximately 93% taken in the first five years.

# The Investment Profile



# The Investment Financial Benefit

Based on an \$7.5 million SECDC investment project, Investors receive approximately \$9,637,000\* in cash, tax credits and net tax benefits over seven years. All tax credits are determined in the first year and 43% of the credits can be taken in the first year.

- At the time of investment, Federal New Markets Tax Credit equal 39% of the investment. Credit is taken over seven years, \$2,925,000 total credit.
- When the project is placed in service (typically the first year), a Federal Business Energy Investment Tax Credit equal to 30% of the total renewable energy facility cost. This credit maybe taken in the first year or taken as an ARRA Cash Grant. If taken as a cash grant in lieu of a tax credit, the grant is paid by the U.S. Treasury within 60 days of application, estimated at \$2,109,000 total credit/grant.
- When project is placed in service (typically the first year), a NC Renewable Energy Tax Credit equal to 35% of the total renewable energy facility cost. This credit is taken over five years, estimated at \$2,460,500 total credit.
- 5 year MACRS Depreciation tax deduction of the total renewable energy facility cost taken over 6 years, estimated at \$6,980,000 total tax deduction.
- Proceeds from sale of system at the end of the investment term, \$300,000.
- Revenue from the sale of Renewable Energy Certificates, are estimated at \$386,000 over seven years.
- Revenue from sale of electricity to a public utility at avoided cost rate is estimated at \$483,000 total over seven years \*\*.

The calculations and information contained herein are for illustrative purposes only. While all information is believed to be reasonable under the assumptions stated, it is not a guarantee of the results indicated. Investors should consult with their own accountants, attorneys and financial advisors for professional advice before investing in any investment.

\* Estimated total return is calculated assuming Investor has sufficient tax liability to utilize the credits and the ability to maximize depreciation deductions.

\*\* Federal law mandates that utilities purchase power at no less than their avoided cost rate. Revenues from power sales shown are calculated using the average North Carolina Avoided Cost rate as published by NC Green Power. Actual energy sales may be higher or lower depending on the specific utilities involved.

## The Corporate Image Benefit

Few issues receive such universal praise as the renewable energy movement. Polls and academic studies have consistently shown that renewable energy is a priority to Americans regardless of socio-economics, politics, gender, age or race. Market studies have also clearly shown that consumers will switch brands based on environmental and social sensitivity of the supplier. In today's cultural and marketing environment, green energy and creating jobs in low income communities are the most appealing themes in the United States. Corporations that embrace these opportunities define themselves as North Carolina's corporate leaders, gain brand strength and consumer appeal.

- *2005 Yale University Study reported that 90% of Americans support building more solar power facilities and 87% support more wind farms.*
- *2008 poll conducted by Public Opinion Strategies reported 98% of voters see a national goal of meeting a quarter of US energy needs through renewable energy as important and 90% believe it is achievable by 2025.*
- *2010 Wall Street Journal-NBC Poll found 63% of respondents supported a national energy plan designed to reduce carbon emissions and increase the use of renewable energy sources, even if it meant an increase in the cost of energy.*
- *2010 CNN poll found 72% support for the current federal alternative energy proposals, 69% believe these proposals will create jobs and 79% believe these proposals will improve our quality of life.*

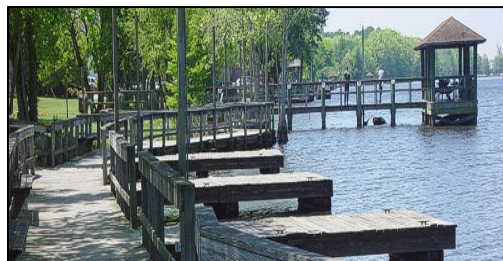
## A SECDC Investment allows you to . . .

- Offset your Energy & Carbon footprint without altering facilities.
- Enhance your image as a Leader in Community and Environmental commitment.

# The Community Development Benefit

North Carolina's rural counties have been especially devastated by the economic crisis. The loss of state revenues, tax base and sales tax coupled with increased demand for social services, has brought many communities to the brink of collapse, threatening even basic services like fire, police and schools. This degrades our state's quality of life, economic viability, and poses serious ramifications for corporations doing business in North Carolina. Economic stimulus created by an SECDC investment can be crucial to a local community's survival. The Town of Plymouth presents a perfect case study:

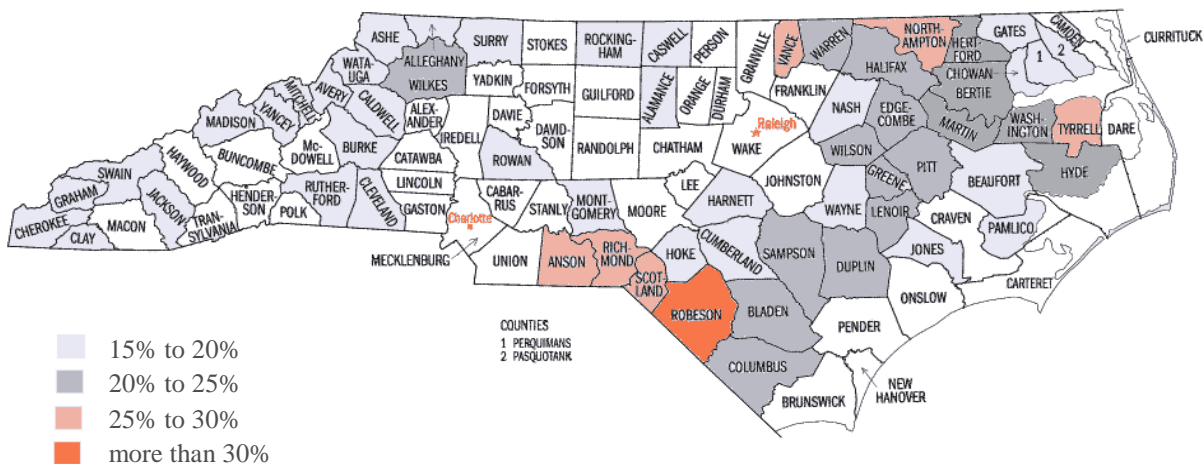
The Town of Plymouth is the Washington County seat and for over 200 years has been a viable community, but due to layoffs Plymouth's poverty rate now exceeds 37%. A penny of Plymouth property tax only raises roughly \$14,000. To add to the crisis, Plymouth's sewer system is chronically failing causing raw sewage spills effecting the Roanoke River, a primary source of tourism. While state and federal agencies have grants to aid Plymouth, lack of reoccurring revenue hampers Plymouth from correcting the problems.



An SECDC project would provide significant and immediate local economic activity. Lease payments to Plymouth and the system donation would mean crucial recurring revenue that would allow Plymouth to draw down millions in grants and upgrade their infrastructure needs.

The Plymouth scenario is not an isolated case. Across North Carolina, communities are in crisis. An SECDC investment does not sacrifice Investor ROI for social impact, but creates significant social impact as a natural result of the investment; and that social return will contribute to North Carolina's economic strength for generations to come.

## North Carolina Population Living Below Federal Poverty Level



# The North Carolina Green Industry Benefit

North Carolina is striving to cast itself as a national center for the Green Economy, and for very good reason. Studies by the NC State Energy Office, NCSEA and Appalachian Energy Center all confirm the staggering economic potential of the Green Industry sector to be one of North Carolina's best opportunities for growth. Investing in the green industry sector is a practical strategy for any corporation doing business in North Carolina.

By giving investors a 39% New Markets Tax Credit in addition to existing renewable energy incentives, an SECDI investment provides high ROI without reliance on lucrative power purchasing agreements or REC sales. This provides the flexibility to build in areas that have low energy prices and use North Carolina companies that may not have the economy of scale pricing of foreign firms, while still providing higher ROI than conventional green energy investments. This focus on North Carolina green sector industries gives them the opportunity to build efficiency of scale, gain market share and makes North Carolina more attractive to other green sector companies.

"The green economy is today's growth economy. Since our current economic recession officially began in late 2007, unemployment in North Carolina is over 10% statewide with some county rates in excess of 15%. However, there is an exception to this trend – the green energy sector. With over 2,200 new jobs announced, 40% of which are permanent manufacturing or operations jobs, and nearly \$800 million in private investment, green energy is a bright spot in this dim economic time."

- NC Economic Developers Guide, Spring 2009

1,300 North Carolina firms identified as having technical potential to manufacture green energy components.

- UNC Greensboro study

2,660 new jobs in green energy created in North Carolina in 2009, up 24% from 2008

- North Carolina Sustainable Energy Association Study

## Simply Smart Business.

## North Carolina Green Industry investment.

# The SECDC Principals



## **M. David Bland, Attorney**

SECDC Manager

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Practice Area: Trial Practice Business Litigation

David Bland earned his Bachelor of Arts Degree from Wake Forest University in 1974 and earned his Juris Doctor from Wake Forest University School of Law in 1978. Mr. Bland was admitted to practice law in North Carolina in 1978. In 1984 Mr. Bland took the South Carolina Bar exam and was admitted to the practice of law in South Carolina. He is admitted to practice in all of the Federal District Courts in North and South Carolina, the Fourth Circuit Court of Appeals and the United States Supreme Court. Mr. Bland has handled and has tried cases in almost every area of business and tort litigation. Mr. Bland has won record jury verdicts in both State and Federal Court. Mr. Bland has argued and won landmark decisions before the Court of Appeals of North Carolina and the North Carolina Supreme Court. Mr. Bland was elected to four consecutive terms as a Matthews Town Commissioner and for two years he served as the Town of Matthew's representative to the Mecklenburg County Planning Organization. Mr. Bland is a partner in the law firm of Weaver, Bennett & Bland P.A.



## **J. Shawn LeMond, Chief Operating Officer**

SECDC Manager

S.E.C.D.C. Shawn@secdc.net • (704) 340-2544

Specialty: Economics, Public Policy, Corporate Management

Shawn LeMond earned his degree in Economics from North Carolina State University (Cum Laude). He served 12 years in elected office including the North Carolina House of Representatives where he represented southeastern Charlotte-Mecklenburg and was repeatedly rated as one of North Carolina's most effective legislators. He served multiple terms as Mayor and City Councilmen of the City of Matthews. Mr. LeMond is a decorated US Navy veteran with expertise in public policy, community development, economic development, LEED construction, industrial controls, and green industry. Mr. LeMond is founder and former CEO of ECG Inc, an innovative glass recycling company pioneering the use of recycled glass in masonry and polymers ([www.glass-recycling.com](http://www.glass-recycling.com)). His leadership took ECG from concept to a successful glass recycling company with products distributed through more than 350 outlets nationwide. In 2005, ECG Inc was one of four companies singled out by *North Carolina Business Magazine* for "Small Business of the Year" recognition.



## **Trent Grissom, Attorney**

SECDC Manager & Chief Financial Officer

Weaver, Bennett & Bland PA    tgrissom@wbbatty.com • (704) 844-1400

Practice Area: Contract Law, Corporate Management

Mr. Grissom graduated with a B.A. in Economics from the University of North Carolina at Chapel Hill in 1998. Prior to attending law school, he worked as a Production Control Manager at IBM and as a Project Coordinator with Wal-Mart Construction. In 2007, Mr. Grissom received his Juris Doctor degree from the Wake Forest University School of Law. Mr. Grissom is licensed to practice in the state courts of North and South Carolina and is admitted to the Federal District Court in the Western District of North Carolina and the District of South Carolina. In addition to the practice of law, Mr. Grissom is member of the Board of Directors for the Matthews Help Center, a non-profit assisting those in need within the Matthews community. Trent Grissom is an associate with the law firm of Weaver, Bennett & Bland, P.A. in Matthews, North Carolina. His practice is focused in the areas of Business Litigation and Construction Litigation.

## **The SECDC Specialty Team**



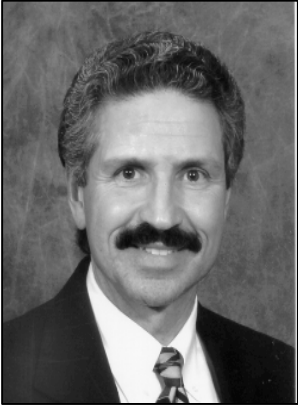
## **Cyrus "Cy" Johnson, Attorney**

SECDC Corporate Attorney

Womble Carlyle Sandridge & Rice, PLLC    cjohnson@wcsr.com • (704) 331-4923

Expertise: Corporate Structure, Contract Law

Cy Johnson has been recognized as one of the "Legal Elite" and a "Super Lawyer" in North Carolina publications in the areas of corporate law and business law. Author of *North Carolina Limited Liability Company Forms and Practice Manual*, Cy Johnson has represented individuals and companies in structuring start-up businesses and real estate projects. Johnson has extensive experience in raising capital through private offerings, typically structured to comply with Regulation D. Johnson provides ongoing legal counseling concerning issues facing growing businesses and handles mergers, acquisitions, sales and restructuring for his business clients. Professional Activities: Mecklenburg County Bar Association, Continuing Legal Education Committee; North Carolina Bar Association, Business Law Section; Taxation Section; American Bar Association, Committee on Small Business; Subcommittee on Closely Held Business Entities; Subcommittee on Securities Regulation. Admitted to practice before the United States Western District Court of North Carolina. Admitted to bar 1982, North Carolina. Education: B.A., 1976, University of North Carolina - Chapel Hill in Chemistry and with highest honors in Political Science; M.B.A., 1982, University of North Carolina School of Business; J.D., 1982, University of North Carolina School of Law, with honors.



## **Michael A. Hannah, Attorney & CPA**

SECDC Corporate Accounting & Energy Credit Tax Counsel

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Expertise: Renewable Energy Tax Credits, Corporate Accounting

Michael A. Hannah is a licensed attorney and CPA, and former Assistant Secretary of the NC Department of Revenue. With more than 35 years of experience in public accounting, private industry, the practice of law, and state government. His current law practice focuses on state tax audit defense, litigation support, governmental affairs, and renewable energy issues. While a Director with the Multistate Tax Services Group of PricewaterhouseCoopers, LLP, focused on state tax controversy for North Carolina and South Carolina, FAS 109 and Fin 48 review and analysis, state tax planning, state tax credits and governmental affairs. His client base included Fortune 500 and other national-level clients in industries including renewable energy, utilities, technology, manufacturing, retail, tobacco, sports teams, entertainment and banking, as well as individuals. As Assistant Secretary of the North Carolina Department of Revenue for 8 years, he conducted administrative tax hearings and taxpayer appeals as well as providing expertise to the North Carolina General Assembly on tax policy. He has extensive experience the North Carolina and South Carolina Departments of Revenue, has provided technical tax advice to various lobbyists, state legislators and industry groups, and has appeared before the NC General Assembly Revenue Laws Study Committee to advise on tax issues. Mr. Hannah has spoken nationally on multistate and renewable energy tax issues and teaches seminars on state taxation and renewable energy tax incentives for various organizations including the Paul Hartman SALT Forum, AICPA, NCACPA, NC State Bar, and TEI. He served as an instructor for the University of North Carolina's School of Government Tax Procedures Course for North Carolina Administrative Law Judges in 2008, and has authored numerous articles on state taxation and renewable energy tax issues in the *Journal of Multistate Taxation and Incentives*, *Charlotte Business Journal*, *COST Practitioner Connection*, *Lexis Practice Insights*, *The Solar Gazette*, and *State Tax Notes*. He is a member of the NCACPA Tax Committee, the NCTA Green Tech Council, NC Sustainable Energy Association, and served on N.C. Governor Michael Easley's "Commission to Modernize State Finances" the NC State University Institute for Emerging Issues "Financing the Future".



## **Andrew Foster, Attorney**

SECDC New Markets Tax Counsel

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Expertise: New Market Tax Credits, Community Development

Andrew Foster maintains an active private law practice focused exclusively on representing clients in the affordable housing and community development industry. In his practice, Andrew has worked with investors, lenders and developers to structure and close transactions financed with the Low-Income Housing Tax Credit, the New Markets Tax Credit and/or the Historic Rehabilitation Tax Credit valued in excess of \$275 million; represented local governments in the development of affordable housing and community development programs; and provided general outside counsel representation to nonprofit community development organizations. Andrew has also helped multiple clients to successfully compete for allocations of the New Markets Tax Credit and has published articles on regulatory issues related to the New Markets Tax Credit program. Mr. Foster is also a member of the faculty at Duke Law School where he has taught since 2002 and where he currently serves as a Clinical Professor of Law and the Director of Duke Law's Clinical Law Program. He earned his B.A. from Rutgers University and his J.D. from the University of North Carolina at Chapel Hill.



## Pioneering the Future of Tax Advantaged Green Energy Investment



## Innovative High Return - Low Risk Green Energy Investment in Low Income Areas



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