

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Financial Statements

Years Ended December 31, 2010 and 2009 and for the
Period from Inception (April 17, 2008) through December 31, 2010

Berkshire Wind Power Cooperative Corporation
(A Development Stage Organization)

FINANCIAL STATEMENTS

Years Ended December 31, 2010 and 2009 and for the
Period from Inception (April 17, 2008) through December 31, 2010

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Balance Sheets	2
Statements of Revenues and Expenses	3
Statements of Cash Flows	4
Notes to Financial Statements	5-17



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Berkshire Wind Power Cooperative Corporation

We have audited the accompanying balance sheet of the Berkshire Wind Power Cooperative Corporation (the "Cooperative") (a development stage organization) as of December 31, 2010 and 2009 and the related statements of revenues and expenses, and cash flows for the years then ended and for the period from inception (April 17, 2008) through December 31, 2010. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements for the period from inception (April 17, 2008) through December 31, 2008 were audited by other auditors and our opinion, insofar as it relates to cumulative amounts included for such period, is based solely on the reports of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Berkshire Wind Power Cooperative Corporation as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended and for the period from inception (April 17, 2008) through December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

The Cooperative has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

McGladrey & Pullen, LLP

July 07, 2011
Boston, Massachusetts

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Balance Sheets

December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 837,007	\$ 240,388
Prepaid expenses	21,153	24,077
Current portion of restricted special funds	478,088	1,276,384
Total current assets	<u>1,336,248</u>	<u>1,540,849</u>
Noncurrent assets:		
Restricted special funds, net of current portion	11,989,821	13,199,313
Deferred financing costs, net of accumulated amortization	1,029,300	463,174
Amounts recoverable in the future	1,098,478	358,637
Total noncurrent assets	<u>14,117,599</u>	<u>14,021,124</u>
Capital assets:		
Land	4,363,134	4,018,134
Construction work in progress	49,053,401	34,646,082
Total capital assets	<u>53,416,535</u>	<u>38,664,216</u>
Total assets	<u>\$ 68,870,382</u>	<u>\$ 54,226,189</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,176,568	\$ 223,618
Accounts payable - MMWEC	297,902	221,364
Accrued interest	78,848	782,321
Other current liabilities	112,500	-
Total current liabilities	<u>1,665,818</u>	<u>1,227,303</u>
Noncurrent liabilities:		
Bonds payable, net of \$1,524,412 and \$0 of net premiums at December 31, 2010 and 2009, respectively	66,229,412	52,500,000
Asset retirement obligations	930,152	498,886
Other noncurrent liabilities	45,000	-
Total noncurrent liabilities	<u>67,204,564</u>	<u>52,998,886</u>
Total liabilities	<u>\$ 68,870,382</u>	<u>\$ 54,226,189</u>

The accompanying notes are an integral part of these financial statements.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Statements of Revenues and Expenses

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

	2010	2009	Period from Inception (April 17, 2008) through December 31, 2010
Operating expenses:			
Accounting and administrative expense	\$ 212,329	\$ 183,265	\$ 431,526
Insurance expense	41,975	28,707	78,061
Audit expense	6,140	9,270	15,410
Travel, meals and meeting expense	5,524	3,931	10,791
Accretion expense	33,812	8,275	42,087
Other operating expenses	8,366	4,456	16,706
Total operating expenses	<u>308,146</u>	<u>237,904</u>	<u>594,581</u>
Operating loss	<u>(308,146)</u>	<u>(237,904)</u>	<u>(594,581)</u>
Nonoperating revenues (expenses):			
Interest income	24,841	24,986	49,827
Amortization of deferred financing costs	(464,475)	(97,188)	(561,663)
Amortization of bond premiums and discounts, net	7,939	-	7,939
Changes in amounts recoverable in the future	739,841	310,106	1,098,478
Total nonoperating revenues	<u>308,146</u>	<u>237,904</u>	<u>594,581</u>
Net revenues and expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Statements of Cash Flows

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

	2010	2009	Period from Inception (April 17, 2008) through December 31, 2010
Cash flows from operating activities:			
Cash paid for services	\$ (198,274)	\$ (236,570)	\$ (463,828)
Net cash used in operating activities	<u>(198,274)</u>	<u>(236,570)</u>	<u>(463,828)</u>
Cash flows from investing activities:			
Interest received	24,841	24,986	49,827
Net cash provided by investing activities	<u>24,841</u>	<u>24,986</u>	<u>49,827</u>
Cash flows from capital and related financing activities:			
Capital expenditures (includes interest paid)	(14,399,270)	(32,696,744)	(51,427,555)
Deferred financing costs paid	(575,817)	(490,087)	(1,090,879)
Proceeds from issuance of bonds payable	66,237,351	52,500,000	118,737,351
Repayments on bonds payable	(52,500,000)	-	(52,500,000)
Net repayments under line of credit	-	(4,390,829)	-
Net cash provided by (used in) capital and related financing activities	<u>(1,237,736)</u>	<u>14,922,340</u>	<u>13,718,917</u>
Net change in cash and cash equivalents	<u>(1,411,169)</u>	<u>14,710,756</u>	<u>13,304,916</u>
Cash and cash equivalents, beginning of period	<u>14,716,085</u>	<u>5,329</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 13,304,916</u>	<u>\$ 14,716,085</u>	<u>\$ 13,304,916</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (308,146)	\$ (237,904)	\$ (594,581)
Non cash items in operating loss:			
Accretion of asset retirement obligation	33,812	8,275	42,087
Changes in assets and liabilities:			
(Increase) decrease in:			
Prepaid expenses	2,924	(15,356)	(21,153)
Increase in:			
Account payable	5,778	155	5,933
Accounts payable - MMWEC	67,358	8,260	103,886
Net cash used in operating activities	<u>\$ (198,274)</u>	<u>\$ (236,570)</u>	<u>\$ (463,828)</u>
Reconciliation of cash and cash equivalents to the balance sheets:			
Cash and cash equivalents	\$ 837,007	\$ 240,388	\$ 837,007
Restricted special funds	12,467,909	14,475,697	12,467,909
Total cash and cash equivalents	<u>\$ 13,304,916</u>	<u>\$ 14,716,085</u>	<u>\$ 13,304,916</u>
Supplemental disclosures of cash flow information:			
Noncash investing, capital and financing transactions:			
Construction work in progress and land financed by liabilities	<u>\$ 1,022,067</u>	<u>\$ 362,999</u>	<u>\$ 1,022,067</u>
Construction work in progress related to asset retirement obligation	<u>\$ 397,454</u>	<u>\$ 490,611</u>	<u>\$ 888,065</u>
Deferred financing costs financed by accounts payable	<u>\$ 500,084</u>	<u>\$ 45,300</u>	<u>\$ 500,084</u>
Capitalized interest expense not yet paid	<u>\$ 78,848</u>	<u>\$ 782,321</u>	<u>\$ 78,848</u>

The accompanying notes are an integral part of these financial statements.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS

The financial statements of the Berkshire Wind Power Cooperative Corporation ("Cooperative") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the Cooperative are described below.

Reporting Entity

The Cooperative is organized under Chapter 164: Section 47C and Chapter 157 of the General Laws of the Commonwealth of Massachusetts and is constituted as a municipal lighting plant cooperative. The Cooperative was formed by the Massachusetts Municipal Wholesale Electric Company ("MMWEC") and 14 Municipal Light Departments ("Departments") for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts ("Berkshire Wind Facility"). MMWEC and the Departments are the members of the Cooperative. At inception any Municipal Light Department may have become a member of the Cooperative by executing a Berkshire Wind Power Cooperative Agreement with MMWEC and agreeing to comply with such reasonable terms and conditions for membership as established by the Cooperative's By-laws.

The powers of the Cooperative are exercised by a Board of Directors who conducts the business and carries on the operations of the Cooperative. The Board of Directors is comprised of one director who represents and is appointed by MMWEC and four directors who are elected by the Departments.

Nature of Operations

The Cooperative is in the development stage. This stage is characterized by significant expenditures related to the preparation and the installation of ten 1.5-megawatt wind turbines which together with necessary equipment and related facilities comprise the Berkshire Wind Facility. Upon commercial operation of the Berkshire Wind Facility, the Cooperative will sell energy and capacity to MMWEC pursuant to the Berkshire Wind Power Sales Contract ("Power Sales Contract") dated May 21, 2008. MMWEC entered into the Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility by the Berkshire Wind Facility. MMWEC, in turn will sell such capacity and energy to each of the Departments, in their pro rata share, pursuant to 14 identical take or pay Berkshire Wind Power Purchase Agreements ("Power Purchase Agreements") dated May 21, 2008. This business will be a self-sustaining operation, capable of providing operational and financial value to MMWEC and the Members.

The Power Purchase Agreements authorize MMWEC to rely on the Departments to provide the necessary working capital funds in the event that financing cannot be obtained from an outside source.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Additionally, the Cooperative follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) 980, *Accounting for the Effects of Certain Types of Regulation*, as it relates to the deferral of revenues and expenses to future periods in which the revenues are expected to be earned or expenses are expected to be recovered through future billings. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Cooperative's financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. The Cooperative also has the option of following subsequent private-sector guidance subject to this same limitation. The Cooperative has elected to follow subsequent private-sector guidance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, and disclosure of contingent liabilities at the date of the financial statements. Estimates are used for, but not limited to, provision necessary for contingent liabilities, asset retirement obligations, accrued expenses and other similar charges. The Cooperative believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, cash and cash equivalents are made up of cash and money market accounts having original maturities of three months or less from date of acquisition. Unrestricted cash and cash equivalents are presented as cash and cash equivalents in the accompanying Balance Sheets. Restricted cash and cash equivalents are presented within the current and noncurrent portions of restricted special funds in the accompanying Balance Sheets.

Restricted Special Funds

Mandatory segregations of cash are presented as restricted special funds. Such segregations are required by the bond agreement pursuant to which the Cooperative issued its Series 2009 Revenue Bonds, which was effective July 22, 2009 through December 21, 2010 and General Bond Resolution ("GBR") pursuant to which the Cooperative issued its Series 1 Revenue Bonds, which was effective December 22, 2010 (Note 4). The restricted special funds are held in accordance with the provisions of the Series 2009 bond agreement and GBR, as applicable. Certain working capital and other funds are not mandated by the GBR; however, they are held in accordance with the provisions of the investment policy under the GBR.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Restricted Special Funds...continued

The composition of restricted special funds as of December 31 is as follows:

	<u>2010</u>	<u>2009</u>
Construction Fund to pay for costs of acquisition and construction	\$ 6,587,416	\$ 8,694,429
Reserve Account to provide for the benefit and security of the Series 1 Revenue Bonds	5,402,405	-
Revenue Fund to receive revenues and disburse them to other funds	-	75,081
Capitalized Interest Account to pay the interest accrued and payable	478,088	1,201,303
Debt Service Reserve Fund to pay the principal and interest on the Series 2009 Bonds	<u>-</u>	<u>4,504,884</u>
Total restricted special funds	12,467,909	14,475,697
Less - current portion	<u>(478,088)</u>	<u>(1,276,384)</u>
Restricted special funds, net of current portion	<u>\$ 11,989,821</u>	<u>\$ 13,199,313</u>

Prepaid Expenses

Prepaid expenses represent insurance premiums paid in the current fiscal year benefiting future periods.

Land

Land represents amounts paid for the purchase of property and includes costs related to the purchase of easements for certain sites related to the Berkshire Wind Facility.

The following summarizes changes in land for 2010 and 2009:

<u>Year</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
2010	<u>\$ 4,018,134</u>	<u>\$ 345,000</u>	<u>\$ -</u>	<u>\$ 4,363,134</u>
2009	<u>\$ 3,867,675</u>	<u>\$ 150,459</u>	<u>\$ -</u>	<u>\$ 4,018,134</u>

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS...continued

Construction Work in Progress

Construction work in progress consists of the costs related to direct materials, direct labor, direct purchased services and indirect costs used in constructing the wind turbines at the Berkshire Wind Facility. These costs will be depreciated upon commencement of commercial operations over the estimated useful life of the project. Construction work in progress is stated at cost. Any internal costs that are capitalized are limited to those costs that can be directly identified with the design, engineering, or construction phase of the project.

The Cooperative capitalizes interest costs as a component of the cost of construction work in progress. During the years ended December 31, 2010 and 2009 and for the period from inception (April 17, 2008) through December 31, 2010, the Cooperative capitalized interest costs of \$1,814,421, \$1,053,193 and \$2,984,698 respectively. The Cooperative paid interest costs of \$2,517,895, \$289,776 and \$2,905,851 during the years ended December 31, 2010 and 2009 and the period from inception (April 17, 2008) to December 31, 2010.

The following summarizes changes in construction work in progress for 2010 and 2009:

<u>Year</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
2010	<u>\$ 34,646,082</u>	<u>\$ 14,407,319</u>	<u>\$ -</u>	<u>\$ 49,053,401</u>
2009	<u>\$ 573,106</u>	<u>\$ 34,072,976</u>	<u>\$ -</u>	<u>\$ 34,646,082</u>

Deferred Financing Costs

The Cooperative has capitalized the financing costs directly associated with financing and issuing its various debt facilities (Note 4). Deferred financing costs are being amortized using the effective interest rate method over the terms of the underlying bond agreements.

Amortization expense is expected to be as follows for the years ending December 31:

2011	\$ 118,447
2012	109,745
2013	95,031
2014	86,234
2015	79,878
2016-2020	304,896
2021-2025	146,517
2026-2030	<u>88,552</u>
	<u>\$ 1,029,300</u>

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS**...continued

Asset Retirement Costs and Obligations

The Cooperative has incurred certain asset retirement obligations (“AROs”) associated with requirements under the Cooperative’s easement agreements to remove all equipment and restore land to its original condition (Note 5).

AROs are recorded at the fair value calculated using the present value of amounts expected to be paid and capitalized as part of the cost of the related tangible long-lived assets. In the absence of quoted market prices, the Cooperative estimated the present value of AROs using techniques involving discounted cash flow analysis. Using such measurement techniques is dependent upon many subjective factors, including the selection of discount and cost escalation rates, identification of planned retirement activities and related cost estimates, and assertions of probability regarding the timing, nature and costs of such activities. Inputs and assumptions are based on the best information available at the time the estimates are made. However, estimates of future cash flows are highly uncertain by nature and may vary significantly from actual results.

Amounts Recoverable/Payable in the Future

Billings to the Departments are structured to recover costs in accordance with the Power Purchase Agreements and Power Sales Contract, which, among other things, provide for billing debt service, operating expenses and reserve requirements. Expenses are reflected in the Statements of Revenues and Expenses in accordance with GAAP. The timing difference between amounts billed and expensed is charged, or credited, to amounts recoverable/payable under terms of the Power Sales Contract. Such amounts will be recovered through future billings or an expense will be recognized to offset credit balances. The principal differences include depreciation, amortization, costs of financing, billing for certain interest, reserves and other costs. These amounts have been offset in amounts recoverable in the future in the Balance Sheets.

Revenues and Expenses

The Cooperative distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Cooperative’s principal ongoing operations. The principal operating revenues of the Cooperative will be derived from the billings under the Power Sales Contract and Power Purchase Agreements. Operating expenses for the Cooperative include the cost of revenues, services, depreciation, accretion, insurance and accounting and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

2. CASH AND CASH EQUIVALENTS AND RESTRICTED SPECIAL FUNDS

	2010		2009		Associated Risks
	Carrying Value	Bank Value	Carrying Value	Bank Value	
Checking account	\$ 232,007	\$ 5,391,843	\$ 240,388	\$ 273,955	Custodial Credit Risk
Money market funds	<u>13,072,909</u>	<u>13,072,909</u>	<u>14,475,697</u>	<u>14,475,697</u>	Custodial Credit Risk
Total cash	<u>\$ 13,304,916</u>	<u>\$ 18,464,752</u>	<u>\$ 14,716,085</u>	<u>\$ 14,749,652</u>	

The difference between the carrying value and the bank value is due to outstanding checks and/or deposits in transit.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Cooperative's deposits may not be returned to the Cooperative. At December 31, 2009, the Federal Deposit Insurance Corporation ("FDIC") insured up to \$250,000 per depositor. At December 31, 2009, \$14,249,652, of the Cooperative's bank balance was uninsured and uncollateralized and subject to custodial credit risk. Beginning December 31, 2010 and through December 31, 2012, noninterest bearing transaction accounts are fully insured by the FDIC, regardless of the balance of the account. As of December 31, 2010, \$12,822,909, of the Cooperative's interest bearing bank balance was uninsured and uncollateralized and subject to custodial credit risk.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Financial instruments that potentially expose the Cooperative to credit risk consist of money market funds which are maintained with a single financial institution and exceed federally insured limits.

The Cooperative's investment policy does not address these risks.

3. RELATED PARTIES

The Cooperative entered into the Berkshire Wind Power Service Contract ("Service Contract") with MMWEC on May 21, 2008, under which MMWEC is to serve as the Cooperative's agent in all matters with respect to financing, permitting, constructing, purchasing, owning and operating the Berkshire Wind Facility and to serve as the Cooperative's representative in the New England Power Pool ("NEPOOL") and in matters relating to ISO New England, Inc. ("ISO-NE") in connection with the Berkshire Wind Facility and other property or interests therein. Pursuant to the Service Contract on the books of the Cooperative, MMWEC records and accounts for bills received and paid related to the Cooperative. MMWEC accounts for charges rendered and payments received from the Departments pursuant to the Power Purchase Agreements.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

3. RELATED PARTIES...continued

During the years ended December 31, 2010 and 2009, and for the period from inception (April 17, 2008) through December 31, 2010, the Cooperative incurred charges of \$559,617, \$628,024, and \$1,511,621, respectively, for services provided by or capitalized costs paid by MMWEC on behalf of the Cooperative. As of December 31, 2010 and 2009, the Cooperative had balances due to MMWEC of \$297,902 and \$221,364, respectively. There were no amounts due to the Cooperative from MMWEC at December 31, 2010 and 2009.

4. DEBT

Line of Credit

During May 2008, the Cooperative obtained a commercial Line of Credit ("Line of Credit") with Peoples Bank in the amount of \$8,000,000, evidenced by a Commercial Note ("Note"), for bridge financing to support the purchase of easements, permits and other assets related to the development of the Berkshire Wind Facility and to be used as a down payment and to pay for other costs incidental to the development of the Berkshire Wind Facility. The initial interest rate was 5% per annum and adjusted monthly on the first day of each month to a rate equal to one-half of a percentage point below the New York Prime Rate, with a minimum of 5%.

The Note was substantially collateralized by all assets of the Berkshire Wind Facility, the Power Sales Contract between the Cooperative and MMWEC dated May 21, 2008 and the Power Purchase Agreements between MMWEC and the Departments, all dated as of May 21, 2008.

The Line of Credit was to expire on May 21, 2009 but was extended to August 31, 2009.

The Cooperative incurred \$24,975 of financing costs in connection with the issuance of the Line of Credit, which were capitalized and amortized on a straight line basis over the term of the debt. During July 2009, the outstanding balance on the Line of Credit of \$7,953,700 plus accrued interest of \$133,195 was paid off through the use of the proceeds of the Berkshire Wind Project Revenue Bonds, Series 2009 ("Series 2009 Bonds"). Upon the pay-down of the Line of Credit, the remaining unamortized balance of financing costs was fully amortized. Amortization expense related to these financing costs was \$0, \$24,975 and \$24,975 for the years ended December 31, 2010 and 2009 and the period from inception (April 17, 2008) through December 31, 2010, respectively.

The following summarizes changes in the face value of the line of credit in 2009:

<u>Year</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
2009	\$ 4,390,829	\$ 3,406,309	\$ (7,797,138)	\$ -

There was no line of credit activity in 2010.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

4. DEBT...continued

Letter of Credit

During June 2009, the Cooperative entered into a contract with General Electric for the purchase of ten wind turbines and related power generation equipment and services for approximately \$23,000,000. As required by the agreement, the Cooperative obtained a Letter of Credit with United Bank. The Letter of Credit was in the amount of \$21,000,000 ("Letter of Credit"). The total of the Letter of Credit was reduced correspondingly as the Cooperative made the scheduled payments to General Electric out of the proceeds of the Series 2009 Bonds. The Letter of Credit was in place only for purposes of a default of any payments to General Electric.

The Cooperative incurred \$38,500 of issuance costs related to the Letter of Credit issued by United Bank. The Letter of Credit was terminated on December 31, 2009. Upon termination, the remaining unamortized balance of financing costs related to the Letter of Credit was fully amortized. Amortization expense related to these financing costs was \$0, \$38,500 and \$38,500 for the years ended December 31, 2010 and 2009 and the period from inception (April 17, 2008) through December 31 2010, respectively.

As of December 31, 2010 and 2009, there were no letters of credit outstanding.

Series 2009 Revenue Bonds

During July 2009, the Cooperative issued Series 2009 Bonds in the amount of \$52,500,000. The Series 2009 Bonds were payable from and secured by the revenues derived from the Berkshire Wind Facility, as well as from a security interest in the Berkshire Wind Facility. A portion of these proceeds, totaling \$8,086,895, was used to pay off the outstanding balance, including interest on the Line of Credit. Interest for the Series 2009 Bonds was payable in semi-annual installments beginning January 22, 2010 and on July 22 and January 22 of each year thereafter. For the period from the issue date of July 22, 2009 through January 22, 2011 ("Index Rate Conversion Date"), the interest rate on the Series 2009 Bonds was fixed at a rate equal to the sum of the margin rate of 2.25% plus a LIBOR swap rate of 1.135%, per annum. From the Index Rate Conversion Date to January 22, 2016 ("Maturity Date"), the interest rate on the Series 2009 Bonds was to equal the sum of the margin rate of 8% per annum plus an index rate per annum equal to the LIBOR rate as of the interest payment date. The total rate of interest could not exceed the maximum interest rate provided by law. In the event of default, the interest rate increased to 10% per annum plus the LIBOR rate as of the interest payment date.

The Series 2009 Bonds were subject to mandatory redemption by the Cooperative in semi-annual principal installments, beginning with the Index Rate Conversion Date and occurring on January 22 and July 22 of each year thereafter, with the final installment in an amount equal to the entire then outstanding principal amount of the Series 2009 Bonds due and payable on the Maturity Date.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

4. DEBT...continued

Series 2009 Revenue Bonds...continued

The Cooperative incurred \$496,887 of financing costs in connection with the issuance of the Series 2009 Bonds, which were capitalized at issuance and would be amortized using the effective interest rate method over the term of the agreement. The Series 2009 Bonds were redeemed, in whole, prior to maturity at the option of the Cooperative on December 22, 2010 at a redemption price of \$53,240,469 which was equal to 100% of the principal amount of \$52,500,000 plus accrued interest through the redemption date of \$740,469. Upon redemption of the Series 2009 Bonds, the remaining amount of unamortized financing costs was fully amortized and all liens and securities were released.

Amortization expense related to these financing costs was \$463,174, \$33,713, and \$496,887 for the years ended December 31, 2010 and 2009 and for the period from inception (April 17, 2008) through December 31, 2010.

Series 1 Revenue Bonds

On December 22, 2010, the Cooperative issued and sold Berkshire Wind Project Revenue Bonds, Berkshire Series 1 (Series 1 Bonds) in the face amount of \$64,705,000 pursuant to the GBR as adopted by the Cooperative. The Series 1 Bonds were issued at a net premium of \$1,532,351 which will be amortized over the life of the bonds using the effective interest method. The Series 1 Bonds are payable from and secured by the revenues derived from the Berkshire Wind Facility. A portion of the bond proceeds were used to pay off the Series 2009 Bonds as noted above. Interest is payable in semi-annual installments beginning July 1, 2011 and on January 1 and July 1 for each year thereafter. The Series 1 Bonds bear interest at a fixed rate ranging from 3.0% to 5.25% for the various issues.

The Series 1 Bonds are subject to mandatory redemption by the Cooperative in annual principal installments commencing on July 1, 2012 and occurring on July 1 of each year thereafter with the final installment in an amount equal to the entire then outstanding principal amount of the Series 1 Bonds due and payable on the final maturity date of July 1, 2030. The Series 1 Bonds maturing on or after July 1, 2020 are subject to redemption at the option of the Cooperative, in whole or in part, on any date on or after January 1, 2020, at a redemption price of 100 percent of the principal amount plus interest accrued to the date fixed for the redemption.

The Cooperative incurred \$1,030,601 of financing costs in connection with the issuance of the Series 1 Bonds, which have been capitalized and are amortized using the effective interest rate method over the term of the bond. Amortization expense related to these financing costs was \$1,301, \$0, and \$1,301 for the years ended December 31, 2010 and 2009 and for the period from inception (April 17, 2008) through December 31, 2010.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

4. DEBT...continued

Series 1 Revenue Bonds...continued

The following is a summary of total debt service requirements for the bonds outstanding at December 31, 2010:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 1,673,309	\$ 1,673,309
2012	2,215,000	3,187,255	5,402,255
2013	2,280,000	3,120,805	5,400,805
2014	2,350,000	3,052,405	5,402,405
2015	2,440,000	2,958,405	5,398,405
2016-2020	14,160,000	12,834,775	26,994,775
2021-2025	18,045,000	8,952,455	26,997,455
2026-2030	<u>23,215,000</u>	<u>3,781,050</u>	<u>26,996,050</u>
	<u>\$ 64,705,000</u>	<u>\$ 39,560,459</u>	<u>\$ 104,265,459</u>

The following summarizes changes in the face value of bonds payable for 2010 and 2009:

<u>Year</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
2010	<u>\$ 52,500,000</u>	<u>\$ 64,705,000</u>	<u>\$ (52,500,000)</u>	<u>\$ 64,705,000</u>
2009	<u>\$ -</u>	<u>\$ 52,500,000</u>	<u>\$ -</u>	<u>\$ 52,500,000</u>

5. COMMITMENTS AND CONTINGENCIES

Lease

On July 31, 2009, the Cooperative entered into a month-to-month lease agreement for a 6-acre site to store construction materials related to the Berkshire Wind Facility. The lease agreement required monthly lease payments of \$500 per acre per month. Annual lease payments were \$36,000, \$15,000 and \$51,000 for the years ended December 31, 2010 and 2009 and for the period from inception (April 17, 2008) through December 31, 2010, respectively and were capitalized as a component of construction work in progress. The lease was terminated on December 2, 2010.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

5. COMMITMENTS AND CONTINGENCIES...continued

Easements

The Cooperative has easement agreements with two landowners for turbine sites related to the Berkshire Wind Facility expiring in 2034. Under the easement agreements, upon commencement of commercial operations, the Cooperative has agreed to pay each landowner a completion of construction payment equal to \$1,000 per megawatt of wind turbine(s) installed on their property and reimburse or pay a fee in lieu of each landowner's personal residence electrical costs. The Cooperative will also pay each of the two landowners the greater of \$3,500 per wind turbine installed on their property or 3.5% of the gross annual revenue generated by the wind turbine(s) installed on their property upon commencement of commercial operations and annually thereafter over the term of operations.

In addition, the terms of the easement agreements require the Cooperative to remove all equipment, including but not limited to turbines, transmission lines and communications equipment and to restore the area to its original condition. As such the Cooperative records the fair value of its legal liability for an asset retirement obligation in the period in which it commences the construction of the turbines and capitalizes the cost of the liability by increasing the construction work in progress. The Cooperative commenced construction on one of the sites leased under the easement agreements during the year ended December 31, 2009 and on the other site during the year ended December 31, 2010. As a result of the commencement of construction, the Cooperative recognized asset retirement obligations of \$490,611 and \$397,454 during the years ended December 31, 2009 and 2010, respectively. These amounts are included in Construction Work in Progress and will be depreciated upon commencement of operations over the estimated useful life. A corresponding asset retirement obligation liability was also recorded and is accreted to its present value each period over the term of the easements based on the estimated discount rate as described in Note 1. The Cooperative recorded accretion expense of approximately \$8,275 and \$33,812 for the years ended December 31, 2009 and 2010, respectively.

Open Contracts

The Cooperative entered into a contract with General Electric in fiscal year 2009 for \$23,000,000 for the purchase of power generation equipment and related services, such as project support and mechanical reviews. As of December 31, 2009 and 2010, approximately \$21,000,000 of the contract had been expended. The remaining amount of approximately \$2,000,000 is due upon the commissioning of each turbine. The turbines were commissioned during 2011 prior to the commencement of operations.

Renewable Energy Production Incentive Payments

Pursuant to the Power Sales Contract, the Cooperative is obligated to pay MMWEC any Renewable Energy Production Incentive ("REPI") or substantially similar program payments received. Under the terms of the Wind Energy Project Assets Purchase Agreement dated January 22, 2008 ("Purchase Agreement") between MMWEC and the original developer of the Berkshire Wind Facility ("Original Developer"), MMWEC is obligated to pay the Original Developer any REPI or substantially similar program payments received from the Cooperative, until the cumulative amount of such payments equals \$1,000,000.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

6. LITIGATION

In 2006, an abutter to the Berkshire Wind Facility brought an action in Massachusetts federal district court against the Original Developer, alleging among other things, that construction of the Berkshire Wind Facility would constitute a nuisance and be detrimental to the time-share development the abutter proposed to construct on its property. In 2008, the court dismissed the nuisance claim, without prejudice, on the ground that no nuisance could occur until the Berkshire Wind Facility was actually built.

In 2007, that same abutter joined with another abutter and brought an action in the Massachusetts Land Court against the Original Developer challenging the special permit granted by the town of Lanesborough in 2004, which allowed use and improvement of a pre-existing "jeep trail" for purposes of accessing the wind turbines (access road). The Cooperative was substituted as a defendant in place of the Original Developer. In 2009, the abutters added the claim that the access road construction completed by the Original Developer did not comply with the special permit.

In October 2009, the Land Court found that the activities undertaken by the Original Developer during the twelve-month period following the issuance of the special permit in 2004 were insufficient to prevent lapse of the special permit, and issued a preliminary injunction precluding the Cooperative from using the access road for any purpose in connection with construction of the Berkshire Wind Facility. In April 2010, the Land Court issued a permanent injunction on the same basis. As a result, construction activities were stopped from October 2009 to October 2010. In May, 2010, the Cooperative filed a notice of appeal with the Massachusetts Appeals Court seeking reversal of the Land Court's judgment in the case. Since that time, the Cooperative entered into settlement agreements with the plaintiffs. The settlement agreements required amendments to the easements and some one-time payments to the landowners to resolve the case. Such settlements totaling \$200,000 have been capitalized and are included as a component of land in the accompanying Balance Sheet as of December 31, 2010. As of December 31, 2010, \$112,500 of these amounts is outstanding and included in other current liabilities in the accompanying Balance Sheet.

In 2009, one of the same abutters brought an action against MMWEC in the Massachusetts Superior Court challenging MMWEC's taking of the land that the Cooperative is using for the Berkshire Wind Facility pursuant to the license agreement with MMWEC.

In August 2010, the Cooperative entered into settlements with both abutters whereby the actions brought in the Land Court were resolved. As part of the settlement, the Berkshire Wind Facility will be limited to a total of ten wind turbines, which will be erected on locations designated in an agreed-upon new site plan that was recorded on October 14, 2010 with the Northern Berkshire County Registry of Deeds. In addition, the Cooperative purchased the property of one of the abutters and assigned to the other abutter limited rights of access to certain portions of the Berkshire Wind Facility site to ensure that the turbine number and locations comply with the new site plan. Also, a small portion of the Berkshire Wind Facility site is to remain as a "natural screen" area i.e., in its current condition, with no trees or other foliage to be cut.

Berkshire Wind Power Cooperative Corporation

(A Development Stage Organization)

Notes to Financial Statements

Years Ended December 31, 2010 and 2009 and for the

Period from Inception (April 17, 2008) through December 31, 2010

6. LITIGATION...continued

Also in August, 2010, MMWEC entered into a settlement of the Superior Court action. The settlement of this action resulted in a payment of \$100,000 for the land, which has been capitalized and is included as a component of land in the accompanying Balance Sheet as of December 31, 2010. MMWEC entered into an agreement with the abutter for a "natural screen" area as well, resulting in a settlement of \$45,000 due June 1, 2013, which has been capitalized and is included as a component of land and included in other noncurrent liabilities in the accompanying Balance Sheet as of December 31, 2010.

The abutters dismissed the litigation pending in both the Land Court and the Superior Court and agreed not to re-institute the federal district court action or file a new cause of action based upon the claims asserted in the federal district court action, including nuisance. The abutters further agreed to take no action to oppose development of the Berkshire Wind Facility based upon the new site plan.

On September 2, 2010, the Cooperative filed an application with the Town of Lanesborough for a new special permit allowing use and maintenance of the access road as constructed. On September 7, 2010, the Land Court issued an order clarifying that the injunction prevented use of the access road only under the 2004 special permit and does not prevent use of the access road under the new special permit. On September 20, 2010, the Cooperative's application for a new special permit was granted without opposition. The new special permit became effective on October 13, 2010. Construction resumed at the Berkshire Wind Facility site on October 13, 2010.

The Cooperative is involved in various additional legal actions. Management believes that the ultimate resolution of litigation in which the Cooperative is currently involved will not have a material, adverse effect on the financial position of the Cooperative.

7. SUBSEQUENT EVENTS

On May 28, 2011, the Berkshire Wind Facility became operational.

The Cooperative has evaluated subsequent events through July 07, 2011, the date which the financial statements were available to be issued and did not note any subsequent events requiring recording and disclosure in the financial statements, except as disclosed above.