PARTNERSHIP SOLUTION SET 4.0:

Deal Structuring & Analysis

Advantage
FOR ANALYSTS

COMPLEXITY HARNESSED

The Advantage for Analysts® ("Advantage") Partnership Solution Set supports renewable energy deal makers and asset managers with structuring, analyzing and tracking Tax Equity Partnerships (a.k.a. Special Allocation Partnerships), improving their efficiency and effectiveness while increasing transparency and confidence in the asset class.

The Advantage Partnership Solution Set includes two integrated modules: *Deal Structuring & Analysis* and *Deal Tracking & Accounting*. *Structuring & Analysis* enables the front office to quickly explore innovative structures and confidently structure deals without complex modeling. *Tracking & Accounting* enables the back office to efficiently update the project model with actual results and calculate partner level distributions, allocations and book accounting entries. The Solution Set delivers this functionality by automatically applying appropriate areas of the tax code to selected structures. Standardized reports transparently illustrate the impact of the business and tax code on the partnership and provide a complete proof of yield for each partner. Participants share these reports to facilitate negotiations, tax opinions and reporting.

SOLUTION CAPABILITIES

The Advantage Partnership Solution Set gives deal makers a competitive edge in renewable energy financing by providing a number of essential capabilities, including:

- Modular approach to structuring and analysis that enables innovation and responsiveness to market opportunities.
- Transparent and consistent interpretation of tax code that increases confidence in the model and calculated values.

- Advanced analytics to help optimize allocations, calculate yield-based flips, and balance interests of investors.
- Full range of partnership reports to facilitate compliance checks, speed negotiations, and support the tracking of deals.
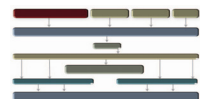
MODELING APPROACH

The following illustrates how Advantage simplifies the generation of a variety of structures:
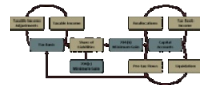
1. User links spreadsheet containing project pro forma to Advantage

2. User selects structural components

3. Advantage incorporates tax code effects and analyzes economics

4. Advantage generates reports documenting tax code effects

This approach empowers users to quickly analyze the consequences of partnership options.

STRUCTURAL COMPONENTS

The Solution Set supports the following structural components:

- *Capital Contributions*—Structures partnerships with projects going online at different dates.
- *Asset Contributions*—Simplifies the assessment of contributing versus selling assets into a partnership structure by controlling the options with a simple input switch.
- *Debt*—Structures up to five (5) tranches of debt with debt reserves, including debt for deals with multiple project funding dates.

- *Cash Sweeps*—Structures cash sweeps based on timing, cumulative amounts and capital account balances.
- *Business Allocations*—Supports standard and special allocations of items of cash and income.
- *Changes in Allocations ("flips")*—Structures partnerships with multiple yield-based flips.

TAX CODE

Based on the selected structural components, the Solution Set incorporates into the economic analyses the appropriate areas of the tax code, including:

- Capital accounts
- Minimum gain
- Non-recourse deductions
- Minimum gain charge-backs
- Deficit restoration obligations ("DRO")
- Deficit triggered reallocations
- Partner tax basis induced income effects
- Attribution of liabilities to partners
- Liquidation in accordance with capital accounts

ADVANCED ANALYTICS

- *Continuous Yield-Based Flip*—Enables accurate allocations of cash and income by precisely calculating flip yield.
- *Goal Solving*—Automates the setting of key business parameters (e.g., amount of equity capital, shares, etc.) that meet economic objectives within feasible structures. Supports targets for single or multiple variables.
- *Discrepancy Reporting*—Identifies potential issues in a structure.
- *Sensitivity Analyses*—Speeds the identification of preferred terms by analyzing the sensitivity of indicators to one or more key terms.

REPORTS

Advantage provides a complete set of reports that facilitate the analysis of key partnership performance metrics—such as the timing and proof of yield-based flips—and enable tests for tax compliance requirements. Example Partnership reports include:

- Asset Depreciation
- Loan Amortization Waterfall
- Partnership Minimum Gain and Shares
- Partners' Capital Account
- Partners' Shares of Liabilities
- Partners' Tax Bases
- Proof of Yield
- Hypothetical Liquidation at Book Value (HLBV) method for GAAP purposes

TUTORIALS

Advantage provides hand-on-training and tutorials to get users productive in only a few days. Training is a 2.5 day course focused on Partnership Financing 101 and how to structure and track deals in Advantage. Tutorials are also provided for additional education and practice.

PROFESSIONAL SERVICES

The Advantage Professional Services team and network of service delivery partners offer deep expertise in special allocation partnerships and customized solutions. Professional services include: *Deal Support, Customization* and ongoing *Education / Training.*

ABOUT ADVANTAGE FOR ANALYSTS

Advantage for Analysts ("Advantage") provides software and services solutions for structuring, analyzing and tracking Tax Equity Partnership Flip Financings for renewable energy projects. Babcock & Brown originally developed Advantage and has been using the software since 1999 to support its asset management and investment advisory business. Advantage became an independent entity in 2004.