



## PARTNERSHIP SOLUTION SET 4.0:

### DEAL TRACKING & ACCOUNTING

**Advantage**  
FOR ANALYSTS

#### COMPLEXITY HARNESSSED

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.

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 structures specified by the user. 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 *Tracking & Accounting* module can serve as the “model of record” or as a means to double-check partnership results. After the deal is closed, the software simplifies and streamlines tracking and accounting by eliminating the need for additional modeling and time consuming report preparation. The core capabilities include:

- *Updating Projections:* Entering actual results is a simple data entry process to record current reporting period revenues, expenses, account or reserve balance changes, debt repayment, asset depreciation or adjustments.
- *Calculating Partner Distributions and Allocations:*
  - *Cash Perspective:* Determines cash distributions to partners based on actual project performance and deal structure, including a precise determination of the yield-based flip in shares.
  - *Tax Perspective:* Determines allocations of income or loss among partners based on actual project performance and deal structure.
- *Calculating Partner Book Accounting Entries:* Calculates partnership and partner level accounting earnings based on actual project performance using HLBV or customer specific methodologies.

The *Tracking & Accounting* module works seamlessly with the *Structuring & Analysis* module. Users enter operating results-to-date and the software automatically integrates actual data with the remaining pro forma projections. Users can then review results and reconcile cash and income at the project and partner levels.

### TRACKING EVENTS & INPUTS

The *Tracking and Accounting* module provides a separate input area for actual business results, maintaining the original deal pro forma for reference. This allows actuals-to-date to be seamlessly combined with pro forma figures for calculating allocations and reporting.

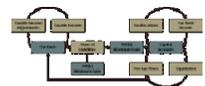
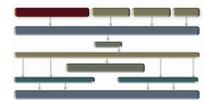
The software supports a robust set of tracking events and inputs:

EVENTS	CATEGORIES	INPUTS
Actual Operating Results	Operations	<ul style="list-style-type: none"> <li>Operating Revenue Received</li> <li>Operating Expense Paid</li> <li>Taxable Operating Revenue</li> <li>Tax Deductible Operating Expense</li> <li>Production Tax Credits</li> </ul>
	Asset Data	<ul style="list-style-type: none"> <li>Tax Book Depreciation</li> <li>Tax Depreciation</li> <li>Book Depreciation</li> </ul>
	Loan Data	<ul style="list-style-type: none"> <li>Principal Repayment</li> </ul>
	Balance Changes	<ul style="list-style-type: none"> <li>Change in Working Capital</li> <li>Change in Debt Reserve</li> </ul>
Partner Actual Results		<ul style="list-style-type: none"> <li>Previously Recorded GAAP Earnings Pre-Tax</li> <li>GAAP Earnings True-up</li> </ul>
Business Changes		<ul style="list-style-type: none"> <li>Basis Adjustments (impairments)</li> <li>Capital Expenditures</li> <li>Pro Forma Projection Updates</li> </ul>

### MODELING APPROACH

The *Tracking and Accounting* module uses an approach that empowers users to quickly input actual performance data and generate the reports necessary for communication internally, to partners and to advisors. The following illustrates how the software can be used to simplify tracking and accounting:

1. User structures deal in Advantage (set-up).
2. User enters actual performance data (e.g., income, tax credits, etc.) into Excel® tracking sheet (e.g., on a monthly basis).
3. Advantage automatically retrieves actual performance from tracking sheet, integrates with pro forma projections, and runs the information through the partnership structure.
4. Advantage generates a full set of reports documenting tax code effects, partner capital accounts, distributions and income.



The primary purpose of this product data sheet is to familiarize customers with the specific product offered by Advantage for Analysts ("Advantage"). Advantage does not represent or warrant the accuracy, adequacy, timeliness, completeness, or fitness for any particular purpose of the information contained herein. Which is provided "as is". Advantage does not provide tax, legal, or accounting advice, and accordingly recommends that clients engage their own tax, legal, and accounting advisor before engaging in any transaction.

### TAX CODE

Based on the selected structural components for the Deal, Advantage *automatically* incorporates the appropriate areas of the tax code into the economic analyses. If the deal structure is changed, Advantage’s use of the tax code will adjust without additional modeling. The following are examples of tax code related items managed by Advantage:

- Capital accounts
- Minimum gain
  - Non-recourse deductions
  - Minimum gain charge-backs
- Deficit restoration obligations (“DRO”)
- Deficit triggered reallocations
- Contributed asset book-ups (704(c) income adjustments)
  
- Partner tax basis induced income effects
- Attribution of liabilities to partners
- Liquidation in accordance with capital accounts

### REPORTS

Once the partnership is executed, Advantage reports provide a full picture of the partnership’s dollar flows that need to be tracked. Users can create tracking report sets consisting of any Advantage report required to understand the ongoing operations and distributions of the partnership. Once tracking has been initiated, Advantage reports display the actual data up to the current period tracking date, and the pro forma data for all the following periods.

A key aspect of tracking the partnership is the requirement for performing GAAP accounting. The Advantage Partnership Solution includes a GAAP Booking Set consisting of four reports:

1. *Hypothetical Liquidation at Book Value (HLBV) Report:* reflects the partnership level and shows the GAAP balance to be used for liquidation purposes. It shows

the impact of leverage and/or cash assets as well as possible non-cash adjustments to basis.

2. *Capital Account for Partner A/B Report(HLBV Outcome):* reflects the hypothetical liquidation at book value in accordance with capital accounts which provides the data used in determining partner book accounting earnings.
  
3. *Actual Bookings for GAAP for Partner A/B Report:* derives the GAAP earnings based on a hypothetical liquidation of the capital account for each partner . It includes the economic returns for each period’s hypothetical liquidation. The liquidation scenario can be set for any date to verify what occurs at that time.

4. *Participant Account Allocation Report:* reflects a summary report to-date of contributions, distributions, income allocations and book earnings for each participant in each of the Class A and Class B interests. Periods reported are initial funding, through previous year end, year to-date and current period.

Other reports sets are also available covering Business Pro Forma, Cash Distribution, Minimum Gain, Allocation of Tax Book Income, Taxable Income, Capital Account Tax Basis Proof of Yield, GAAP Pro forma and GAAP Booking reports.

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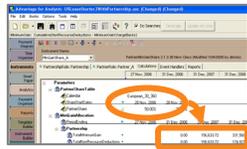
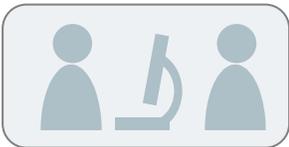
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### TRAINING & TUTORIALS

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.



### 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.

### 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:* Structuring a live deal, analyzing deal output, diagnosing drivers, reverse engineering existing deal.
- *Customization:* Adapting Advantage "starter model" to client specific needs.
- *Education:* Partnership Modeling 101 and follow-up training

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