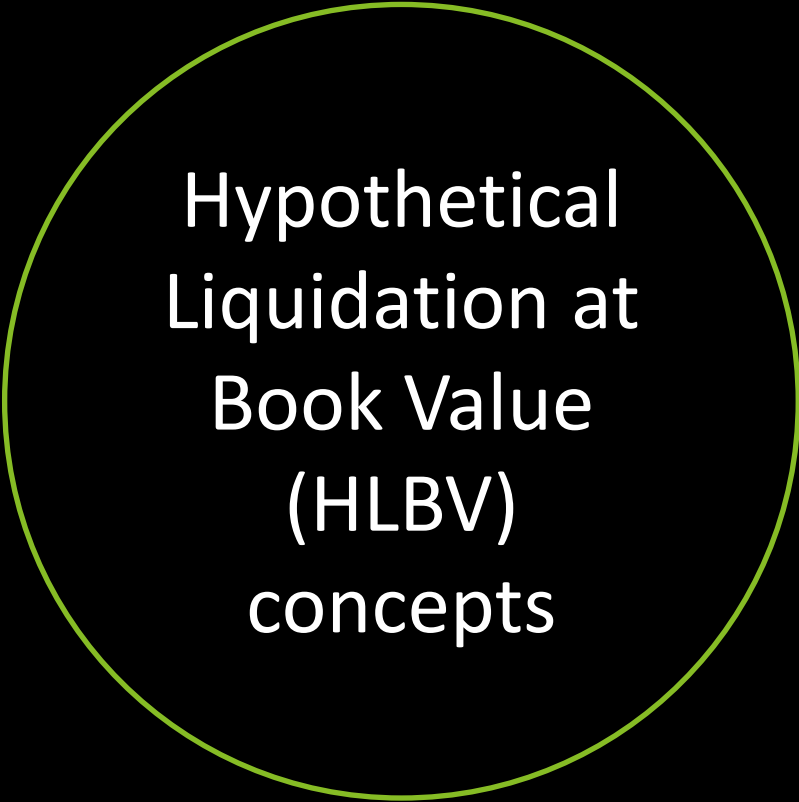




2021 Deloitte Renewable Energy Seminar

Resilient, reliable, and recharged

SEPTEMBER 23, 2021



Hypothetical
Liquidation at
Book Value
(HLBV)
concepts

Ben Bissonette, Manager, Deloitte Tax LLP

Danielle McMahon, Senior Manager, Deloitte & Touche LLP

Yomal Wijekoon, Senior Manager, Deloitte Transactions & Business Analytics LLP

Agenda

HLBV Concepts & Accounting Theory	5
HLBV Case Study	10
Key Takeaways & Industry Trends	33
Q&A	

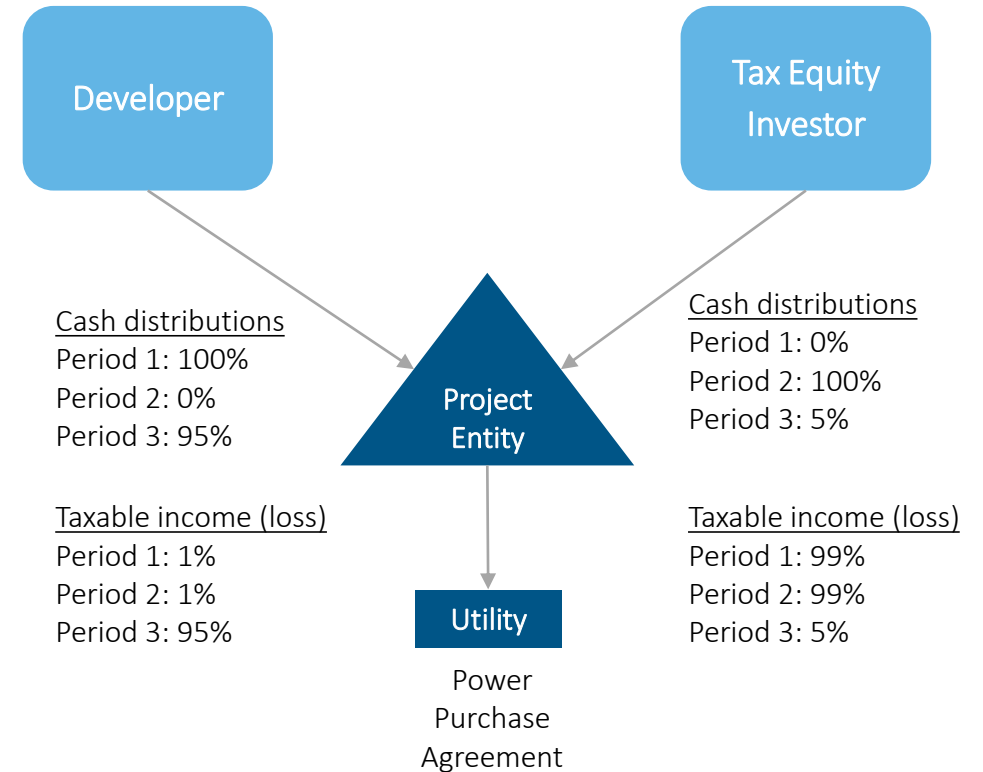


HLBV Concepts & Accounting Theory

HLBV concepts & accounting theory

A partnership flip structure is a financing structure where

- Project Entity is structured as an LLC, and thus is a flow-thru entity for tax purposes
- Developer and managing member of the partnership,
- Tax Equity Investor
 - The Tax Equity Investor is an entity that can use certain of the tax benefits associated with the renewable project
 - Investor initially is allocated as much as 99% of tax items and subsequently "flips" down to an insignificant amount after achieving a specified after-tax IRR
- Developer
 - Typically the operator and managing member of the partnership
 - Repurchase option post flip date
 - ROI earned largely through PPA cash flows
- Tax Equity Investor
 - Sufficient taxable income to monetize tax benefits
 - ROE earned through allocation of tax benefits and then minor "post-flip" cash flows



HLBV concepts & accounting theory

- HLBV is a balance sheet-oriented approach to the equity method of accounting which provides a methodology for allocating pre-tax GAAP income or loss to an investor
- HLBV calculates the amount each partner would receive if the partnership were liquidated at book value at the end of each measurement period. The change in the allocated amount to each partner during the period is book income/loss allocated to that partner (adjusted for distributions and contributions)
- Generally, the HLBV Method is not considered appropriate where the conventional equity method can be applied
- When an investor receives allocations of income/loss that are disproportionate to its equity interest in the investee (such as that found in partnership flip structures), it may not be appropriate to record equity method income/loss on the basis of the percentage of equity interest owned.
- Challenges to conventional application of equity method for partnership flip structures :
 - Investee’s capital structure provides different rights and priorities to its owners or ownership percentages are not specified (or varies over the life of the investment)

“
In order to determine the amount allocated to each partner, an analysis of the partners’ capital accounts (as adjusted per the liquidation provisions of the partnership agreement) must be performed
”

HLBV Case Study

HLBV Case Study—20MW Solar Project

Project assumptions		
Project Size	MW-dc	20
COD Date		1/1/2021
Project Cost/watt	\$/watt-dc	\$1.25
Project Cost	\$000s	25,000
Project FMV/watt	\$/watt-dc	\$1.25
Project FMV	\$000s	25,000
ITC Rate	%	30.00%
ITC Amount	\$000s	7,500
Annual Production	kWh-kWp	1,450
Annual Production	MWh	29,000
Annual Degradation	%	0.50%
PPA Rate	\$/MWh	\$40.00
PPA Escalator	%	1.00%
Operating Expenses	% of Revenues	20.00%
Tax Equity Contribution	\$000s	10,500
Sponsor Equity Contribution	\$000s	14,500
Tax Equity Target IRR	%	7.00%

HLBV Case Study—Steps for calculating HLBV

1. Calculate partnership's Earnings Before Taxes (EBT)
2. Calculate net (GAAP) assets of the partnership – several approaches:
 - a) Entire balance sheet
 - b) Assets (PP&E) only
 - c) Equity only
3. Calculate net (Tax) assets of the partnership – several approaches:
 - a) Assets (PP&E) only
 - b) 704(b) Capital Accounts
4. Calculate tax gain or loss on hypothetical liquidation of the partnership
5. Allocate tax gain in accordance with liquidation provisions in partnership agreement.
 - a) Allocate gain to partners with negative 704(b) capital account
 - b) Allocate gain to tax equity investor until their Target IRR is achieved
 - c) Allocate remaining gain in accordance with post-flip allocation ratios
6. Calculate partners' claims on book value (Ending 704(b) capital account plus allocations of hypothetical tax gain from liquidation waterfall)
7. Determine change in each partner's claim on partnership book value during the period (adjusted for contributions and distributions)

“ For purposes of this case study, we assume a generic set of liquidation provisions in computing HLBV. In practice, there is tremendous diversity in liquidation provisions from deal to deal, as partners develop provisions which better reflect their economic arrangement. ”

HLBV Case Study—Step 1—Calculate partnership EBT

			2021	2022	2023	2024	2025	2026
Production								
Annual Base Output	29,000	MWh	29,000	29,000	29,000	29,000	29,000	29,000
Production Factor	0.50%	%	100.00%	99.50%	99.00%	98.51%	98.01%	97.52%
Annual Output		MWh	29,000	28,855	28,711	28,567	28,424	28,282
Revenues								
PPA Production		MWh	29,000	28,855	28,711	28,567	28,424	28,282
Base PPA Price	\$40.00	\$/MWh	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
PPA Escalator	1.00%	%	100.00%	101.00%	102.01%	103.03%	104.06%	105.10%
PPA Revenues		\$000s	1,160	1,166	1,172	1,177	1,183	1,189
Operating Expenses								
Operating Expenses	20.00%	% of Rev	(232)	(233)	(234)	(235)	(237)	(238)
EBITDA		\$000s	928	933	937	942	947	951
GAAP Depreciation		\$000s	(833)	(833)	(833)	(833)	(833)	(833)
EBIT		\$000s	95	99	104	109	113	118

HLBV Case Study—Step 2—Calculate net (GAAP) assets of the partnership

Calculate GAAP Book Value	2021	2022	2023	2024	2025	2026
Beginning Balance	-	24,167	23,333	22,500	21,667	20,833
Add: Capital Contributions	25,000	-	-	-	-	-
Less: Cash Distributions	(928)	(933)	(937)	(942)	(947)	(951)
Pre-Tax GAAP Income/(Loss)	95	99	104	109	113	118
GAAP Equity (Liquidation Value)	24,167	23,333	22,500	21,667	20,833	20,000

HLBV Case Study—Step 3—Calculate net (Tax) assets of the partnership

704(b) Capital Account—Tax Equity	COD	2021	2022	2023	2024	2025	2026
Beginning 704(b) Capital Account	-	10,500	3,267	(898)	(3,091)	(4,188)	(5,250)
Increase for contributions	10,500	-	-	-	-	-	-
ITC Basis Adjustment	-	(3,713)	-	-	-	-	-
Increase for 704(b) net income	-	-	-	-	-	-	-
Decrease for 704(b) net loss	-	(3,289)	(3,931)	(2,106)	(1,009)	(1,006)	(183)
Decrease for distributions	-	(232)	(233)	(234)	(235)	(237)	(238)
734 basis adjustment	-	-	-	157	158	159	159
734 amortization expense	-	-	-	(10)	(11)	(11)	(11)
Preliminary 704(b) Capital Account	10,500	3,267	(898)	(3,091)	(4,188)	(5,283)	(5,522)

HLBV Case Study—Step 3—Calculate net (Tax) assets of the partnership

704(b) Capital Account—Tax Equity	COD	2021	2022	2023	2024	2025	2026
Beginning 704(b) Capital Account	-	10,500	3,267	(898)	(3,091)	(4,188)	(5,250)
Increase for contributions	10,500	-	-	-	-	-	-
ITC Basis Adjustment	-	(3,713)	-	-	-	-	-
Increase for 704(b) net income	-	-	-	-	-	-	-
Decrease for 704(b) net loss	-	(3,289)	(3,931)	(2,106)	(1,009)	(1,006)	(183)
Decrease for distributions	-	(232)	(233)	(234)	(235)	(237)	(238)
734 basis adjustment	-	-	-	157	158	159	159
734 amortization expense	-	-	-	(10)	(11)	(11)	(11)
Preliminary 704(b) Capital Account	10,500	3,267	(898)	(3,091)	(4,188)	(5,283)	(5,522)
Add: DRO	-	5,250	5,250	5,250	5,250	5,250	5,250
Add: Minimum gain addback	-	-	-	-	-	-	-
Preliminary Adjusted 704(b) Capital Account	10,500	8,517	4,352	2,159	1,062	(33)	(272)
Reallocation from Sponsor to Tax Equity	-	-	-	-	-	33	193
Reallocation from Tax Equity to Sponsor	-	-	-	-	-	-	-
Ending Adjusted 704(b) Capital Account	10,500	8,517	4,352	2,159	1,062	-	(78)
Less: DRO		(5,250)	(5,250)	(5,250)	(5,250)	(5,250)	(5,250)
Less: Minimum gain addback							
Ending 704(b) Capital Account	10,500	3,267	(898)	(3,091)	(4,188)	(5,250)	(5,328)

HLBV Case Study—Step 3—Calculate net (Tax) assets of the partnership

Outside Tax Basis—Tax Equity	COD	2021	2022	2023	2024	2025	2026
Beginning Outside Basis	-	10,500	3,267	-	-	-	-
Add: Capital Contributions	10,500	-	-	-	-	-	-
Add: Taxable Income	-	-	-	-	-	-	-
Add/Less: Increase/(Decrease) in partner's Share of Liabilities	-	-	-	-	-	-	-
Less: ITC Basis Adjustment	-	(3,713)	-	-	-	-	-
Tax Equity Outside Basis Before Cash Distributions	10,500	6,788	3,267	-	-	-	-
Less: Cash Distributions	-	(232)	(233)	(234)	(235)	(237)	(238)
Plus/(less): 743(b) adjustment	-	-	-	-	-	-	-
Tax Equity Outside Basis After Cash Distributions	10,500	6,556	3,034	(234)	(235)	(237)	(238)

HLBV Case Study—Step 3—Calculate net (Tax) assets of the partnership

Outside Tax Basis—Tax Equity	COD	2021	2022	2023	2024	2025	2026
Beginning Outside Basis	-	10,500	3,267	-	-	-	-
Add: Capital Contributions	10,500	-	-	-	-	-	-
Add: Taxable Income	-	-	-	-	-	-	-
Add/Less: Increase/(Decrease) in partner's Share of Liabilities	-	-	-	-	-	-	-
Less: ITC Basis Adjustment	-	(3,713)	-	-	-	-	-
Tax Equity Outside Basis Before Cash Distributions	10,500	6,788	3,267	-	-	-	-
Less: Cash Distributions	-	(232)	(233)	(234)	(235)	(237)	(238)
Plus/(less): 743(b) adjustment	-	-	-	-	-	-	-
Tax Equity Outside Basis After Cash Distributions	10,500	6,556	3,034	(234)	(235)	(237)	(238)
Add: Distributions in Excess of Outside Basis	-	-	-	234	235	237	238
Tax Equity Outside Basis Before Allocations of Loss	10,500	6,556	3,034	-	-	-	-
Less: Taxable Loss	-	(3,289)	(3,931)	(2,116)	(1,020)	(984)	-
Tax Equity Outside Basis Before Suspended Losses	10,500	3,267	(898)	(2,116)	(1,020)	(984)	-
Add: Suspended Losses	-	-	898	2,116	1,020	984	-
Less: Suspended Losses Utilized	-	-	-	-	-	-	-
Ending Outside Tax Basis	10,500	3,267	-	-	-	-	-

HLBV Case Study—Step 3—Calculate net (Tax) assets of the partnership

704(b) Capital Account—Sponsor Equity	COD	2021	2022	2023	2024	2025	2026
Beginning 704(b) Capital Account	-	14,500	13,733	11,098	9,430	8,299	7,133
Increase for contributions	14,500	-	-	-	-	-	-
ITC Basis Adjustment	-	(38)	-	-	-	-	-
Increase for 704(b) net income	-	-	-	-	-	-	-
Decrease for 704(b) net loss	-	(33)	(1,936)	(1,037)	(497)	(495)	(90)
Decrease for distributions	-	(696)	(699)	(703)	(706)	(710)	(713)
734 basis adjustment	-	-	-	77	78	78	78
734 amortization expense	-	-	-	(5)	(5)	(5)	(5)
Preliminary 704(b) Capital Account	14,500	13,733	11,098	9,430	8,299	7,166	6,403

HLBV Case Study—Step 3—Calculate net (Tax) assets of the partnership

704(b) Capital Account—Sponsor Equity	COD	2021	2022	2023	2024	2025	2026
Beginning 704(b) Capital Account	-	14,500	13,733	11,098	9,430	8,299	7,133
Increase for contributions	14,500	-	-	-	-	-	-
ITC Basis Adjustment	-	(38)	-	-	-	-	-
Increase for 704(b) net income	-	-	-	-	-	-	-
Decrease for 704(b) net loss	-	(33)	(1,936)	(1,037)	(497)	(495)	(90)
Decrease for distributions	-	(696)	(699)	(703)	(706)	(710)	(713)
734 basis adjustment	-	-	-	77	78	78	78
734 amortization expense	-	-	-	(5)	(5)	(5)	(5)
Preliminary 704(b) Capital Account	14,500	13,733	11,098	9,430	8,299	7,166	6,403
Add: DRO	-	-	-	-	-	-	-
Add: Minimum gain addback	-	-	-	-	-	-	-
Preliminary Adjusted 704(b) Capital Account	14,500	13,733	11,098	9,430	8,299	7,166	6,403
Reallocation from Sponsor to Tax Equity	-	-	-	-	-	-	-
Reallocation from Tax Equity to Sponsor	-	-	-	-	-	(33)	(193)
Ending Adjusted 704(b) Capital Account	14,500	13,733	11,098	9,430	8,299	7,133	6,210
Less: DRO	-	-	-	-	-	-	-
Less: Minimum gain addback	-	-	-	-	-	-	-
Ending 704(b) Capital Account	14,500	13,733	11,098	9,430	8,299	7,133	6,210

HLBV Case Study—Step 3—Calculate net (Tax) assets of the partnership

Outside Tax Basis—Sponsor Equity	COD	2021	2022	2023	2024	2025	2026
Beginning Outside Basis	-	14,500	13,733	11,098	9,352	8,144	6,900
Add: Capital Contributions	14,500	-	-	-	-	-	-
Add: Taxable Income	-	-	-	-	-	-	-
Add/Less: Increase/(Decrease) in partner's Share of Liabilities	-	-	-	-	-	-	-
Less: ITC Basis Adjustment	-	(38)	-	-	-	-	-
Sponsor Equity Outside Basis Before Cash Distributions	14,500	14,463	13,733	11,098	9,352	8,144	6,900
Less: Cash Distributions	-	(696)	(699)	(703)	(706)	(710)	(713)
Plus/(less): 743(b) adjustment	-	-	-	-	-	-	-
Sponsor Equity Outside Basis After Cash Distributions	14,500	13,767	13,034	10,395	8,646	7,434	6,187

HLBV Case Study—Step 3—Calculate net (Tax) assets of the partnership

Outside Tax Basis—Sponsor Equity	COD	2021	2022	2023	2024	2025	2026
Beginning Outside Basis	-	14,500	13,733	11,098	9,352	8,144	6,900
Add: Capital Contributions	14,500	-	-	-	-	-	-
Add: Taxable Income	-	-	-	-	-	-	-
Add/Less: Increase/(Decrease) in partner's Share of Liabilities	-	-	-	-	-	-	-
Less: ITC Basis Adjustment	-	(38)	-	-	-	-	-
Sponsor Equity Outside Basis Before Cash Distributions	14,500	14,463	13,733	11,098	9,352	8,144	6,900
Less: Cash Distributions	-	(696)	(699)	(703)	(706)	(710)	(713)
Plus/(less): 743(b) adjustment	-	-	-	-	-	-	-
Sponsor Equity Outside Basis After Cash Distributions	14,500	13,767	13,034	10,395	8,646	7,434	6,187
Add: Distributions in Excess of Outside Basis	-	-	-	-	-	-	-
Sponsor Equity Outside Basis Before Allocations of Loss	14,500	13,767	13,034	10,395	8,646	7,434	6,187
Less: Taxable Loss	-	(33)	(1,936)	(1,042)	(502)	(534)	(289)
Sponsor Equity Outside Basis Before Suspended Losses	14,500	13,733	11,098	9,352	8,144	6,900	5,898
Add: Suspended Losses	-	-	-	-	-	-	-
Less: Suspended Losses Utilized	-	-	-	-	-	-	-
Ending Outside Tax Basis	14,500	13,733	11,098	9,352	8,144	6,900	5,898

HLBV Case Study—Step 4—Calculate tax gain or loss on hypothetical liquidation of the partnership

Calculate Hypothetical Gain in Liquidation	2021	2022	2023	2024	2025	2026
GAAP Basis—Book Value	24,167	23,333	22,500	21,667	20,833	20,000
Tax Equity—704(b) Capital Account	3,267	(898)	(3,091)	(4,188)	(5,250)	(5,328)
Sponsor Equity—704(b) Capital Account	13,733	11,098	9,430	8,299	7,133	6,210
Total Tax Basis—704(b) Capital Accounts	17,000	10,200	6,339	4,110	1,883	881
Hypothetical Gain on Liquidation	7,167	13,133	16,161	17,556	18,950	19,119

HLBV Case Study—Step 5A—Allocate gain to partners with negative 704(b) capital account

Allocate Gain to Restore Negative Capital Accounts	2021	2022	2023	2024	2025	2026
Hypothetical Gain on Liquidation Before Step 5A	7,167	13,133	16,161	17,556	18,950	19,119
704(b) Capital Accounts Before Step 5A						
Tax Equity	3,267	(898)	(3,091)	(4,188)	(5,250)	(5,328)
Sponsor Equity	13,733	11,098	9,430	8,299	7,133	6,210
Total 704(b) Capital Accounts Before Step 5A	17,000	10,200	6,339	4,110	1,883	881
Allocation of Gain to Restore Negative 704(b) Capital Accounts						
Tax Equity	-	898	3,091	4,188	5,250	5,328
Sponsor Equity	-	-	-	-	-	-
Gain Allocation in Step 5A	-	898	3,091	4,188	5,250	5,328
Gain Remaining After Step 5A	7,167	12,236	13,070	13,368	13,700	13,790
704(b) Capital Accounts After Step 5A						
Tax Equity	3,267	-	-	-	-	-
Sponsor Equity	13,733	11,098	9,430	8,299	7,133	6,210
Total 704(b) Capital Accounts	17,000	11,098	9,430	8,299	7,133	6,210

HLBV Case Study—Step 5B—Allocate gain to tax equity investor until their Target IRR is achieved

Calculate Cash Required to Achieve Target IRR	COD	2021	2022	2023	2024	2025	2026
Tax Equity Effective Tax Rate	21.00%	-	-	-	-	-	-
Tax Equity Target IRR	7.00%	-	-	-	-	-	-
Cash Required to Achieve Target IRR	-	-	-	-	-	-	-
Opening Balance	-	10,500	2,885	2,218	2,188	2,155	2,119
Capital Contributions	10,500	-	-	-	-	-	-
Cash Distributions	-	(232)	(233)	(234)	(235)	(232)	(238)
Investment Tax Credits	-	(7,425)	-	-	-	-	-
Tax (Benefit)/Expense	-	(691)	(637)	49	49	50	50
Investment Return to Achieve Target IRR		733	203	155	153	151	149
Ending Balance (After-Tax Cash Needed to Achieve Target IRR)	10,500	2,885	2,218	2,188	2,155	2,119	2,080

HLBV Case Study—Step 5B—Allocate gain to tax equity investor until their Target IRR is achieved

Calculate Gain Required to Achieve Target IRR	COD	2021	2022	2023	2024	2025	2026
Hypothetical Gain on Liquidation Before Step 5B	-	7,167	12,236	13,070	13,368	13,700	13,790
After-Tax Cash Required to Achieve Target IRR	-	2,885	2,218	2,188	2,155	2,119	2,080
Add: Gain Allocation to Restore Negative Capital Account	-	-	898	3,091	4,188	5,250	5,328
Less: Suspended Losses	-	-	(898)	(3,014)	(4,033)	(5,017)	(5,017)
Less: Positive Capital Account Balance	-	(3,267)	-	-	-	-	-
After-Tax Gain Required to Achieve Target IRR	-	(381)	2,218	2,265	2,310	2,352	2,391
Pre-Tax Gain Required to Achieve Target IRR	-	(483)	2,807	2,867	2,924	2,977	3,027
Gain Allocated to Tax Equity to Achieve Target IRR	-	-	2,807	2,867	2,924	2,977	3,027
Gain Remaining After Step 5B	-	7,167	9,429	10,203	10,444	10,723	10,763
704(b) Capital Accounts After Step 5B							
Tax Equity		3,267	2,807	2,867	2,924	2,977	3,027
Sponsor Equity		13,733	11,098	9,430	8,299	7,133	6,210
Total 704(b) Capital Accounts		17,000	13,905	12,297	11,223	10,110	9,237

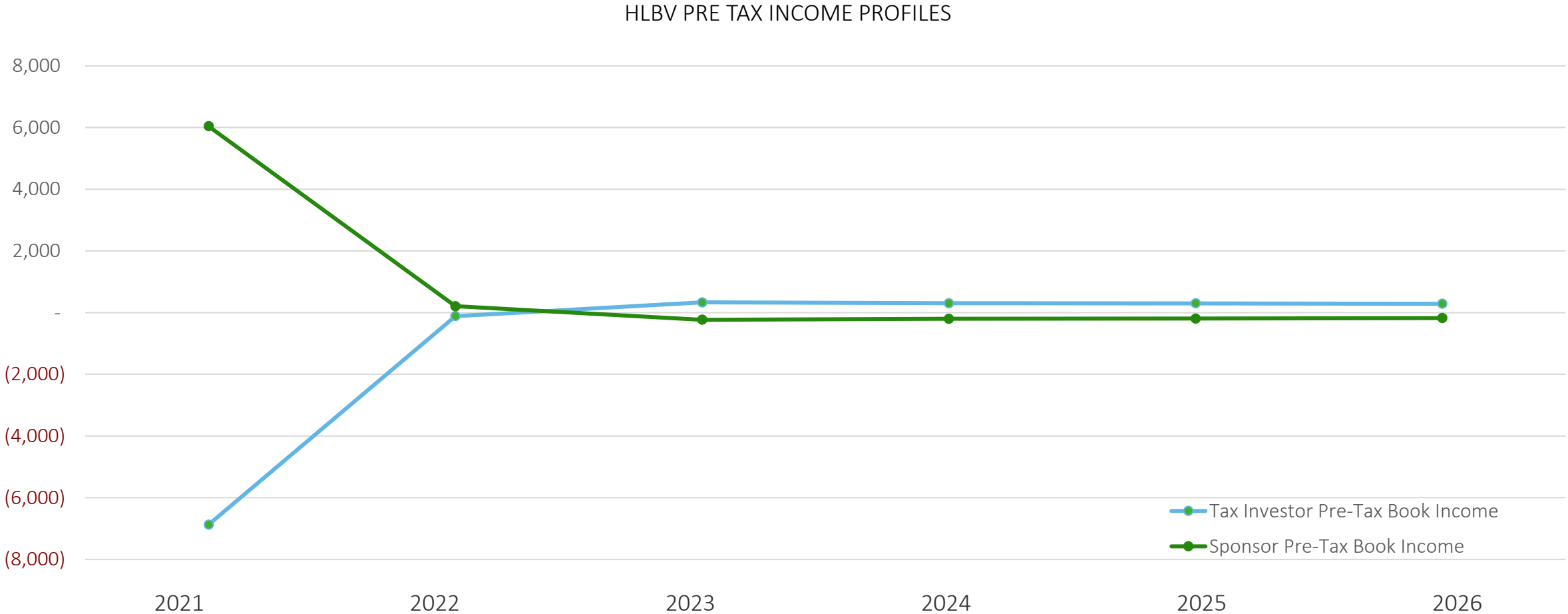
HLBV Case Study—Step 5C—Allocate remaining gain in accordance with post-flip allocation ratios

Allocate Remaining Gain in Accordance with Post-Flip Tax Alloc. %	2021	2022	2023	2024	2025	2026	
Hypothetical Gain on Liquidation Before Step 5C	7,167	9,429	10,203	10,444	10,723	10,763	
704(b) Capital Accounts Before Step 5C	-	-	-	-	-	-	
Tax Equity	3,267	2,807	2,867	2,924	2,977	3,027	
Sponsor Equity	13,733	11,098	9,430	8,299	7,133	6,210	
Total 704(b) Capital Accounts Before Step 5C	17,000	13,905	12,297	11,223	10,110	9,237	
Allocation of Remaining Gain	-	-	-	-	-	-	
Tax Equity	5.00%	358	471	510	522	536	538
Sponsor Equity	95.00%	6,808	8,957	9,693	9,922	10,187	10,225
Gain Allocation in Step 5C	7,167	9,429	10,203	10,444	10,723	10,763	
704(b) Capital Accounts After Step 5C							
Tax Equity	3,625	3,279	3,377	3,446	3,513	3,565	
Sponsor Equity	20,542	20,055	19,123	18,220	17,320	16,435	
Total 704(b) Capital Accounts	24,167	23,333	22,500	21,667	20,833	20,000	

HLBV Case Study—Step 6 and 7—Calculate partners' claims on book value and calculate HLBV book income (change in claims on book value)

Claim on Book Value/HLBV Income Calculation	2021	2022	2023	2024	2025	2026
Tax Equity Investor						
Tax Equity Claim on Partnership Book Value						
Claim on Book Value—Beginning	-	3,625	3,279	3,377	3,446	3,513
Claim on Book Value—Ending	3,625	3,279	3,377	3,446	3,513	3,565
Change in Tax Equity Claim on Partnership Book Value	3,625	(346)	99	69	67	52
Less: Capital Contributions	(10,500)	-	-	-	-	-
Add: Cash Distributions	-	232	233	234	235	237
Tax Equity HLBV Income/(Loss)	(6,875)	(114)	332	303	303	288
Sponsor Equity						
Sponsor Equity Claim on Partnership Book Value						
Claim on Book Value—Beginning	-	20,542	20,055	19,123	18,220	17,320
Claim on Book Value—Ending	20,542	20,055	19,123	18,220	17,320	16,435
Change in Sponsor Equity Claim on Partnership Book Value	20,542	(487)	(932)	(902)	(900)	(885)
Less: Capital Contributions	(14,500)	-	-	-	-	-
Add: Cash Distributions	-	696	699	703	706	710
Sponsor Equity HLBV Income/(Loss)	6,042	209	(233)	(199)	(194)	(175)

HLBV Case Study—Income Allocation Profile



Key Takeaways / Industry Trends

Connect with us



Danielle McMahon
Senior Manager
Deloitte & Touche LLP
+1 312 486 5213
damcmahon@deloitte.com



Ben Bissonette
Manager
Deloitte Tax LLP
+1 612 692 7107
bbissonette@deloitte.com



Yomal Wijekoon
Senior Manager
Deloitte Transactions & Business
Analytics LLP
+1 212 436 2239
ywijekoon@deloitte.com

Want to connect? Request a meeting with us on the RES event hub!

Deloitte.

Welcome! 2021 Renewable Energy Seminar



September 21-23 & 28-30

Renewable Energy Seminar

Scroll

- Agenda
- Digital library
- Speakers
- Meet fellow attendees
- Join the fun

Request a meeting

FAQ Support

A large green arrow points downwards from the 'Request a meeting' button.

Polling question #1

How much experience do you have with HLBV?

- I'm an HLBV expert
- I am confident in my HLBV skills but wouldn't consider myself an expert
- I know enough to be dangerous
- I've seen it once or twice
- What's HLBV?



Polling question #2

Which of the following is **not** a potential tax equity structure?

- Partnership Flip
- Inverted Lease
- Wholly-owned Project
- Sale-Leaseback



Polling question #3

What are the challenges to the conventional application of the equity method?

- Investee's capital structure provides different rights and priorities to its owners
- Ownership percentages are not specified (or varies over the life of the investment)
- Auditors find this approach much more exhilarating
- A and B



Polling question #4

Which of the following is **not** an input to an HLBV calculation?

- GAAP Equity
- Investing Cash Flows
- Project-level EBT
- 704(b) Capital Accounts



Polling question #5

Which of the following does **not** impact the members' 704(b) Capital Account Balance?

- Contributions
- Distributions
- 743(b) Adjustment
- ITC Basis Adjustment



Polling question #6

Why don't we consider hypothetical gain or loss allocated in prior periods in determining the allocation of pre-tax hypothetical gain or loss in the current period?

- Actually, we do because the capital accounts get carried forward
- Financial Modelers are a stubborn breed and stuck in their ways
- HLBV considers a hypothetical liquidation of the partnership as of each point in time, so the prior period hypothetical liquidations wouldn't have occurred in the current period
- It depends on the language in the LLCA



Polling question #7

Does pineapple belong on pizza?

- Yes
- No
- I don't care what's on it, I just love pizza





This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

About Deloitte

refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.