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mazars

Renewable Energy Tax Credits

Banking on a Sustainable Future

Meet the Presenters



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Chief Executive Officer



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Forvis Mazars

Overview

With a legacy spanning more than 100 years, Forvis Mazars is committed to providing a different perspective and an unmatched client experience that feels right, personal and natural. We respect and reflect the range of perspectives, knowledge and local understanding of our people and clients. We take the time to listen to deliver consistent audit and assurance, tax, advisory and consulting services worldwide.

We nurture a deep understanding of our clients' industries, delivering greater insight, deeper specialization and tailored solutions through people who listen to understand, are responsive and consult with purpose to deliver value.

Deep industry understanding

Forvis Mazars' deep understanding of industry-specific environments, issues and trends helps us anticipate and address evolving needs to prepare you for strategic opportunities ahead.

Every industry is different, and we put a strong focus on specific industry experience and knowledge of your complex and evolving environment. We provide a range of audit and assurance, tax, advisory and consulting services to help your business by bringing together experienced professionals from all over the globe who understand local contexts and cultures.

We serve global industries including:

- Financial Services
- Manufacturing & Distribution
- Technology, Media & Telecommunications
- Life Sciences
- Private Equity

\$5B

combined revenue
(2023)

100+

combined countries,
territories & markets

400+

combined offices
& locations

1,800+

combined partners

40,000+

combined team members

forvismazars.com/global

Forvis Mazars is the brand name for the Forvis Mazars Global network (Forvis Mazars Global Limited) and its two independent members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories.

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**forvis
mazars**

U.S. Presence

Top 10 **\$2bn**

U.S. Public Accounting Firm*

Revenue (2023)

79

Markets

28

States

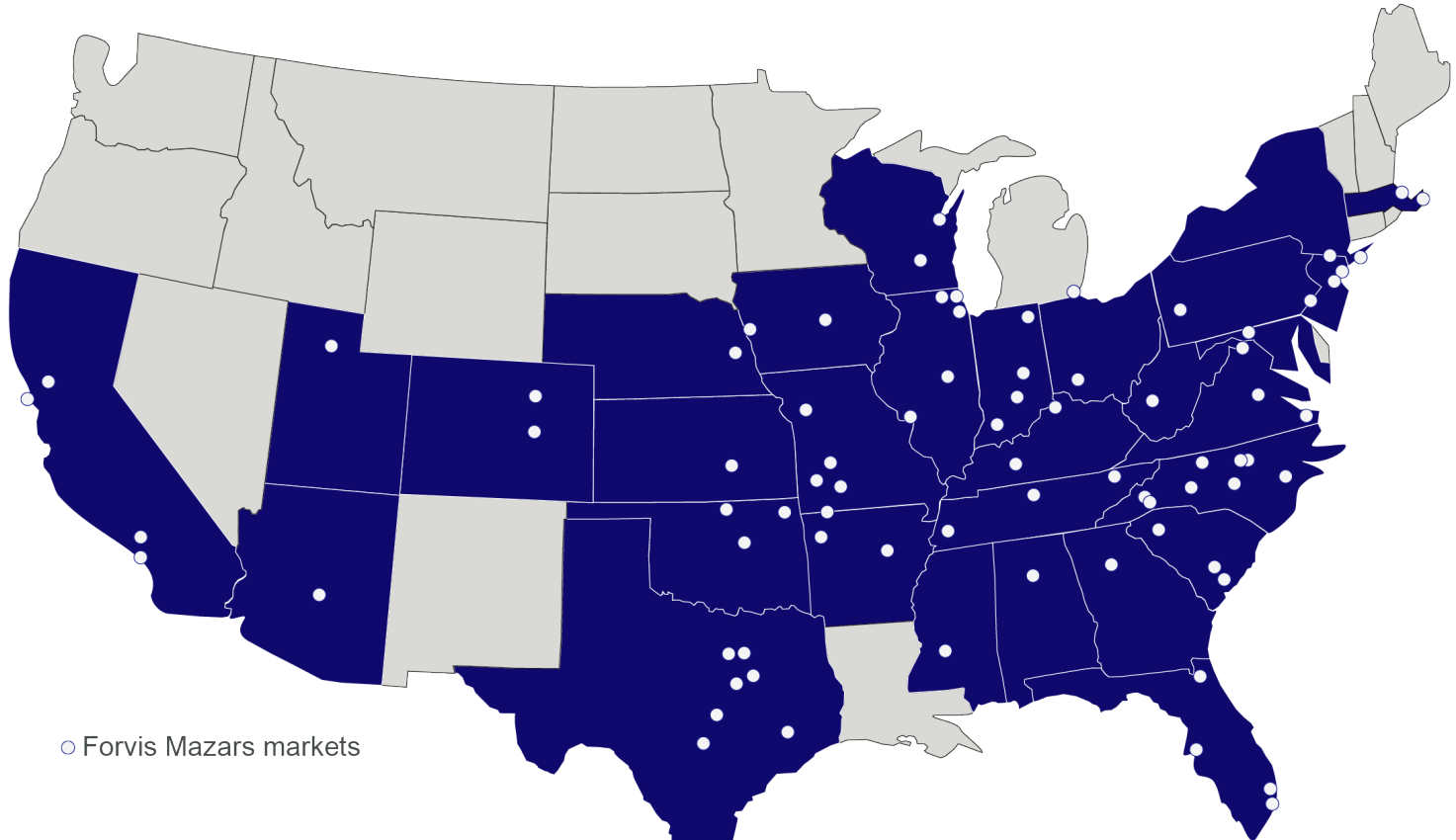
600+

Partners & Principals

7,000+

Employees

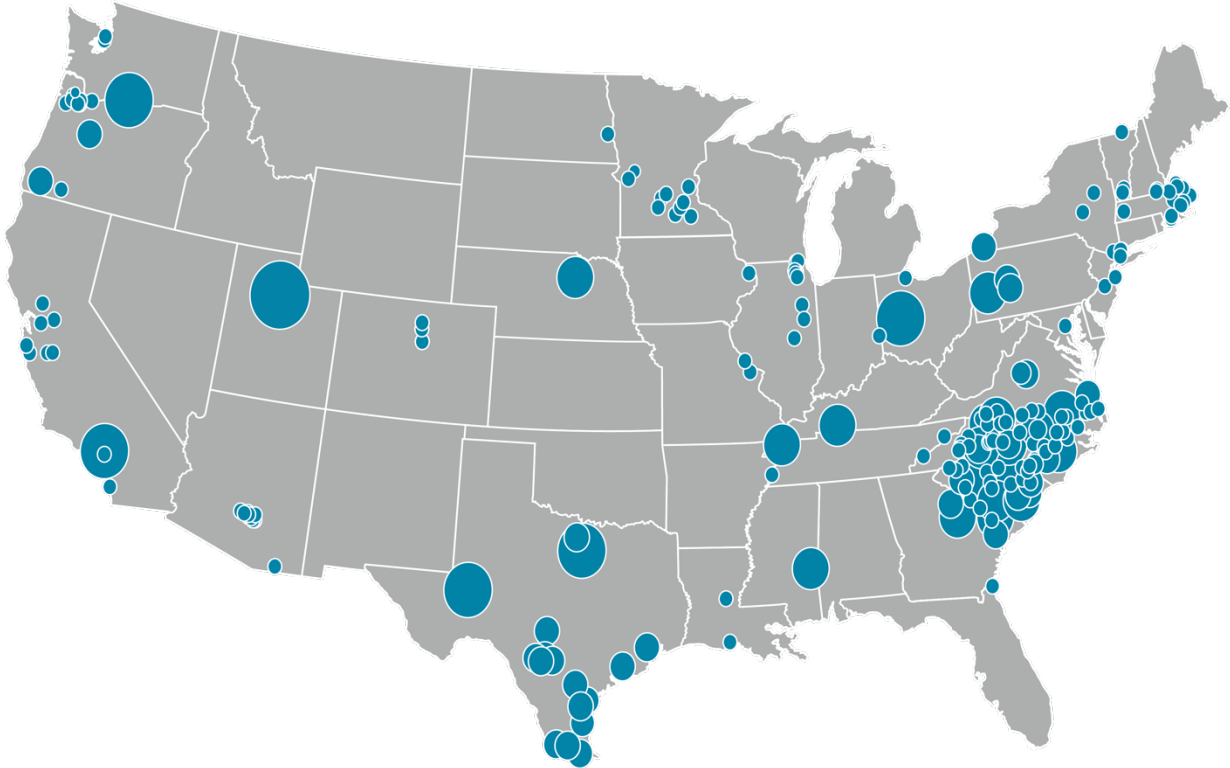
*Source: Inside Public Accounting, based on most recent rankings
2023 combined revenues: FORVIS \$1.7bn, Mazars USA (expected) \$305M



Forvis Mazars Renewable Energy

Geographically spread throughout the country, our large client base reflects the diverse types of organizations in the energy industry. Our clients include:

- Utility-scale renewable energy developers
- Distributed-generation renewable energy developers
- Asset managers
- Greenfield renewable energy developers
- Engineering, Procurement, & Construction (“EPC”) Contractors
- Operations & Maintenance (O&M) providers
- National and integrated oil companies
- Midstream companies
- Private Equity
- Institutional renewable energy investors



• Renewable Energy Projects served by Forvis Mazars

Our wide array of service offerings to renewable energy clients:



Audit and tax compliance services



Financial statement preparation



Transaction structuring



Tax-equity modeling



Relationship facilitation for developers and investors



Calculation of HLBV

Financial Services

Banking & Capital Markets

The banking sector faces significant regulatory challenges, technological disruption, & shifting consumer habits. In an uncertain & volatile economic environment & with sustainable finance gaining prominence as banks & regulators develop new ideas, adapting business models & embracing disruption is key. Our integrated team of banking & capital markets specialists can provide you with the vision & insight to navigate a fluctuating landscape.

#2

Largest auditor of public banks in the U.S.

1,200+

Team members in the U.S.

Clients Served by Forvis Mazars in the U.S.

1,000+

Banks, including majority of Top 10

70+

Broker-Dealers



1st Solar Tax Equity Platform for Community Banks

2019

Platform Launch

\$450M+

Dollars Committed

1.12x

Average MoIC

100%+

Average IRR

100+

Projects Funded

450+

Annual MWdc

3-6

months
Avg Payback Period

1993

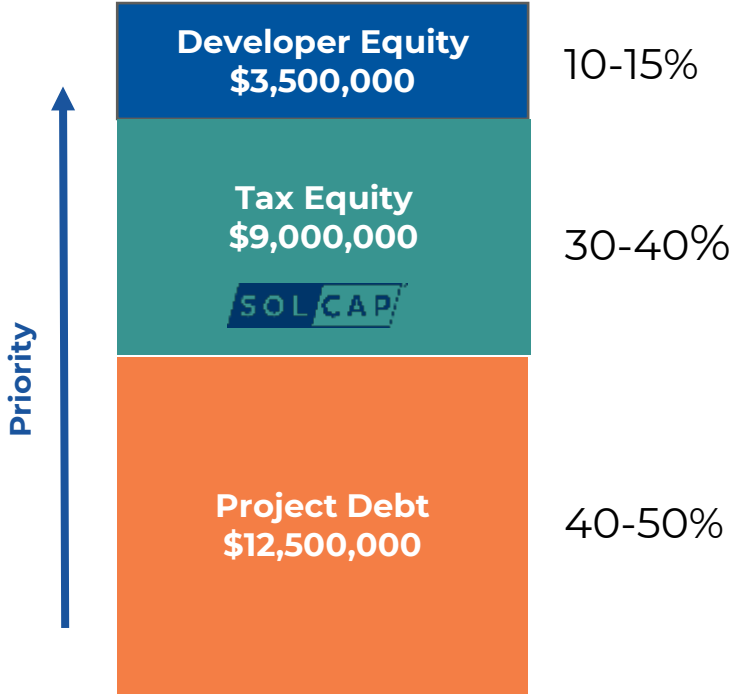
KeyState Founded

Solar Tax Equity Checks a lot of Boxes

- ✓ Converts tax liability into earnings and capital
- ✓ Path for community banks to finance renewable energy projects
- ✓ Provides meaningful ESG impact
- ✓ Potential for CRA credit

Solar Tax Equity: An Equity Interest in a Solar Project

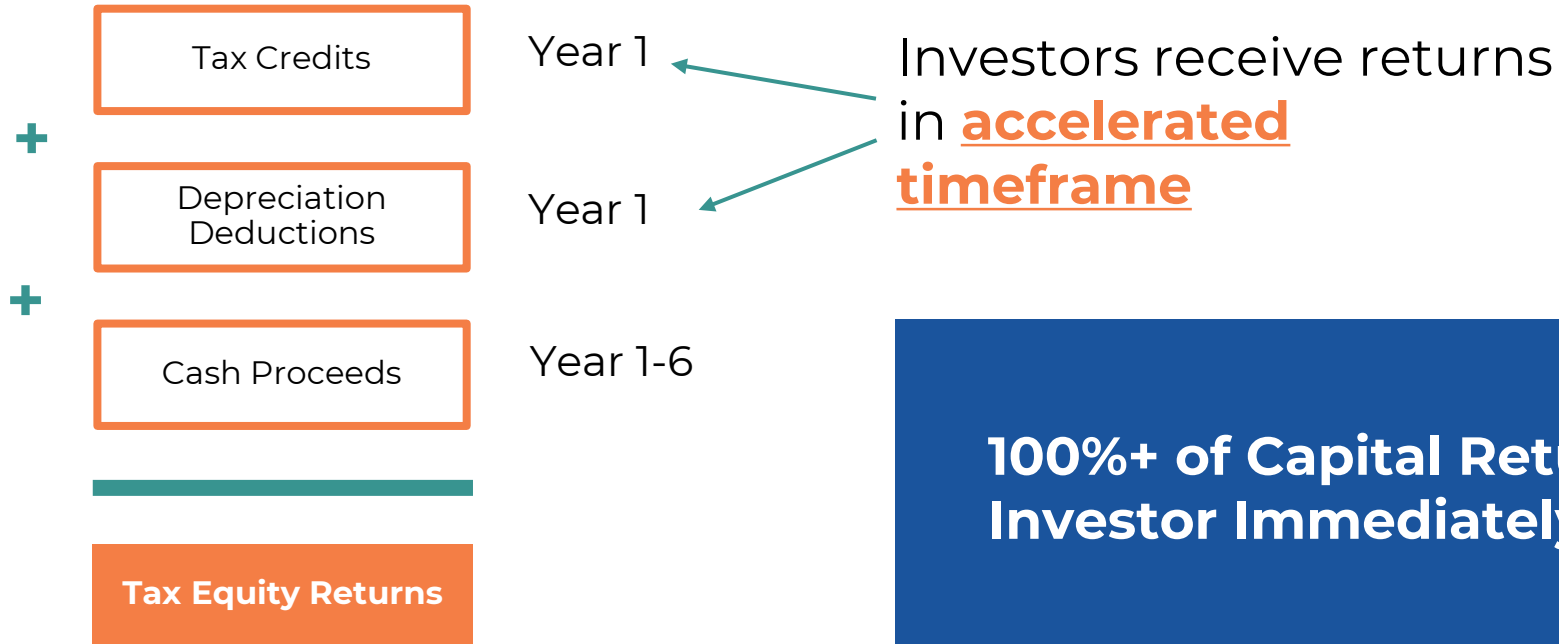
\$25mm Cost to Construct
\$30mm FMV



← Middle of the capital stack, but
First to get paid out



Solar Tax Equity: Generates 3 Sources Of Return



100%+ of Capital Returned to Tax Equity Investor Immediately in Year 1



15+ Years of Large Institutional Investors

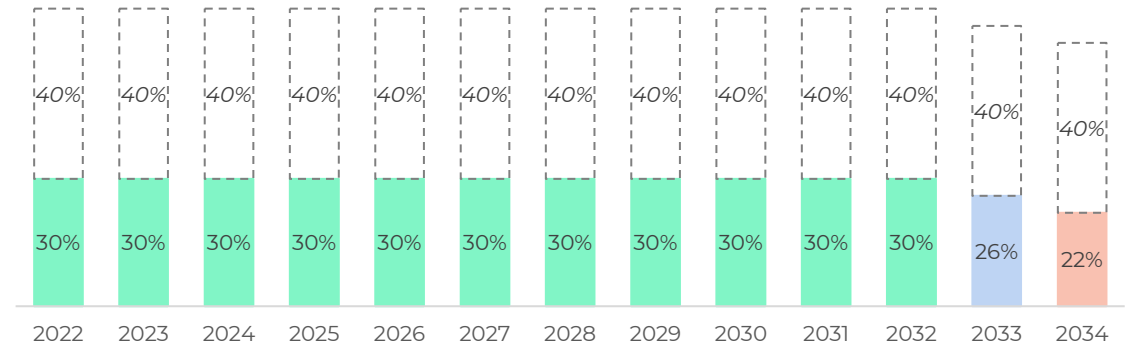
Participant	Tax Equity Investments
	\$15B+ ¹
	\$10B+ ²
+	\$9B (2020) ⁴
	\$97M (2021-2022) ³
	Undisclosed

¹ [US Bank Expands Leadership in Environmental Financing](#)
² [Wells Fargo Surpasses \\$10B in Renewable Energy Tax-Equity Investment](#)
³ [Starbucks Deploys \\$97M in NY Community Solar Projects](#)
⁴ [Clean Energy Finance Forum – Current Challenges to Tax Equity](#)

Inflation Reduction Act

- Tax credit increase **to 30%** (with upside to 70%)
- Extends tax credits for **at least 10 more years**
- Expanded set of eligible renewable energy projects
- **3-year carry-back** & 22-year carry-forward

Renewable Energy Investment Tax Credit Rate



Solar Tax Equity Return Profile

3 Sources of Return

1

Investment Tax Credit
Direct Tax Payment Reduction

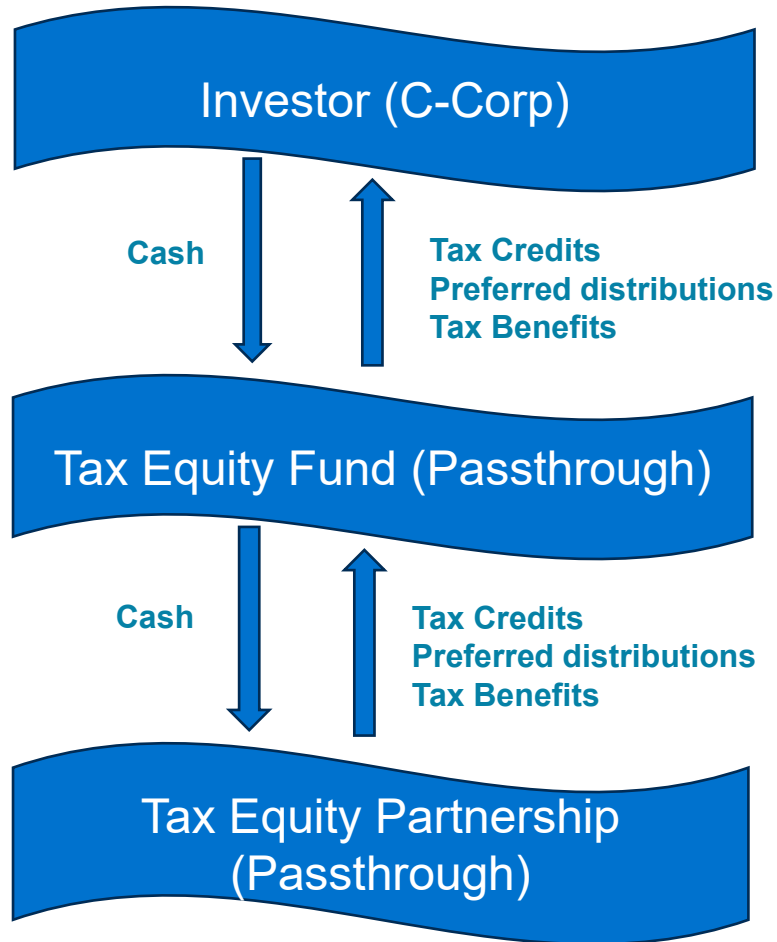
2

Accelerated Depreciation
Taxable Income Reduction

3

Cash
*Preferred Return &
Put/Call Proceeds*

GAAP Accounting Considerations Tax Equity Partnerships



Investor typically uses Equity Method of Accounting to record investment in Tax Equity Fund:

1. Proportional Amortization Method (“PAM”) if qualified
2. Flow-through method (required if using PAM)
3. Deferral Method
4. Hypothetical Liquidation at Book Value (“HLBV”)

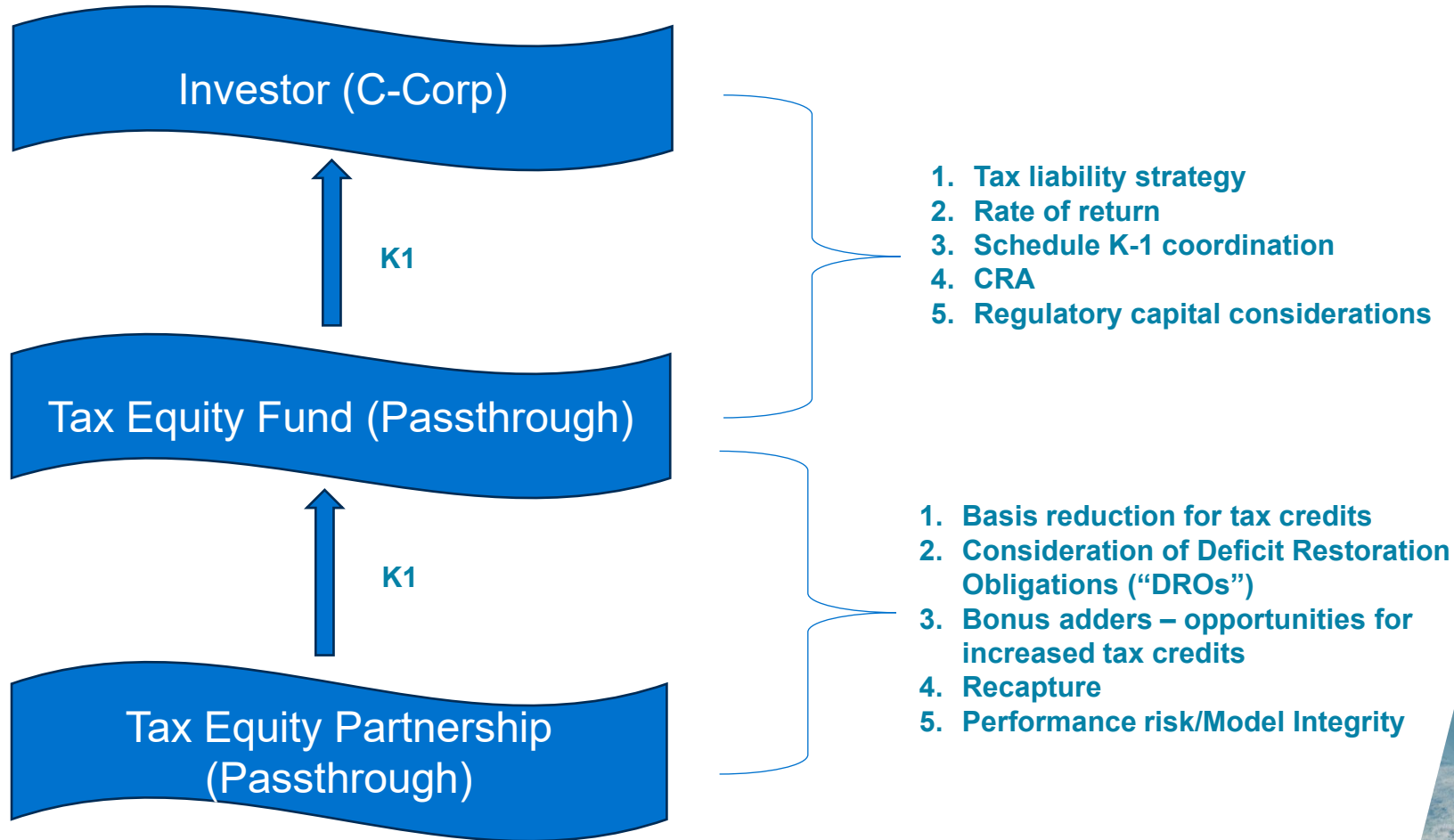
Fund typically uses Equity Method of Accounting to record investment in Tax Equity Partnership:

1. Fair value method
2. Hypothetical Liquidation at Book Value (“HLBV”)
3. Impairment considerations



Tax Accounting/Compliance Considerations

Tax Equity Partnerships



Convert the Bank's Tax Liability Into Earnings and Capital

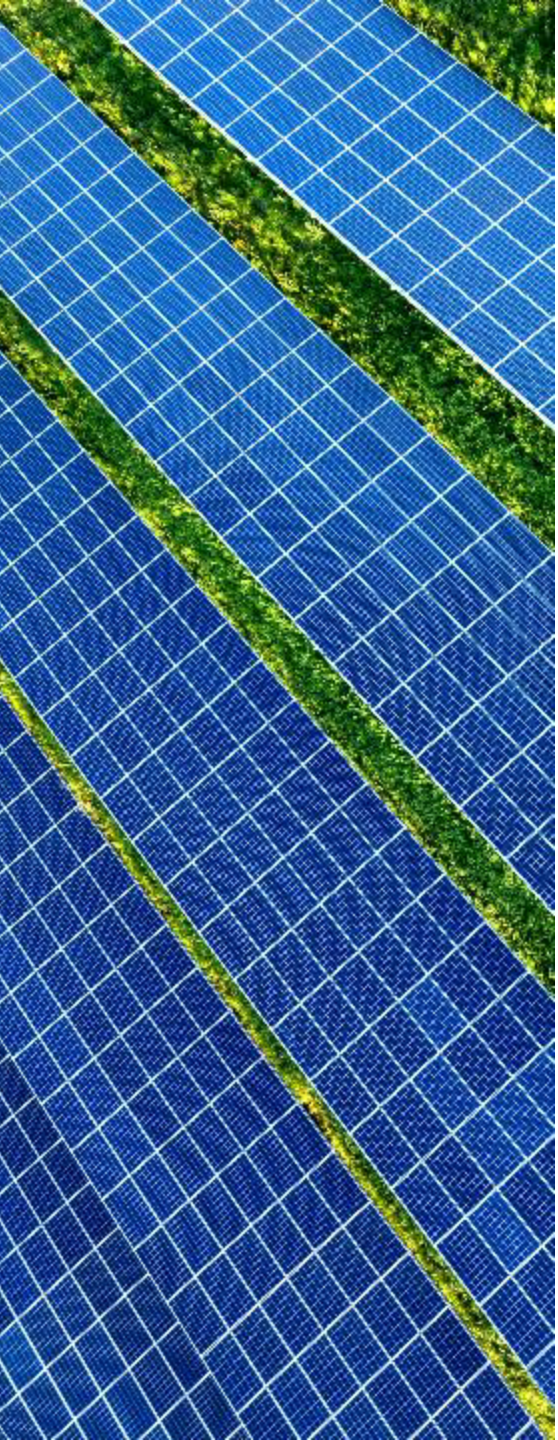
(GAAP Profile – Proportional Amortization Method)

Illustrative Financial Statements

Year	Assets			Liabilities & Equity			Income Statement			
	Cash	Investment	DTA/DTL	Taxes Payable	Suspended Amortization	Retained Earnings	Investment Income	Current Tax Benefit	Deferred Tax Benefit	Net Income
1	(9,957,879)	564,339	45,089	(10,200,328)	-	851,877	42,121	764,667	45,089	851,877
2	(9,873,935)	427,088	(91,824)	(10,348,702)	-	810,032	83,945	11,123	(136,913)	(41,845)
3	(9,790,974)	443,587	(95,371)	(10,330,866)	-	888,108	82,961	(1,337)	(3,547)	78,077
4	(9,707,617)	460,166	(98,936)	(10,312,944)	-	966,557	83,357	(1,344)	(3,565)	78,448
5	(9,624,577)	476,681	(102,486)	(10,295,091)	-	1,044,708	83,039	(1,338)	(3,550)	78,151
6	(8,919,038)	0	-	(10,143,400)	-	1,224,361	88,539	(11,372)	102,486	179,654

National Tax Equity Investment	\$10,000,000
Federal Return on Notional Investment \$	\$1,224,000
Federal Return on Notional Investment % (ROI)	12.24%
Average Investment Balance	\$474,426
Total Return on Average Investment Balance	258%
Annual Return on Average Investment Balance	43%

Total	463,962	760,400	-	1,224,361
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Measurable ESG Impact

SOLCAP Solar Finance
Impact Report

Supplements a Bank's
Annual Sustainability
Report

2022 SOLAR FINANCE IMPACT REPORT

SOLCAP RENEWABLE
ENERGY PROJECTS FINANCED: **\$97,013,597**

Projects will produce
136,309,715
kw hours
of CLEAN POWER
each year.

EQUIVALENT TO REMOVING EMISSIONS CREATED BY ANY OF THESE:



CONSUMING
10,869,844
GALLONS OF GAS



POWERING
18,796 HOMES
FOR ONE YEAR



239,781,818
MILES DRIVEN



BURNING **106,879,470**
POUNDS OF COAL

*The clean power produced is equivalent to removing 109,229 metric tons of greenhouse gas emissions. Equivalent shown above illustrates to other standards that produce a similar amount of greenhouse gas emissions.

**\$97,013,597 is the total amount of 2022 net new project financing.

Tax Equity Investments

Risks & Mitigants

Risk	% of Projects Impacted to Date	Mitigant
Project Performance Risk	0%	<ul style="list-style-type: none"> ▪ Diversified project risk ▪ Minimum coverage ratios ▪ Solar developer takes first loss
Power Purchaser Risk	0%	<ul style="list-style-type: none"> ▪ Comprehensive credit review
Recapture Risk <i>first 5 years only</i> <i>(100/80/60/40/20)</i>	0%	<ul style="list-style-type: none"> ▪ Experienced solar developer partners ▪ All projects are fully insured ▪ ITC recapture insurance available ▪ Lenders have forbearance agreement/SNDA for initial 5 years



Thank
You!



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