

STX

Show Me the Money

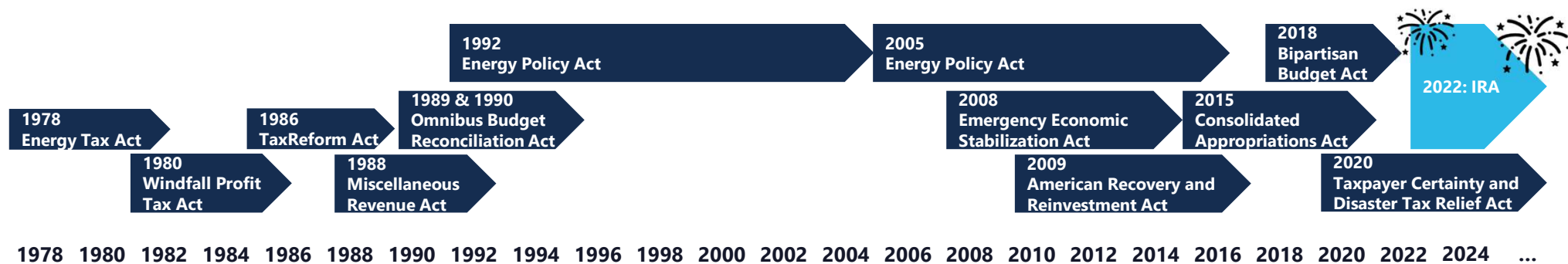
*Case Studies and Practical Tips to
Leverage IRA Funding*

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The IRA's transferability and extension to new technologies builds on 40+ years of Renewable Energy Tax Credits



Tax Credit Transferability was intended to make things simple...

**But at times, reality kicks in and parties need
to work together to close a deal**



Buyer



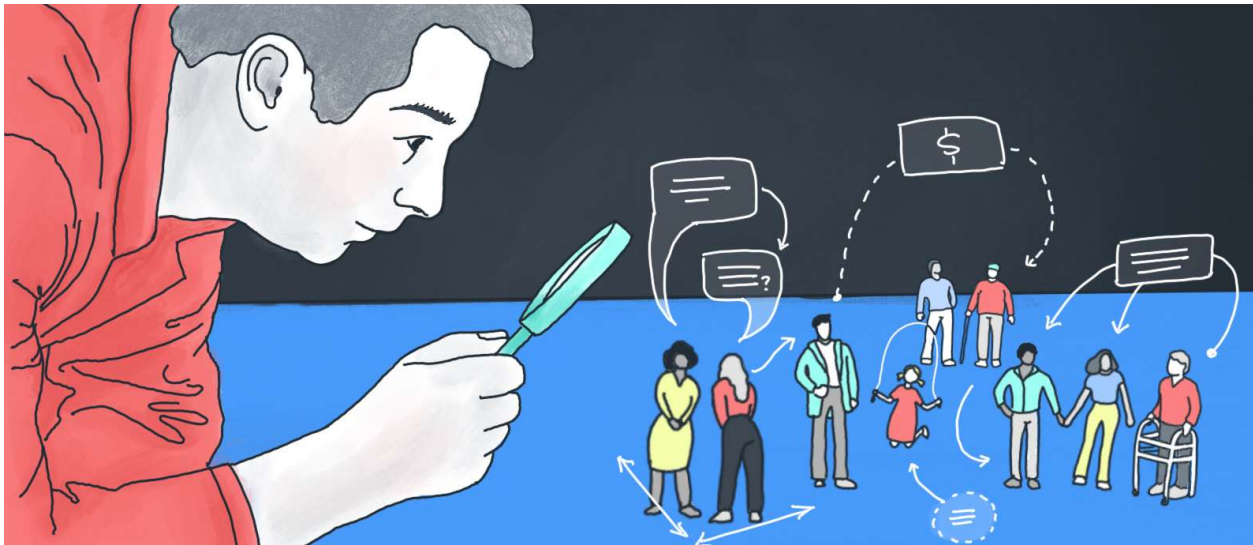
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5 Mistakes to Avoid in Tax Credit Transfers

(Let's make sure deal execution remains straightforward)

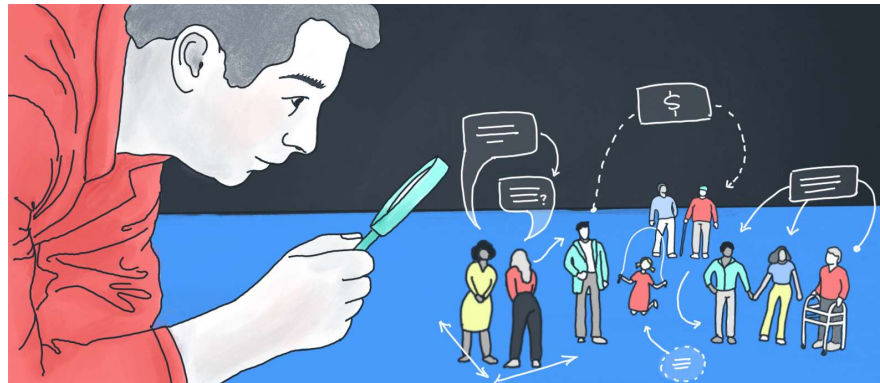
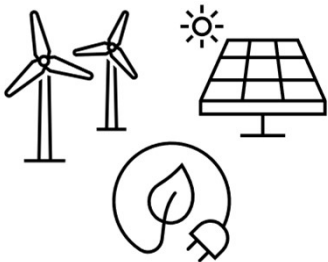


1. Underestimating the importance of internal stakeholder management



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**Is this buyer ready to transact?
Do they have legal / tax support lined up?**



Am I certain about my taxes payable? No deferred tax assets?

Do I know who will have to approve this internally?

Are they on-board conceptually / am I ready to go-to-market?



2. Foregoing Pre-Term Sheet Due Diligence



How this sometimes feels:

It's a \$80M 2025 solar + battery for 91cts with payment expected in Q4 – very reputable seller, should all be clean. Term sheets are due this Friday – let me know.

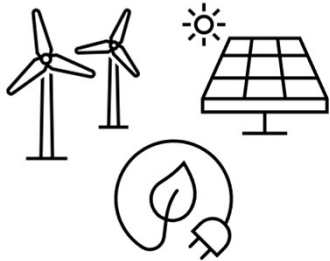
2. Foregoing Pre-Term Sheet Due Diligence

Am I comfortable with this buyer?

Am I transparent about what potentially may make this transaction more risky for a buyer?

Is there something I'm trying to hide?

Is my dataroom complete?

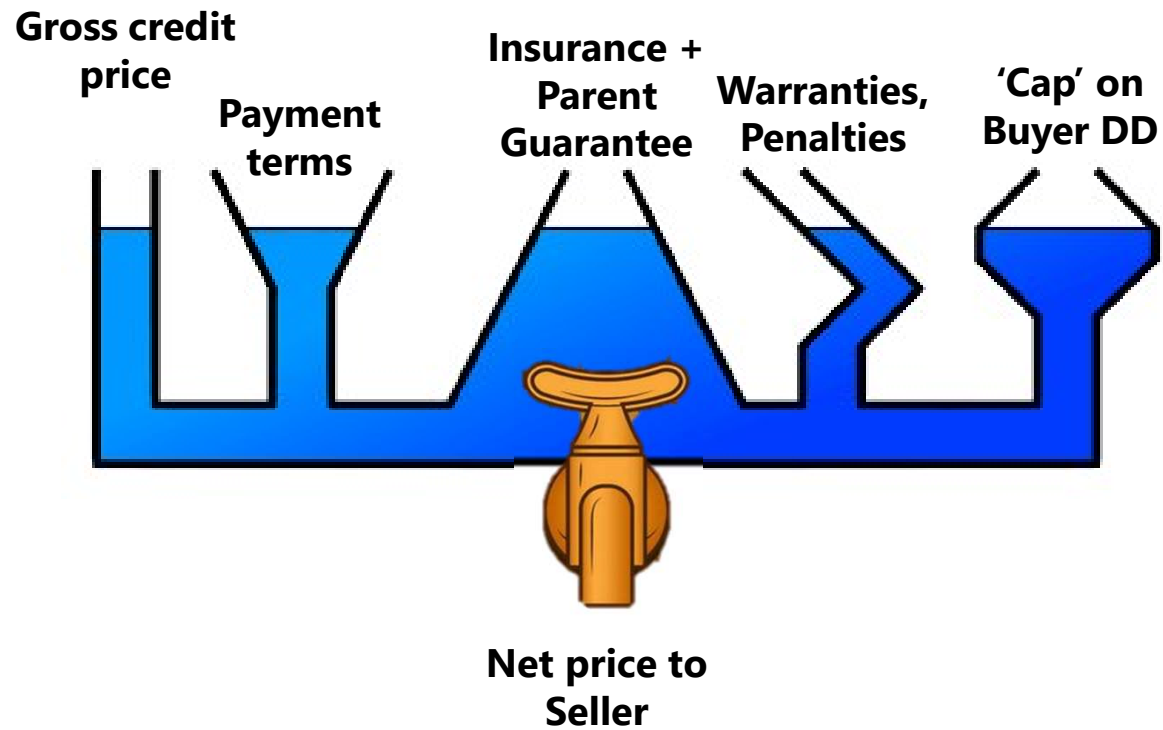


Have I done ample pre-DD? Have I at least googled the developer & the project?

Do I have enough information to submit a term sheet? Or am I setting myself up for negotiating backwards?



3. Only focusing on gross credit price

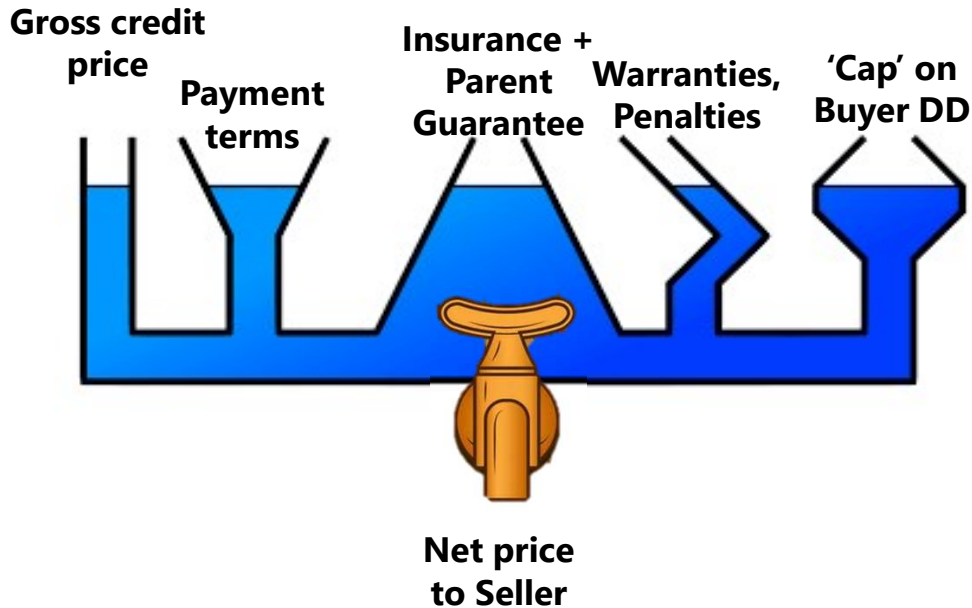
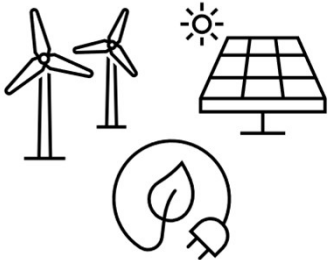


3. Only focusing on gross credit price

What is the value for me of having better payment terms?

Are there warranties I'm not willing to give?

Is more insurance good for me too or should buyer pay for a share?



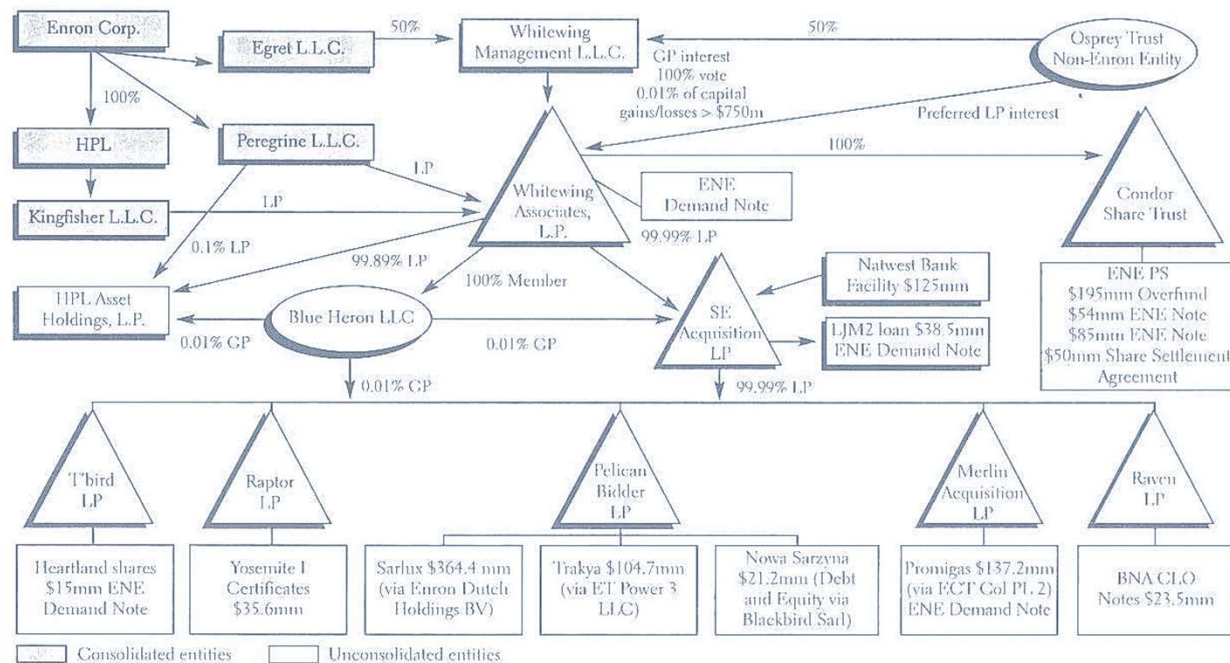
Do I want better payment terms or a better price?

Is there anything I can do to de-risk this transaction further (that I'd be willing to pay for)?

What have I promised the Board?



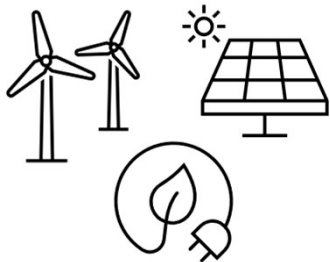
4. Not properly understanding significance of seller's legal structure



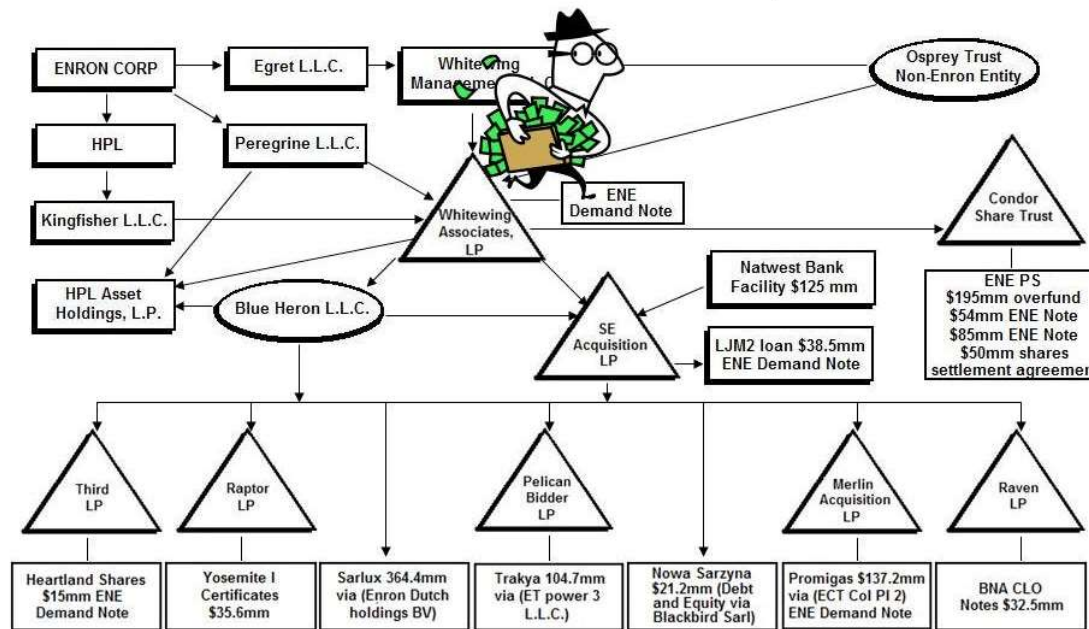
4. Not properly understanding significance of seller's legal structure

Is my SPV structure finalized?

Can I give a parent guarantee? Is that meaningful?



Enron SPE Deception



Who actually sells the ITCs / PTCs?

What is the worth of this Parent Guarantee?



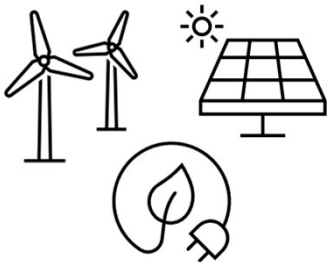
5. Not modeling out cashflow for the worst-case scenario



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Do I need to offer
>100% insurance?

Is a parent guarantee
going to be helpful?
Will any guarantees
impact my position to
my lenders?



*What level of insurance
do I need?*

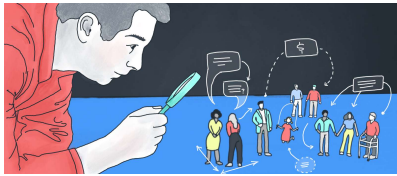
*What comfort do I need
in parent guarantee?*



Recap



For my next Tax Credit transfer, I will...



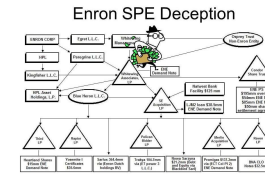
**Acknowledge
stakeholder mgmt.
is complete
upfront**



**Lift the curtain
ahead of getting
enthusiastic about
a term sheet**



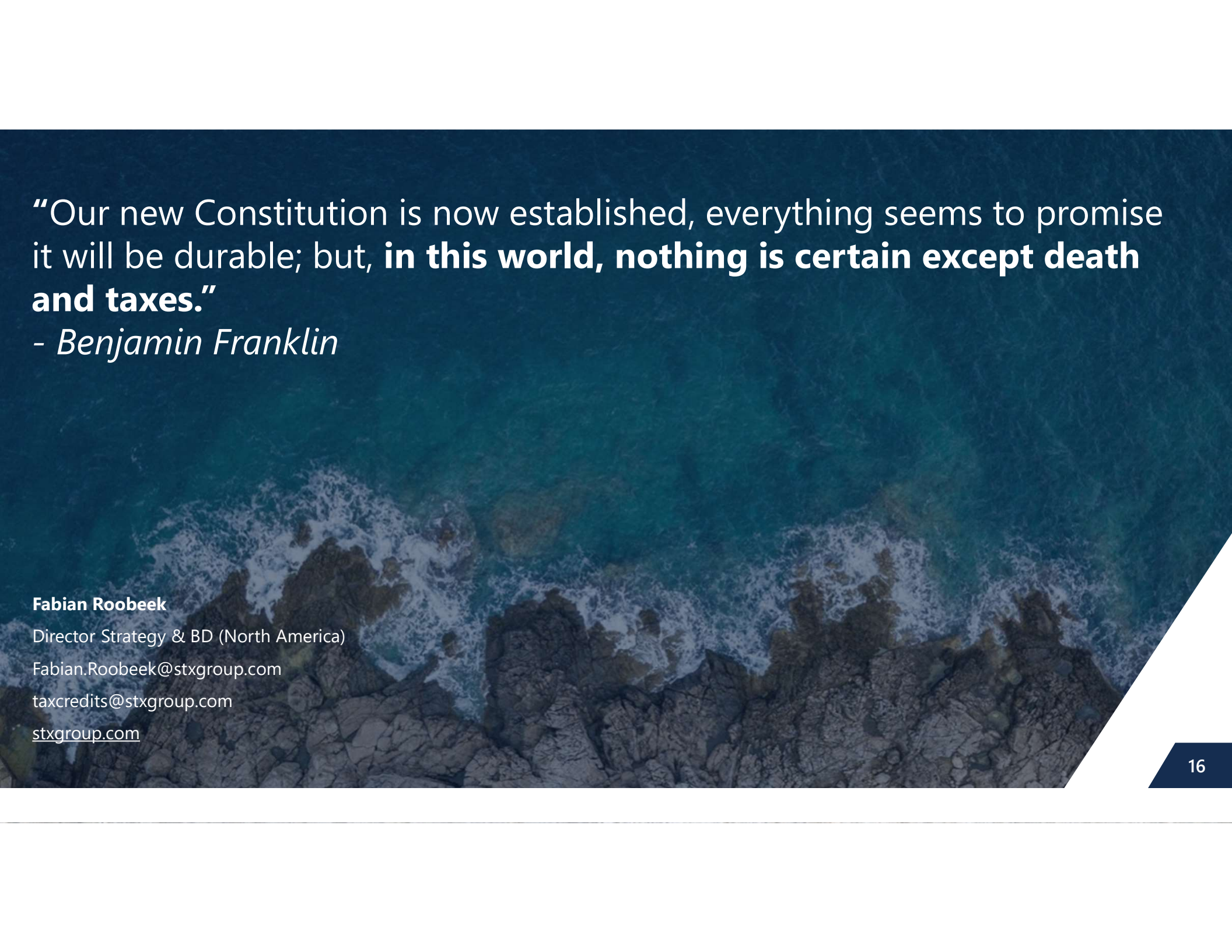
**Look beyond gross
credit price**



**Comprehend the
legal structure
behind the tax
credit**



**Model out the
cashflow for a
worst-case
scenario**



“Our new Constitution is now established, everything seems to promise it will be durable; but, **in this world, nothing is certain except death and taxes.**”

- *Benjamin Franklin*

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