



Hypothetical Liquidation at Book Value services

Overview

Background

The Hypothetical Liquidation at Book Value (HLBV) method is an acceptable methodology to allocate earnings or losses of an equity method investee when the specified allocation for earnings differs from the allocation of cash from operations and on liquidation. If the specified allocation for earnings differs from the allocation of cash from operations and on liquidation, the investor should not use the specified earnings or loss percentages to determine its share of the investee's earnings.

The HLBV method arose in response to increasingly complex capital structures, the lack of prescribed implementation guidance on how an equity method investor should determine its share of earnings or losses generated by the equity method investee, and the ensuing diversity in practice.

How we support you

Our team of **Mergers & Acquisitions (M&A) Tax, Accounting Advisory, and Business Modeling Services** professionals work together to assist you in **building, maintaining, or reviewing** the complex **partnership capital account** and **HLBV waterfall** as well as **analyzing** the overall **impact on the GAAP P&L and the statement of equity** based on the specific provisions in the corresponding sections of the LLC agreement.

Technical accounting analysis

- Technical accounting assistance related to planned investment structure and the impact on the GAAP income allocation and the statement of equity for each partner

Tax procedures

- Provide commentary on calculations of taxable income, partner capital accounts, allocation of income and tax credits, depreciation schedules, and flip schedules
- Review the structure and key assumptions for tax equity investor

Business modeling

- Build, maintain, or review the HLBV waterfall based on the dissolution provisions in the LLC agreement and the inputs from the accounting and tax teams

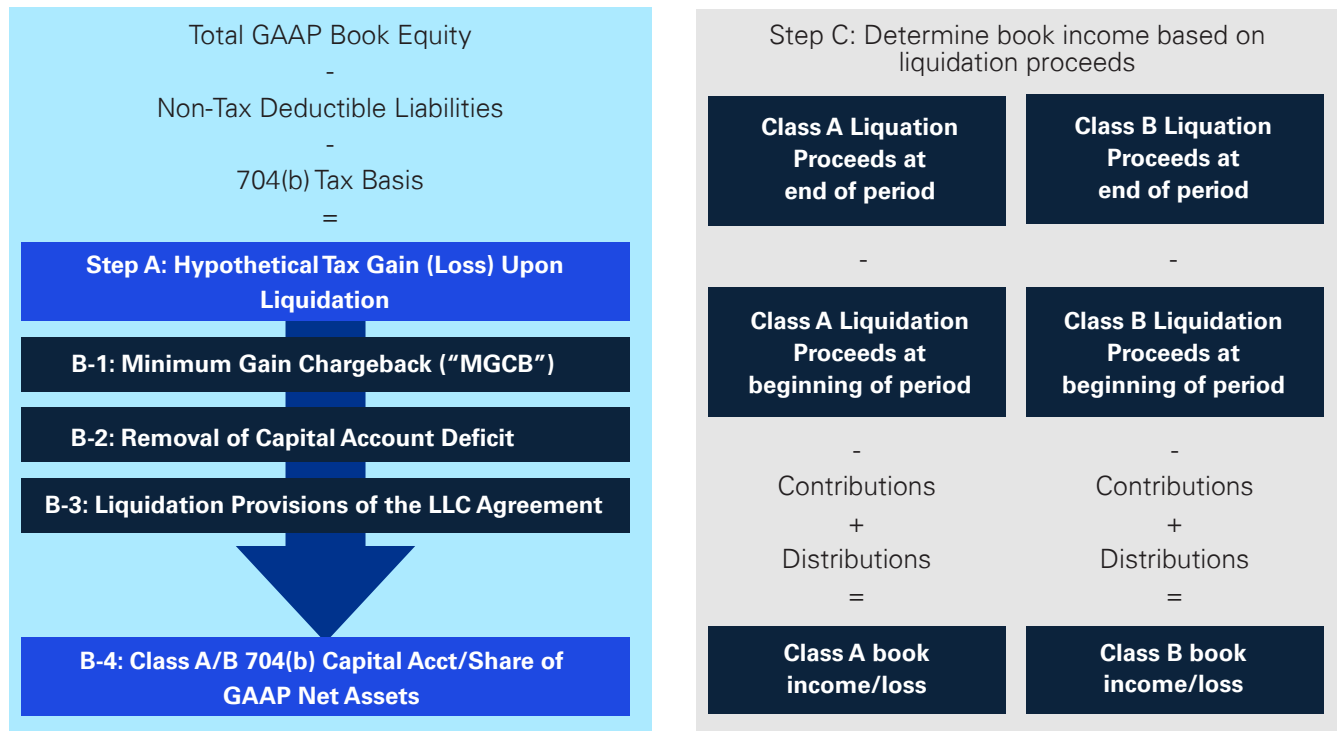
Potential benefits of the services we deliver

- Cross-functional professionals with in-depth understanding of the renewable industry work closely to provide accounting, tax, and modeling services to reduce transaction, managerial, and reputational risk
- Customized solutions to meet each of the specific provisions in the LLC agreement to increase confidence in the reasonableness of the overall investment and make more informed decisions
- Satisfy the demands of investors, regulators, and auditors and ensure proper timing of the expected after tax return for the tax equity investor

Industry specialization

We understand the issues, value drivers, leading practices, and trends that can help shape the future of the renewable industry. Our practice's industry leaders have a good line of sight into a large number of transactions for wind, solar, hydro, and nuclear projects that can bring additional perspectives and insights.

Our cross-functional team is embedded with deep industry experience to provide wide-ranging strategic, accounting, tax, valuation, and transaction-related advice.



Why KPMG?

KPMG takes a holistic approach to all projects by developing a specialized team to suit your needs. Our professionals take a standardized approach, and utilize model leading practices and KPMG proprietary modeling tools to provide high-quality work at a reasonable cost.

Contact us

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