



Warren & Selbert

Simple as ABC.

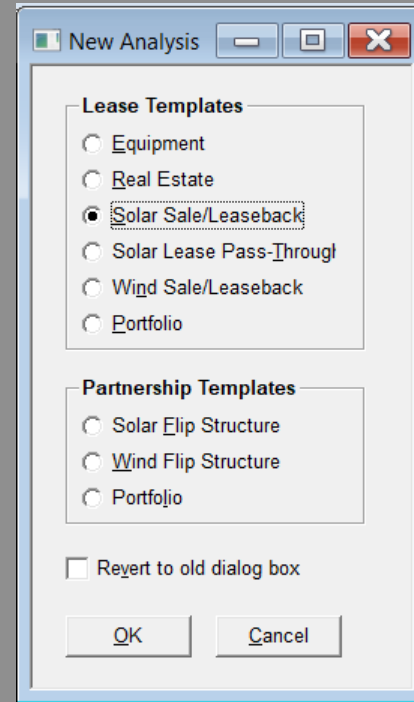
Sale/Leaseback in ABC

Warren & Selbert's Sale/Leaseback model

What is ABC?



- Equipment finance **modeling** software
- Used for **optimizing** and **pricing**
 - Leveraged Leases
 - Sale/Leasebacks
 - Lease Pass-Throughs
 - Partnership flips
- **Sale/Leaseback**
 - Sale/Leaseback model built on ABC
 - Commonly used in renewable energy finance and project finance



Sale/Leaseback Uses



- **Structure** solar and wind sale/leaseback transactions
- **FAS 13** reports
- **Lease portfolios**
- Evaluate **Lessee** and **Lessor** cash and tax flows

ABC

- PD Assumptions
- Solar Assumptions
- Solar EBITDAs
- Lessee Assumptions
- **General**
- Purchases
- Federal Depreciation
- Loans
- Revenues
- Fees
- Tax Elections
- Federal Tax
- Evaluation
- Formatting
- User Variable
- Optimization
- IRS
- Macros

Warre

General Information

Show All Questions | Section Operations | Custom Questions | Process | Optimize

1.1	General Information		
1.1.1	Title		...
1.2	Type of Alternative (0-8)	Lessor: US (5)	▼
1.4	Total Cost - Basis for Percentages (\$)	1,000,000.00	
1.5	Base Term Start Date - BT	1/ 1/2018	
1.101	Purchase Date - DATE1	BT	... (1/ 1/2018)
1.102	End of Rent Holiday - DATE2	No Rent Holiday (Default)	...
1.111	US_Rent_Dates	1/1/2018, 4/1/2018, ..., 1/1/2038 (Default)	...
1.112	Lease Term (Years)	20.0	...
1.113	Lease Term Measured From (BT, DATE1, or M/D/Y)	Date1	... (1/ 1/2018)
1.114	Periodicity (M,Q,S,A)	Quarterly	▼
1.115	Dates for Changing Periodicity (Date or Periodicity,Date)	BT	...

Sale/Leaseback Workflow



Input

assumptions

Alias	EBITDA
A305.100	0,00
	12,000.00
	12,250.00
	12,500.00
	12,750.00
	13,000.00
	13,250.00
	13,500.00
	13,750.00
	14,000.00
	14,250.00
	14,500.00
	14,750.00
	15,000.00
	15,250.00
	15,500.00
	15,750.00
	16,000.00
	16,250.00
	16,500.00
	16,750.00
	17,000.00

Section Operations	Custom Questions	Process	Optimize
A300.1	Solar Assumptions		
A300.101	Project Term (Years)	Default	
A300.103	Prepayment Limit (\$%)	20%	

Run

to evaluate inputs

Process

Optimize



Output

reports to show results

Reports

- SOLAR/SUMMARY Summary of Assumptions and Results
- SOLAR/COVERAGE Coverage Report
- SOLAR/REPORTS Report Package

OK

Cancel

Help



- Input project flows

- Purchases
- Depreciation
- Loans
- Revenues
- Expenses
- Fees

The screenshot shows a software interface with a navigation menu on the left and a 'Revenue Streams' table on the right. The navigation menu is titled 'ABC' and lists various categories: PD Assumptions, Solar Assumptions, Solar EBITDAs, Lessee Assumptions, General, Purchases, Federal Depreciation, Loans, Revenues (highlighted), Arrears_Rent, Loan467_Rent, Residual, Lessee_EBITDA, Lessor_EBITDA, and Fees. The 'Revenue Streams' table has columns for 'Stream' and 'Alias' and lists five entries.

Stream	Alias
1	Arrears_Rent
2	Loan467_Rent
3	Residual
4	Lessee_EBITDA
5	Lessor_EBITDA

- Paste amounts from **Excel**



Input **Solar/Wind** Assumptions

- Project Term
- Prepayment Limit

ABC

- PD Assumptions
- Solar Assumptions
- Solar EBITDAs
- Lessee Assumptions
- General
- Purchases
- Federal Depreciation
- Loans
- Revenues

Solar Assumptions

Show All Questions
Section Operations ▾
Custom Questions ▾
Process
Optimize

	Solar Assumptions	
300.1	Project Term (Years)	Same as Question 1.112 (Default) ...
300.101	Prepayment Limit (\$,%)	20% ...

Input **General Lease** Assumptions

- Lease Term
- Periodicity

- PD Assumptions
- Solar Assumptions
- Solar EBITDAs
- Lessee Assumptions
- General
- Purchases
- Federal Depreciation
- Loans
- Revenues
- Fees
- Tax Elections
- Federal Tax
- Evaluation
- Formatting
- User Variable
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- Macros

General Information

Show All Questions
Section Operations ▾
Custom Questions ▾
Process
Optimize

	General Information	
1.1	Title	
1.1.1	Type of Alternative (0-8)	Lessor: US (5)
1.4	Total Cost - Basis for Percentages (\$)	1,000,000.00
1.5	Base Term Start Date - BT	1/ 1/2018
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1.102	End of Rent Holiday - DATE2	No Rent Holiday (Default)
1.111	US_Rent_Dates	1/1/2018, 4/1/2018, ..., 1/1/2038 (Default)
1.112	Lease Term (Years)	20.0
1.113	Lease Term Measured From (BT, DATE1, or M/D/Y)	Date1
1.114	Periodicity (M,Q,S,A)	Quarterly
1.115	Dates for Changing Periodicity (Date or Periodicity,Date)	BT



- Add and manage project EBITDA
- Set each EBITDA's:
 - Amounts
 - Dates
 - Rent Coverage
 - Debt Coverage

Solar EBITDAs

Stream Operations ▾
Custom Questions ▾
Process
Optimize

Stream	Alias	EBITDA
1	EBITDA	0.00, 12,000.00, ..., 31,750.00

Solar EBITDA 1

Show Fewer Questions
Process
Optimize

305.100	Alias	EBITDA
		0.00 12,000.00 12,250.00 12,500.00 12,750.00 13,000.00 13,250.00 13,500.00 13,750.00 14,000.00 14,250.00 14,500.00 14,750.00 15,000.00 15,250.00 15,500.00 15,750.00 16,000.00 16,250.00 16,500.00 16,750.00
305.101	EBITDA Use Editor Window	
305.102	EBITDA Dates	1/1/2018, 4/1/2018, ..., 1/1/2038 (Default)
305.103	Rent Coverage	1.15
305.104	Debt Coverage	1.25



- Model the **cash** and **tax** flows for the lessee
- **Calculate/Target IRR** for the lessee
- Specify lessee **optimization objective** (e.g., do opt/maxcost)

ABC			
Lessee Assumptions			
Show All Questions Section Operations Custom Questions Process Optimize			
A500.1	Lessee Assumptions		
A500.101	Lessee: Analysis Type (LVB,SLB)	SLB	▼
A500.103	Lessee: Buy Asset at LE?	No	▼
A500.105	Lessee: Residual Amount (Buy/Retain)	0%	...
A500.106	Lessee: Sale Proceeds	100%	...
A500.150	Lessee: Loan Amount (Buy/Retain)	100%	...
A500.151	Lessee: Loan Rate (Buy/Retain)	10%	...
A500.200	Lessee: NPV Discount Rate	7.5%	...
A500.201	Lessee: NPV Discount Rate Type (1-4)	1 (Nominal Pre-Tax)	▼
A500.202	Lessee: NPV Discount Method	1 (NPV)	▼
A500.300	Lessee: Federal Tax Rate (or Rate+ for multiple rates)	35%	...
A500.400	Lessee: Federal AMT Position?	No	▼
A500.500	Lessee: Federal NOL Position?	No	▼
A500.900	Lessee: Keystrokes for LESSEE/OPT	p0,o (Default)	...



- ABC models a **467 Loan Structure**
- Tracks the **cumulative difference** between cash rent and allocated rent
- Proof report of **allocated rent and interest**

Allocated Rent and Interest Proof Report

[1]	[2]	[3]	[4] =[3]-[2] (Prepaid)/ Deferred Rent	[5]	[6]	[7] =[3]+[5] Allocated Rent and Interest
Year	Cash Rent	Allocated Rent		Allocated Interest @ 5%	(Prepaid)/Deferred Balance	
2018	55,678.67	65,954.23	10,275.56	0.00	10,275.56	65,954.23
2019	45,652.17	65,954.23	20,302.05	513.78	31,091.39	66,468.01
2020	49,130.43	65,954.23	16,823.79	1,554.57	49,469.76	67,508.80
2021	52,608.70	65,954.23	13,345.53	2,473.49	65,288.78	68,427.72
2022	56,086.96	65,954.23	9,867.27	3,264.44	78,420.49	69,218.67
2023	59,565.22	65,954.23	6,389.01	3,921.02	88,730.52	69,875.25
2024	63,043.48	65,954.23	2,910.75	4,436.53	96,077.80	70,390.75
2025	66,521.74	65,954.23	-567.51	4,803.89	100,314.18	70,758.12
2026	70,000.00	65,954.23	-4,045.77	5,015.71	101,284.12	70,969.94
2027	73,478.26	65,954.23	-7,524.03	5,064.21	98,824.29	71,018.43
2028	76,956.52	80,610.72	3,654.20	4,941.21	107,419.71	85,551.94
2029	80,434.78	80,610.72	175.94	5,370.99	112,966.63	85,981.71
2030	83,913.04	80,610.72	-3,302.32	5,648.33	115,312.65	86,259.06
2031	87,391.30	80,610.72	-6,780.58	5,765.63	114,297.70	86,376.36
2032	90,869.57	80,610.72	-10,258.84	5,714.88	109,753.74	86,325.61
2033	94,347.83	80,610.72	-13,737.10	5,487.69	101,504.33	86,098.41
2034	97,826.09	80,610.72	-17,215.36	5,075.22	89,364.18	85,685.94
2035	101,304.35	80,610.72	-20,693.62	4,468.21	73,138.76	85,078.93
2036	104,782.61	80,610.72	-24,171.89	3,656.94	52,623.82	84,267.66
2037	108,260.87	80,610.72	-27,650.15	2,631.19	27,604.86	83,241.91
2038	27,608.70	0.00	-27,608.70	3.83	0.00	3.83
	1,545,461.28	1,465,649.52	-79,811.75	79,811.75		1,545,461.28



- Run ABC using linear optimization
- Choose an **Objective** such as:
 - Min PV
 - Min Cash Rent
 - Max Yield
 - CALC Expression (Custom Objective – e.g., Min Prepayment)
- Input **Constraints** in order to...

Optimization Information		Process	Optimize
19.2	Objective	CALC Expression	<input checked="" type="checkbox"/> min Prepayment
		<code>1 f(-) > 0 ! free cash is positive at every rent payment</code>	

- Maintain coverage ratios
- Limit the prepayment
- Meet lessee requirements

19.2	Objective	CALC Expression	<input checked="" type="checkbox"/> min Prepayment
19.3	User Constraints Use Editor Window	<code>1 f(-) > 0 ! free cash is positive at every rent payment</code> <code>2 ATC > 0.5%*(LE-DATE(PUR1))/YRMODE</code> <code>3</code> <code>4 ! Solar Rental Coverage</code> <code>5 ! fcrent(1) < solar_prepayment_limit + solar_rent_ebitda1/solar_rent_cov1</code> <code>6 fcrent(2-) < solar_rent_ebitda[1](2-)/solar_rent_cov[1](2-)</code> <code>7</code> <code>8 Prepayment = max(0,fcrent(1)-solar_rent_ebitda1/solar_rent_cov1)</code> <code>9</code> <code>10 ! Solar Debt Coverage</code> <code>11 ! fcd(-) < solar_rent_ebitda[1](-)/solar_debt_cov[1](-)</code> <code>12</code> <code>13 @pd/constraints() ! 467 Loan / Annual / Cash (Use PD/ADD to update)</code> <code>14 @lessee/constraints()</code>	



- ABC offers a number of **reports** including:

- Yield Proof
 - Cash Detail
 - Tax Detail
 - FAS 13 Accounting
 - Termination Values
-
- Create **custom** reports
 - View** reports within ABC
 - Save** reports as an **Excel** or **PDF** file

Report List

Find Report

Containing text: Search

In category: All Categories

Reports available:

Report	Description
1	Summary Report
2	Yield Proof
3	Statement of Cash Flow
4	Statement of State Tax Liability
5	Statement of Federal Tax Liability
6	IRS Tests (Revenue Procedure 75-28 or Sec
7	FAS 13 Accounting
8	FAS Classification Test
9	Termination or Stipulated Loss
10	Revenue Stream Schedule

Reports selected:

Alternative: A

Send selected reports directly to printer

Buttons: OK, Cancel, Help, Add, Report Help, Print List, Clear All, Add to Menu



FAS 13 Accounting Report



Statements of Earnings in Accordance with FASB Accounting Standard No. 13
with 0 Days of Income Allocated to the First Month

Year Ending	Lessor's Net Investment At End of Year	Total Cash Flow	Pre-Tax Cash Flow Allocated to Investment	Pre-Tax Income Allocated @ 4.36043%	Pre-Tax Income w/o IDC	Amortized IDC	Tax Effect of Pre-Tax Income	Investment Tax Credit	After-Tax Income
Dec 2018	993,886	-954,321	-7,608	39,565	40,036	-471	-17,116	18,679	41,127
Dec 2019	991,368	45,652	2,518	43,134	43,669	-535	-18,660	20,363	44,837
Dec 2020	985,176	49,130	6,192	42,939	43,494	-555	-18,576	20,271	44,634
Dec 2021	975,148	52,609	10,029	42,580	43,153	-573	-18,421	20,102	44,261
Dec 2022	961,111	56,087	14,036	42,051	42,637	-587	-18,192	19,852	43,711
Dec 2023	942,889	59,565	18,222	41,343	41,941	-598	-17,886	19,518	42,975
Dec 2024	920,295	63,043	22,594	40,449	41,054	-605	-17,499	19,096	42,046
Dec 2025	893,134	66,522	27,161	39,361	39,968	-608	-17,028	18,582	40,915
Dec 2026	861,203	70,000	31,931	38,069	38,676	-606	-16,469	17,972	39,572
Dec 2027	824,290	73,478	36,913	36,565	37,166	-600	-15,819	17,262	38,009
Dec 2028	782,173	76,957	42,116	34,840	35,429	-589	-15,072	16,448	36,216
Dec 2029	734,622	80,435	47,552	32,883	33,455	-572	-14,226	15,524	34,181
Dec 2030	681,393	83,913	53,228	30,685	31,233	-548	-13,275	14,486	31,896
Dec 2031	622,236	87,391	59,158	28,233	28,752	-518	-12,214	13,329	29,348
Dec 2032	556,884	90,870	65,351	25,518	25,999	-481	-11,040	12,047	26,526
Dec 2033	485,064	94,348	71,820	22,528	22,964	-436	-9,746	10,635	23,417
Dec 2034	406,488	97,826	78,576	19,250	19,631	-382	-8,328	9,088	20,010
Dec 2035	320,855	101,304	85,633	15,671	15,990	-319	-6,779	7,398	16,290
Dec 2036	227,850	104,783	93,005	11,778	12,024	-246	-5,095	5,560	12,243
Dec 2037	127,147	108,261	100,703	7,557	7,720	-162	-3,269	3,568	7,856
Dec 2038	0	127,609	127,147	462	472	-10	-200	218	480
Totals		635,461	986,278	635,461	645,461	-10,000	-274,911	300,000	660,550



Cash Detail Report

Detailed Statement of Cash Flow

Period Ending	Purchase 1	Residual	Fee 1	Rent	Total Pre-Tax Cash Flow	Federal Tax	After-Tax Cash Flow
Dec 30 2018	-1,000,000.00	0.00	-10,000.00	55,678.67	-954,321.33	431,791.02	-522,530.31
Dec 30 2019	0.00	0.00	0.00	45,652.17	45,652.17	34,031.20	79,683.37
Dec 30 2020	0.00	0.00	0.00	49,130.43	49,130.43	10,818.92	59,949.36
Dec 30 2021	0.00	0.00	0.00	52,608.70	52,608.70	-3,211.50	49,397.19
Dec 30 2022	0.00	0.00	0.00	56,086.96	56,086.96	-3,488.33	52,598.62
Dec 30 2023	0.00	0.00	0.00	59,565.22	59,565.22	-13,999.74	45,565.48
Dec 30 2024	0.00	0.00	0.00	63,043.48	63,043.48	-24,461.76	38,581.71
Dec 30 2025	0.00	0.00	0.00	66,521.74	66,521.74	-24,590.34	41,931.40
Dec 30 2026	0.00	0.00	0.00	70,000.00	70,000.00	-24,664.48	45,335.52
Dec 30 2027	0.00	0.00	0.00	73,478.26	73,478.26	-24,681.45	48,796.81
Dec 30 2028	0.00	0.00	0.00	76,956.52	76,956.52	-29,768.18	47,188.34
Dec 30 2029	0.00	0.00	0.00	80,434.78	80,434.78	-29,918.60	50,516.18
Dec 30 2030	0.00	0.00	0.00	83,913.04	83,913.04	-30,015.67	53,897.37
Dec 30 2031	0.00	0.00	0.00	87,391.30	87,391.30	-30,056.72	57,334.58
Dec 30 2032	0.00	0.00	0.00	90,869.57	90,869.57	-30,038.96	60,830.60
Dec 30 2033	0.00	0.00	0.00	94,347.83	94,347.83	-29,959.44	64,388.38
Dec 30 2034	0.00	0.00	0.00	97,826.09	97,826.09	-29,815.08	68,011.01
Dec 30 2035	0.00	0.00	0.00	101,304.35	101,304.35	-29,602.63	71,701.72
Dec 30 2036	0.00	0.00	0.00	104,782.61	104,782.61	-29,318.68	75,463.93
Dec 30 2037	0.00	0.00	0.00	108,260.87	108,260.87	-28,959.67	79,301.20
Dec 30 2038	0.00	100,000.00	0.00	27,608.70	127,608.70	-35,001.34	92,607.35
Dec 30 2039	-1,000,000.00	100,000.00	-10,000.00	0.00	0.00	0.00	0.00
Totals				1,545,461.28	635,461.28	25,088.55	660,549.83

Technical Details and Support



- ABC runs on Warren & Selbert's **servers** in Santa Barbara
- **Connect** using LINK software
- **Secure** connection
- Comprehensive, swift, unmetered **support**
- Experienced and knowledgeable staff

LINK
Warren & Selbert

Version 3.03
Registered to:

Username:

Password:

Project:

Connection:

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Warren & Selbert

Simple as ABC.

Thank You

For any questions or comments, please do not hesitate to contact us

Phone: (805) 963-0776

Email: support@warren-selbert.com

Website: <http://www.warren-selbert.com/>