

Building in Tough Times



FUNDAMENTAL TRUTHS

- Tax Incentives, while important to project finance and the deal economy will **NEVER** Build any renewable sector!
- Investors primarily care about the right answers to 3 questions:
 - Is this the right sized investment?
 - Can this Management Team execute?
 - Is there a reasonable return timeline?
- The key to growth, sustainability and profitability is a ready market for your output.
- Lenders loan TO cash flow, and AGAINST assets.
- In project finance, the greatest risks (input, construction and regulatory) occur **BEFORE** cash begins to flow!

1. GET ORGANIZED

- Get your team together
- Understand and Define the Project
- Know Your Total Funding Needs
- Answer the Questions: (in plain, short, old, English words).
 - Is this investment “right sized?”
 - Can this Team execute?
 - Can I get a reasonable return in a reasonable time?

2. KNOW YOUR RISKS

- Input Risk
- Construction Risk
- Operational Risk
- Output Risk
- Distributional Risk

3. Prepare to Meet with Investors

- Know your Project
- Have your Company/Management Information.
- Remember the 3 Questions.
- Flexibility is the key.

4. Work the Deal

1. Equity:

- Typically 30-40% of the deal
- Returns must be 12% or else
- Different types of investors

2. Debt:

3. Pledge/Accommodation:

4. TIF:

