OVERVIEW

- Why Finance
- Financing Structures
- Financing Considerations
- Concluding Remarks
WHY FINANCE

- Insufficient funds from operating cash flow
- Better options for existing cash
- Leverage increases return on equity

UNDERSTAND WHY AND WHAT ARE YOUR LIMITATIONS
FINANCE STRUCTURES

- Corporate Financing
- Lease
- Project Financing
Corporate Debt is Issuing Debt at the Corporate Level

- Adds debt to the balance sheet
- Debt looks to cash flow from the business for repayment
- Reduces debt capacity for core business
- Least complicated
- Usually done with existing lenders
LEASE

- Lease payment secured by the project assets
- Potential benefits of using a stronger lessor balance sheet
  - Higher leverage
  - Reduced interest cost
- Different kinds of lease structures
  - Operating
    - Off balance sheet
    - Lease payments are an operating expense
    - Less impact on corporate debt capacity
    - Present value of lease payments are footnoted on financials
    - Potential lower after tax cost
  - Capital
    - On balance sheet
    - Preserve the terminal value
    - Preserves tax benefits
  - Synthetic Lease
    - Operating lease on financials
    - Capital lease on tax books
    - Preserve the terminal value
PROJECT FINANCING

- 3rd Party Ownership of the Project

- Off Balance Sheet

- Financing Secured by Term Contracts for Steam/Power
  - Host contracts
  - Third-party contracts

- Cost, complexity
FINANCING CONSIDERATIONS

- Financing often brings discipline to the project development process
  - Identify Cash Flows
    - High certainty of revenues leads to lower financing costs
  - Risk Mitigation
    - Construction
    - Operating

- Separation of Assets
  - Physical separation from host
  - Independent operation post lease or in event of default
CONCLUDING REMARKS

- Financing cannot turn a bad project into a good project
  - Financing optimizes the financial performance of a project

- Work with your advisors
  - Technical
  - Accounting
  - Legal
  - Finance
REAL WORLD EXPERTISE