



## PROJECT FINANCING GLOSSARY

144A offering	An offering under Rule 144A of the Securities Act of 1933. Refers to a type of security that is exempt from registration with the Securities and Exchange Commission. Only for sale to "qualified institutional buyers" typically controlling at least \$100 million in investable assets.
Amortization	Distribution of debt repayments over multiple periods, usually in regular installments that include both principal and interest.
DSCR	Debt-Service Coverage Ratio. Gives an indication of the cash flow available to meet the interest and principal payments on a debt. Is expressed as a number calculated using this formula: $DSCR = \text{net operating income} / \text{total debt service payments}$ . Potential investors prefer businesses with a $DSCR > 1$ . A $DSCR < 1$ indicates negative cash flow; in other words, the business does not have enough income to cover its debt repayments. The higher the DSCR, the easier it is to obtain a loan.
EPC	Energy Performance Contracting. (Also used to refer to Engineering, Procurement and Construction contracts.)
Flip structure	A business arrangement in which a project is owned primarily by one of two partners initially, with ownership switching to the other partner after a period of time.
Investment grade	An investment with a very low risk of default, such as U.S. Treasury bonds, as determined by one of the three bond-rating firms in the United States.
IRR	Internal Rate of Return.
ITC	Investment Tax Credit.
LIBOR	London Inter-Bank Offered Rate. This is the interest rate that banks charge each other for unsecured loans. The interbank lending market is based in London, England.
PTC	Production Tax Credit.
PPA	Power Purchase Agreement. A contract between a seller and buyer of electrical power specifying terms that last for a number of years, usually no more than 20. The seller is typically an independent power producer.