

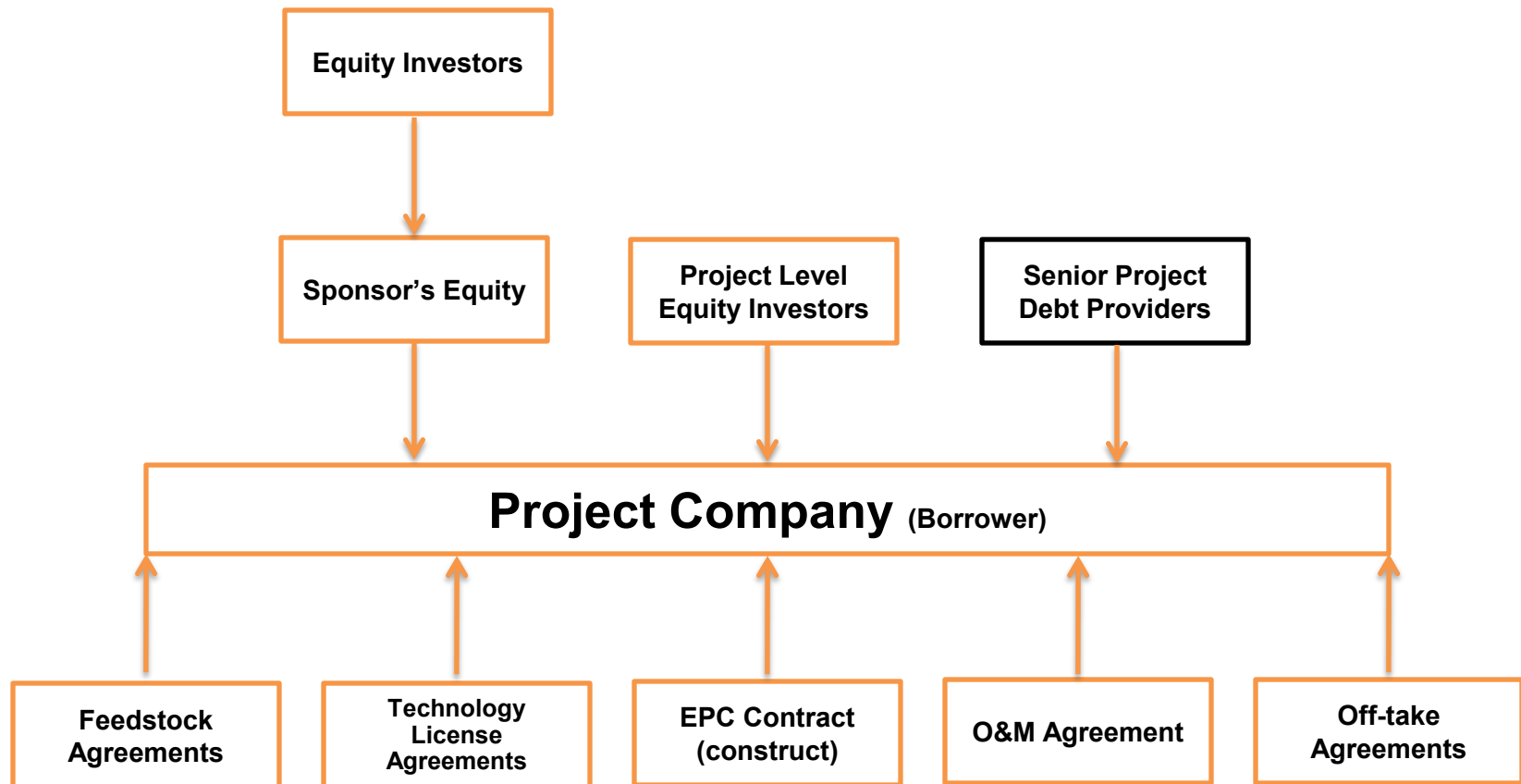


Perspectives on Project Finance

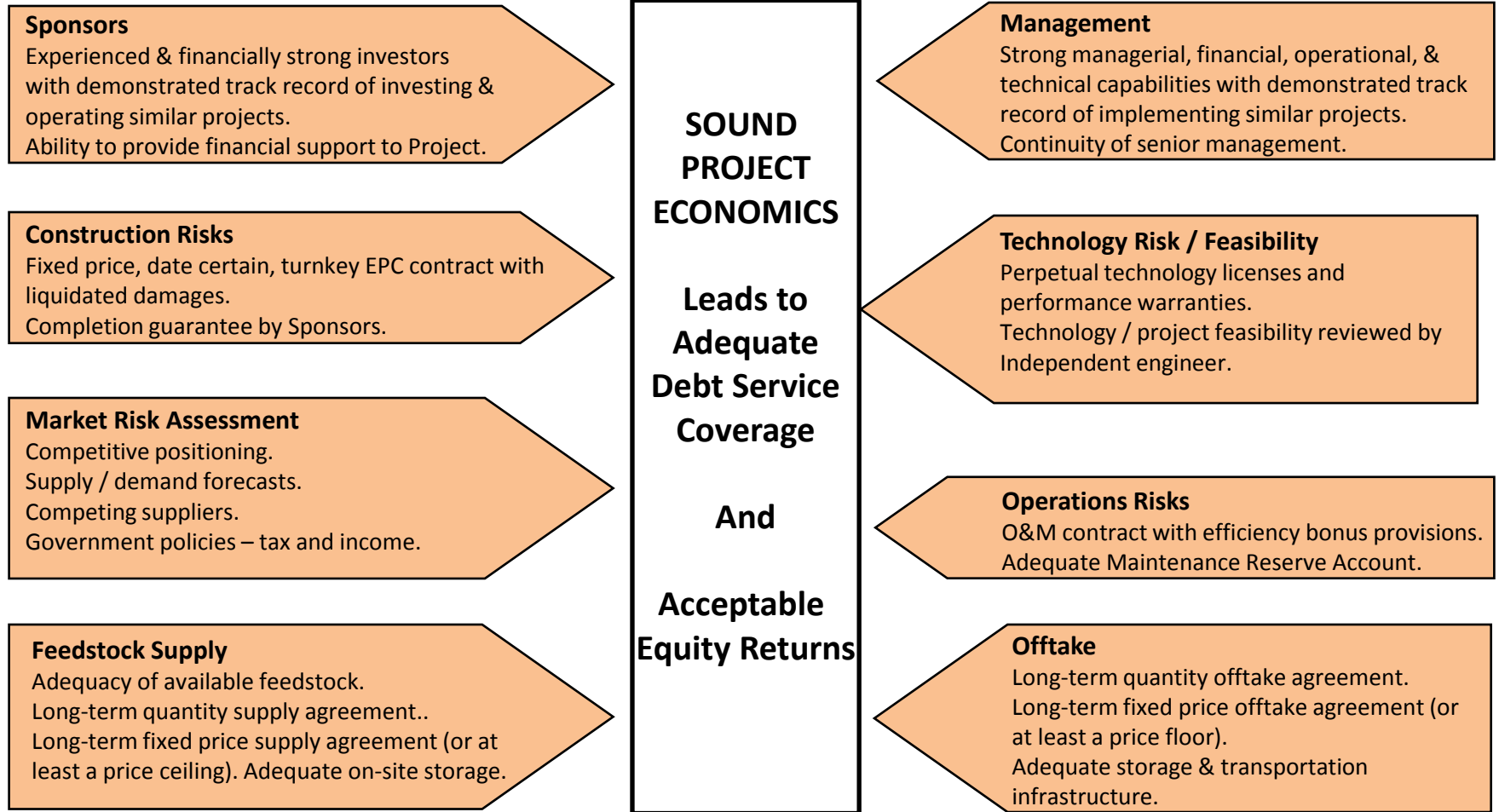
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SternBrothers&Co.

Typical Project Finance Structure



Project Structure Mitigates Project Risks



Technology Risk Mitigation

Guaranty from a Credit-worthy Counterparty (some recourse)

- Parent
- Technology provider

Credit Enhancement via Government Guaranty

- USDA 9003 for Advanced Bio-Refineries
- DOE program

Insurance

- Insurance/warranties on parts, availability and general failure relating to technology
- Extended warranties for repeated failures and product defects
- Insuring the performance curve
- Availability

Credit Enhancements: Insuring ‘Technology Risk’

- Discussions with a major insurer of renewable technology (solar and wind) that has indicated an interest in developing a biofuels insurance product
- Major aspects of coverage
 - Extended warranty
 - Serial loss – Repeated failure of same piece of equipment
 - Product defect – Failure of component to function properly
 - Performance curve (efficacy)
 - Failure of plant to produce the product design output at design specification for design input
 - Availability
 - Liquidated damages payment in the event that design performance cannot be achieved
- Insurers Information needs
 - Independent engineer’s report for the project
 - Product off-take contract
 - Equipment information (price, service and maintenance plan, warranty)
 - Access to the EPC contractor

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