

# Presentation to the Rice Global E & C Forum

## “Status of the Project Finance Market”

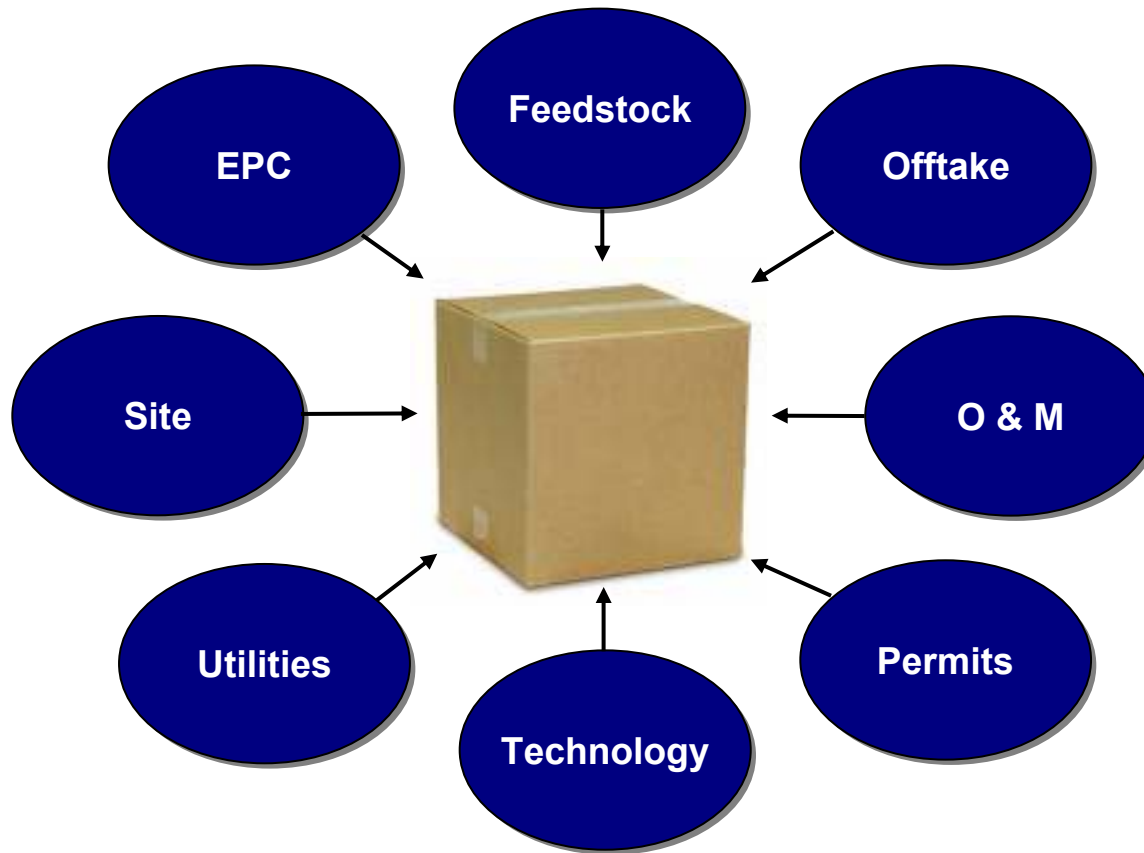
*CONFIDENTIAL | February 13, 2009*

Section 1

# Project Financing Overview

# Project Finance 101

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# Risk Analysis

## Project Terms/ Risk



**REGULATORY**



**CONSTRUCTION**



**TECHNOLOGY**



**FINANCING**



**COMMERCIAL  
TERMS**



## Mitigation

**All Permits In Place by Financial Closing**

**EPC Contract:**

- **Creditworthy Counterparty**
- **Liquidated Damage Provisions for Completion & Performance**

**Performance Guarantees From Licensor and EPC Contractor**

**All Debt and Equity in Place at Financial Closing**

**Feedstock Supply and Off-Take Arrangement with Tenor Matching Term of Debt**

## Financial Structure – Two General Markets

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### **BANK TERM LOAN**

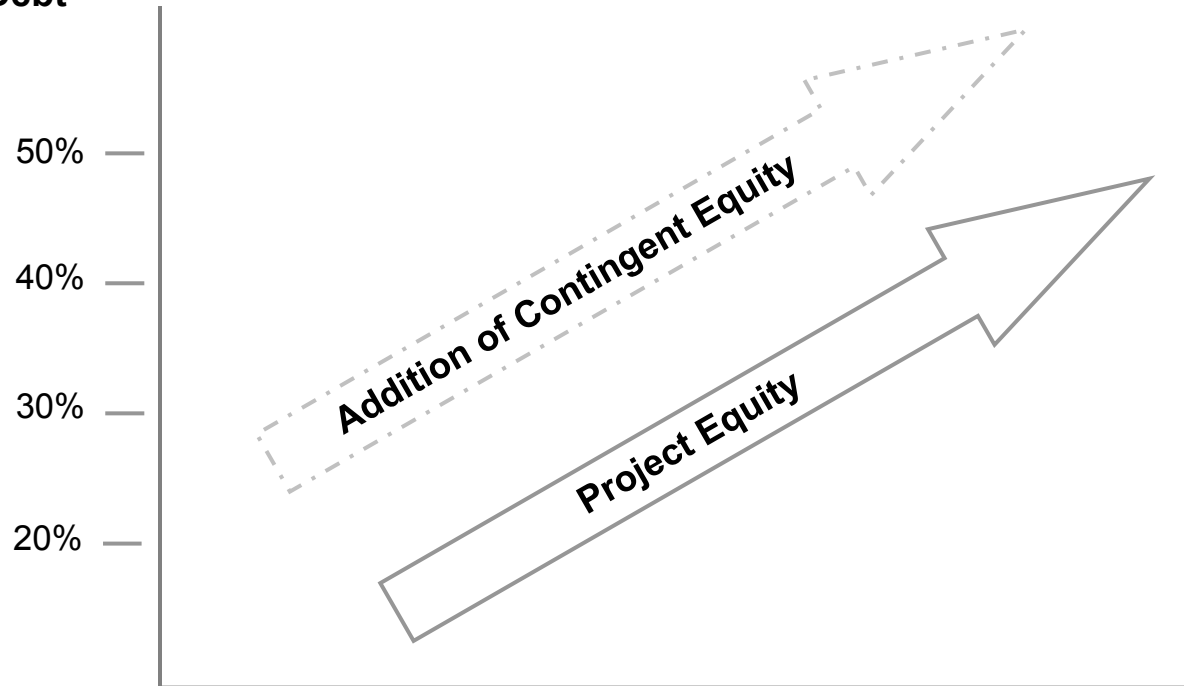
- Term Loan from Commercial Bank
- Interest Rate Hedges put in place with Bank
- Renewal Risk
- Up-front Bank fees and ongoing costs
- Substantial Cash Sweeps
- Deep Market
- Flexible Call Provisions

### **INSTITUTIONAL DIRECT PLACEMENT**

- Long-Term Fixed Rate Taxable Bonds
- Eliminates Hedging Requirement
- Eliminates Renewal Risk
- Up-front fee savings vs. Commercial Bank Term Loan
- Lower Cash Sweeps
- Thinner Market
- Make-Whole or Premium Call Provisions

## Risk Profile vs. Leverage Ratios

Non-Senior  
Debt



Open Project  
Terms



## Risk Profile: Impact of Participation

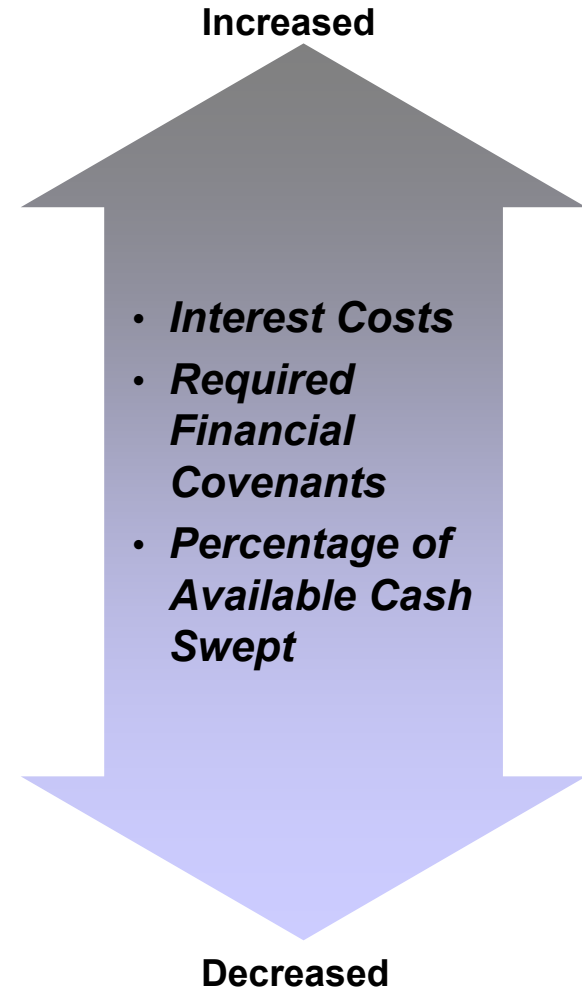
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**Scenario A:** Contribute Asset Only

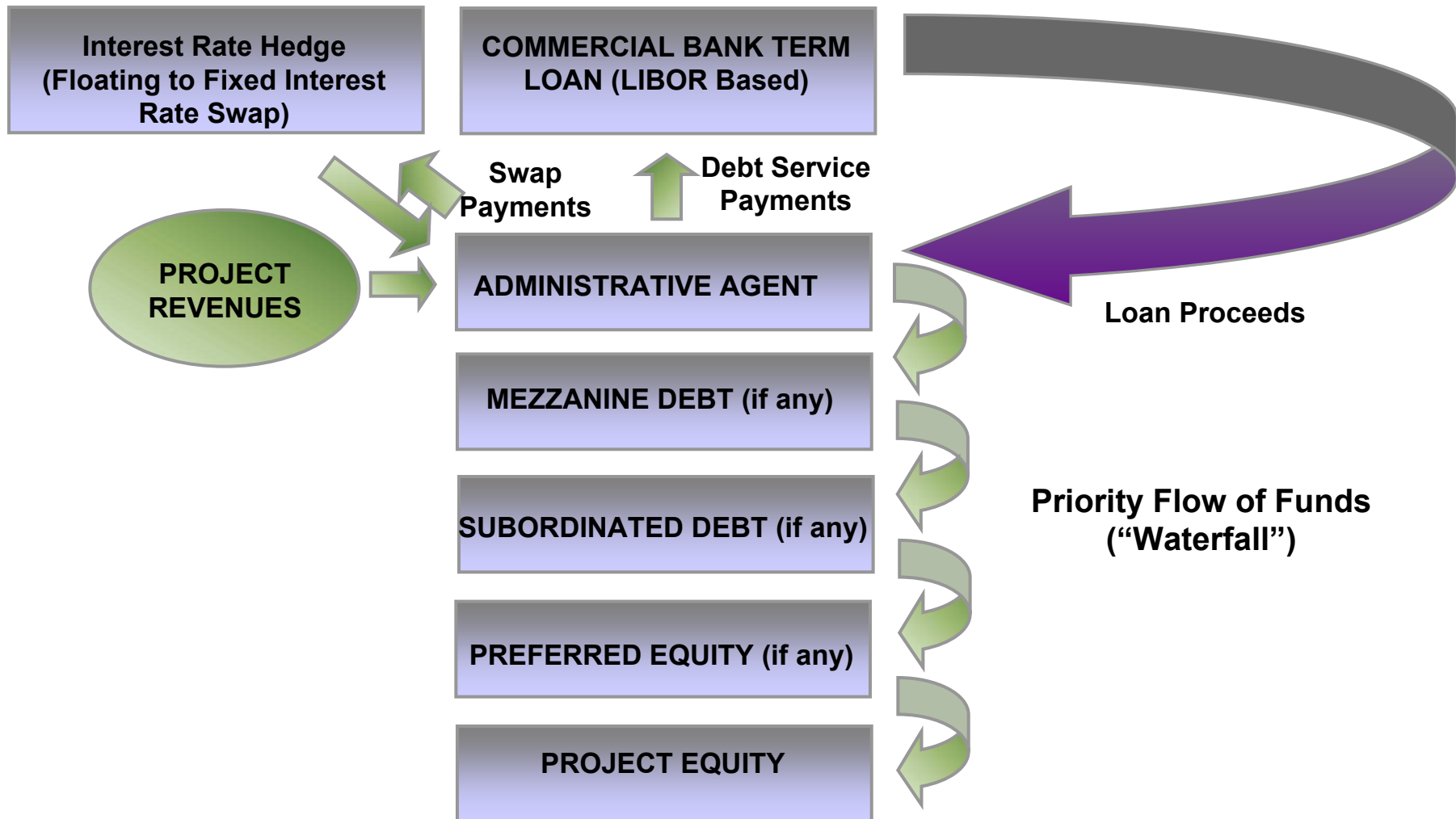
**Scenario B:** Contribute Asset and enter into Offtake Agreement

**Scenario C:** Contribute Asset, enter into Offtake Agreement and Provide Cash Equity Contribution

**Scenario D:** Full Corporate Guarantee

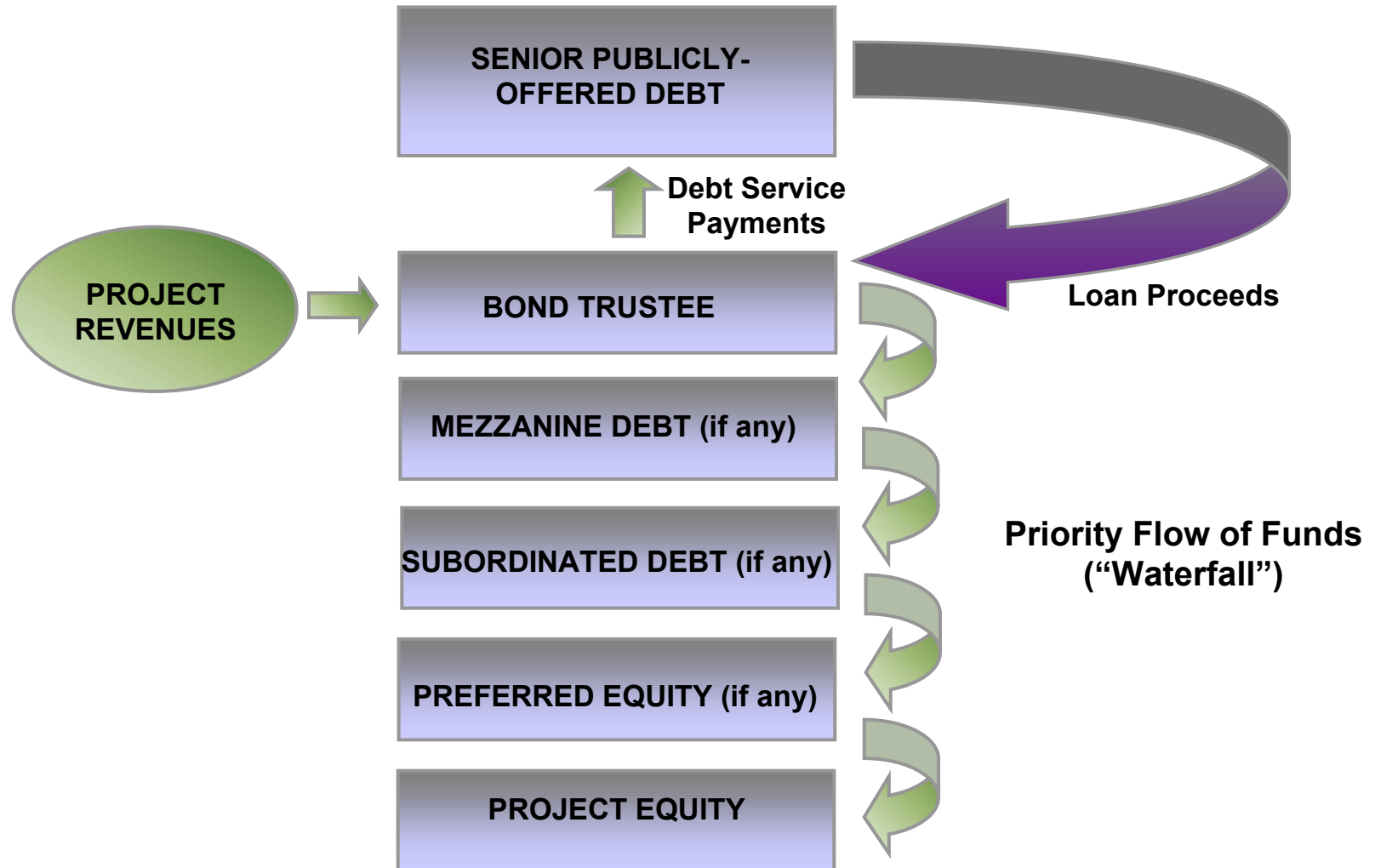


## Financial Structure (Bank Term Loan)





## Financial Structure (Fixed Rate Direct Placement)



## Project Financing Indicative Term Sheet

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<b>Issuer:</b>	Conduit Municipal Entity or 144A
<b>Purpose:</b>	Provide proceeds that, when combined with the equity contribution of the Company, are sufficient to fund: (i) cost of engineering, designing, procuring, constructing and equipping the Project (“Project”), (ii) capitalized interest, (iii) a debt service reserve fund; (iv) a maintenance reserve fund, and (v) costs of issuance.
<b>Security for The Debt:</b>	Bondholders would have: (1) a first lien on the physical assets of the Project; (2) a perfected lien on all funds identified in the Bond Indenture; and (3) an assigned right to all contracts and agreements with third parties.
<b>Interest Payment Dates:</b>	Interest on the Bonds is payable semiannually.
<b>Term:</b>	The term of the project-based debt would essentially match the term of the vital operative contracts and agreements on a scheduled basis, including, but not limited to the products off take arrangements.
<b>Scheduled Debt Amortization:</b>	Mortgage style principal amortization possibly subject to CASH SWEEP
<b>Interest Rate Mode:</b>	Fixed or Variable Rate
<b>Debt Service Reserve Fund:</b>	The Debt Service Reserve Fund shall be maintained at an amount equal to one year’s maximum annual principal and interest on the Debt.
<b>Capitalized Interest:</b>	Interest to be capitalized through construction and start up
<b>Estimated Equity Contribution:</b>	Current market conditions are requiring a minimum of 25% up to a maximum of 50% subject to the project type strength of the vital contractual arrangements
<b>Debt Service Coverage:</b>	1.50x minimum coverage with an average of approximately 2.0x

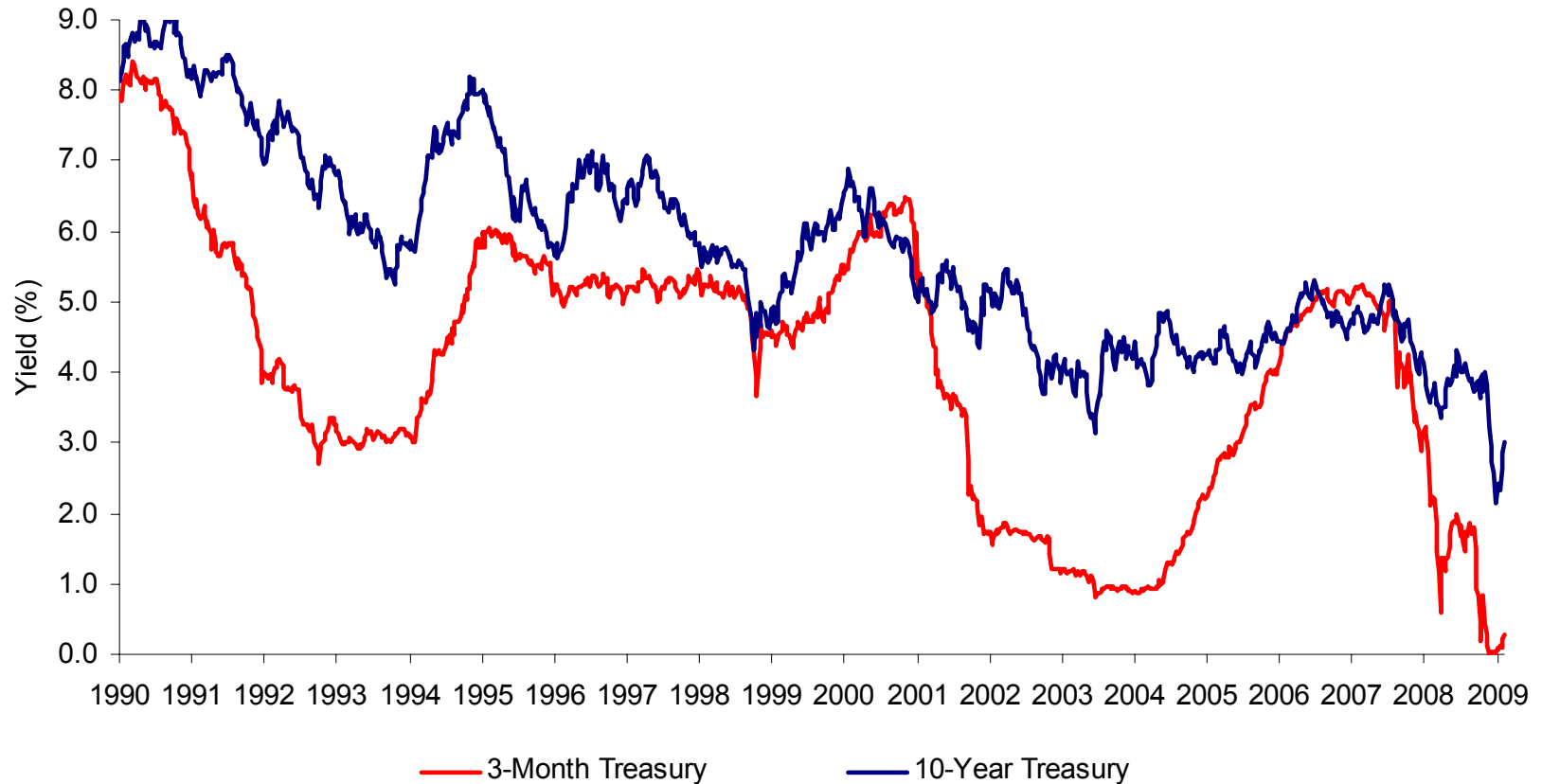
# Indicative Financing Timeline

Event (s)	Week											
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Professional Mandates</b>												
Select Contractor and Finalize Contract	█											
Offtake Negotiations	█											
<i>Engage Consultants and Process Reports</i>												
Independent Engineer		█										
Feedstock Consultant		█										
Market Consultant		█										
Insurance Consultant		█										
<b>Marketing &amp; Sales</b>												
Preliminary Marketing	█											
Distribute Teaser to Prospective Lenders		█										
Conference Calls with Prospective Lenders			█									
Site Visits with Interested Lenders					█							
"Circle" List of Interested Lenders & Negotiate Final Terms							█					
<b>Bond Documentation</b>												
Select Lender's Counsel and Draft Project Documents					█							
Draft Bond and Offering Documents					█							
Print and Mail Offering Document											█	
Price Bonds												█
Verbal Award												█
Execute Bond Purchase Agreement												█
Pre-Close												█
Close Bond Issue and Equity Contributions												█

Section 2

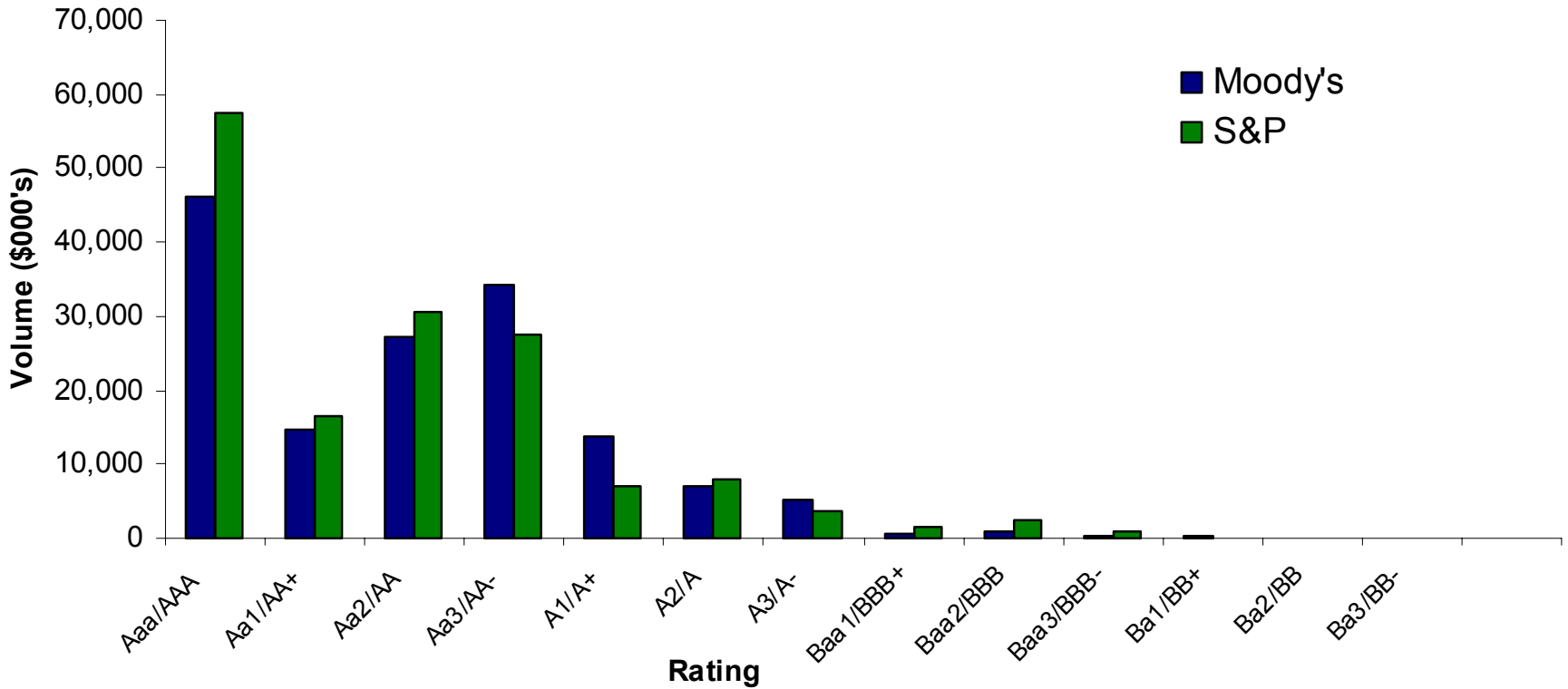
# Market Overview

# Historical Treasury Yields



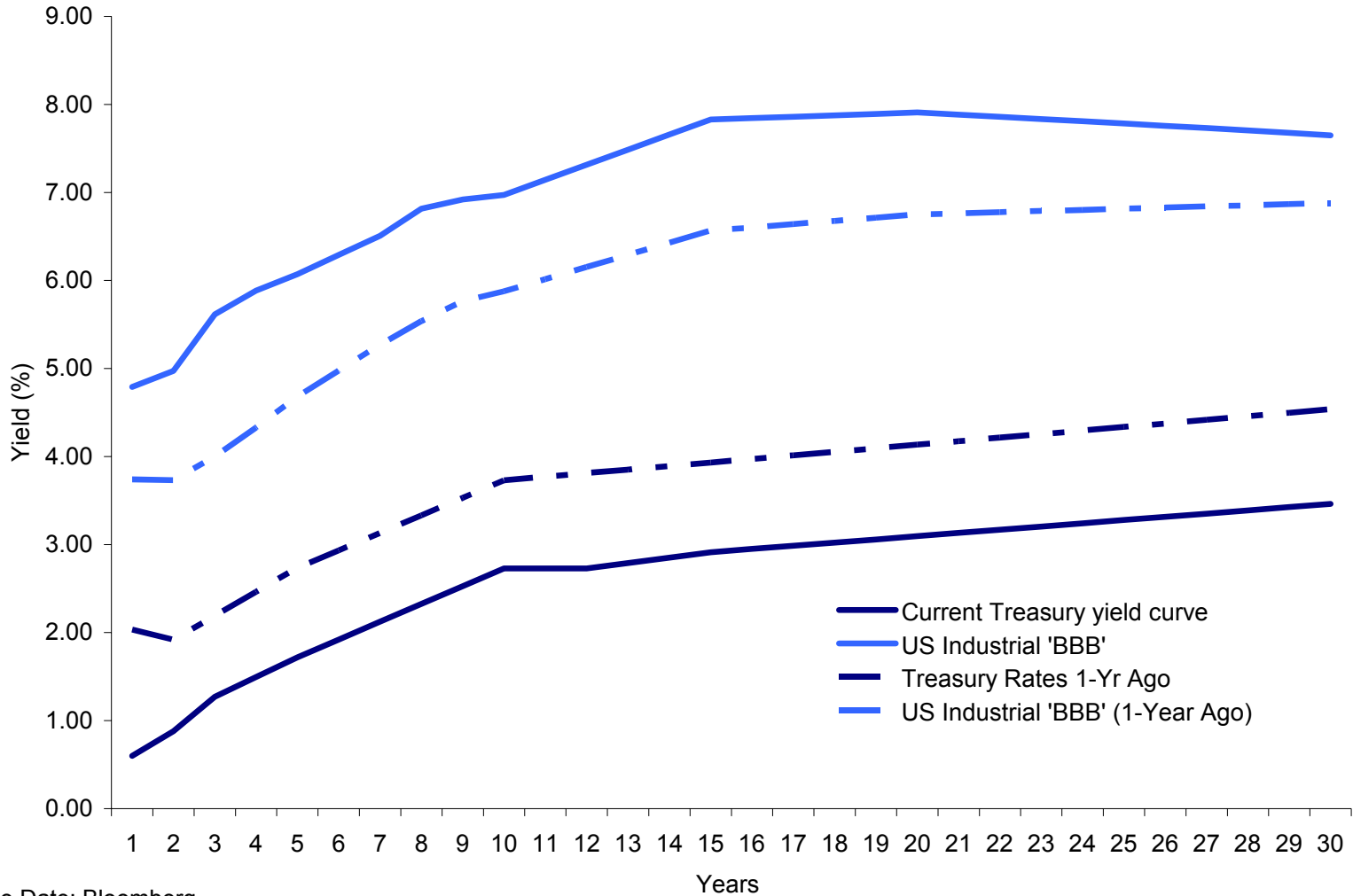
Source Date: Bloomberg

# Rated Municipal Issuance 7/1/2008 - Current



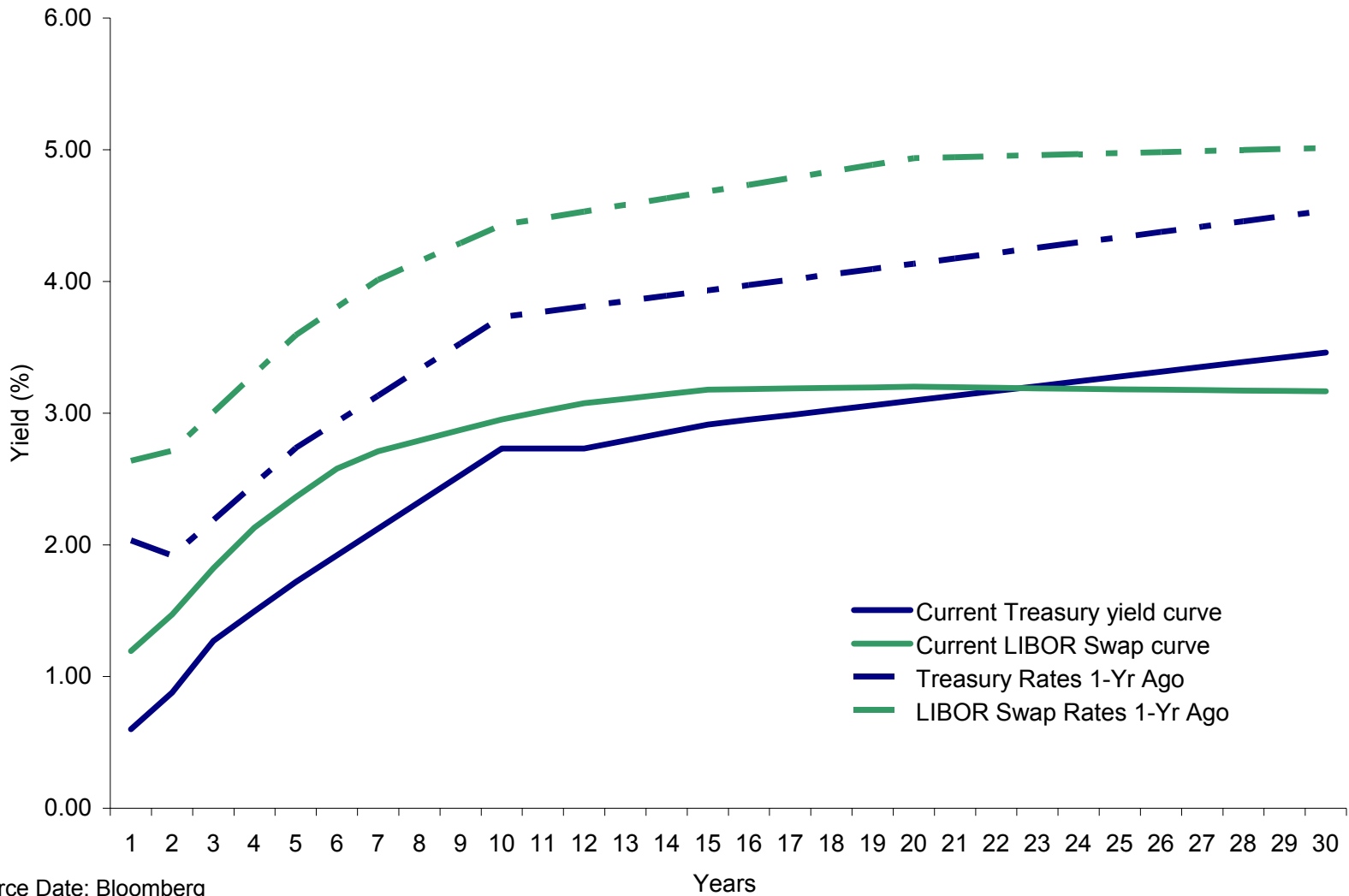
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# US Gov'ts vs Industrials Yield Curves



Source Date: Bloomberg

# Historical Treasury and LIBOR Yield Curves



Source Date: Bloomberg



## Disclaimer

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