

Engineering and Construction Funding



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McDonald Financial Corporation

Financial Engineering

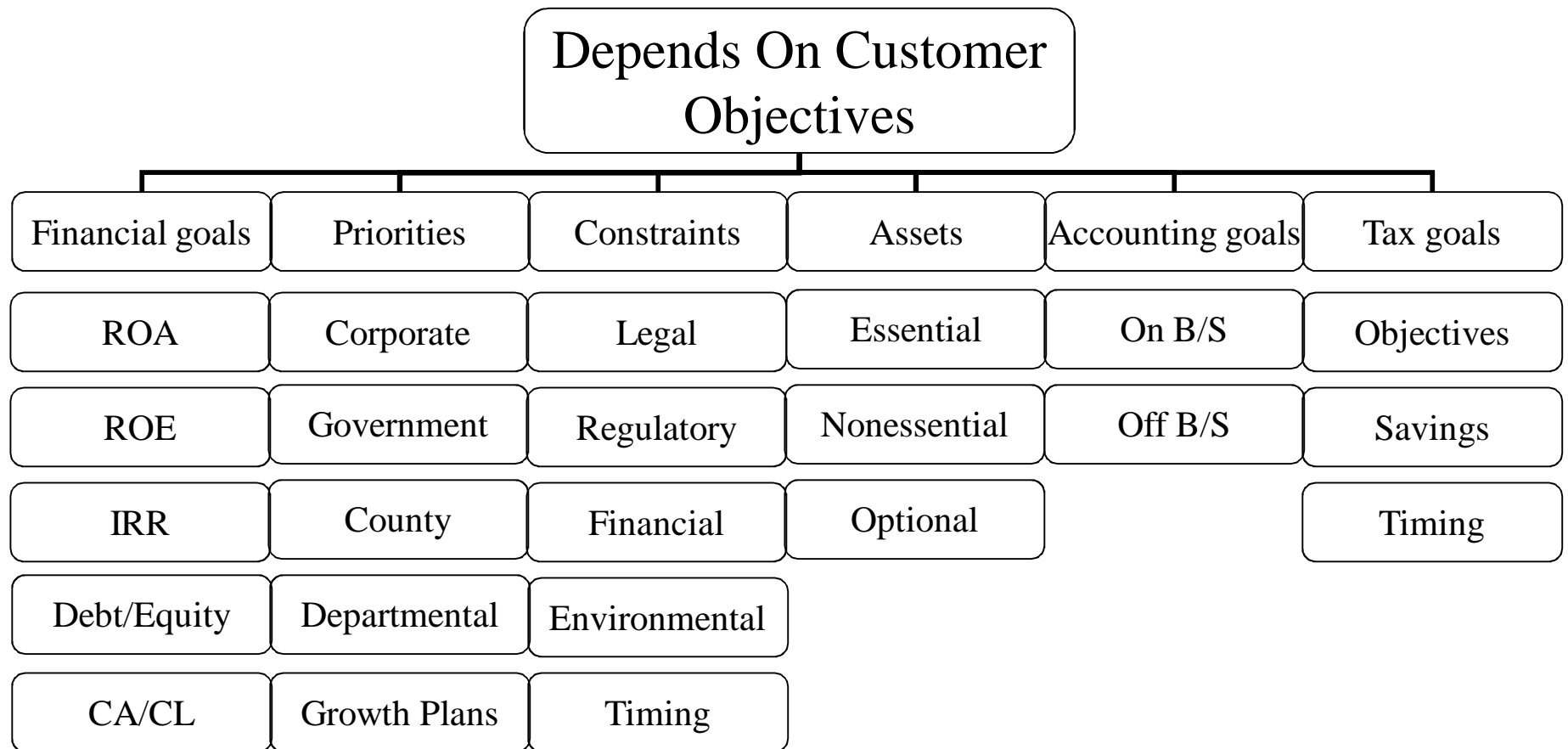
- Just as FEED is done to determine a project's cost, scope and execution strategy it is important to engineer a method to fund a project.
- Even the largest cash rich companies search out and attempt to implement the optimum method of funding each project.
- Front end time and money may be spent on project only to later discover funds for the project are not be fully allocated.
- Constructing a financial execution plan is easier in the beginning.

EPCF

Complete Turn-Key

- E&C companies partnered with a financial entity can provide a complete solution for their customers from planning to startup.
- When engineering and financial planning are combined customers enjoy timely project completion, optimal structuring, reduced cost and risk.
- E&C companies can operate from a cash escrow to guarantee structured milestones and materials order.

Structuring Funding Options



Equity Requirements

- Traditionally Project Finance requires approximately 50% equity to fund a project, this kills many projects.
- Project equity requirements are often related to project risks that have not been mitigated.
- Reclassifying projects may mitigate equity requirements, substantially reduce interest rates and increase terms.

Obligation Funding

(Not Well Known Option)

- Customers or their users can structure several forms of obligations which can be used to fund projects. If a user obligation is obtained the customer can utilize non-recourse funding.
- A company can receive funding today without equity if they can obtain an agreement to pay for an asset over a sufficient term.
- For example an electric utility, pipeline or terminal leverages its users to achieve funding.

Mitigating Project Risk

- Risk of insufficient equity
- Risk of insufficient debt
- Risk of recourse obligations
- Date and cost certain completion
- Systems performance
- Term does not amortize enough debt
- Refinance risk (future cost/interest rate?)

Private Placements Benefits

- More upfront funding, little to no equity required
- Less covenants / more flexible
- Ratings achieved by NAIC aid to decrease customer's interest rate and increase project value
- Funding can be Non-Recourse Debt to ownership entity
- Longer terms up to 20 years maximum
- Extension typically not needed due to long terms
- Funding does not restrict bank or operating lines of credit
- Long-term fixed rates while rates are at their lowest. No risk rate / payment increase
- MFC can capitalize interest to defer initial payments
- "Prepayment" cost if payoff when rates are lower than originating time, very unlikely now, but customer has a new lower rate

Private Placements Benefits

- Defaults are payment and non payment related (are typically maintenance, insurance)
- No Loan to Value limit (LTV) based on obligation funding
- Will fund soft costs, equipment, fees, engagement costs
- Do not typically capture extra cash flow
- Fund construction and takeout simultaneously
- No depository or other business required
- Actively Seeking to fund transactions
- Can offer loan, lease or obligation funding
- Very creative and flexible
- Not controlled by bank rules and regulations

Alternative Methods of Funding

- Put agreement
- Leveraging off users
- Asset pledge / Over collateralization
- Mineral deposit pledge



Highlighted Past Projects

Jacobs office Building- 100% funding + furniture and fixtures. MFC has done many projects with Jacobs and was selected by Jacobs to fund their office building on Beltway 8.



Financial advisory services assisting Ecopetrol and Jacobs Engineering in the analysis of construction and funding a Cogeneration Power plant.



As closing lender for John Hancock, structured, identified all funding options and structured and managed the refinancing of General Motors \$3 billion Warren Michigan Tech Center.

Typical Projects

Industrial Plants



Commercial Buildings



Storage Facilities



*The above represents just a few types of projects MFC funds.

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MFC Contact Information

We are ready to discuss or answer further questions

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