



RENEWABLE ENERGY- START TO FINISH

- SITE LOCATION
- DEVELOPMENT
- FINANCE
- CONSTRUCTION
- COMMERCIAL
OPERATIONS

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WHAT ARE WE TALKING ABOUT?

“SOURCES OF CLEAN ENERGY IN THE SOUTH

- Energy Efficiency
 - ▶ Combined Heat & Power
- Renewables -
 - ▶ 29 State Renewable Standards
 - North Carolina: 12.5% by 2021
 - Texas: 5,900 MW by 2015
 - [Ga.: no]
 - ▶ Biomass: Woody Biomass, Landfill Methane Gas
 - ▶ Solar: construction of solar plants underway (FL, NC)
 - [Ga.: some small projects in service]
 - ▶ Wind: TX is a leader in wind production
 - ▶ Geothermal
 - ▶ Hydro
- Nuclear
- Natural Gas
- Clean Coal”

source: Southern States Energy Board



WHAT TO EXPECT WHEN YOU'RE EXPECTING..... A RENEWABLE ENERGY PROJECT?

- THE DEVELOPMENT AND FINANCING PROCESS IS COMPLICATED
- IT HAS TO SATISFY MANY REQUIREMENTS
 - ▶ FINANCIAL MARKETS
 - ▶ ENERGY MARKETS
 - ▶ REGULATORS
 - ▶ MANY MORE
- WHAT HAS TO TRANSPIRE IN ORDER TO SATISFY THESE REQUIREMENTS IS NOT WELL KNOWN
 - ▶ AT LEAST IT'S NOT WELL KNOWN OUTSIDE THE INDUSTRY



“DE-MYSTIFYING” THE PROJECT

- TO OTHER STAKEHOLDERS, LIKE THE HOST COMMUNITY, THE PROCESS CAN BE A MYSTERY
- THE ULTIMATE OWNER OF THE PROJECT MIGHT BE A THIRD PARTY WHO IS NOT “AT THE TABLE” AT THE BEGINNING, DEPENDING ON HOW THE PROJECT IS FINANCED
- BUT MEANWHILE, IT’S NOT MYSTERIOUS
- HERE ARE THE TYPICAL STEPS...



LOCATION/DEVELOPMENT

THE DEVELOPER'S FIRST STEPS

- “Conduct preliminary feasibility study/fatal flaw analysis.
- Confirm community support (educate “NIMBYS” and “BANANAS”).
- Assess fuel/feedstock resource availability.
- Consider siting and infrastructure issues, including environmental permit review.
- Complete due diligence feasibility study.”

source: Eustermann, “Developing a Biomass Project for Successful Project Financing”



DEVELOPMENT/FINANCE

THE DEVELOPER HAS TO MAKE THE PROJECT FINANCEABLE

- “Secure strategic partner and/or investment bank.
- Complete power purchase / thermal delivery agreement / Off-take agreements
- Complete permitting.
- Enlist equity partners.
- Secure construction financing and long term financing.”

source: Eustermann, “Developing a Biomass Project for Successful Project Financing”



CONSTRUCTION/COMMERCIAL OPERATIONS

FINAL DEVELOPER STEPS INCLUDE-

- “Select EPC firm
 - ▶ [EPC = Engineering, Procurement, Construction]
- Engineer/construct project
- Commence with commercial operations”

source: Eustermann, “Developing a Biomass Project for Successful Project Financing”



FINANCE

THERE ARE VARIATIONS, BUT MANY RENEWABLE ENERGY PROJECTS ARE FINANCED IN ONE OF THESE WAYS-

- MOSTLY EQUITY
 - ▶ PRIVATE EQUITY FUNDS
 - ▶ HEDGE FUNDS
 - ▶ SOVEREIGN FUNDS
 - ▶ “FAMILY OFFICES”
 - ▶ OTHERS
- BALANCE SHEET FINANCINGS
 - ▶ UTILITY-OWNED PROJECTS
 - ▶ GOVERNMENT-OWNED PROJECTS
 - ▶ INDUSTRY PARTICIPANTS
- NON-BANK CAPITAL



NO BANKS? NO PROBLEM!

THREE SOLUTIONS TO THE PROBLEM

1. PROJECT FINANCE BONDS
2. TAX-CREDIT EQUITY
3. EB-5 IMMIGRANT INVESTOR FUNDING

GOAL- “LAYER” A “CAPITAL STACK”



WHAT IS PROJECT FINANCE?

- Finance Revenue-Generating Project on a Stand-Alone Basis.
- Projects are “bankable” (financeable) without banks.
- Sponsors are not personally liable.
 - ▶ Non-Recourse.
 - ▶ Off-Balance Sheet.
- Some equity is needed.
 - ▶ Typically 80% LTV/LTC.
 - ▶ Leverage increases yield to equity, increases attractiveness to equity investors.
 - ▶ But cash equity, not just tax credit investor equity, is needed.
 - Liquidity
 - Developer “skin in the game”



“BUILD A BOND”

- Bonds (debt obligations) are issued.
- Big change in bond markets- It is possible to finance a project entirely with “taxable” bonds!
- Bonds are custom-tailored to project.
 - ▶ “Build a Bond”



TAX-EXEMPT BONDS

- But tax-exempt bonds offer some advantages
 - ▶ Lower interest rate
 - ▶ Longer term
 - ▶ Greater marketability
 - ▶ More availability of interest-only/capitalized interest
 - ▶ Smaller deals more do-able
- Often tax-exempt bonds are accompanied by a tranche of taxable bonds (“taxable tail”).



SOLID WASTE DISPOSAL BONDS

Examples of tax-exempt bonds

- Solid waste disposal bonds, such as -
 - MSW projects
 - Biomass-to-electricity projects
- ▶ Facilitated by new IRS definition of solid waste disposal facilities
 - “No Value Rule” repealed
 - Feedstock focus - used material? residual material?
- ▶ Other tax rules apply



“SMALL ISSUE” MANUFACTURING BONDS

Examples of tax-exempt bonds

- “Small issue” manufacturing bonds, such as-
 - ▶ Wood pellet plants
 - ▶ Biodiesel plants
- Usefulness limited by IRS limit on capital expenditures attributed to project
 - ▶ \$20 million capex limit during test period (3 years before bond issue through 3 years after bond issue)
 - ▶ Bond proceeds and other capex counted
 - ▶ Within limit, only \$10 million may be financed with tax-exempt “small issue” manufacturing bonds
- Other tax rules apply



GREEN BONDS

- “tax credit bonds”
 - ▶ not tax-exempt
 - ▶ but economics are equivalent
- return to bond investor is via a federal income tax credit
- credit results in discounted interest rate
- option- direct payment instead of tax credit
- two types-
 - ▶ Qualified Energy Conservation Bonds (“QECBs”)
 - ▶ Clean Renewable Energy Bonds (“CREBs”)



GREEN BONDS

- ▶ Qualified Energy Conservation Bonds (“QECCBs”)
 - qualified projects include developing rural capacity, specifically involving the production of electricity from renewable energy resources
 - up to 30% can be issued as private activity bonds
- ▶ Clean Renewable Energy Bonds (“CREBS”)
 - finance energy facilities for governments, public power providers, and nonprofit REA utilities
- ▶ QECCBs and CREBS both generally can finance facilities that qualify for the federal production tax credit (PTC)
 - in some cases this could be another source of tax credit equity



“DE-RISK” THE PROJECT

HOW PROJECT FINANCE WORKS

The project entity is a single-asset entity

- ▶ no earnings history
- ▶ no assets other than the project
- It naturally carries with it the operational risk of the project
 - ▶ Need Feasibility Study/Fatal Flaw Analysis
 - Consultant Nationally Recognized in the Industry
- So- other risks must be extracted; i.e., “de-risk” the project
- In other words, the more certain the revenues and benefits, the more financeable the project.



CONTRACTED-FOR REVENUES

Can't Have -

- Revenue Risk
 - ▶ Need long-term contract(s) with creditworthy customer(s) (offtake agreement, power purchase agreement (PPA), thermal delivery agreement, etc.)
 - ▶ Example: with a power project, these utility parameters must be financeable: interconnect agreement, stand-by rates/avoided cost rates/buy-back rates, any rebate amount, any available feed-in-tariff
- contracted-for revenues are typical of some industries
 - ▶ examples, biomass-to-electricity, wood pellets
- but not typical of others



“MERCHANT” PROJECTS

- “hybrid” projects
 - Example: Solid waste disposal
 - » *Electrical output - contracted for*
 - » *Recyclables output - spot market*
 - mitigation also sought (see below)
- “mitigated” projects
 - revenue risk exists, but it’s offset
 - More equity
 - Credit enhancement
 - Studies from reputable sources providing comfort on key issues

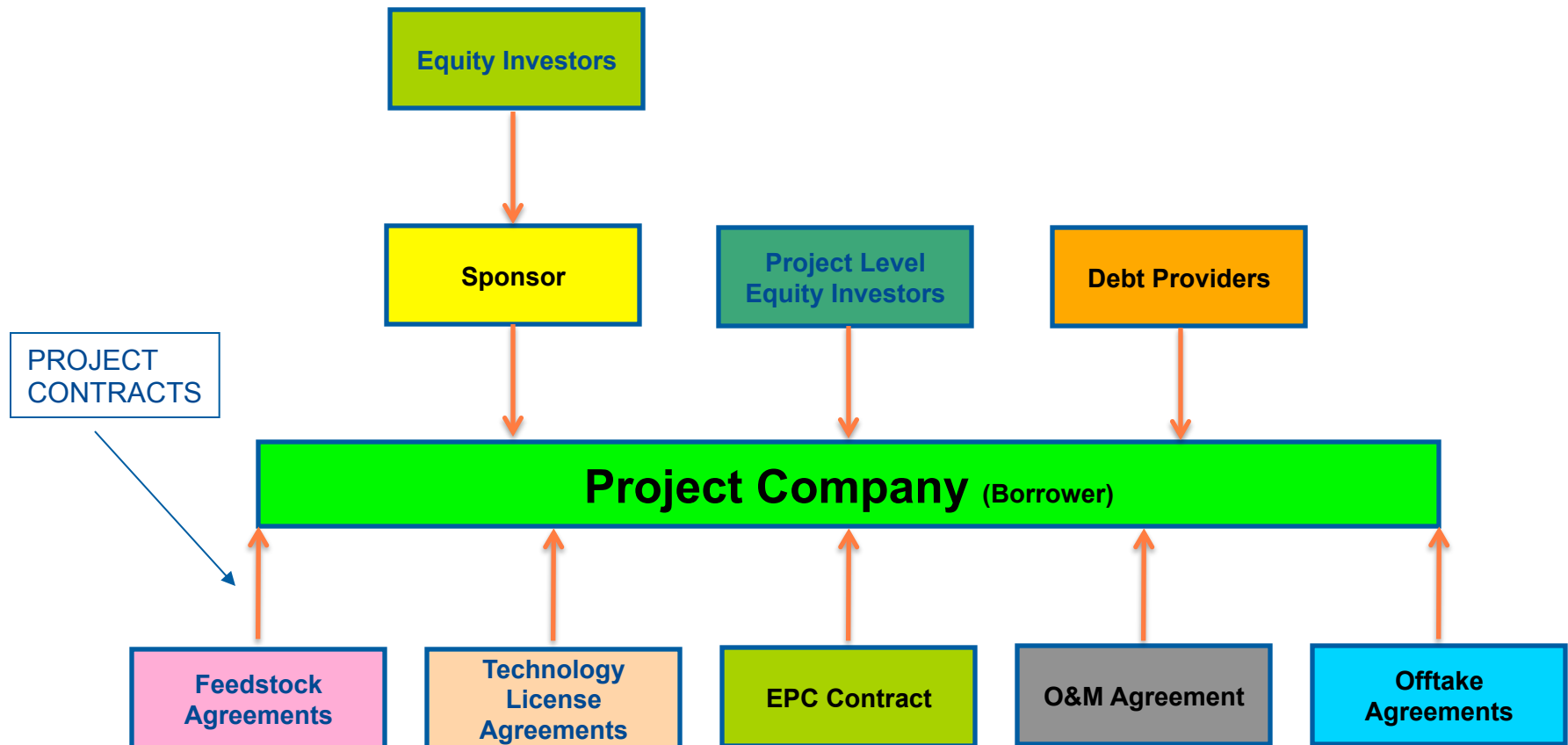


QUALIFY THE PARTICIPANTS

Must Have -

- Qualified Sponsor
 - ▶ Management
 - Sometimes can outsource
 - relationships
 - ▶ “skin in the game”
 - ▶ track record
- Project entity itself must be bankruptcy-remote
- Creditworthiness in -
 - ▶ Counterparties to Project Contracts with Project Company

PROJECT STRUCTURE, COUNTERPARTIES, AND PROJECT CONTRACTS



SOURCE: STERN BROTHERS



SCRUB THE PROJECT CONTRACTS

- FINANCE TEAM “SCRUBS” THE PROJECT CONTRACTS
- DO THEY CONTAIN PROVISIONS THAT SUPPORT PROJECTIONS?
- A MISTAKE WITH THE PROJECT CONTRACTS CAN MAKE THE PROJECT UNFINANCEABLE
 - ▶ IMPORTANT- SCRUB SOONER, RATHER THAN LATER
 - ▶ AT STAGE OF NEGOTIATION OF PROJECT CONTRACT
 - NOT AT STAGE OF FINANCING PROJECT!



SCRUB THE PROJECT CONTRACTS

“BONDABILITY”

- CONTRACT LAW MATTERS

- ▶ CAN'T HAVE-

- “exit clause” for counterparty
 - example- right to cancel if “change of law”
 - exchange risk
 - currency of contract should be USD
 - pricing risk
 - revenues must be predictable
 - more

- ▶ SOMETIMES CAN MITIGATE

- example, for pricing- if prices in industry are determined by historical index

- INDUSTRY SPECIFIC ISSUES

- ▶ example- EPC contract must have liquidated damages for delay, GMAX/lump-sum as contract sum, payment and performance bonds, etc.



SCRUB THE PROJECT CONTRACTS

TECHNICAL/TECHNOLOGY ISSUES

- SCOPE OF WORK
- SPECIFICATIONS
 - ▶ example- EPC contract for biomass-to-electricity project: net heat rate, net electrical output (point of delivery), emissions (noise, pollutants), derating curve and heat rate (over life of power purchase agreement)
- PERFORMANCE WARRANTY/EPC WRAP
 - ▶ liquidated damages for design defects
- TESTING/SUBSTANTIAL COMPLETION
- MORE



SCRUB THE PROJECT CONTRACTS

EXTRANEOUS ISSUES

- CAN'T CONTROL BY AGREEMENT IN PROJECT CONTRACT
 - ▶ REGULATORY ISSUES
 - examples-air permit (and transfer issues, depending on plan of finance), state regulation of PPAs (Power Purchase Agreements), etc.
 - land use
 - ▶ CREDITWORTHINESS OF OTHER PARTY TO PROJECT CONTRACT
 - ▶ MORE



TECHNOLOGY RISK - NOT OK

Can't Have -

- Technology Risk

- ▶ Must have favorable report by Independent Engineer (IE) with national reputation in the industry
 - can be “light” study if technology stable or project not technology intensive
- ▶ Best if technology already commercially deployed in the United States
- ▶ Consider technology insurance to insure over technology/performance issues that are open but manageable



CONSTRUCTION RISK - NOT OK

Can't Have-

- Construction Risk
- Need
 - ▶ Project completion guaranty
 - ▶ Payment and performance bonds
 - ▶ Lump-sum or GMAX contract
 - ▶ Liquidated damages



PERFORMANCE RISK - NOT OK

Can't Have -

- Performance Risk
 - ▶ need creditworthy EPC (Engineering, Procurement, Construction) contractor who will provide overall performance guaranty (EPC wrap)
 - ▶ if necessary, consider insuring over this issue



FEEDSTOCK RISK - NOT OK

Can't Have -

- Feedstock Risk

- ▶ Need long-term supply contract(s) with creditworthy supplier(s) (if production/processing project)
 - Sometimes use aggregators or co-op's
 - Need report by fuel consultant/feedstock expert
 - These feedstock parameters must be financeable: availability, access, suppliers, competition, pricing, overall maturity of feedstock market



SITE RISK - NOT OK

Can't Have -

- Site Risk
 - ▶ Need infrastructure, permitted land use, air permit, environmental site assessment, etc.
 - issuance of air permit most common key to biomass or gasification project going forward
 - ▶ Are there issues in the community with accepting the project?



HOW TO “BUILD A BOND”

- CREDITWORTHINESS OF BONDS
 - ▶ Normally can't exceed creditworthiness of lowest rated counterparty
 - ▶ Different creditworthiness for different sources of revenues
 - ▶ “Blended” creditworthiness can result
- TERM OF BONDS
 - ▶ Directly related to duration of project contract(s)
 - ▶ Typically 10 years-20 years
- MARKET FOR PROJECT FINANCE BONDS- UNRATED/HIGH YIELD BOND MARKET
 - ▶ typically sold via limited offering or Rule 144A offering
 - ▶ typical minimum deal size
 - if mostly tax-exempt: \$10 million
 - if taxable: \$50 million
 - Consider “bundling” projects if homogeneous credits

WHAT'S A CAPITAL STACK?

EXAMPLE OF RECENT CAPITAL STACK FOR LARGE PROJECT

<u>Item</u>	<u>Amount (millions)</u>	<u>Per Cent</u>	<u>Type</u>	<u>Investor</u>
Equity	\$22.7	22.7%	Common Equity	Company
Senior Debt- Series A	\$30.0	30.0%	Taxable Project Finance Bonds	Institutional Investors
Senior Debt- Series B	\$20.0	20.0%	Loan	EB-5 Regional Center
Sub Debt	\$27.3	27.3%	NMTC	Tax Credit Investor

Total **\$100.0** **100.0%**



LAYERS IN THE CAPITAL STACK

- Some examples of other sources of funding
 - ▶ Section 1603 Grant
 - ▶ Energy-Related Tax Credits/Tax Credit Equity
 - ▶ New Markets Tax Credits (NMTC) funding
 - ▶ EB-5 immigrant investor funding
- Stand-alone layers in the capital stack, or
- Compatible with Project Finance Bonds



SECTION 1603 GRANT

HOW IT WORKS

- today- this is a legacy program
- key issue is pending deadlines (see following slides)
- grant from US Treasury in lieu of federal investment tax credit or production tax credit
- pays 30% (10% in certain cases) of the costs of “specified energy property”
- not reduced if project also uses subsidized energy financing/ tax-exempt bond financing
- grant not paid until after the project is placed in service (and all the other requirements are met)
- for the right project, grant can be anticipated (monetized, or forward funded) via “bridge bonds”
 - ▶ funded at closing to pay project costs
 - ▶ lien status/source of repayment negotiable
 - ▶ need approving opinion by CPA firm nationally recognized in the industry



SECTION 1603 GRANT

QUALIFY THE PROJECT

- Project must produce electricity
 - ▶ biomass (closed-loop and open-loop)
 - ▶ municipal solid waste
 - ▶ solar
 - ▶ wind
 - ▶ geothermal
 - ▶ marine
 - ▶ hydrokinetic



SECTION 1603 GRANT

PENDING DEADLINES

- Renewable energy project must be “placed in service” (a term of art) by the end of 2011, or -
 - ▶ Before the end of 2011, begin construction (continuously conduct “physical work of a significant nature”, or comply with the “5% safe harbor”) and place the project in service before the applicable “credit termination date”, and
- Before October 1, 2012, apply to the U.S. Treasury Department (“Treasury”) for the grant (regardless of whether or not the project has been placed in service.)
- Placed in Service not later than
 - 12/31/2012 for wind
 - 12/31/2013 for most other renewables
 - 12/31/2016 for solar
- All other requirements must be satisfied



TAX CREDITS

- Production Tax Credits (“PTCs”)
 - ▶ facilities that produce electricity from renewable sources
 - ▶ IRC Sec.45
 - ▶ Must begin construction not later than Dec. 31, 2013
- Investment Energy Tax Credits (“ITCs”)
 - ▶ “energy property”
 - ▶ IRC Sec. 48
 - ▶ PTC-eligible projects can elect to claim the ITC in lieu of the PTC
 - not small irrigation power and refined/Indian coal production facilities
- Value of tax credits: they reduce federal income tax liability on a dollar-for-dollar basis



DEPRECIATION DEDUCTIONS

- Accelerated depreciation is another tax benefit for the investor
 - ▶ generally increases the tax credit's purchase price
- General Rule- When an expenditure gives rise to a tax credit and a deduction (such as depreciation), then the credit and the depreciation deduction must be allocated in the same manner.
- For facilities placed in service after 2007 and before 2013, 50% of the facility can be depreciated in the year it is placed in service



PRODUCTION TAX CREDITS (PTC)

QUALIFY THE PROJECT

- To qualify the electricity must be produced from an eligible feedstock (i.e. “qualified energy resources”):
 - ▶ Wind;
 - ▶ Closed-loop biomass;
 - ▶ Open-loop biomass;
 - ▶ Geothermal;
 - ▶ Solar (but only if placed in service prior to 1/1/06);
 - ▶ Marine and Hydrokinetic;
 - ▶ Municipal solid waste; and
 - ▶ Qualified hydropower production.



PRODUCTION TAX CREDITS (PTC)

PTC is-

- based upon the amount of electricity generated and sold
- currently (for 2012) 2.2 cents per kilowatt hour of electricity produced by the taxpayer and sold to an unrelated person
 - ▶ reduced to by 50%, to 1.10 cents per kilowatt hour, for the following facilities: open-loop biomass, landfill gas, trash combustion, marine and hydrokinetic and qualified hydropower
 - ▶ reduced by up to 50% for projects that receive other federal tax credits, federal, state or local grants, tax-exempt financing, or subsidized energy financing.
- claimed over a 10-year period beginning on the date the facility was placed in service



MONETIZING THE PTC

- Syndication- developer sells almost all of the ownership interests in his project company that owns the renewable energy facility
- Asset sale- developer's project company sells the title to the renewable energy facility



INVESTMENT TAX CREDITS (ITC)

QUALIFY THE PROJECT

- ITCs are available for “energy property”
- Energy property includes:
 - ▶ solar property,
 - ▶ geothermal property,
 - ▶ qualified fuel cell property or stationary microturbine property,
 - ▶ combined heat and power system property,
 - ▶ qualified small wind energy property, and
 - ▶ geothermal heat pump systems



INVESTMENT TAX CREDITS (ITC)

- The ITC is based on the cost of the energy property, not on how much electricity is produced
- There is no requirement that electricity be sold
 - ▶ generation for own use is OK



INVESTMENT TAX CREDITS (ITC)

- ITC is-
 - ▶ 30 percent for solar energy property, hybrid solar lighting systems, qualified fuel cell property, and qualified small wind energy property
 - ▶ 10 percent for stationary microturbine property, combined heat and power system property, and geothermal heat pump systems
 - ▶ claimed in the year the facility is placed in service in daily operation (although in certain circumstances it could be claimed based on “progress expenditures” over more than one year)



GOOD THINGS

- ITC IS NOT SUBJECT TO THE REDUCTION OF UP TO 50% LIKE PTC IF COMBINED WITH SUBSIDIZED ENERGY FINANCING OR TAX-EXEMPT BONDS
- GRANTS
 - ▶ IRC SEC. 118 PROVIDES EXEMPTION FROM TAXABILITY IN CASE OF GRANTS TO CORPORATION
 - ASIDE FROM THIS EXEMPTION (AS CONSTRUED), GRANTS ARE GENERALLY TAXABLE
 - ▶ IF GRANT IS NOT TAXABLE, ITC/SEC. 1603 GRANT IS REDUCED LIKE PTC IS REDUCED



BAD THINGS

- RECAPTURE: ITC AND SEC. 1603 GRANT
 - ▶ 5 YEAR HOLDING PERIOD (AFTER INCENTIVE CLAIMED) FOR ENERGY PROPERTY
 - ▶ CREDIT VESTS RATABLY OVER THE 5 YEAR PERIOD
 - ▶ ITC RECAPTURED IF DURING THE 5 YEAR PERIOD-
 - TAXPAYER DISPOSES OF PROPERTY
 - PROPERTY CEASES TO BE ENERGY PROPERTY
 - ▶ NOTE- SOME EXCEPTIONS TO RECAPTURE EXIST FOR OWNERSHIP TRANSFERS IN CASE OF SEC. 1603 GRANT
- DISQUALIFICATION: ITC AND SEC. 1603 GRANT
 - ▶ QUALIFICATION AS ENERGY PROPERTY (AND THE ITC OR SEC. 1603 GRANT) IS LOST FOR PROPERTY THAT IS USED BY-
 - CERTAIN TAX-EXEMPT ORGANIZATIONS
 - GOVERNMENTAL UNITS
 - FOREIGN PERSON OR ENTITY (OR OUTSIDE THE US)



MONETIZING THE ITC

- Syndication - developer sells almost all of the ownership interests in his project company that owns the renewable energy facility
- Asset sale - developer's project company sells the title to the renewable energy facility
 - ▶ lease-back to project company sometimes occurs
- Lease - developer's project company leases the renewable energy facility to a tenant who claims the ITC
 - ▶ subject to disqualification rules
 - ▶ disqualified person can still purchase the electricity



NEW MARKETS TAX CREDITS (NMTC)

HOW IT WORKS

- NMTC funding is sub debt
- Normally NMTC proceeds are leveraged against senior debt proceeds and other capital sources
 - ▶ Leveraged lender not allowed to have direct security interest in project assets
 - ▶ Right structure needed if Project Finance Bonds used because bond investors must have first priority lien
- Result equivalent to “forgivable loan” equal to NMTC proceeds
- Numerous tax issues apply

HOW TO GET IT

- Treasury Department's CDFI Fund allocates tax credits to a Community Development Entity (CDE), which sells them to a private sector investor who gets a 39% federal tax credit over 7 years

QUALIFY THE PROJECT

- CDE invests the sale proceeds as loans or equity investments in a Qualified Active Low-Income Community Business (i.e., the project entity) located in a qualified census tract or that serves a “targeted population”
 - ▶ NMTC qualified census tract
 - poverty rate of at least 20%, or
 - income level less than or equal to 80% of -
 - the statewide median (non-metropolitan census tract), or
 - statewide median family income or the metropolitan area median family income, whichever is greater (metropolitan census tract)
- **DOES YOUR SITE QUALIFY? SEE “QUESTIONS” AT END**



EB-5 IMMIGRANT INVESTOR FUNDING

HOW IT WORKS

- Qualified immigrants invest requisite capital, obtained from a lawful source, into a qualifying new commercial enterprise (i.e., the project)
- A Regional Center (RC) is usually the conduit through which the investments are made; i.e., the RC's entity (usually a limited partnership) is the investor in the project
- The investment must be “at risk” but otherwise structure of investment is negotiable
- Projects prefer EB-5 investment as sub debt, but investment as senior debt or equity is common
- If invested as senior debt, EB-5 investment must be coordinated with Project Finance Bonds



EB-5 IMMIGRANT INVESTOR FUNDING

REGIONAL CENTER (RC)

- EB-5 investment can be made by an investor on a stand-alone basis, or through a USCIS-designated Regional Center (RC).
- RCs are the norm.
 - ▶ If the investment is stand-alone, indirect jobs are not counted, and practically speaking, the immigrant investor is typically required to reside where the business is located.
 - ▶ RCs use an economic model to calculate and substantiate job creation
 - Models that are used are subject to USCIS approval



REGIONAL CENTER (RC)

- RC's are geography-based.
 - ▶ Each RC has a territory approved by the USCIS.
 - ▶ The territory is not exclusive.
- RC's serve specific sectors of the economy
 - ▶ sectors are what USCIS approved based on the RC's designation application
- USCIS approvals can be amended to expand/change geographic area and economic sectors



EB-5 IMMIGRANT INVESTOR FUNDING

HOW IT WORKS

- Regional Center will have a business model
 - ▶ loan model
 - ▶ equity model
 - ▶ hybrid model
 - ▶ “lease” model
 - ▶ proprietary model
- Loan model
 - ▶ Yield on EB-5 investment is below domestic market if structured as senior debt or sub debt
- Equity model
 - ▶ Return on EB-5 investment follows private equity model if structured as equity
- Horizon for EB-5 investment is generally 5 years
 - ▶ need to plan for liquidity event
 - ▶ trend- longer horizon
- EB-5 funding can be used to leverage NMTC funding



EB-5 IMMIGRANT INVESTOR FUNDING

QUALIFY THE PROJECT

- Per investor requirement is \$1 million, unless project is located in a Targeted Employment Area (“TEA”)
 - ▶ Within TEA, allows minimum of \$500,000 per investor
 - ▶ EB-5 market is the same – investors only willing to invest \$500,000 each
 - ▶ So EB-5 funding really available just within TEAs
 - trend- larger minimum investment



TARGETED EMPLOYMENT AREA (TEA)

TEA

- A Rural Area
 - ▶ outside an MSA, and
 - ▶ city or town with population under 20,000, or
 - ▶ unincorporated county

OR

- An area of high unemployment (areas with unemployment rates at least 150% of the national rate).
 - ▶ The state may designate a particular geographic or political subdivision located within a metropolitan statistical area or within a city or town having a population of 20,000 or more within such state as an area of high unemployment (at least 150 percent of the national average rate).
- Does your project qualify? See “Questions” at end.



EB-5 IMMIGRANT INVESTOR FUNDING

HOW TO GET IT

- 10 or more new full time jobs, per each investor, must be created for the investor to obtain a temporary “green card” (permanent resident visa)
- If the jobs are created within a two year period and other requirements are satisfied, the green card can become permanent and clear the way for citizenship.



CONCLUSION

- RENEWABLE ENERGY PROJECTS ARE NOT LIKE OTHER ECONOMIC DEVELOPMENT PROJECTS
- THEY HAVE THEIR OWN HURDLES AND REWARDS
- WHAT TO EXPECT? ISSUES
- BUT FOR EVERY ISSUE THERE IS AN ANSWER!



REFERENCES

THIS PRESENTATION AND OTHER REFERENCES CAN BE
DOWNLOADED AS FOLLOWS:

- May 2012- Renewable Energy- Start to Finish: Site Location, Development, Finance, Construction, and Commercial Operations
- May 2012- Opportunities in Bond Financing (Stern Brothers)
- May 2012- Energy (Georgia Center of Innovation)
- March 2012- "In-Sourcing Capital: EB-5 Loans and Equity; NMTC Tax Credit Equity; and Non-Recourse Project Finance Bonds"
- October 2011 - "Project Finance - No Banks, No Recourse, No Problem!"
- August 2011 - "Green Energy/Green Dollars"
- August 2011 - "Definition of Solid Waste Disposal Facilities for Tax-Exempt Bond Purposes"
- January 2011 - "Bonds 101"
- January 2011 - "Introduction to Tax-Exempt Bonds"
- January 2011 - "Introduction to 'Taxable Floaters' "

at <http://danmcrae.info/whitepapers>

- September 2011 - Quick Takes: "Section 1603 Grants" for Renewable Energy Projects: Take the Money and Run!"
- August 2011 - Quick Takes: "New Regs, New Rush- Finance Your Renewable Energy and Solid Waste Disposal Projects Now!"
- June 2011 - Quick Takes: "Easy Equity- the NMTC and EB-5 programs"
- January 2011 - Quick Takes: "After ARRA - What Bonds Can We Use Now to Finance Projects?"

at <http://danmcrae.info/quicktakes>



QUESTIONS?

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MORE INFORMATION

This presentation is a quick-reference guide for company executives and managers, elected and appointed officials and their staffs, economic developers, participants in the real estate and financial industries, and their advisors. The information in this presentation is general in nature. Various points which could be important in a particular case have been condensed or omitted in the interest of readability. Specific professional advice should be obtained before this information is applied to any particular case. Any tax information or written tax advice contained herein is not intended to be and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. (The foregoing legend has been affixed pursuant to U.S. Treasury Regulations governing tax practice.)