

# LESMARK

## LesMark Capital, LLC

### ENERGY PROJECT CONSTRUCTION FINANCING

#### General Guidelines for CTL / Private Placement Financing

Purpose: These guidelines are intended to provide a set of minimum standards and structural requirements necessary to successfully use the private placement bond market to fund the construction and/or long term financing of renewable energy projects sponsored by local government, EPC and utility companies.

#### Option A: Government Entity on the Lease or Lease Guarantor

1. Credit rating of tenant or lease guarantor A3/A- (senior unsecured / stable) or better
2. If credit is guarantying lease, standard bond lease guarantee form must be used
3. MSA population of at least 50,000
4. Date-certain rent commencement lease on construction projects
5. Bond lease
  - All obligations and costs performed by and/or paid by tenant (NNN)
  - Project must be rebuilt if damaged or destroyed (other than last couple years)
  - No termination for condemnation
6. An assignment of the underlying PPA, tipping agreement and other revenue contracts/warranties may be required or may be required in the event of default depending on the deal structure
7. No non-appropriations risk and lease cannot be terminated for budgetary cutbacks and legislative defunding or project/program cancellation
8. If lease termination is statutory or otherwise mandatory due to non-appropriation:
  - Credit rating of tenant or lease guarantor Aa2/AA or better
  - MSA population of at least 200,000
  - Project must be critical to government sponsor and MSA
  - Accepted bond lease non-appropriations language must be used
  - Although there is still no assurances that the debt can still be placed, at a minimum pricing will increase 25-50 basis points

#### Option B: Non-Government Entity on the Lease or Lease Guarantor

1. Credit rating of tenant or lease guarantor Baa3/BBB- (senior unsecured / stable) or better
  - This minimum rating may need to be raised depending upon (1) the credit rating of the underlying off-taker under the PPA, (2) the population and demographics served by the project and (3) the importance of the project to the community
2. If credit is guarantying lease, standard bond lease guarantee form must be used
3. MSA population of at least 50,000 of area served
4. Date-certain rent commencement lease on construction projects
5. Bond lease
  - All lease obligations and costs performed by and/or paid by tenant (NNN)
  - Project must be rebuilt if damaged or destroyed (other than last couple years)
  - No termination for condemnation
6. An assignment of the underlying PPA, tipping agreement and other revenue contracts/warranties may be required or may be required in the event of default depending on the deal structure
7. No non-appropriations risk and lease cannot be terminated for budgetary cutbacks and legislative defunding or project/program cancellation (this provision is basically non-applicable to a non-government tenant, but the lease cannot also be terminated in the event any underlying sublease or PPA is cancelled).