

How to Fund Your Project

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Let's be honest. It doesn't matter how revolutionary or good your technology or product is if you cannot secure the funding for it.

FEDERAL FUNDING



There is more than \$54 billion available in funding and loan authority from the federal government. This funding supports each of the nine Technology Readiness Levels (TRLs) from initial concept through first commercialization (see <http://www.americandiversified.energy/directory> for a description of the Technology Readiness Levels and the federal funding opportunities available for each TRL).

Multiple sources of private sector lending, investment, and equity also are available. Many of these can be matched up with federal grant and loan guarantee programs.

These programs are attractive to lenders and investors since they reduce the risks associated with new technologies and products.

This is key. How many times have you heard a private sector funder express enthusiasm for your technology or product, saying they would be happy to provide funding – but only for your second or third project – after you have successfully completed your first commercial operation and it is clear that it operates properly and has a reliable market for its product(s)?

THE VALUE OF FEDERAL FUNDING PROGRAMS

Federal programs provide a level of comfort to lenders and investors through stringent review and vetting processes, well-defined steps for advancement, and clear, measurable milestones that winnow out unworkable technologies and products, and lead to improvements and validation of others.

Hence, federal programs not only support promising technologies and products on a pathway toward success, they open up the number of opportunities available for private sector funding. This is why it is worth your time to look at the federal funding opportunities that can help advance your project.



THE CHALLENGES IN SECURING FEDERAL FUNDING

In doing so, you face three challenges:

- **First**, you must find the program or programs that will support the development of your technology or product – out of the more than 10,000 grants, loans, loan guarantees, research and development and incubator programs, and tax incentives available from federal agencies and the more than 1,000 available from the 50 states.
- **Second**, you must meet the requirements that are necessary to apply for and receive funding.
- **Third**, you must avoid the mistakes that disqualify as many as 72 percent of the applications that are submitted. Close to 20 percent of applications are prescreened out and never read due to seemingly small details that have been overlooked or not followed. Another 52 percent are disqualified due to other flaws in the application (see the list of 40 mistakes that kill a majority of applications and proposals at <http://www.americandiversified.energy/40-mistakes>).



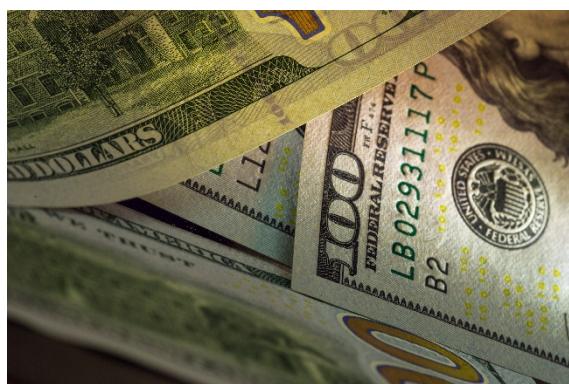
Of the remaining 28 percent of applications, only those with the strongest projects that meet all of the program's funding criteria and score highest are selected for funding.

Those with lower scores and good-but-not-good-enough applications are passed over.

These mistakes are time consuming and costly. They also are completely avoidable.

Both substance and presentation are key to winning federal funding.

PRIVATE SECTOR FUNDING



This also is true of securing private sector investment, equity, and debt financing, although private investors are not as nitpicky as government funding sources.

But, again, no matter how revolutionary or good your technology or product is, you may be getting in the way of your success if you are not able to present it in a way that is clear, succinct, compelling, and memorable.

Financial people expect that you will have certain materials available for them to see. You need to be sure that you have these materials.

HOW TO MAKE THE BEST IMPRESSION

Like the applications that you prepare for federal funding opportunities, the materials that make up a successful financial presentation must:

- Zoom in on the presentation's fundamental goals – meeting requirements and getting the reader to make a positive decision to invest, award a grant, or lend money. Thus, the materials should:
 - ✓ be designed to influence readers' and reviewers' memories;
 - ✓ be built around an awareness of how information gets into memory;
 - ✓ be based, not on pie-in-the-sky assertions and flowery statements, but on solid data that can be provided as a reference or attachment and, preferably, is backed up with independent feasibility studies and technical assessments; and
 - ✓ include a specific call to action.

For these reasons, it is important that:

- The materials adequately address your objectives and needs;
- The materials have a consistent format and theme throughout that tie them together, that complement your information and data, and distinguish your presentation materials from the crowd of look-alike, run-of-the-mill presentations whose messages can blur together;
- The theme/format uses color effectively and subtly; includes headlines, taglines, small blocks of text, text boxes, photographs, illustrations, infographics, and other subtle, tasteful typographic and graphic devices to break up text, highlight numbers, and lead the reader's eyes to key elements of the presentation in a logical, one-at-a-time, easy-to-understand sequence;
- White space is used effectively to avoid clutter, font sizes are easy to read, and key "take away" points stand out;
- Information is broken out into easy-to-absorb, easy-to-digest chunks;
- The materials do not have any "stop signs" – pages or slides filled with small, dense blocks of text, hard-to-see graphics, illustrations and columns of text competing for attention with no clear visual signals to lead the reader from one data point to another;
- The materials stand out, pulling the reader in at first glance, saying "read me first," grabbing attention at the onset and holding attention throughout;
- The materials are written with your audience in mind (the reviewer who is assessing your



application for a federal grant or, for private sector funding, presented from the point of view of a borrower who understands how lenders and investors think) i.e., information and data is relayed in an reviewer-friendly, investor-friendly, lender-friendly “I know what you are looking for and here it is” manner, rather than as a company vision statement or sales pitch;

- The materials avoid the trap of overwhelming readers with too much information (less is more) and, instead, present information in “layers,” leading from simple to more complex, with “off ramps,” options to obtain additional details on specific points of interest, and “hooks” to make readers crave more and lead them to the next step;
- The materials include stories, analogies, visuals, examples, and repetition (but not too much repetition) to help embed your message in the reader’s mind;
- The materials recognize that the reader:
 - ✓ has limited time and a short attention span and is bombarded with competing proposals and demands for his or her attention;
 - ✓ will, on average, only remember 50% of your message after reading/seeing your presentation materials, which will drop to 25% by the next day, and 10% a week later;
 - ✓ will not make a decision immediately, but a week or several weeks after your presentation;
- The materials include key “take away” points that are designed to stand out in the reader’s memory long after the presentation has been read/reviewed; and
- Adequate background information and data is available to provide satisfactory answers to key questions that prospective investors and lenders are likely to ask.

THE SYNERGIES BETWEEN FEDERAL FUNDING PROGRAMS AND PRIVATE SECTOR FUNDING



The first synergy that exists between applying for a federal funding program and securing private sector funding is how one source of funding is able to complement and leverage the other.

The second synergy is in the materials that need to be prepared. Both sources of funding require many of the same materials.

Hence, if these materials are prepared with a view toward meeting the requirements of a federal funding program AND securing private sector funding, you can make multiple use of the same materials, thus saving time and cost.

I like to refer to the development of these materials as building a Lego set.

THE “LEGO SET” APPROACH TO PREPARING APPLICATIONS AND FINANCIAL PRESENTATIONS

There are 16 elements that make up a complete financial presentation. Many of these are the same elements that are required – or are highly useful – for preparing successful applications for federal funding programs.

These 16 elements include:

Introductory materials:

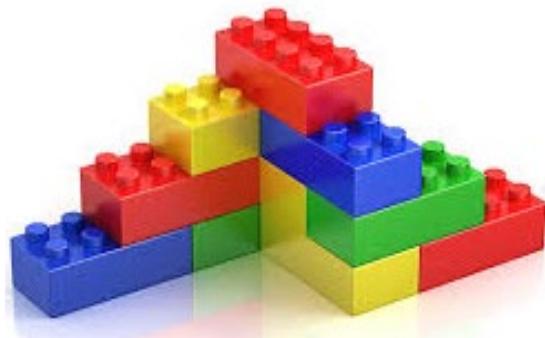
1. Teaser
2. Executive summary
3. Pitch deck (PowerPoint)
4. Management summary – experience, capabilities, previous experience with similar endeavors and projects



Key elements

5. Business plan summary (10 pages)
6. Confidential Information Memorandum (CIM) or Private Placement Memorandum (PPM), if required and appropriate, i.e., if part of a merger or acquisition (M&A) in a sell-side engagement to market a business to prospective buyers, or if part of an offering to prospective investors when selling stock or another security in a business
7. Overview/summary of financials (5-10 pages), including:
 - ✓ financial model,
 - ✓ sources and uses and capital expenditures,
 - ✓ projected after-tax internal return on investment (IRR),
 - ✓ tax credits (type and amount, if available),
 - ✓ current balance sheet and year-to-date income statement (not more than 90 days old),
 - ✓ borrower financials (audited or, at least accountant prepared),
 - ✓ documentation showing money spent to date,
 - ✓ list of equity holders and amount of equity held, current (not more than 90 days old) personal and/or corporate financial statements of any guarantors, and
 - ✓ borrower, equity holder and company credit reports (not more than 90 days old)
8. Technical information summary
9. Description of current market value of collateral (including method of determining collateral value)
10. Summary of raw material/feedstock/supply and sale/offtake/power purchase agreements (PPAs)
11. Status of project site (owned, leased, under option)
12. Summary of feasibility study, including risk assessment
13. Summary of technology assessment/independent engineer's (IE) report
14. Summary of resource, health, and environmental impacts
15. Legal and regulatory approvals
16. Appendix, with:

- ✓ business plan
- ✓ financial information
- ✓ technical information
- ✓ critical path agreement status
- ✓ schematics and sketches (and, if appropriate, process flow diagrams and material and heat balances)
- ✓ appraisals (if applicable and if available)
- ✓ copies of raw material/feedstock/supply and sale/offtake/PPA agreements
- ✓ feasibility study (including economic, market, technical, new technology if appropriate, financial, and management feasibility and risk assessment)
- ✓ Gaant chart showing the project schedule and milestones
- ✓ independent engineer's technical assessment/technical report
- ✓ environmental assessment addressing all 20 elements required for a National Environmental Policy Act (NEPA) review and Phase 1 environmental site assessment
- ✓ copies of legal and regulatory approvals
- ✓ leases
- ✓ status of permits (chart)
- ✓ front-end engineering agreement
- ✓ intellectual property/license agreements
- ✓ engineering, procurement and construction (EPC) agreement
- ✓ operating and maintenance (O&M) contracts
- ✓ long-term contracts for materials, components and equipment
- ✓ warranties, performance guarantees, and risk/loss insurance



The Lego set analogy comes into play because – if the materials are prepared in such a way that they meet all of the potential requirements of federal applications and investment committee and underwriting requirements – they can be tweaked to zero-in on specific requirements, preferences, and requests, and taken apart and re-assembled in a variety of ways to meet these requirements, preferences, and requests.

Hence, you only have to develop these materials one time. And you can give them the time and attention to perfect and hone them so they are as effective, compelling, and complete as they can be.

While many federal grant applications have space limitations and the introductory materials you send a lender or investor also initially must be limited in scope and length, having the 16 presentation elements available for back up and reference works to your advantage:

- It will improve your scoring and chances of success with federal funding programs;

- It answers most of the questions a lender or investor will ask and provides independent analysis and evaluation of your project;
 - It provides a clear signal to lenders and investors that you know what you are doing and are ready to go;
 - It makes available all of the materials that may be necessary to make a funding decision; and
 - It improves your chances that the decision will be in your favor.

HOW TO MOVE FORWARD

There are multiple consulting firms that can assist you in applying for federal funding and preparing the necessary financial presentation materials for private sector lenders and investors.

I head up two organizations, and partner with two others, that specialize in:

- Advocating in Congress for securing and retaining the funding for federal programs through the appropriations bills passed by Congress each year;
 - Preparing financial presentations and applications for federal funding;
 - Arranging private sector project financing through partner firms with a wide variety of sources and approaches; and
 - Providing subject matter expertise to assist you in:
 - ✓ Developing and launching new technologies;
 - ✓ Finding funding opportunities;
 - ✓ Raising capital (through partner firms);
 - ✓ Preparing annual reports and attention-getting business publications;
 - ✓ Responding to RFPs (Requests For Proposals);
 - ✓ Submitting bids;
 - ✓ Capitalizing on emerging trends;
 - ✓ Identifying new business opportunities;
 - ✓ Conducting feasibility studies;
 - ✓ Preparing risk assessments;
 - ✓ Carrying out environmental assessments;
 - ✓ Performing due diligence;
 - ✓ Providing engineering support;
 - ✓ Creating financial models;
 - ✓ Preparing financial presentations;
 - ✓ Writing business plans;



- ✓ Building business cases;
- ✓ Performing market analyses;
- ✓ Designing and building hydroponic and aquaponic growing and vertical farming systems;
- ✓ Commercializing renewable energy technologies;
- ✓ Developing advanced fossil energy systems;
- ✓ Navigating state and federal requirements;
- ✓ Cooperating with government agencies;
- ✓ Influencing policy makers; and
- ✓ Taking steps to mitigate climate change.

I welcome your comments and questions.

For further information, please email me at cj@ade.llc.

You may also visit the American Diversified Energy website at
<http://www.americandiversified.energy/learn-more> and the Alternative Fuels & Chemicals Coalition website at <https://www.altfuelchem.org/>