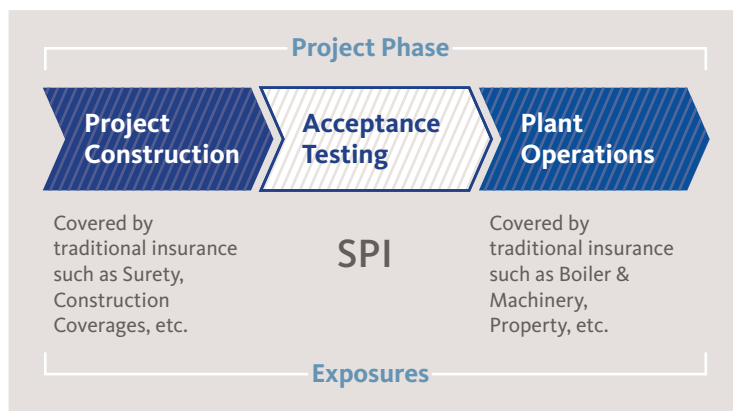


Alternative Energy Investment

Risk Finance offers **System Performance Insurance (SPI)** that helps protect new alternative energy project owners, EPC (Engineering, Procurement and Construction) contractors and technology vendors from specified technology performance risks.

The key to developing alternative energy sources is **cost efficient financing**, but both lenders and equity investors are often concerned about the efficacy of new technologies used to produce alternative energy.

- What happens if the technology does not perform as expected and fails to produce the projected quantity and/or quality of output?
- What is the economic impact to a project if the energy and/or power utilization significantly exceeds the level specified?



In the face of these concerns, many lenders and equity investors look to limit their exposure to the technology risk of alternative energy projects. Equity investors may require performance risk protection. Lenders may offer loans on more attractive terms if such protection is in place. Consequently, project owners may find it necessary to provide lenders and equity investors with either (a) evidence of insurance protection or (b) performance guarantees from their technology providers or EPC partners. Performance guarantees may take the form of performance liquidated damages or financial and resource commitments.

Important Advantages of System Performance Insurance

With Risk Finance's System Performance Insurance, alternative energy facilities may be able to:

- Reduce financing costs and increase debt financing levels
- Attract new investors who may not be as knowledgeable about the industry
- Utilize technologies that may not be as well-known in the US, but that have a successful track record abroad
- Expand the pool of EPC contractors and technology vendors that can be considered for a project, by insuring technology performance exposure

System Performance Insurance is designed to help protect the financial viability of alternative energy projects against the risk that a deficiency in the design of the technology will result in the underperformance of the project, as measured by post-mechanical completion acceptance tests. If such deficiencies occur, SPI helps protect the insured from financial loss. Underperformance of the technology is measured against pre-agreed performance standards that can address any of the following:

- **Quantity** – The system's yield (e.g., bushels of corn per gallon of ethanol)
- **Quality** – The grade of output generated by the system
- **Utility Consumption** (steam, electricity, and natural gas)

Risk Finance's SPI policy can be purchased by:

- Project owners and investors to insure their exposure to the technology design risk
- Technology vendors and EPC's who may not have the financial capital required to provide the guarantees needed in order to bid for projects successfully

An SPI policy may be bound and issued prior to construction, but the coverage term runs from mechanical completion through an agreed upon performance testing period. The insurance coverage is triggered by a measurable, calculated loss due to a technology underperformance as measured during post-mechanical completion acceptance tests. The coverage can be designed to allow the insured to use the insurance proceeds to:

- Make system modifications intended to improve performance up to specified acceptance test levels
- Pay contractually obligated underperformance liquidated damages
- Service the outstanding debt shortfall that resulted from such underperformance.

System Performance Insurance — A Four-Step Process

1. Tell Us about Your Project

To learn more about how you may benefit from System Performance Insurance, simply give us a call. To help us have a meaningful discussion about your particular needs, we ask that you provide us with the following information:

- Project name, location, source and application of funds, and if available, funding terms
- Description of project activity including: technology employed and its track record, technical description, and estimated production
- Description of the desired insurance coverage (amount of insurance, timeline, etc.)
- Project participants—owner, technology vendor, certified installer, maintenance company, EPC contractor, project operator, insurance brokers, advisors, and lenders/equity investors
- Guarantees of performance, liquidated damages, or product warranties available and applicable circumstances
- Alternatives to insurance that are being considered

2. Application Process and Underwriting Fee

The next step is to submit a completed SPI application including project contracts, agreements and other relevant documentation. An underwriting fee is due after our receipt and satisfactory preliminary review of a complete submission.

3. Conceptual Term Sheet

We conduct an initial desktop technical review of the project to determine if SPI coverage is feasible. If the project meets our initial underwriting criteria, we will provide you with a conceptual term sheet.

4. Due Diligence

Formal due diligence is required to confirm our proposed coverage terms. We charge a non-refundable, due diligence fee for expected on-site technical review, legal and underwriting analysis. The due diligence fee is payable in full prior to the engineering due diligence. Payment of such fee does not in any way obligate us to offer or provide coverage, nor does it obligate you or your client to purchase coverage. If a policy is issued, the due diligence fee will be credited towards any premium due under the policy.

Contact Us

To learn more about System Performance Insurance, please visit www.chartisinsurance.com/us/riskfinance or contact:

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