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New Cutting Edge Financing Mechanisms:
Technology Investment Agreements

John A. Herrick

Brownstein, Hyatt, Farber & Schreck

Denver, Washington, DC

Former Chief Counsel

U.S. Dept of Energy – Golden, CO

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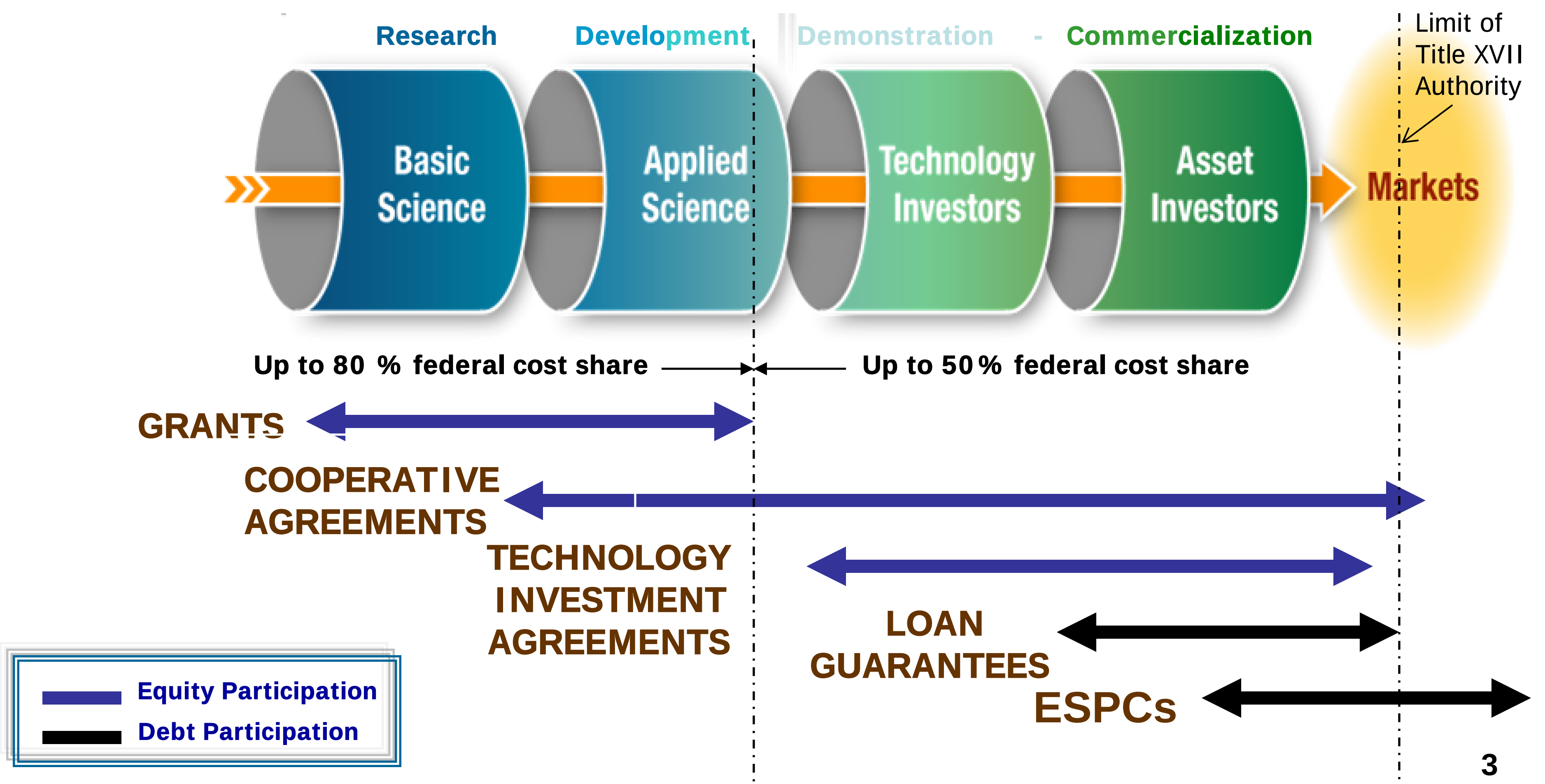
DOE Role in Financing Energy Saving Technologies

- DOE's traditional method of financing energy savings technology has been ESPCs.
- But there has been a failure of inducement for next-generation savings technologies through the private sector project finance community
- New instruments are being developed by DOE to bridge this gap and encourage private sector investment in new energy saving technologies

DOE Financing Instruments on the Technology Pipeline



Types of Relationships With DOE to Develop Biomass Fuel Projects:

- Grants
  - DOE as a cost sharing benefactor of equity R&D
- Cooperative Agreements
  - DOE as a cost sharing research/development partner
- **Technology Investment Agreements**
  - Consortiums as partner with DOE in a new DARPA-like 50% cost sharing instruments for commercial development
  - DOE role as a VC equity-like partner
- **Loan Guarantees**
  - Title 17 of the 2005 Energy Policy Act
  - DOE as a supporter of the friendly debt provider
  - DOE on the debt side of traditional energy project financing

- The Energy Policy Act of 2005 (§1007) requires DOE to implement the DARPA-like “Other Transactions” authority as an additional tool to commercialize innovative energy technologies in partnership with the private sector
- In response, DOE established a new contractual vehicle called **Technology Investment Agreements**” (TIAs)
  - Based upon the established DARPA model
  - DOE TIA Regulations established on May 9, 2006
  - 10 C.F.R. 603
  - First TIA entetered by DOE’s Golden F.O. in Nov. 2007

Technology Investment Agreements

- Encourages for-profit companies to form consortiums with non-profits, academia, small businesses and labs who not normally contract with the federal government
- A more flexible contractual arrangement
  - Outside of traditional DOE contractual regulations
  - Outside traditional DOE IP legal constraints
  - Allows DOE to act like VC-like in supporting commercialization of technologies
- Intellectual property should not be a stumbling block to entering into agreements
- Expectation of up to 50% cost share equity contribution by DOE with industrial participants
- Can incorporate traditional private-sector project finance provisions.

John A. Herrick

Will be joining Brownstein, Hyatt, Farber, Schreck in September 2008

- Prior to September 2, 2008:
  - Johnaherrick@comcast.net

- After September 2, 2008:
  - jherrick@bhfs.com

  - (303) 223-1122