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*INNOVATIVE VENTURE FINANCING  
OF  
RENEWABLES*

RENEWABLES FINANCE 2005  
September 9, 2005

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# VENTURE CAPITALISTS ...

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- Invest in equity
- Accept technical and market risk
- Seek exceptional returns on every deal, but
- Accept frequent disaster

## A BASIC RULE ...

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Realizing return on renewable energy investment always

– Takes longer, and

– Costs more

than you expect / hope

# AS A RESULT ...

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- Early stage investors often get crushed in later rounds
- If the path to exit looks
  - » Too long, and
  - » Too expensive,many venture funds will find the risk too high
- So raising capital to finish technology development and get to market may prove difficult -- or impossible

# EXAMPLE -- EVERGREEN SOLAR

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- We led the company through the first six rounds
- It nearly crashed twice
- The company
  - » Started with a proven technology: String Ribbon
  - » Had to refine, and bring to scale, the production process
- After 11 years, Evergreen is still not profitable -- but it is now clearly on the way

# EVERGREEN SOLAR ...

<u>FINANCING</u>	<u>SECURITY</u>	<u>AMOUNT</u> (millions)	<u>YEAR</u>	<u>PRICE / SHARE</u> \$
Series A	Convertible Preferred	\$ 2.1	1995	2.16 (1.00)
Series B	Convertible Preferred	\$ 4.2	1996	3.24 (1.50)
Series C	Convertible Preferred	\$ 6.8	1998	4.32 (2.00)
Series D	Convertible Preferred	\$ 18.4	1999	5.41 (2.50)
IPO	Common	\$ 42.0	2000	14.00
PIPE	Convertible Preferred	\$ 29.5	2003	1.12
PIPE	Common	\$ 20.0	2004	2.90
Follow-on	Common	\$ 62.5	2005	5.00
PIPE	Convertible Subordinated	\$ 90.0	2005	<7.39>
<b>TOTAL</b>		<b>\$ 275.5</b>		( ) Pre-split price < > Convert price

*It takes longer and costs more ...*

# INNOVATIVE FINANCING STRUCTURES

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- Must protect early investors, if possible
  - » Floors on ownership
  - » Innovative ratchets
  - » Step-in thresholds
- While attracting later stage, deep-pocket investors
  - » Preferences
  - » Springing rights
- “*A good deal is good for all*” is not always attainable