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# China: Energy Efficiency Projects Definitional Mission



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## China's Energy Efficiency Needs

China announced its intention to quadruple GDP between 2000 and 2020 while constraining energy use to only double by raising energy efficiency as it grows. China's economy requires a 7.5 percent average growth rate between 2000 and 2020 to achieve their goal of quadrupling GDP. For 2007, their GDP growth rate was 11.9 percent and industrial production grew by 13.4 percent. However, during that same year China was also reported to have overtaken the United States as the world's biggest emitter of Green House Gases (GHG). Given China's total GDP is less than a third that of the U.S., the world is understandably concerned.

China is responding to a universal cry for improving energy efficiency. With its dependency on commercial and residential use of coal for its energy, GHG and sulfur dioxide particulates remain major sources of pollution in China as it moves to renewable sources of energy. Some 400,000 deaths a year are attributed to respiratory disease related to pollution in the air. China is committed to reducing its dependence on coal and increasing its renewable energy sources from 8 percent in 2008 to 15 percent by 2020 at an estimated cost of US\$100 billion.

In 2005, The National Development Reform Commission (NDRC) announced its 11<sup>th</sup> five-year plan with a goal of reducing energy intensity, that is energy consumption per unit of Gross Domestic Product (GDP), by 20 percent and its discharge of pollutants by 10 percent between 2006 and 2010. One of the key initiatives for realizing China's 20 percent energy intensity reduction goal is the Top-1000 Energy-Consuming Enterprises program which has set energy-saving targets for China's 1,000 highest energy-consuming enterprises.

The Top-1000 Enterprises consist of 1,008 companies in 9 sectors of China's economy they are:

- Iron and steel
- Non-ferrous metals
- Chemicals
- Petroleum/petrochemicals
- Construction materials
- Textiles
- Paper
- Coal mining
- Power generation

These 9 sectors jointly consumed 33 percent of China's total energy in 2004 and represent 47 percent of its industrial energy consumption. There are 998 enterprises in the Top-1000 program with a minimum annual energy consumption of 180,000 tce each. China's stated goal is to reduce the total energy consumption of these 998 enterprises to 100 Mtce by 2010. That's a commitment to improve energy efficiency by an minimum of 79 percent in 5 years in economic sectors growing 11 to 13 percent. This is an aggressive commitment for improvement and one that China is behind schedule attaining.

China's Top-1000 can be distributed geographically throughout China to target the highest probability candidates for energy efficiency study projects as follows:

Northern Provinces—268

- Inner Mongolia 35
- Hebei 112
- Beijing 10
- Shanxi 90
- Tianjin 21

Northeastern Provinces—102

- Heilongjiang 25
- Jilin 25
- Liaoning 52

Northwest—81

- Xinjiang 18
- Qinghai 8
- Gansu 14
- Shaanxi 22
- Ningxia 19

Eastern Provinces—268

- Shandong 103
- Jiangsu 68
- Shanghai 14
- Anhui 33
- Zhejiang 17
- Jiangxi 19
- Fujian 14

South Central Provinces—192

- Hainan 2
- Hubei 37
- Hunan 28
- Guangxi 16
- Guangdong 27
- Hainan 2

Southwest Provinces—97

- Sichuan 40
- Chongqing 14
- Guizhou 18
- Yunnan 25

China's top three provinces for GDP are Guangdong, Jiangsu, and Shandong. Guangdong is the richest province in China and has 27 targeted enterprises of the Top-1000 program. However, Shandong with 103 (10 percent) targeted enterprises, has opportunity exceeding Guangdong.

Shandong province has made great efforts in the past decade to improve its investment environment to attract more foreign capital. Shandong is one of the first groups of coastal provinces in China designated by the Chinese Government to open to foreign investment and trade. The province's GDP has seen average annual growth of over 10 percent and soaring GDP per capita that now exceeds 10,000 Yuan.

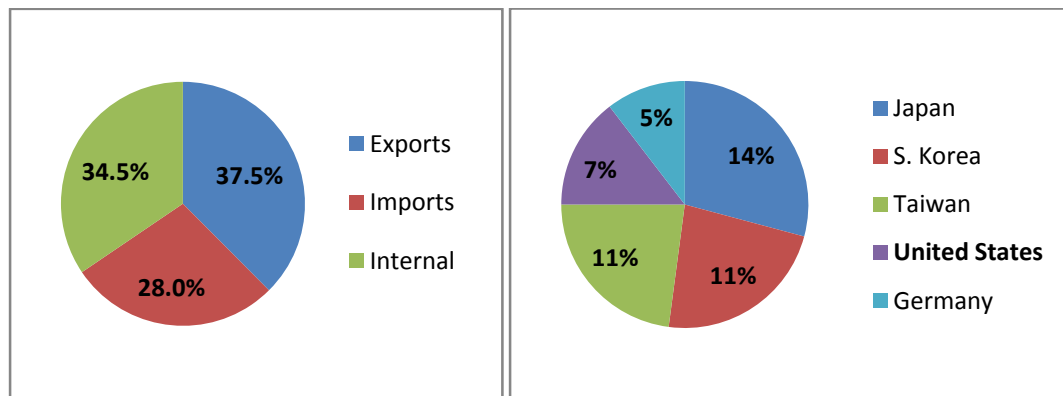
## United States' Opportunity For Energy Efficiency Exports

For China to maintain its twenty year goal to quadruple GDP, imports must grow both in pure dollar terms and as a percentage of GDP too. But, the United States faces serious competition on many fronts from Japan, Europe and Australia in servicing China's growing hunger for more than it can produce.

Historically, the United States has always risen to the challenges given it by the world. Trade with China is no exception. As China's own reforms have transformed it into a more market driven economy, the U.S. has responded with products and services. In March 2007, the US-China Business Council reported that between 2000 and 2006, US exports to the world grew 33%, but exports to China had grown 240%.

In 2007, China had risen to the leading export country not connected by land to the United States. Dominant export trading partners for the U.S. are: Canada 21.4%, Mexico 11.7%, China 5.6%, Japan 5.4%, Germany 4.3%

The distribution of China's GDP, almost equally divided between exports, imports and internal consumptions, is advantageous to the U.S., turning it from an isolationist nation into the world's melting pot. It shows that while China is a force to be reckoned with in the export market, it lacks the sophistication to compete without heavily importing goods and services from other countries. The United States ranks among the five largest trading partners for Chinese imports.



In 2003 China's primary imports were:

- Machinery and equipment
- Oil
- Mineral fuels
- Plastics
- LED screens
- Data processing equipment
- Optical and medical equipment
- Organic chemicals
- Steel
- Copper

Where U.S. exports match the Chinese need for imports is in its need for Capital Equipment, Organic Chemicals, Agricultural Products, Industrial Processes, Science, and Management Skill. Regulatory and political controls affect some of China's opportunities in this set of offerings. However, where no military use is practical, the U.S. can play a growing role in China's future.

Moreover, for the rest of China's imports—items such as steel, copper, LED screens, and oil—the U.S. can find export opportunities with China's other trading partners in Japan, South Korea, Germany, Australia, and Hong Kong (SAR).

Expanding existing—and discovering new—opportunity for U.S. exports is the goal of the USTDA in China. Servicing China's response to the world's demand that it manage the negative side effects of its rapid growth is the mission of this DM project for energy efficiency.

### Economic and Financial Viability of a Energy Efficiency DM Project.

The match between the desire of the United States to produce jobs and increase exports matched to the need by China for imports can be quantified using data from the U.S. Census Bureau and the U.S. Department of Labor Statistics. For 2006, the top 10 industries in manufacturing, ranked by total sales, constituted one-fourth of America's GDP and employed 5% of the total available workforce.

Rank	SIC	Industry	Workers	Sales (\$ 000)
1	325	Chemical mfg	748,464	657,082,332
2	334	Computer & electronic product mfg	1,002,087	390,812,961
3	333	Machinery mfg	1,070,425	326,583,345
4	332	Fabricated metal product mfg	1,491,836	317,214,471
5	326	Plastics & rubber products mfg	867,641	211,299,202
6	3251	Basic chemical mfg	153,308	195,006,868
7	3254	Pharmaceutical & medicine mfg	233,464	180,933,996
8	3261	Plastics product mfg	715,240	174,142,635
9	322	Paper mfg	413,370	169,032,996
10	339	Miscellaneous mfg	666,975	150,480,515
Total			7,362,810	2,772,589,321
Total for U.S.			152,709,000	11,357,800,000
			4.82%	24.41%

Workers in America's 21<sup>st</sup> Century manufacturing base are well-paid, highly-skilled workers who, in turn create more jobs by their personal lifestyle. *What this observation means is that the trickledown effect of adding one job to these ten industries actually adds a multiple of additional jobs throughout the larger American economy.*

The table matching needs to opportunity on the last page can be modified as needed by data provided at the government's Kick-Off meeting in Arlington, but provides a list of high probability targets for success at creating jobs and growing America's overall GDP. The resulting purchase of high-quality energy efficient goods and services from these industries matches China's national 5-year goal of energy efficiency improvements by 2010. *Simply put, China does not have the capacity to meet its national objectives without increasing imports of more sophisticated goods and services from these industries.*

Services, such as process improvements in the manufacture and coating of paper products that result in less environmental impact, are a key driver of China's path to success. The United States has much to offer in terms of technology transfer through training and half a century of process improvements which China will want to buy.

The Return On Investment (ROI) for U.S. Companies in the Top-10 list also matches well with available financing options. A TOR which models economic data to support probabilities of a successful outcome of Pro Forma financial results will add to the ability of Export-Import Banks and OPIC ability to fund programs in China. This produces jobs for both countries while mitigating some of economic growth's damaging effects to the natural environment.

## Potential Project or Sector-Related Issues, Risks, or Problem Areas

### Intellectual Property Risk

Primary for U.S. suppliers of technology and products to China is adherence by the Chinese to honor global patents, trademarks and copyrights. Thankfully, the Chinese have recognized the need to comply with global angst over pirating intellectual property.

China's inability to enforce existing intellectual property laws in the past has made the world wary. The nation struggles with gaining new technology as there is a global reluctance to share products and processes that are state-of-the-art in energy efficiency. A U.S. Company will need to ascertain that high-technology purchases by the Chinese will be completed without violation of the seller's intellectual property rights and that training will not result in China's abandoning the U.S. Company soon after the first sale has been completed.

### Political Risk

Politically, the United States has opposed such major projects as China's Three Gorges Dam project. This was a position that the United States Government took with careful consideration for environmental impact the project would have, but also a position the resulted in the potential loss of billions of dollars in U.S. exports to European, Australian and Japanese businesses.

The Chinese are wary of doing business with the United States because changing politics makes long-term plans at risk. American businesses, particularly small businesses, can be reluctant to do long-term business with the Chinese as well.

Companies within both countries are subject to the changing winds of the political environment. With a capitalistic economy and a socialistic one, the changes can be dramatic and sudden.

## Business Risk

In today's uncertain economy a U.S. business has to be viable enough to deliver what has been contracted for with the Sponsor.

If the U.S. business does not survive the down-turn in the American economy what are the assurances available to the Chinese sponsor that their investment in the project isn't a total loss? Both a competitive bidding process and a limit to proprietary technology can mitigate business risk for a large Sponsor/Grantee working with a U.S. small business.

For a U.S. small business to do well, it needs to not be driven into financial difficulty when delays arise because of bureaucracy in the host country or political events beyond its control. The total value of the project should be no more than 20 percent of the small business's forecast sales and financing/guarantees arrangements need to ensure the proper and timely payment of moneys due the U.S. Company. Incrementally funding the project to the host country is an excellent way to maintain some control over the Grantee's good business behavior.

## Legal Risk

Depending upon the familiarity of all parties with the laws of the other party's country there may be legal entanglements. This risk needs to be mitigated as much as possible early in the negotiations with full disclosure of terms and conditions and top notch interpretation services.

## Language Risk

If documents between the Sponsor and the American company must be translated, risk of misinterpretation exists. It is important that both sides working on a USTDA funded project have adequate ability to work in English, or the adequate resources to provide a good Chinese/English translation of all work.

## Approach to Work and Proposed Performance Milestones

The approach to this project will be to facilitate U.S. private sector participation in development projects with identified Sponsors/Grantees of USTDA funded activities and to recommend other potential projects that have the potential to generate significant exports of U.S. goods and services from the United States to China.

### Milestone 1: Contact Relevant Parties, Kick-off Meeting

The initial milestone's goal will be to contact all stakeholders and complete a needs assessment to understand the needs and desires of all parties identified by the government's list of contacts and projects. This includes contacts from all U.S. Government agencies, U.S. private sector companies as well as Chinese Grantees/Sponsors identified by the USTDA.

Milestone 1 will be achieved when the Contractor has informed the COTR that all contacts have been successfully initiated, or the contact on the government's list is no longer able to be contacted, and the organization offers no alternate person to work with on this project.

### **Milestone 2: Set of Opportunities for Analysis**

This is the assessment phase of the project and includes extensive outreach to U.S. Companies who may fulfill the needs of the host country sponsors. Of particular interest will be obtaining a list of products, or product types, that can be imported VAT/Duty free, working with the Export-Import Bank of China.

The work under this milestone identifies the contract requirement of at least 3 quantifiable opportunities for completed Terms of Reference (TOR) and resulting recommendations for USTDA investment, but the stretch goal for the Contractor will be to identify 5 or more fundable opportunities to investigate during the China visit. The deliverable for successful completion of this milestone will be COTR approval of a pre-visit written report containing:

- Preliminary strategy and findings on viability of all identified projects
- The proposed itinerary for the visit to China
- List of contacts to be made during the visit
- Pre-visit checklist of issues to be discussed/resolved
- Information and questions to be utilized during the visit

Also submission of:

- Proof of insurance DBA and MEDEX
- Proof of tickets purchased

An invoice for 30% of the contract price approved for payment by the COTR, or acting representative, shall be the indication of successful completion of this milestone.

### **Milestone 3: Definitional Mission (DM) China trip**

Successful execution of the planned itinerary in China at destinations identified by the government (or contractor as desired) including briefing and de-briefing by the U.S. Embassy in China.

The itinerary shall include meetings to hold meaningful discussions with targeted host country Sponsors/Grantees and other officials. The Pre-visit Report will outline the agenda's topics of discussion and any other related topics to identify opportunity for the USTDA to improve U.S. exports, build U.S. Human Capacity, and/or transfer technology and products to China for Energy Efficiency improvements to meet Environmental goals stated in its 11<sup>th</sup> five-year plan.

Successfully executing the itinerary and returning to Phoenix, Arizona shall indicate successful completion of this milestone.

#### **Milestone 4: (Draft) Final Report**

Upon returning to the United States, the Contractor will prepare a full and final report of the DS/DM effort and submit it to the COTR within 10 working days. The Preliminary report will be submitted for government comment and revision. The final report to contain sections:

- Executive Summary
- Project Description
- Project Implementation Financing Options
- U.S. Export Potential
- Foreign Competition and Market Entry Issues
- Developmental Capacity
  - Primary Developmental Benefits
  - Alternatives to Achieve Host Country Objectives
- Environmental Impact
- U.S. Labor Impact
- Qualifications of Study Team Members
- Justification of USTDA grant funding
- Terms of Reference (3 minimum)
  - Objective of the funded study
  - Technical assessment
  - Economic analysis of the project
  - Financial analysis of the project
  - Environmental analysis of the project
  - Regulatory issues related to the project
  - Host country key impact analysis
  - U.S. sources of supply

- Project implementation plan
  - Recommendations
  - Project portfolio assessment
  - List of host country contacts.

Acceptance of the draft by the COTR as adequate for review and comment is the event that marks the successful completion of this milestone.

### **Milestone 5: Final Report**

Within 5 working days after receiving the COTR's comments of the draft report, the Contractor will submit the last deliverable under the contract, a completed/revised Final DM Report. Upon acceptance of the Final Report by the COTR, the Contractor will invoice the balance of 70 percent of the contract price and the mission will be considered successfully complete.

### **Contractor's Relevant technical experience and skills/capabilities**

Daniel Horne, President and founder of Fat Bellied Laughing Buddha, LLC, has the relevant manufacturing, engineering and financial skills the government is seeking for this project. With 33 years experience in engineering, manufacturing operations and finance, Mr. Horne brings superior skills and judgment to the project. He has 17 years of experience working with contractors to the U.S. Government and 16 years working with commercial companies. With this array of skills, Mr. Horne has innate sensitivity to the demands throughout a commercial enterprise as well as the needs of government.

Mr. Horne holds a Master of Science Degree in Finance, a Bachelor of Arts Degree in Business (Accounting Major, Economics Minor) and an Associate's Degree in Engineering.

Prior to starting his own company in 2008, Mr. Horne spent 7 years as Chief Financial Officer at a local defense contractor in Mesa, Arizona. Mr. Horne is a Vietnam Era Veteran. His company is fully registered in CCR, ORCA, and WAWF.

With his background in finance, business and engineering, Mr. Horne is adept at programming business case models with fully developed budgets that meet the needs of the finance and banking sector to provide financing for relevant USTDA initiatives. He can forecast Pro Forma results with upside, most likely, and downside probabilities and assign relative risks to each proposed project to assist the government with quantitative measurements for decision making.

With Mr. Horne's unique ability to assess opportunities and his skill in quantifying those opportunities in readily transferrable knowledge, he provides the government and its strategic partners with the best value to evaluate unique investment opportunities in China to improve China's energy efficiency with American exports.

He is an excellent choice to travel to China and assess existing Grantees/Sponsors. He will evaluate current projects and make recommendations to USTDA regarding potential future projects of interest to U.S. Companies. Mr. Horne understands Asia and, in like manner, he will provide the Chinese with needed solutions to their own national priorities in improving energy efficiencies.

## Contractor's Knowledge of the Asia/Pacific Region

At first blush, an American does not recognize the deep significance of the Fat Bellied Laughing Buddha company name. However, people in the Asia/Pacific Region, who are predominantly Buddhist, or have a keen understanding of Buddhism, immediately glean onto the name's reference to the Laughing Buddha, Pu-Tai. Pu-Tai lived over 1,000 years ago and was a kindly saint (Buddhist monk) who favored children and brought well wishes to all he met. He symbolizes good fortune, friendliness and prosperity.

Among those doing business in the Asia/Pacific Region a company's name, and one's business card, has a greater meaning than it does to Westerners. Business cards are never taken from the wallet in one's back pocket because this is considered an insult. Business cards are given and taken with both hands to show respect. They are closely examined, even commented upon, because this is polite.

The Contractor's business card and website are immediate ice breakers that seed polite conversation, required before conducting business, with many friendly questions from the host country representative. The Contractor is rapidly seen as a friend and warmly greeted. The recipient shows the card to others and dialog erupts from all present. The Contractor, with his business name, has succeeded at making a warm first impression of trustworthiness and friendliness without having to say a word.

This aid is invaluable in negotiation. American's in the Asia/Pacific region suffer from prejudices created when Westerners leave host country representatives feeling resentful. Disarming them in the first meeting and raising friendly conversation is crucial to change the mood from a formal atmosphere (where almost nothing is accomplished) to a friendlier, relaxed tone better suited for doing business. It immediately begins the personal relationship required to effectively do business in Asia.

It is difficult to understand the lengths to which peoples in Asia will go to maintain harmony when a warm personal relationship has been established; or the equal lengths they will go to prevent it when this has been ignored.

Many of the technical obstacles that continually arise to haunt a Westerner attempting to do business simply evaporate. Engineers appear who speak English adequately to engage in technical dialog with engineers from America. A visitor finds help literally emerging from the woodwork when suspicions have been replaced by trust. Negotiations that proceed at the

relaxed pace and tempo more suited to Asian companies sometimes seem superfluous to impatient Westerners, but accomplish the goal with less stress for all involved.

At the end of the day, a Western visitor doing business in Asia will spend their time dealing with exception after exception only to ultimately fail if trust has never been established. A savvy visitor will extend the patience and courtesy to get to know their host and find the path to success soon opens, sometimes is even paved. Negotiation ultimately takes no longer, is sometimes remarkably fast, and success is achieved with a lasting impression that the host representative has an ally. The feeling of recruiting an ally *is mandatory* to the host Sponsor. It is insurance he/she will not be embarrassed by a project that fails.

This critically important fact, saving face, is one that Western visitors continually miscalculate. The importance of establishing trust that the Sponsor/Grantee can call on the Westerner he negotiated with when obstacles arise is paramount to any business relationship in Asia. The Sponsor/Grantee may be introduced to another person who will satisfy this requirement after contracts have been signed, but the original relationship will always be in the background if need arises. Obstacles almost always are resolved with a quick phone call or a fast meeting and opportunity for future business increases. As simple as this sounds, it's amazing how many Americans fail to honor this centuries old Asian custom to their ultimate regret.

## Knowledge of industry and relevant sector contacts

Mr. Horne has over three decades of working with leading edge processes and a career of continuous improvements in the high-technology sectors of Computers, Telecommunications Capital Equipment and Semiconductor Capital Equipment. Three targeted industries that can gain from U.S. exports to support China's energy efficiency improvement mandate.

He has been intimately involved in the evolution of productivity improvements throughout the United States as it transformed itself to new levels of energy efficiency through engineering, production science and financial management improvements.

Mr. Horne's cross-training in technologies of multiple areas of industry mean that engineers cannot "tech-talk" over him, operations people cannot create phantom obstacles to tight deadlines, and financial professionals are met with someone who speaks to them in terms they expect. Coupled to decades of management experience and an amiable style, Mr. Horne is a subtly tough negotiator.

## Relevant Experience in International Projects

Mr. Horne has over 30 years of reaching agreements with companies in the United States, Western Europe and the Asia/Pacific regions. He successfully negotiated a Foreign Military Sales (FMS) case economic offset with the Netherlands that resulted in a \$7.5 million dollar contract

in 2005. As part of the agreement Mr. Horne hired resources to promote and sell cardiac stents manufactured by Polyganics, a Netherlands medical supply firm, within U.S. markets.

When the economic offset was completed in 2008, the U.S. Company had earned extra credits which it could then sell, recovering a portion of its investment in the FMS case contract cost.

Mr. Horne traveled to Tokyo, Japan in 1997 and successfully negotiated a deal with THK Bearings, then a \$750 million corporation, by impressing the company's management enough to allow him to be introduced to THK's CEO, Mr. Hiroshi Teramachi, then in his eighties and close to retirement. Mr. Teramachi was a difficult man for any foreigner to meet, and one whom the American distributor traveling with him had met only once in 20 years.

THK Bearings had quoted Mr. Horne's employer, Applied Materials, with a non-negotiable 26-week lead time on custom bearings that were critical to Applied's production of a \$3.5 million semiconductor wafer polishing tool. After completing a 10-day trip to Japan, Applied began receiving pre-production bearings in 3 weeks with a full production shipment arriving in 12 weeks.

Also, while at Applied Materials, Mr. Horne was placed in charge of world-wide distribution of vacuum pump subassemblies purchased from Germany as a special project. The American company was in crisis due to failing Leybold pumps and the German company was unwilling to meet the demand due to government permissions needed to extend its work week. Mr. Horne negotiated with Leybold's President and successfully persuaded the German Company to alter its production schedule in support of Applied Material's needs.

Mr. Horne has opened and ran a small branch office, Inter-Coastal Electronics, Ltd in the UK while residing in Mesa, Arizona. The UK project required that he work diligently to locate UK resources for banking, credit, legal, taxes, and hiring local labor from his office in Mesa, Arizona. The UK branch was organized, operated for a year and successfully closed when the support contract with UK's Augusta Westland Helicopters was completed.

In 2001, Mr. Horne negotiated a supply agreement for the nutraceutical colostrum between Symbiotics, Corporation and the New Zealand Dairy Group. There were numerous regulatory hurdles for a micro-business bringing a dairy product into the United States. However, 2,000 pounds of raw Colostrum were successfully imported into the United States where it was bottled and labeled by U.S. companies.

## **Relevant Experience Preparing Budgets and Terms of Reference**

Mr. Horne's skill at designing project budgets is exceptional. With his background and education, he can present financial data in any number of creative ways. Budgets can be presented using traditional accounting methods, they can be developed using more advanced statistical methods, or spreadsheets can be programmed to allow "what-if" analysis of a budget's key metrics.

Mr. Horne's financial deliverables reconcile to one another so when different entities desire the data in a different format, the original format isn't lost, and the conversion method is transparent to all. The host country as well as the U.S. Company will be reviewing the same data in the form they are most comfortable with to maximize ease of buy-in for all participants in the project's approval and funding process.

### **TORs for technical assistance and feasibility studies**

A review of what a TOR actually contains as part of the project's final report shows it to be skeletally similar to any project/business plan. The primary difference between the two is that outcomes of a government agenda are incorporated into the formula in addition to outcomes on corporate levels. The company wants a profit; the government wants to create jobs. The company wants to minimize costs; the government wants to minimize pollution. Differences such as these are not difficult to address, and with stakeholders actively involved in a TOR's development, there is adequate brainpower to attack any challenge that arises.

Although this is Mr. Horne's first formal TOR deliverable, the similarities between the Final Report's TOR and a business plan make it transparent. The TOR seeks to understand the scope of the project, its financial and economic viability, and ensure that all obstacles to success have been identified and quantified. One of Mr. Horne's key strengths in developing business and project plans in the private sector is his attention to measurable metrics throughout the plan.

This strategy is pivotal. When financiers have a difficult time funding a project in its entirety and incremental financing is a more desirable method of funding, these metrics become the path forward—metrics measuring success that were built into the USTDA project as the TOR was drafted and approved.

The USTDA (and any other funding authority) sits in the advantageous negotiating position of enforcing what has already been agreed, rather than seeking new points of agreement. Future implementation plans created by the Grantee or U.S. Company and presented to the government for funding that desire change to the terms of the TOR need to be justified against a working baseline, previously agreed to by all parties.

### **Experience with relevant financing mechanisms**

Mr. Horne understands banking. The needs of the international banking community are similar to the needs of domestic banks in that a solid business proposal is required to receive funding. In addition, how the funding will meet national objectives for the 11<sup>th</sup> five-year project initiated by the NRDC and Ministry of Finance will be key in getting the support of the Export-Import Bank of China.

The need for a clear set of measurable outcomes supplied in the business model and the potential for incremental funding arrangements negotiated and agreed to by all parties will be a means of mitigating risk for the lender.

### **Past performance**

The Contractor is a newly established company. References are provided that show the competence and commitment of the Contractor.

### **Relevant foreign language skills**

Mr. Horne does not speak a second language. He feels that this will not be an impediment to the successful completion of the project. Interpreter services are readily available and accounted for in the proposal pricing.