Public Werks, Inc.
Infrastructure Discussion

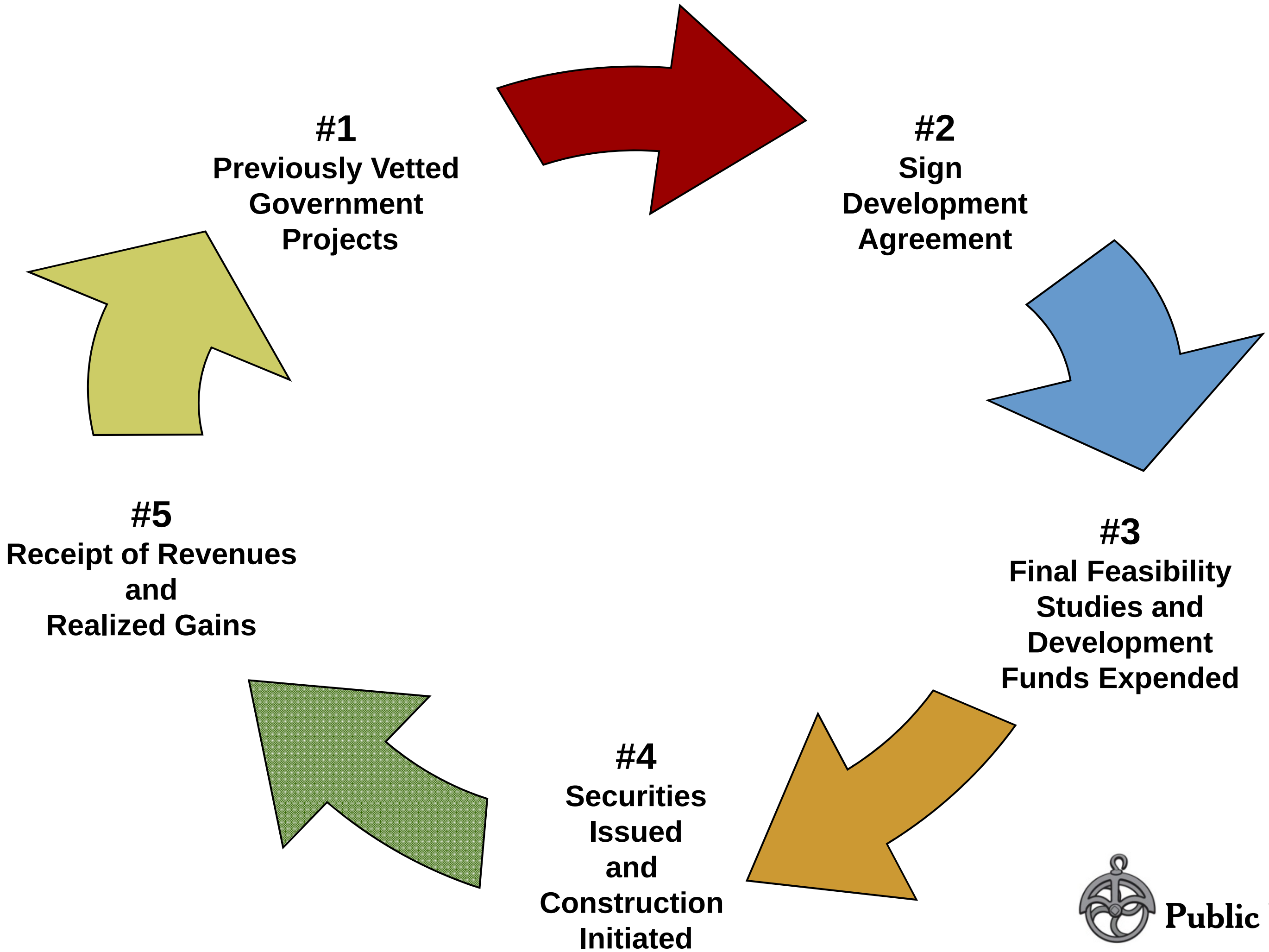
Western States Water Council Infrastructure Symposium

Brief Resumes

- ***John N. Crew*** is both, the founder and President of Public Werks, Inc., a Texas corporation specializing in public-private partnerships /public finance and the President of Eagle Werks/Republic Power Holdings , a project development partnership. Mr. Crew recently closed in December of 2009 on a $40 million dollar raise for Republic Power Partners, LP which is involved in a public –private partnership with the High Plains Diversified Energy Corporation(the cities of Brownfield, Floydada, Lubbock and Tulia) where the project involves more than 6000 MW of power generation and transmission in the Texas panhandle. PWI currently serves/has recently served clients such as the Dallas Area Rapid Transit Authority, Republic Holdings, the Town of Addison, and the City of Richardson. Mr. Crew is also a Limited Partner and member of the Investment Committee of Republic Holdings Texas, LP (both, I and II). Mr. Crew began his investment banking career in 1979 with First Southwest Company in Dallas, Texas. In 1983, he joined the firm of Dillon Read & Co. Inc., one of the nations leading investment banking firms in their New York office. In 1991, he was named as a member of the Board of Directors and held the position of Managing Director until 1997 when the company was sold. Mr. Crew has over 30 years of experience in investment banking/public finance. Mr. Crew's public finance efforts have involved numerous clients across the U. S. and the amount of bonds issued collectively for these projects exceeds $6 billion. Mr. Crew holds a B.S. degree and an M.S. degree from Texas A&M University.

The Opportunity and Process

The Basic Investment Cycle



Step #1 - Previously Vetted Government Projects

- State and Local Governments have studied numerous potential projects that they have (or would like) scheduled to be constructed but are delayed due to funding constraints.
- By using previously vetted projects, you eliminate the potentially long time delay of having to get 'buy-in' from the local constituency on a greenfield 'development project.'

Step #2 - Sign Development Agreement

- Entering into a Development Agreement ("DA") with a governmental entity contractually details the roles of each of the parties and can accommodate the effective purchase or the long term concessioned use of the asset or project considered.
- A possible RFQ is sometimes necessary to validate DA.
- Makes the Governmental entity have some 'skin' in the game.
- Gives the investor legal standing to effect specific performance or damages on the Governmental entity for breach of the DA or contract.

Step #3 - Final Feasibility Studies and Development Funds Expended

- Once the DA is signed, then final feasibility and development funds are expended in order to bring the project to the point of take-out funding.
- The needed studies are usually comprised of third party independent feasibility studies.
- Effectively allows the capital markets to evaluate the due diligence and proformas.
- Also allows for a thorough financial evaluation from a risk/return profile.

Step #4 - Securities Issued and Construction Initiated

- Issuance of securities to fund Project Construction.
- Immediate payment of Preferred Return as well as full return of Equity from bond proceeds.
- Tiered structure of investment to provide for a secured return from assets pledged.
- Allows for participation through ownership of future increased Net Revenues.

Step #5 - Receipt of Revenues and Realized Gains

Return on investments come from:

- Surplus Revenues
- Development Fees
- Equity Return at Bond Issuance
- Financing Fees
- Management Contracts
- Long term Project Performance and
- Asset Liquidation or Securitization

Public Private Partnerships

- ***Successful finance strategies or projects***
  1) *$40 M commitment in Dec 2009*
  2) *PPP with a Municipal Utility ….NOT A CONCESSION*
- ***Public-Private Partnerships and what the private sector can bring to the table***
  1) *Risk capital*
  2) *The capitalistic hunger for profit*
  3) *The intolerance of process for process' sake*
- ***Lessons learned – what worked well and what did not***
  1) *Fulfill an obvious need / essential infrastructure*
  2) *Make your governmental partner have skin in the game OR*
  3) *Make them sign an enforceable contract for Development*
  4) *Align everyone's interests, so that you and your partner only can make money together*
- ***Obstacles to financing infrastructure projects***
  1) *Today's general approach to infrastructure projects is "management by crisis"*
  2) *Political careers/fears – from both sides of the argument*
  3) *"Don't paint a target on me!" employees / More headache and distress but no reward*
- ***How states and/or governors could facilitate infrastructure financing***
  1) *Use Dev. Agmts., to give projects, that need non-traditional approaches, access to risk capital*
  2) *Give up control! The construction of the infrastructure is the goal.*
  3) *Go, don't think, outside the box!*

Traditional Infrastructure Assets

<u>Targeted Sectors</u>

- Transportation
  - Airports, ports, rail, parking facilities, transportation related facilities, all toll facilities
- Energy
  - Gas, Electric, Renewable including Bio, Wind, Solar, generation, transmission, storage facilities
- Utilities
  - Essential water, wastewater and waste facilities including transmission, treatment, storage, distribution, and disposal
- Communication
  - Strategic network centers, mobile telephone systems, emergency systems, transmission facilities, cable systems
- Economic development
  - Private activity facilities, manufacturing centers, government corporations, agribusiness, federal facilities, and other gov't revenue producing assets

<u>Credit Considerations</u>

- Exclusive Governmental mandates
  - PPP for development of new assets
  - Municipal/State government divestitures
  - Privatization of existing assets
- Facility characteristics
  - Contracts for inputs and outputs
  - Feasibility thresholds by third parties
  - Essential outputs
  - Minimum predictable cash flows
  - Able to support leverage
  - Concession or monopolistic agreements
  - Similar to Municipal Bond accepted credits
  - Capable of revenue growth over time
  - Governmentally/publicly vetted