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## Getting Greenbacks

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Cleantech investment was one of the few areas in which investment did not significantly decline in 2009, and it is widely regarded as the industry of choice for venture capitalists for the foreseeable future. This is great news for young cleantech companies that are just getting off the ground. While initial VC backing is critical to startups, these companies ultimately need funding that is an order of magnitude larger than the traditional VC investment in order to bring their projects to market.

With technology demonstration plants often requiring \$10 million to \$50 million of capital, and full-scale commercial plants requiring 5 to 10 times that amount, many companies wonder where they can turn for the necessary funds.

Fortunately, funding provided by the U.S. Department of Energy, the U.S. Department of Agriculture and other federal agencies -- in terms of grants, loans and loan guarantees -- may be available to help bridge this gap.

A treasure trove of "free" government money sounds like a great idea, right? Before the passage of the American Recovery and Reinvestment Act, many VC investors and emerging companies avoided applying for federal funding, mainly because working with the government can bring a mountain of rules,

regulations and red tape that can trip up even the savviest of entrepreneurs. Although much of the Recovery Act funds have been allocated, programmatic funding still is available from some federal agencies for cleantech projects. Because the competition for this funding is fierce, tapping it often requires the help of someone who's worked through the process before. Here are some key lessons to successfully complete the government funding process.

**Know the rules.** Federal funding opportunities contain criteria that must be met in order for a project to qualify. Read these carefully to ensure that your project is eligible. Take note of deadlines and submit necessary paperwork accordingly.

**Don't depend on a lobbyist to argue your cause.** The Obama administration has implemented new guidelines and restrictions regarding the role lobbyists can play. When in doubt, consult the latest guidance from the Office of Management and Budget, or speak with a legal professional who is familiar with the rules.

**File a complete application.** Address all the required items and remember to provide all necessary documentation. An incomplete application guarantees that it will be disqualified outright.

**Tell a compelling story.** Why should your project be funded over the other thousand applications that the agency may be reviewing? Include research, projections for growth and expected benefits, and address other criteria that will make your project stand out.

**The environment really does matter.** In the excitement of commercializing your idea, don't forget that the government is required to

evaluate the environmental impacts associated with your project. Successful projects are designed up front to minimize environmental impact.

**Details.** Applicants often are required to provide more documentation to the government than to a commercial lender. Just as you would expect to submit a detailed business plan and budget justification when pitching a VC, expect to do so when pitching Uncle Sam.

**Provide all required third-party commitments.** If those commitments are contingent, make sure they comply with the rules outlining the funding opportunity.

**Don't underestimate preparation time.** Even though the application has been simplified, completing it is still time consuming. Allow time for registrations such as the Data Universal Numbering System, or D-U-N-S, number and Central Contractor Registration.

Even if you decide not to apply for government funding, or are too early in the process to require it yet, don't forget your company may qualify for some of the tax incentives and credits that are available on a federal and state level, including production and investment tax credits, accelerated depreciation, manufacturing credits and sales or property tax exemptions.

Uncle Sam is and will continue to be a significant partner in the cleantech investment and development space for the foreseeable future. His rules may be stricter than what we've been used to, but with some advanced preparation, combined with the help of a skilled professional who can walk you through the process, navigating the government funding process need not be as daunting as you might expect.

Please read our February 2010 news item entitled, [WilmerHale Helps Client Purchase Energy on the Wholesale Market](#) for more information on WilmerHale's Energy and Clean Tech Practice.