

A founder who nearly sold the plant to build it

A term sheet with three weeks on it, a deck that promised “81 per cent efficiency”, and a twenty-year contracted asset being priced as a start-up. The structure that let the founders keep control, and the lease that nearly stopped the bank.

An illustration. The project, its figures and its people are invented, to show the method in use: a wrong turn, a dilemma the method did not settle, and what it cost.

THE PROJECT

PLANT	3 MW of solar, the first phase of a planned 12 MW
WHERE	A province in Mindanao, Philippines
OFFTAKER	The local electric cooperative, under a supply agreement
FOUNDERS	A Filipino engineer, and a British investor who runs their Singapore holding company and holds most of the money and most of the legal exposure
SITUATION	A start-up: no fire, a deadline, and a structure to build from nothing. The danger is borrowed urgency.

THE SHAPE OF THE OUTCOME

- The founders **keep control**
- A domestic bank **lends on phase one**
- Financial close about **nine months later** than the fund would have closed, on terms the founders can live with for twenty years

THE OFFER

USD 3.4m

for 55 per cent of the holding company

TERM SHEET

3 weeks

to expiry; the cooperative's board in six

THE CLAIM

81%

“system efficiency”: in fact the performance ratio

CAPACITY FACTOR

17% / 21%

on the DC rating and on the AC

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SOURCE

Nobody Else Is Coming, first edition (October 2026), chapter 12, pp. 53–54

REFERENCE

doi:10.5281/zenodo.23462160

1 · THE CALL

Help with the deck, and an introduction to a fund

The founder wants an introduction to a venture fund and help with the deck. The fund has offered USD 3.4 million for 55 per cent of the holding company, with a term sheet that expires in three weeks; the deck promises “a system efficiency of 81 per cent”.

THE CLOCK

3 weeks

on the term sheet; the cooperative's board meets in six to consider the supply agreement

THE DECISION-MAKERS

Two

the founder, and the partner who holds most of the money and, as a British citizen, most of the legal exposure

Definition of done

A financing structure under which the founders keep control, a lender can lend, and the integrity exposure is managed before money moves.

Agreed after some resistance.

ACCESS

4 files

a financial model, a draft supply agreement, a signed lease, a permitting file

KIND OF SITUATION

Start-up

no fire, a deadline, a structure to build from nothing

Borrowed Urgency

The term sheet's three weeks were setting the pace of decisions that deserved three months.

Diagnosis

THE DECISIVE CONSTRAINT

The founder is describing an infrastructure asset as a start-up.

Twenty years of contracted cash flow against a known cost is a debt instrument waiting for a lender. The fund is pricing it as a venture, with venture discounts for execution risk, and asking for the equity those discounts imply.

THE FOUNDER'S RESISTANCE

He likes the fund. It is fast, its partners are charming, and it does not ask about typhoons. The operator names the resistance rather than arguing with it: **“the fund is selling you speed, and the price is control.”**

The three risks

- 1 **The technical claim** failing diligence.
- 2 **The capital structure** diluting the founders out of their own project.
- 3 **An integrity exposure** in the project's relationships stopping institutional money before either of the first two matters.

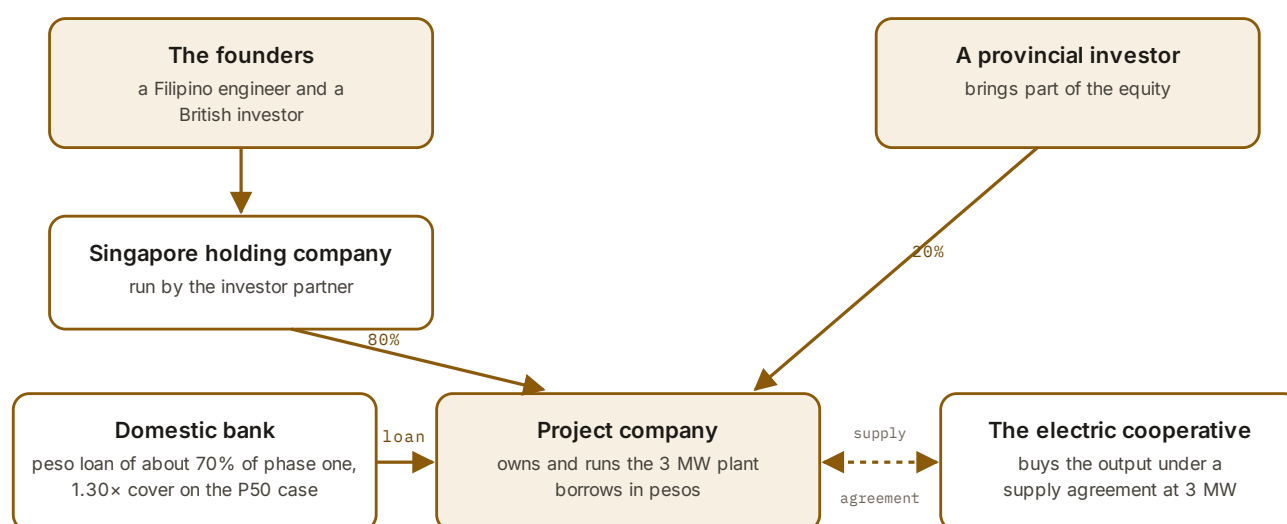
2 · VENTURE OR ASSET

The question that decides everything downstream

	VENTURE RAISE	DEBT-LED STRUCTURE
Founders' share after the raise	45 per cent	Retained, with a minority equity partner in the project company
Cost of capital	High	Lower; secured; amortising
Fit to a twenty-year contracted asset	Poor	Strong
Speed	Weeks	Months; heavy diligence

The comparison the operator put in front of the founder. He let the term sheet lapse in week three, with a clear conscience and a polite letter.

The structure that was built



Ownership and the main contracts. The project company is four-fifths owned by the holding company and one-fifth by a provincial investor; a domestic bank lends in pesos, the currency of the revenue. Solid arrows are ownership and lending; the dashed arrow is the supply agreement.

FINANCING, IN SEQUENCE

1. A bridge from the partners for development. **2.** A peso loan from a domestic bank for about seventy per cent of the phase-one cost, sized at 1.30 times cover on the P50 case. **3.** Refinancing into term project debt once the plant has a year of operation behind it.

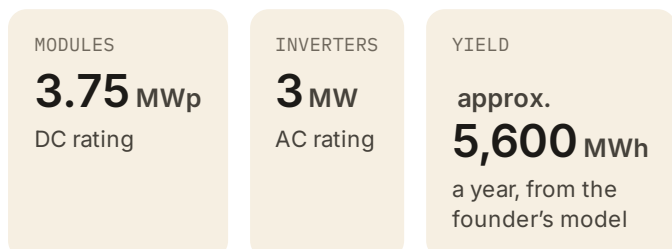
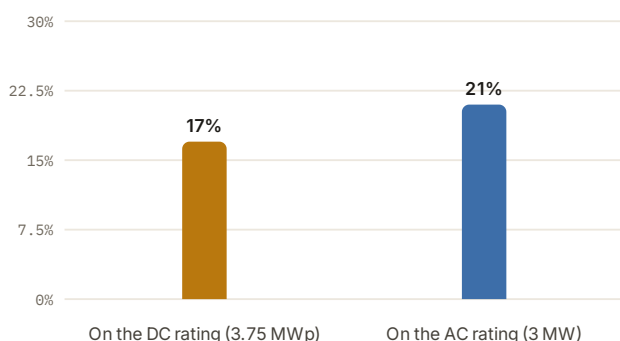
PHASE TWO, REDRAWN

At 3 MW the supply agreement falls inside the 2025 exemption and goes straight to the regulator. Adding 9 MW later “under the same contract” would take the cooperative over the ten-megawatt line, so phase two is redrawn around the competitive process or the right-of-first-refusal route.

3 · THE TECHNICAL CLAIM

Three numbers behind “81 per cent”

The “81 per cent” turns out to be the performance ratio, not an efficiency. The capacity factor in the founder’s own model is what a lender will ask for, and the Global Solar Atlas value for the site supports it.



Capacity factor implied by the model: about 17 per cent on the DC rating and 21 on the AC. The same plant, two honest numbers, neither of them 81.

What the lender’s adviser asked for

- The site’s **typhoon design basis**, which the first EPC design did not have. The racking is redesigned, at about **four per cent of capital cost**.

The discipline the case applies

- **Three numbers, not one**, for any technical claim: the module efficiency, the performance ratio and the capacity factor, each quoted with its source. Separate the physical efficiency, the system losses and the utilisation.
- **The risk table before the model**. For every risk: who bears it, through which contract or instrument, what is left over, and what the lender will ask.

✓ TWO RATIOS THAT ARE NOT THE SAME THING

A **performance ratio** says how much of the energy the sunlight on the modules could have produced the plant actually delivered. A **capacity factor** says how much of the year the plant was, in effect, running at full rating. A lender sizes debt on the second; the deck quoted the first.

RACKING REDESIGN

approx. **4%**
of capital cost, for the
typhoon design basis

DEBT SIZING

1.30×
cover on the P50 case;
about 70% of phase-
one cost

4 · WHAT WENT WRONG, AND WHAT THE METHOD DID NOT SETTLE

The lease, and the land next door

⚠️ WHAT WENT WRONG

The founder had already signed a lease, on the site the project would eventually use: **for ninety-nine years, at a premium**, because a friend had told him the longest lease was the safest.

The bank’s counsel did not want ninety-nine years. It wanted the right to take the lease as security, to step in, and to assign it on enforcement, none of which the signed lease allowed. Renegotiating with the landowner took **two months and a fee**, and the landowner, now aware that the lease mattered, priced the change accordingly.

The lesson: size the lease to the need, and put the lender’s requirements into the draft before anyone signs it.

What a lender wants from a lease

- To take it as security
- To step in
- To assign it on enforcement

⚖️ THE DILEMMA THE METHOD DID NOT SETTLE

Site diligence turned up better-placed land nearby, about **three per cent more yield**, and integrity diligence produced the finding every provincial project should expect to look for: the family that owned it included the **spouse of a member of the cooperative’s board**, which would be asked to approve the supply agreement.

Two lawful courses were open. **Switch** to the better land, disclosing the relationship to the cooperative and the lender, with the board member recused and the land priced on an independent valuation, which the lender said it would accept. Or **stay** on the land already leased, with the lower yield.

The founders stayed. The method made the choice explicit, documented both options and showed the lender why either would do. It could not tell the founders which risk they would rather live with.

COURSE	YIELD	CONDITION
Switch	+3%	Disclosure to the cooperative and the lender; the board member recused; an independent valuation
Stay	as leased	On the land already leased, with the lower yield

The time it took

WEEK THREE	TWO MONTHS	ONE YEAR OF OPERATION	ABOUT NINE MONTHS
The term sheet lapses, with a clear conscience and a polite letter	Renegotiating the lease to the lender’s terms, with a fee	Planned before refinancing into term project debt	Later to financial close than the fund would have been

5 · THE OUTCOME, AND WHAT TO TAKE FROM IT

Nine months later than the fund, on terms that last twenty years

The shape of the outcome

- The founders keep control.
- A domestic bank lends on phase one.
- Financial close comes about nine months later than the fund would have closed, on terms the founders can live with for twenty years.

These figures are invented to show the shape of an outcome, not to describe one.

Copy

- The first question: is this a venture or an asset?
- The three-number discipline for any technical claim
- A lease sized to the need, with the lender's clauses in the draft
- Borrowing in the currency of the revenue
- The risk table before the model
- Integrity diligence before structuring

Do not copy

- The tariff, the capital cost or the yield
- The foreign-ownership position, for any technology other than the ones it was decided for

FOUNDERS' SHARE

Kept

a minority partner in the project company, instead of 55 per cent of the holding company gone

LENDER

Domestic

a peso loan on phase one, in the currency of the revenue

TO FINANCIAL CLOSE

+9 months

against the fund's timetable, on terms that last twenty years

Read the full case in the playbook

This brief follows the worked case at the end of chapter 12, "Capital and structure", of *Nobody Else Is Coming: An Operator's Playbook for Crisis, Compliance and Capital* (first edition, October 2026), pp. 53–54. The chapter sets out the method the case applies: venture or asset; the three numbers behind a technical claim; the project vehicle, the lease and the risk table; debt sizing and a financing menu for a small project; integrity as a condition of the capital.

[Open chapter 12 at the case ›](#)
[doi:10.5281/zenodo.23462160](https://doi.org/10.5281/zenodo.23462160)
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