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**Webcast: Financing Opportunities Under
the Department of Energy's Financial Institutions
Partnership Program**

Hosted by



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October 14, 2009

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- Eligibility Requirements
 - Terms and Conditions of Loans and Loan Guarantees
 - Application Procedures
 - Key Strategic Questions
 - Questions and Answers

FIPP Solicitation (Issued on October 7, 2009)

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Overview

- Offers loan guarantees for renewable energy generating projects that use commercial technology, including solar, wind, hydropower, geothermal and biomass projects
- Commercial lenders, rather than DOE, will lead the application, diligence and documentation processes
- Designed for simple “plain vanilla” project finance structures without complex tax equity arrangements
- Key policy goals
 - Delegate loan review and documentation to experienced private sector lenders
 - Maintain risk alignment between DOE and private lenders
 - Provide faster loan processing and closing
- \$750 million is available to pay the Credit Subsidy Cost, which DOE estimates will support guarantees for about \$4 billion to \$8 billion in loans

Eligibility Requirements

Eligible Projects

- Projects must use “commercial technology”
 - Technology must have been installed in three or more commercial projects anywhere in the world in the same general application as the proposed project and been in operation in each such project for at least two years.
 - Project must commence construction by September 30, 2011
 - “Commence construction” means that:
 - The borrower has completed all pre-construction design and testing; received all necessary licenses, permits and environmental clearances; and engaged all required contractors and ordered all equipment, in each case so that construction may begin and proceed without material disruption; and
 - Physical construction (including, at a minimum, site preparation) must begin.
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Eligibility Requirements (continued)

Eligible Projects

- Project must have a credit rating equivalent to BB from S&P or Fitch or Ba2 from Moody's, as evaluated without the benefit of the guarantee
- Borrowers must pay prevailing wages as determined under the Davis-Bacon Act
- Project must create or retain jobs in the U.S.
- The borrower or other principals must make a "significant" equity investment in the project
- Projects will be subject to the National Environmental Policy Act, which most likely requires projects to obtain an Environmental Assessment (EA) or an Environmental Impact Statement (EIS)
- FIPP is not available for refinancings

Eligibility Requirements (continued)

Eligible Lender-Applicants

- Lender-Applicants may be domestic or foreign banks, insurance companies or other entities in the business of lending money that:
 - Are not disbarred from participation in federal contracts;
 - Are not delinquent on any federal debt or loan;
 - Are legally authorized to enter into DOE loan guarantee transactions and are in good standing with DOE; and
 - Have experience in originating or servicing loans for commercial projects similar in size and scope
- Lead lenders must satisfy the requirements above and also have experience or capability as the lead lender or underwriter in large commercial projects or energy-related projects
- There are no separate processes for qualifying as Eligible Lenders or Lead Lenders

Loan and Loan Guarantee Terms

- The face value of the loan cannot exceed 80% of eligible project costs
 - “Project costs” means costs “related to design, engineering, financing construction, startup, commissioning and shakedown of the project”
- DOE will guarantee up to 80% of the loan
 - The remaining 20% will be on an uncovered basis
- The term of the loan may be up to the lesser of 30 years or 90 percent of projected useful life of project assets
- The loan must be secured on a first priority basis and rank senior in priority of payment to any other project debt
- The borrower must have pledged project assets and other collateral determined by DOE necessary to secure repayment

Loan and Loan Guarantee Terms (continued)

- The rights of lenders and DOE must be pari passu
- The guaranteed and non-guaranteed portions must be stapled together in single loan
- The non-guaranteed portion must be paid on a pro-rata basis with the guaranteed portion
- The guaranteed and non-guaranteed portions may not be repaid on different amortization schedules
- The loan may be divided into multiple tranches, so long as no more than 80% of any tranche is guaranteed
- Lenders may freely transfer economic or beneficial interests (but not legal rights) through loan participations so long as the lenders continue to hold the loan
 - The guaranteed portion may be “stripped” from the non-guaranteed portion

Loan and Loan Guarantee Terms (continued)

- Assignments or transfers of the loan are subject to DOE's consent, which will not be unreasonably withheld, except that such consent may be withheld in DOE's sole discretion during the period from the closing date to commercial operations plus two years
- DOE will be a party to the Loan Agreement and reserves the right to exercise all voting and control rights customarily provided to majority lenders
 - DOE will recognize the rights of minority lenders in certain circumstances, such as changes in interest rate, changes in the senior secured ranking of the loan and release of collateral
- The Guarantee Agreement will terminate automatically if construction does not commence by September 30, 2011

Part I Application

- Lender-Applicants may submit Part I Applications at any time and DOE will conduct rolling reviews
- Applications must include a \$12,500 application fee
- Applications must include summary-level information, including:
 - An executive summary of the project
 - A description of the project sponsor
 - An estimate of project costs
 - A description of the extent to which the project meets the objectives of FIPP
 - An analysis of potential environmental impacts
 - Key elements of the financing plan
- DOE will inform the Lender-Applicant of its assessment of the application and help the Lender-Applicant decide whether to proceed to Part II

Part II Application

- Lender-Applicants may submit Part II Applications during any of ten rounds of review
 - The due date for the first round of Part II reviews is Nov. 23
 - Applications must include a \$37,500 application fee
 - Applications must include lender certifications and detailed project information, including
 - A statement from the lender that there is a reasonable prospect of repayment
 - A written affirmation from lenders expressing a commitment to provide the debt financing and certifying receipt of all internal credit approvals as if the loan were not guaranteed
 - Equity commitment letters
 - An Information Memorandum
 - A financial model (accounting for Davis-Bacon wages)
 - An independent engineering report
 - A credit rating
 - Copies of all key financing documents
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Part II Reviews

- DOE will competitively evaluate all Part II Applications received in a given round
- DOE will endeavor to inform the Lender-Applicant of its decision to approve the project within two months
- DOE's review will be based, in part, on three factors:
 - Programmatic (35%): Readiness of the project for financing; simplicity of the project and financing structure
 - Creditworthiness (45%): Financial strength of the project
 - Financing and funding plan (20%): Ability of lenders to execute financing and funding plan; extent to which lenders intend to hold their investments

- If DOE approves the project, DOE, the Lender-Applicant and the borrower will negotiate a Term Sheet
- Upon reaching agreement, the parties will execute a Conditional Commitment
 - DOE will require payment of 20% of a Facility Fee equal to 0.5% of the guarantee amount
- Upon satisfaction of the terms in the Conditional Commitment, DOE and the Lender-Applicant may execute a Guarantee Agreement and proceed with financing closing
 - DOE will require payment of the remaining 80% of the Facility Fee
- The Lender-Applicant will act as Administrative Agent
- During the term, the borrower would pay to DOE a maintenance fee of \$10,000 to \$25,000 per year

Key Strategic Questions

- What constitutes a “significant” equity commitment?
- Are there any limitations on use of the Treasury tax grant?
- Can borrowers seek financing under both FIPP and DOE’s Innovative Technologies Solicitation?
- Can borrowers obtain FIPP financing for a project already under construction?
- Are there limitations on the amount of a loan that can be sold through participations in the secondary market?

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