OPTIONS FOR FUNDING
BIOMASS DEALS
How BVFR & Associates, LLC can help
Agenda

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BVFR & Associates, LLC is an investment banking firm specializing in conventional and non-conventional government supported financing (i.e. USDA, FHLB, SBA, HUD, DOE). We have been in business since 1995 and have successfully packaged over $1 Billion in loans. Our clients are located throughout the United States and come from a wide array of industries.

Success Philosophy- The ability to identify a cheaper source of funds is a universal need for all businesses. The core of BVFR’s business philosophy is to create customized financial solutions utilizing the US government’s credit enhancement facilities and our pool of local and national lenders and linking them to the borrower’s need. Doing so creates a WIN-WIN for all parties involved.

Success Strategy- We tap into multiple programs like the USDA’s B&I Guaranteed Loan program, FHLB’s LOC program & FHLB’s Community Lending Program as potential credit enhancement avenues. These programs can be used for real estate, equipment, working capital, acquisition, refinance and even for start-ups. Our multi-pronged strategy gives you the highest chance of success.
The Process

**Phase 1**

**BVFR** is engaged by new client and then works with their client and its CPA to collect all necessary documents to obtain the best financing option for client.

**BVFR** reviews all necessary documents for your project and plans which program works best for the clients needs.

**Phase 2**

**BVFR** negotiates with lenders the best possible loan terms.

**BVFR** will inform you of the best loan package available and ensure all parties understand the terms of the loan.

**Phase 3**

**BVFR**, upon loan approval, will send a representative from our office at your request to loan closing.
USDA Business & Industry Loan Program (B&I)

The purpose of the B&I Guaranteed Loan Program is to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities. This purpose is achieved by bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits. It is not intended that the guarantee authority will be used for marginal or substandard loans or for relief of lenders having such loans.
Who May Borrow?
A borrower may be a cooperative organization, corporation, partnership, or other legal entity organized and operated on a profit or nonprofit basis; an Indian tribe on a Federal or State reservation or other Federally recognized tribal group; a public body; or an individual. A borrower must be engaged in or proposing to engage in a business that will:

1) Provide employment;
2) Improve the economic or environmental climate;
3) Promote the conservation, development, and use of water for aquaculture; or
4) Reduce reliance on nonrenewable energy resources by encouraging the development and construction of solar energy systems and other renewable energy systems.

Individual borrowers must be citizens of the United States (U.S.) or reside in the U.S. after being legally admitted for permanent residence. Corporations or other nonpublic body organization-type borrowers must be at least 51 percent owned by persons who are either citizens of the U.S. or reside in the U.S. after being legally admitted for permanent residence. B&I loans are normally available in rural areas, which include all areas other than cities or towns of more than 50,000 people and the contiguous and adjacent urbanized area of such cities or towns.
USDA B&I Cont.

How May Funds be Used?
Loan purposes must be consistent with the general purpose contained in the regulation. They include but are not limited to the following:

1) Business and industrial acquisitions when the loan will keep the business from closing, prevent the loss of employment opportunities, or provide expanded job opportunities.
2) Business conversion, enlargement, repair, modernization, or development.
3) Purchase and development of land, easements, rights-of-way, buildings, or facilities.
4) Purchase of equipment, leasehold improvements, machinery, supplies, or inventory.
What is the percentage of Guarantee?
The percentage of guarantee, up to the maximum allowed, is a matter of negotiation between the lender and the Agency. The maximum percentage of guarantee is 80 percent for loans of $5 million or less, 70 percent for loans between $5 and $10 million, and 60 percent for loans exceeding $10 million.

What are the Loan Amounts?
The total amount of Agency loans to one borrower must not exceed $10 million. The Administrator may, at the Administrator’s discretion, grant an exception to the $10 million limit for loans of $25 million under certain circumstances. The Secretary may approve guaranteed loans in excess of $25 million, up to $40 million, for rural cooperative organizations that process value-added agricultural commodities.
What are the Loan Terms?
The maximum repayment for loans on real estate will not exceed 30 years; machinery and equipment repayment will not exceed the useful life of the machinery and equipment purchased with loan funds or 15 years, whichever is less; and working capital repayment will not exceed 7 years.

What are the Interest Rates?
The interest rate for the guaranteed loan will be negotiated between the lender and the applicant and may be either fixed or variable as long as it is a legal rate. Interest rates are subject to Agency review and approval. The variable interest rate may be adjusted at different intervals during the term of the loan, but the adjustments may not be more often than quarterly.
Is Collateral Required?
Yes. Collateral must have documented value sufficient to protect the interest of the lender and the Agency. The discounted collateral value will normally be at least equal to the loan amount. Lenders will discount collateral consistent with sound loan-to-value policy.

Tangible Equity
Based upon its experience with government sponsored lending and conventional lenders BVFR advises existing businesses to have a minimum of 10% tangible balance sheet equity at the time of loan closing. For start-ups, a 20% tangible balance sheet equity is required. For energy projects, the minimum tangible balance sheet equity requirement will range between 25% and 40%. The criteria for considering the minimum equity required for an individual client will be based on:

1) Existing businesses with successful financial and management history vs. start-up businesses
2) Personal/corporate guarantees offered
3) Contractual relationships with buyers and suppliers
4) Credit rating
5) Strength of business plan and feasibility studies

All financials used to calculate tangible balance sheet equity must be prepared in accordance with generally accepted accounting principles. Riskier loans such as start-ups or energy related businesses may necessitate a higher equity requirement than the minimum equity requirements as noted above. Solid equity positions provide incentive for principals to remain committed to the success of the entity while reducing the debt burden.
**USDA B&I Guaranteed Deals**

**Clean Burn Fuels, Hoke, County, N.C.:** $10 million from the Section 9006 program and a $25 million B&I Guaranteed Loan guarantee to build a new ethanol plant.

**Blackhawk Biofuels, Freeport, Ill.:** $7.5 million Section 9006 loan and a $20 million B&I Guaranteed Loan to build and operate a biodiesel facility.

**National Trail Biodiesel, Newton, Ill.:** $5 million B&I Guaranteed Loan to build and operate a biodiesel production facility in Jasper County, Ill.

**Appling County Pellets, Savannah, Ga.:** $10 million Section 9006 loan and a $9.5 million B&I Guaranteed Loan to produce wood pellets.

**Myriant a Massachusetts based green chemistry specialist:** Myriant has announced a $25 million private bond placement for construction of its 30 million pound per year bio-succinic acid production plant in Lake Providence, Louisiana.
Rural Energy for America Program Guaranteed Loan Program (REAP LOANS)

The REAP Guaranteed Loan Program encourages the commercial financing of renewable energy (bioenergy, geothermal, hydrogen, solar, wind and hydro power) and energy efficiency projects. Under the program, project developers will work with local lenders, who in turn can apply to USDA Rural Development for a loan guarantee up to 85 percent of the loan amount.
Guaranteed Loan Specifications

Loans Limits:
- Loans up to 75% of the project’s cost
- Maximum of $25 million, minimum of $5,000

Maximum percentage of guarantee (applies to whole loan):
- 85% for loan of $600,000 or less
- 80% for loans greater than $600,000 but $5 million or less
- 70% for loans greater than $5 million up to $10 million
- 60% for loans greater than $10 million up to $25 million

Fees and Interest Rates
- Lender customary interest rate, fixed or variable, negotiated by lender and business
- Lender customary fees, negotiated by lender and business
- One-time guarantee fee equal to 1% of guaranteed amount
- Annual renewal fee
Benefits to Businesses

Benefits include higher loan amounts, stronger loan applications, lower interest rates and longer repayment terms that can assist businesses that may not qualify for conventional lender financing.

Benefits to Lenders

Lender benefits include expanding lender loan portfolio, allowing lenders to make loans above loan limits, protecting guaranteed portion of loan against loss by the Federal Government, existing secondary market for REAP guarantees, helping to satisfy Community Reinvestment Act (CRA) requirements, and allowing lenders to use their own forms, loan documents, and security instruments.

Eligible feasibility studies for renewable energy systems include projects that will produce energy from wind, solar, biomass, geothermal, hydro power and hydrogen-based sources. The energy to be produced includes, heat, electricity, or fuel. For all projects, the system must be located in a rural area, must be technically feasible, and must be owned by the applicant.
REAP LOANS Cont.

Eligibility:

Borrowers, Lenders, Location

New definition being determined. Borrowers must be an agricultural producer or rural small business. Agricultural producers must gain 50% or more of their gross income from their agricultural operations. An entity is considered a small business in accordance with the Small Business Administration (SBA) small business size standards NAICS code. (http://www.sba.gov/size/index.html). Most lenders are eligible, including national and state-chartered banks, Farm Credit System banks and savings and loan associations. Other lenders may be eligible if approved by USDA.

Eligible Project Costs

Eligible project costs include:

1) Post-application purchase and installation of equipment,
2) Post-application construction or improvements,
3) Energy audits or assessments,
4) Permit or license fees,
5) Professional service fees,
6) Feasibility studies and technical reports,
7) Business plans,
8) Retrofitting,
9) Construction of a new energy efficient facility only when the facility is used for the same purpose, is approximately the same size, and based on the energy audit will provide more energy savings than improving an existing facility,
10) Working capital,
11) Land acquisition.
Equity

Cash Equity Requirement:
- 15% for loans $600,000
- 25% for loans greater than $600,000

May use market value of real estate versus cost of real estate as an equity pledge.
North Carolina-based RES Ag DM 4-3 LLC was awarded a $5 million loan guarantee to install a biomass system.

South Carolina-based J&R Farms LLC was awarded a $81,845 grant to install a biomass heating system, which will replace propane usage.

Washington-based Port Angeles Hardwood LLC was awarded $8,371 to conduct a feasibility study of a woody biomass cogeneration system.

Vermont-based Vermont Woodchips Inc. was awarded a $50,000 grant to conduct a feasibility study.

Wisconsin-based WTE-Dollmann LLC was awarded a $113,000 grant to support the development of an anaerobic digester.
Other Options

FHLB CLP

FHLBank Community Lending Program (CLP) offers loans to member financial institutions for community and economic development projects that create housing, improve business districts and strengthen neighborhoods. CLP is designed to help members meet their community investment goals while maintaining and enhancing their own profitability.

IMCP PROGRAM

The Department of Commerce Investing in Manufacturing Communities Partnership program is taking the initiative to help accelerate the resurgence of manufacturing in the U.S. and create jobs in the cities across the country.

The first phase provides 44 planning grants and investments totaling $7MM to support the creation of economic development strategies that recognize the communities comparative advantages as a place to do business, invest in public goods, and encourage collaboration between multiple different entities to expand the area’s commercial appeal to investors.

FHLB LOC

A Letter of Credit (LOC) from the Bank is an attractive alternative to pledging securities for public unit deposits. LOCs can also be used on other qualifying transactions (for example, bond issuances for community improvement projects) to improve the credit rating, thus lowering the cost of the project. The FHLB Bank’s (usually AAA) credit standing and capital market access substitutes for that of the member which helps to ensure a wide acceptance of the Bank’s LOCs.

BRDI PROGRAM

Projects funded through the Biomass Research and Development Initiative (BRDI) – a joint program through the US Department of Agriculture and the US Energy Department- this will help develop economically and environmentally sustainable sources of renewable biomass and increase the availability of renewable fuels and biobased products that can help replace the need for gasoline and diesel in vehicles and diversity of our energy portfolio.

Grant recipients are required to raise a minimum of 20% matching funds for research and development projects, and 50% matching funds for demonstration projects.
RUS PROGRAM

Rural Utilities Service (RUS) Approximately $200MM in direct loans are available through the USDA Rural Utility Service for electricity produced from biomass energy that is generated for sale to rural utilities and power companies with a significant "rural customer load". Loan interest rates are tied to municipal bond rates and thus these are very low rates that are fixed and amortized for 25 years.

RENEWABLE ENERGY GRANT & LOAN PROGRAM

Rural Business Service offers entrepreneurs a grant and Guarantee Loan Program. Commercial entities and agricultural and forestry producers are eligible. This program has $11.4 MM available for grants and $178MM in guarantee loan authority available for projects that produce energy from renewable sources. Grants can cover 25% of eligible project costs and guarantee loans can be up to 50% of project costs. Loan terms are similar to B&I loan terms and conditions. Companies must demonstrate financial need in order to qualify.

Value-added Agricultural Product Market Development Grants

The Rural Business-Cooperative Service now offers grants to help independent producers, such as forest owners, enter into value-added activities. Grants up to $500,000 are available.

State and Local Government Incentive Programs

Probably the best source of funding may be found right at home through your own states economic development agency. These agencies are in business to attract and create jobs and offer many incentives that can complement private and other governmental programs. Types of assistance available may be in the form of grants, direct loans and loan guarantees, infrastructure financing, tax credits and abatements, and even job training programs for workers.
SunGen project accessed a $4.2MM, 20 year fixed rate FHLB Community Development Advance. The project included 9,562-230 watt solar panels and the PPA was supported by Vermont’s Sustainably Priced Energy Development Program (SPEED) which guaranteed 30 cents per kilowatt hour for 25 years.

CRL Solar received a $2.6MM, 20 year fixed rate FHLB Community Development Advance & SBA 504 Funding and was also supported by the SPEED Program.

Northern Maine Development was awarded $200,000 Grant to advance the design and manufacture of Biomass heating appliances in Northern Maine through the IMCP Program.

China Lake Technologies, LLC was awarded $100,000 Grant to develop a strategy to create new jobs in the emerging bio-products industry from the IMCP Program.
Q & A WITH

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