

Nebraska Wind Power 2009 Conference

Project Financing for Wind Projects

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Overview

- Traditional sources vs. tax investors
- Virtually no deals in late '08 and early '09
- Credit markets are reopening for the strongest projects
- Deals being run on a “club basis”
- Cash grants and other incentives



Project Financing vs. Balance Sheet Financing

- **Project Financing:**
 - Non-recourse financing
 - Backed only by project assets and revenues
- **Balance Sheet Financing:**
 - Full recourse financing
 - Backed by balance sheet of entity with substantial financial resources



Elements of Project Financing

- Assets have market value well below the financed amount
- Lenders look to future cash flows as security
- Project documents are critical
- Complete and thorough diligence on all project documents and risks



What Do Lenders Want?

- Project cash flows that are predictable
 - Lenders and their counsel will look for any risk factors that may result in cash flows being less predictable or interruptible
 - Any factors that affect cash flows will be material risks and will be examined closely



Project Documents

- What are the primary project documents?
 - Land Leases and Easements
 - Equipment Supply Agreements
 - Wind (Turbine Supply)
 - Construction (Balance of Plant) Contracts
 - Warranty Agreements



Project Documents (cont.)

- Operation and Maintenance (O&M)
- Power Purchase Agreement (PPA)
- Interconnection Agreement
- Governmental permits/approvals
- Independent assessments (environmental, engineering, resources)



Key Contract Terms

- Project documents must satisfy lenders
- Lenders will require certain contract terms:
 - Freely assignable to lenders
 - Lenders' ability to take over the project in event of default
 - Default damages available to borrower
 - Limited grounds for termination by counterparties



Key Contract Terms (cont.)

- All project documents should extend beyond term of the financing
- All project documents (other than the PPA) should extend beyond the term of the PPA
- Ensure that all project documents are financeable
- All risks must be considered



Due Diligence

- Lenders' due diligence is critical
- Process takes time – project documents are subject to lenders' changes
- Borrower must be organized
- All project documents must be available to lenders & their counsel/consultants
- Online data rooms



Due Diligence (cont.)

- Lenders will review all background information on the project, including:
 - All contracts
 - All permits
 - Real estate matters
 - Independent assessments
 - Insurance matters



Select Diligence Issues

- Real estate rights
- Permitting (federal, state and local)
- Curtailment risks
- Force majeure
- Performance guarantees
- Termination rights



Thank you

Questions?

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