

***USDA Rural Development
BioRefinery Assistance Programs
Section 9003***

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Section 9003 - Biorefinery Assistance Program

- Provides loan guarantees for the construction/retrofit of commercial scale biorefineries that produce advanced biofuels
- Guaranteed Loan Limitations:
 - Up to \$250 Million for Biorefineries
- Grant Limitations: Pilot/Demonstration Scale –
 - Up to 50% of project costs (*Funds not appropriated*)
- Mandatory Funding:
 - FY 2009 - \$75 Million
 - FY 2010 - \$245 Million available until expended
 - Carryover to FY 2011
 - Notice of Interim Rulemaking published February 14, 2011.
 - Notice of Funding Availability published March 11, 2011, announcing \$463 million in available funds.

Section 9003 Biorefinery Assistance Program

Investments to date

“First of its kind” - Applications currently in process:

- Sapphire Energy, Inc., New Mexico, \$54.5 million
- INEOS New Planet BioEnergy, Florida, \$75 million
- Enerkem Corporation, Mississippi, \$80 million
- Fremont Community Digester, Michigan, \$12.85 million
- Coskata, Inc., Alabama, \$250 million (Letter of Intent)

FY 2011 Applications

- 10 projects in 9 State total \$1.2 billion



Program Applicant

- Lender that is Seeking the Guarantee

Eligible Lenders

- Federal or State chartered bank
- Farm Credit Bank
- Other Farm Credit System institution with direct lending authority
- Bank for Cooperatives
- Credit unions
- National Rural Utilities Cooperative Finance Corporation

Eligible Lenders

- Entities must be subject to credit examination and supervision
- Insurance companies must be regulated by a State or National insurance regulatory agency

Lender Eligibility

- **Total Risk-Based Capital ratio of 10 percent or higher**
- **Tier 1 Risk-Based Capital ratio of 6 percent or higher, and**
- **Tier 1 Leverage Capital ratio of 5 percent or higher**

Lender Eligibility

- Not be debarred or suspended by the Federal government
- Not under a cease and desist order
- Must have adequate experience and expertise on similar projects

Eligible Borrowers

- Individual
- Entity
 - Corporation
 - farm cooperative
 - farmer cooperative organization
 - association of agricultural producers

Eligible Borrowers cont.

- National Laboratory
- Institution of higher education
- Rural electric cooperative
- Public power entity
- Consortium of any of the above entities

Ineligible Borrower

- Has an outstanding judgment obtained by the U.S. in a Federal Court
- Is delinquent on the payment of Federal income taxes
- Is delinquent on a Federal debt
- Is debarred or suspended from receiving Federal assistance

Project Costs

- Purchase and installation of equipment
- Construction or retrofitting
- Permit and license fees
- Working capital
- Land acquisition
- Financing cost, except guarantee & renewal fees
- Limited Refinancing

Equity & Collateral

- 20 percent of eligible project costs at the time the loan is closed
- First lien on all Project Assets
 - Junior lien on Accounts Receivable and Inventory if required for working capital loan

Maximum Loan

- 80 percent of eligible project cost
 - Total Federal participation can not exceed 80 percent of total eligible project costs

Guarantee Percentage

- 90 percent if the following criteria can be met
 - Equity of 40 percent or more
 - One year of Feedstock and off-take contracts
 - Discounted collateral coverage ratio of 1.5 to 1 or greater

Guarantee Percentage

- 80 percent for loan less than \$150 million, for the entire loan amount.
- 70 percent for loans between \$150 million and \$200 million
- 60 percent for loans \$200 million and over

Guarantee Fee

- Loans receiving a 90 percent guarantee
 - Guarantee fee is 3 percent

Guarantee Fee

- For loans receiving less than a 90 percent guarantee:
 - 2 percent for loans greater than 75 percent of total project costs
 - 1.5 percent for loans between 65 percent and 75 percent of total project costs
 - 1.0 percent for loans of 65 percent or less of total project costs

Annual Renewal Fee

- 1.0 percent for loans greater than 75 percent of total project costs
- 0.75 percent for loans between 65 percent and 75 percent of total project costs
- 0.50 percent for loans 65 percent or less of total project costs

Interest Rates

- Variable or Fixed
 - Rate on the unguaranteed portion shall not exceed the rate on the guaranteed portion by more than 500 basis points

Terms

- 20 years, or
- Useful life of assets
- Whichever is less

Application

- RD Form 4279-1 “Application for Loan Guarantee
- Project Narrative
 - Describe Borrower
 - Describe Project
 - Source and use of Funds
 - Bioenergy Experience

Application

- Lender Analysis
- Credit Evaluation
- Financial Statements
 - Historic
 - Current
 - Projected

Application

- Exhibit H of 7 CFR part 1940, subpart G
- As completed appraisals
- Feasibility Study
- Business Plan (*unless cover in feasibility study*)
- Technical Assessment of technology

Application

- Scoring information
- Draft Loan Agreement
- Lender Certifications

Application Evaluation

- Borrower Financial metric criteria
 - A debt coverage ratio of 1.0 or higher
 - A debt-to-tangible net worth ratio:
 - 4:1 or lower for startup businesses
 - 9:1 or lower for existing businesses
 - A discounted loan-to-value ratio of no more than 1.0.

Section 9003 Biorefinery Assistance Program

Challenges and Opportunities

Challenges:

- Lender Participation
- Interest Rates – Guaranteed versus unguaranteed
- Minimum Retention – Closer to B&I

Opportunities:

- Help from the State Offices
 - Locally based
 - Assist throughout the process

Thank you!

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Committed to the future of rural communities.