



# Adirondack Research Consortium Bio-Fuels Market Development Conference

Project Finance Perspectives Panel

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FARM CREDIT EAST, ACA

# Overview

Farm Credit East and the Farm Credit System

Key Considerations in Debt Financing

- **Project Development**
- **Sponsorship and Equity**
- **Supply and Offtake Agreements**
- **Construction and Technology**

Structure -- putting the pieces together

# Farm Credit East, ACA

Formed January 1, 2010 as a merger between Farm Credit of Western New York, ACA and First Pioneer Farm Credit, ACA

A customer owned and governed financial cooperative – 12,000 members

Part of the U.S. Farm Credit System which has \$215 billion in assets and \$29 billion in capital



# Farm Credit East, ACA

As of 12/31/09 \$4.2 billion in assets; \$712 million in capital

Wide range of credit and financial services

Serves agricultural producers, agribusinesses and the food-and-fiber industries



# Farm Credit East, ACA



FARM CREDIT EAST

# Farm Credit East, ACA

About 10 percent of portfolio or about \$430 million in timber and forest products

Serve biomass and renewable energy sector as an extension of business with existing customers

Work closely with CoBank, ACB, which funds Farm Credit East and is a key strategic partner

# Key Considerations

## Overall Project Development

- **Project rationale – long-term or incentive-based**
- **Compatibility with local communities and values**
- **Permitting and location issues**
- **Sponsorship – strategic or financial?**
- **Interconnection and transmission**

# Key Considerations

## Equity and Sponsorship

- **Track record with other projects**
- **Development funding**
- **Level of “in-kind” or soft equity**
- **Depth of pockets – need for credit enhancements**
- **Strategic value**



# Key Considerations

## Fiber supply

- **Wood basket characteristics**
- **Infrastructure**
- **Forest products economic conditions**
- **Market study and supply arrangements**

# Key Considerations

## Construction and Technology

- **Engineering Procurement and Construction (EPC) Contract and Contractor**
- **Technology – proven/new**
- **Independent Engineer (IE)**
- **Sensitivity to timelines**

# Key Considerations

## Offtake agreements

- **Length of contract**
- **Fuel cost escalators**
- **Creditworthiness of power purchasers**
- **Dependence on other revenue streams**
- **Environmental attributes**

# Structure

## Terms and Conditions

- **Third party consultants – IE, fuel study, etc.**
- **EPC and Operations and Maintenance (O&M) contracts**
- **Revenue account – “Waterfall”**
  - Debt Service Reserve
  - O & M Reserve
  - Working Capital
  - Limits on distributions
- **Financial covenants – debt service coverage, etc.**