Lending Reference Guide

Tribal Energy Financing

LPO Role	• Supports tribal investment in energy-related projects by providing direct loans or partial loan guarantees • Governed by **Energy Policy Act of 2005** and **25 USC Section 3502(c)**
LPO Value-Added	• Fully funded project debt or complement to commercial debt financing • Reliable partner that is actively engaged throughout project life • Multidisciplinary deal teams experienced in execution and monitoring of highly structured, complex transactions • Access to U.S. DOE's world class technical expertise
Project Eligibility	• Eligible Borrowers include a federally recognized tribe, including Alaska Native village or regional or village corporations; or a Tribal Energy Development Organization (TEDO) that is wholly or substantially owned by a federally recognized tribe • Commercially proven technology is preferred • Located within the U.S. or its territories • Project may be located within or outside of tribal lands (including trust and/or non-trust land) in the U.S. or its territories and can involve a single site or a distributed energy portfolio. There are tribal nexus requirements for projects of TEDOs that are not wholly owned by a federally recognized tribe. • Project must demonstrate reasonable prospect of repayment
Loan Products	• U.S. DOE **partial guarantee** up to 90% of a loan from a financial institution, based on full faith and credit of the U.S. Government; or **direct loan** from U.S. Treasury's Federal Financing Bank (FFB) • Structures may include project finance, structured corporate, corporate or warehousing lines • Acquisition financing may be eligible if the substantial improvement or modification of existing facilities is involved
Eligible Project Costs	• Costs directly related to design, engineering, financing, construction, startup and commissioning, but not operating costs and working capital • LPO's transaction advisory costs (financial, market, technical, legal, insurance) • Interest during construction • Detailed list of Eligible Project Costs in Section 8 of Attachment F of **Tribal Energy Loan Guarantee Program (TELGP) Solicitation**

Capital Structure	• Debt-to-equity ratio based on credit profile, business plan, technology, cash flows, project risk allocation and other relevant factors • Loan from Eligible Lenders and direct loans from FFB shall not exceed an amount equal to 80% of the eligible project costs
Repayment Terms	• Loan terms are tied to the financial profile of the project • Flexible/sculpted amortization based on predictable cash flows • Up to 30 years all-in tenor or 90% of projected useful life of major physical assets including construction and (possible) grace periods; loan tenor is linked to underlying financial structure of the transaction.
Pricing	• Based upon borrower's credit quality and default and recovery assumptions • For FFB direct loan, all-in pricing comprised of a base interest rate (U.S. Treasury equivalent yield curve) plus a spread, typically ranging from 37.5 to 200 basis points • For partial guarantee, interest rate negotiated between lender(s) and borrower; U.S. DOE with U.S. Treasury must determine it is "reasonable" • Pricing may include a risk-based charge paid over the life of the loan (discussed in Section 9(a) of Attachment F of the **TELGP Solicitation**)
Fees and Expenses	• DOE may utilize independent technical, financial, or other consultants and outside legal counsel in the due diligence of projects and structuring of transactions and drafting of term sheets and financing documents. LPO will endeavor to minimize requirements for external consultants and, at its discretion, keeping external advisor costs under partial guarantee transactions to less than 1% of the loan request, also not requiring non-legal consultants for projects with total project costs of less than $25 million. • Loan maintenance fee based upon size/complexity/stage of project
Application & Underwriting Process	• Pre-application dialogue and shared project detail is encouraged • Application components and instructions are described in the **solicitation** • Part I review by LPO to determine eligibility and readiness to proceed • Part II review by LPO to evaluate reasonable prospect of repayment • Due diligence, structuring, negotiation, credit approval, documentation and closing processes similar to those of commercial lenders • Transaction execution timing is affected by completeness of application materials, sponsor's readiness to proceed, responsiveness to information requests and negotiating efficiency • Required concurrence (30-day review period) of U.S. Treasury/FFB and Office of Management & Budget prior to Conditional Commitment and closing

General features as of July 2022, subject to change