





Lender's Perspective on Alternative Financing

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TD Bank Project Finance



GovEnergy
www.govenergy.gov



TD Bank Project Finance

- Project Finance lender
- Subsidiary of TD Bank Financial Group
- Active in three verticals:
 - Renewable Energy and Biofuels
 - Power Generation
 - Energy Infrastructure



What is a Project Financing?

- Debt is provided based on the viability of the project
- Recourse is limited to the project's cashflows and, if needed, the assets including the Project's contracts
- Even though no single party bears the responsibility for the credit, the combination of contracts, guarantees and other factors provides sufficient credit to make the transaction bankable.



Objective of the Project Financier

Simple question:

Can the Project be built on time, at budget and be capable of generating sufficient cashflow from operations meet its debt service as scheduled for the term of the financing?



Objectives of the Project Financier

Answer requires a thorough risk analysis

- Identify key risks
- Assess (grade on impact/likelihood)
- Allocate

JUST WHAT IS RISK?



Categories of Risk

- Operating: Technical
- Operating: Cost
- Operating: Management
- Participant
- Completion
- Supply
- Market
- Infrastructure
- Environmental
- Political
- Force Majeure
- Foreign Exchange
- Engineering
- Syndication
- Interest/Funding
- Legal

Source: Practical Introduction to Project Finance by Richard Tinsley



Typical Questions

- How much equity do you require?
- How fast can we close?
- When should I approach the Lender?



How much equity is needed?

- Not driven by LTV but by cashflow to service debt
- Metrics can be useful (\$/mw or \$/gallon)

Better Question:

- How much debt can be repaid given the risks that are allocated to the Project Company?



Process and Timing



John Ravis, TD Bank



Approaching the Lender

What I'd like to review

- Project Description
- Contracts (or termsheets)
- Workable Pro forma
- Development team experience

What's your objective?



Resources

- **Standard and Poor's: March 2001 Project Finance Debt Rating Criteria**
- **CEC, Financing Readiness: A Handbook for International Energy Project Developers, December 1997**
- **The Project Finance Portal:**
<http://www.people.hbs.edu/besty/projfinportal/index.htm>



Selecting a lender or investor

Do they have...

- Industry experience?
- Commitment to market?
- Track record of executing deals?



**Would you like to know more
about this session?**

If you have any questions or comments:

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