



Ownership & Economic Opportunity for All

FINANCING RECYCLING

MISSION ALIGNED DEBT FINANCE

SOUTH CAROLINA
RECYCLING INDUSTRY FORUM
23 MAY 2019

- About Self-Help
- Lending Experience
- SBA & USDA Guarantee Programs
- Sourcing Debt
- Lender Qualifications

Community Development Financial Institution (CDFI)

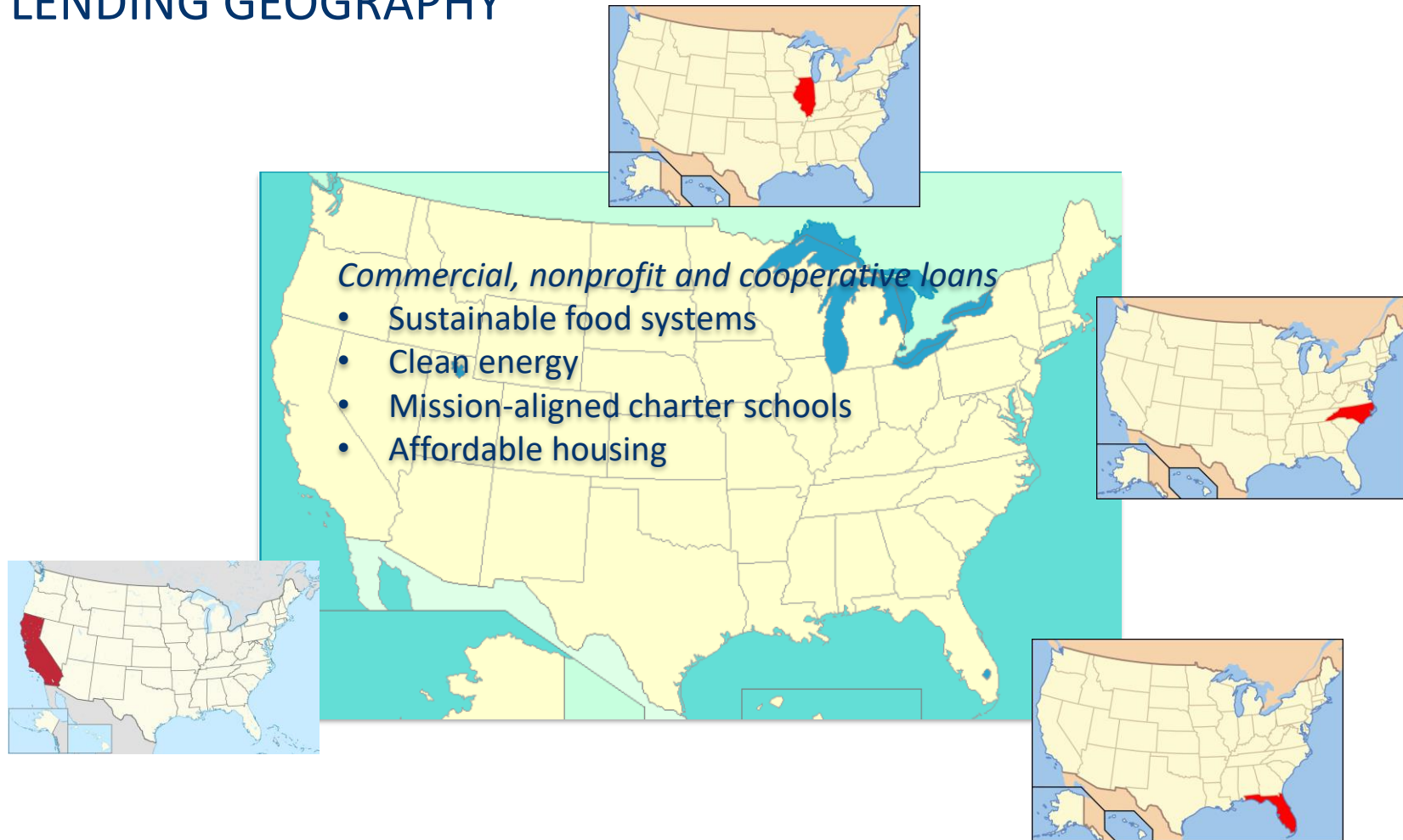
Community development financial institutions (CDFIs) are private financial institutions that are 100% **dedicated to delivering responsible, affordable lending** to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream.

Self-Help

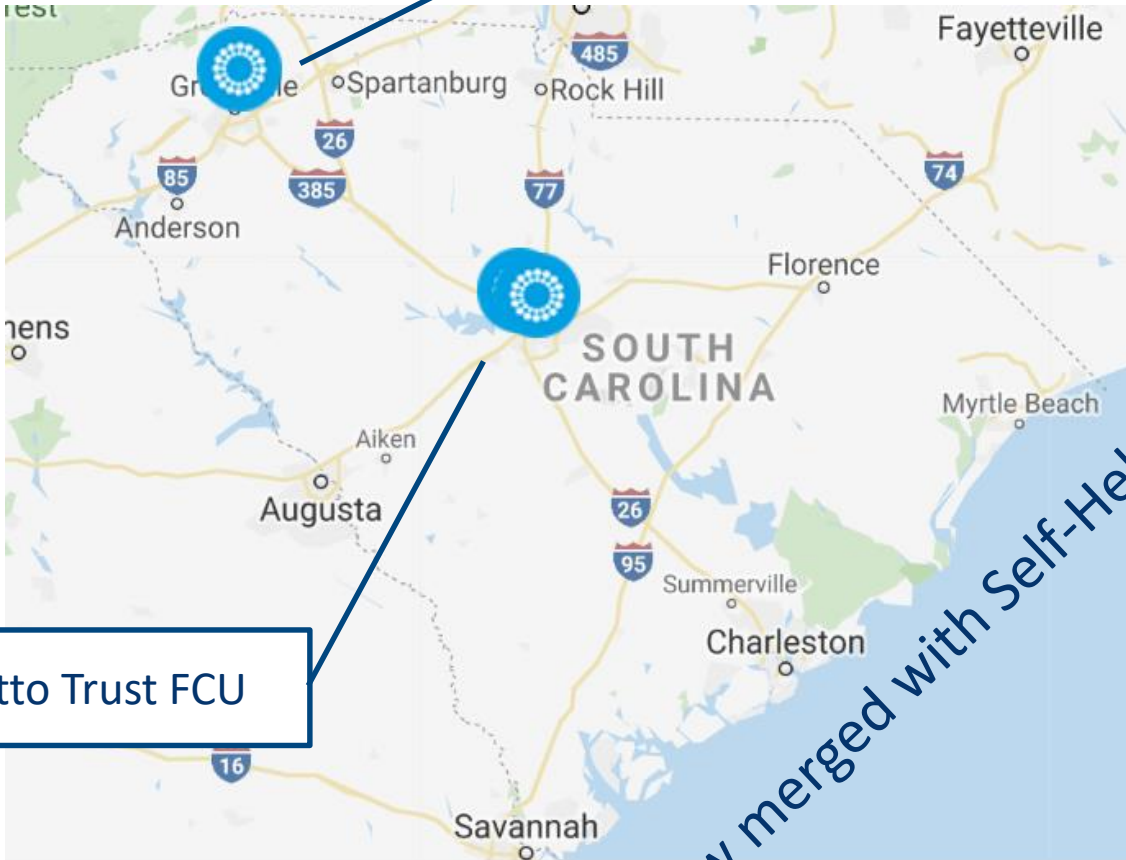
Self-Help is a CDFI

Our mission is **creating and protecting ownership and economic opportunity for all**. We do this by providing responsible financial services, lending to small businesses and nonprofits, developing real estate and promoting fair financial practices.

LENDING GEOGRAPHY



Community Works FCU



Palmetto Trust FCU

Now merged with Self-Help Credit Union



USDA Renewable Energy for America Program (REAP)

- Utility Scale Solar lending
 - \$176MM lending to developers
 - Construction of 280MW
 - power for 29,000 homes
- Typical 5MW facility
 - ~\$4MM debt finance
 - 20 year term
 - 80% USDA REAP guarantee



Self-Help sourced images



- **USDA B&I: Blue Ridge Biofuels**
 - Smaller scale regional business in expansion
 - Self-Help loan financed move into a larger facility, enabling tripling in capacity and access to new markets
- **SBA 504: Bakers Waste Equipment**
 - Expanding manufacturing business of recycling and waste handling equipment
 - Self-Help loan financed company move to new, larger site and major renovations

Government Loan Guarantees



Image: Wikimedia Commons

- Enable lending to projects with
 - Weak collateral
 - High loan-to-value (limited equity)
 - Special purpose buildings and equipment
 - Cash flow oriented businesses
- Loan guarantees can bridge the gap between project needs and available market lending, providing tailored, affordable terms

	RD Business & Industry	RD Rural Energy for America Program	SBA Standard 7(a)	SBA 504
Eligibility	Rural areas other than city >50,000	Rural areas other than city >50,000	USA	USA
Max term	CRE - 30 yrs Equip - 15 yrs or less Working capital - 7 yrs	CRE – 30 yrs Equip – 15 yrs or less Working capital – 7 yrs	RE – 25 yrs Working capital & fixed assets – 10 yrs	RE – 25 yrs Equip – 10 yrs
Equity	10% exiting/20% new	25% of eligible costs	0%, 10% start-up	10-20%
Loan Purpose	CRE, acquisition, machinery, equip, fixtures, debt refi, inventory, working capital	Renewable energy or energy efficiency	CRE, acquisitions, machinery, equip, fixtures, debt refi, inventory, working capital	CRE, long-term machinery, debt refi as part of expansion
Loan Limit	\$25MM	\$25MM	\$5MM	\$5MM/ \$5.5MM

- Think like your lender
 - Protect depositor and investor funds
 - Evaluate long term success
 - The optimal outcome is...
- The 5 C's of Credit
 - Capacity – sufficient cash flow to service debt
 - Capital – equity or net worth
 - Collateral – assets to secure the loan
 - Conditions – borrower, economy, industry
 - Character – integrity of management

- Adequate working capital
 - repay existing and new debt
 - accommodate planned operations, expansion
- Evaluating revenues, expenses
 - Confidence in projections
 - Security and term of contracts
 - Equipment warranties, service contracts
 - Debt Service Coverage

- Equity / Net Worth
 - Financial statements prepared in accordance with **GAAP** (Generally Accepted Accounting Principals)
 - Commitment and amount of equity invested
- Secondary sources of repayment
 - Reserves
 - Savings
 - Guarantors



Image: dailyclipart.net

- Loans are secured by assets
 - Real estate, equipment, inventory
 - Control/ownership pledges
 - Secured personal & corporate guarantees
 - Reserve Accounts
- Lender's valuation will often not equal an asset's cost
- Loan guarantees can help bridge the collateral gap – but the discounted value must be at least equal to the loan amount

- Purpose of the loan
 - New construction/Retrofit/Working capital/Expansion
- General economic conditions
- Local/regional/national/global industry conditions
 - Supply of feedstock, demand for output
- Regulatory & Legislative environment
 - Value of tax credits, other attributes
 - Permitting and operating requirements

- Management & Technical Experience
 - Relevant industry background
 - History of performance
 - Leading & Managing similar ventures
 - Credit history of owners
- Experience and expertise can (and should) be spread across the venture
 - Owners/Principals
 - Management & Board
 - Industry partners
 - Professional Service Providers

Secure, contracted feedstock sourcing



Robust technology: leading edge, not bleeding edge



Regulatory, zoning and permitting in process

Long term, stable offtake agreements

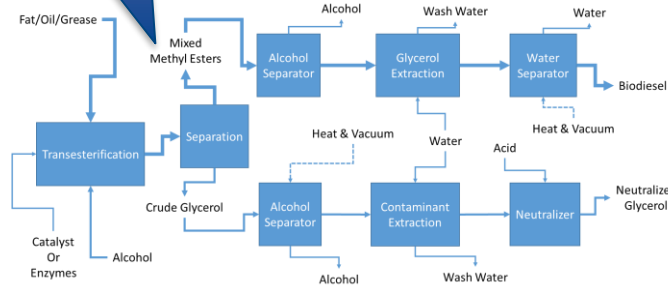


Capital stack outside of debt in place or committed

EPC contractor, equipment suppliers identified



Experienced leadership and team



What to look for in a lender?

- Experience in financing similar projects
- Experience in government guarantee programs - SBA 7(a), SBA 504, USDA B&I, USDA REAP, USDA 9003*
- Willingness to invest in learning about your business model, market and technology
- Ability to provide technical assistance - legal, financial & managerial
- Flexible loan terms – interest rate structure, appropriate duration, amortization
- Mission alignment - environment, community benefits, job creation

* Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program

JJ Froehlich
Clean Energy Sector Leader
Commercial Lending
919-794-6792
John.Froehlich@Self-Help.org

Images sourced through Microsoft PowerPoint online pictures from Creative Commons unless otherwise referenced