

February 1, 2023

Top 10 Construction Loan Provisions

*University of Texas Law CLE
2023 Renewable Energy Law
Institute*

Darin Lowder

dlowder@foley.com

202.295.4084

FOLEY
FOLEY & LARDNER LLP

0

TABLE OF CONTENTS

| | |
|--|----|
| ▪ Project Financing Basics..... | 2 |
| ▪ Debt Facilities..... | 6 |
| ▪ Debt Documentation | 8 |
| ▪ Top 10 Construction Loan Provisions..... | 14 |
| ▪ Appendix 1: Standard CP's to Closing..... | 26 |
| ▪ Appendix 2: Credit Agreement Negotiations, Pitfalls and Collateral Release..... | 30 |

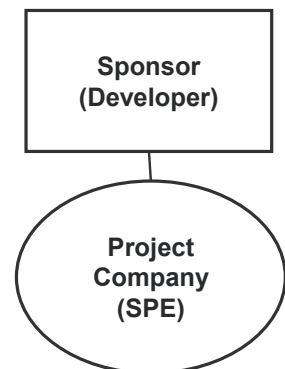
1

Project Financing Basics

2

The Basics: What is Project Financing?

- Technique for financing capital-intensive projects that are either difficult to support on a Developer's corporate balance sheet or are more attractive when financed separately
- Sponsor (the Developer) creates subsidiary Special Purpose Entity ("SPE") to hold the project's assets



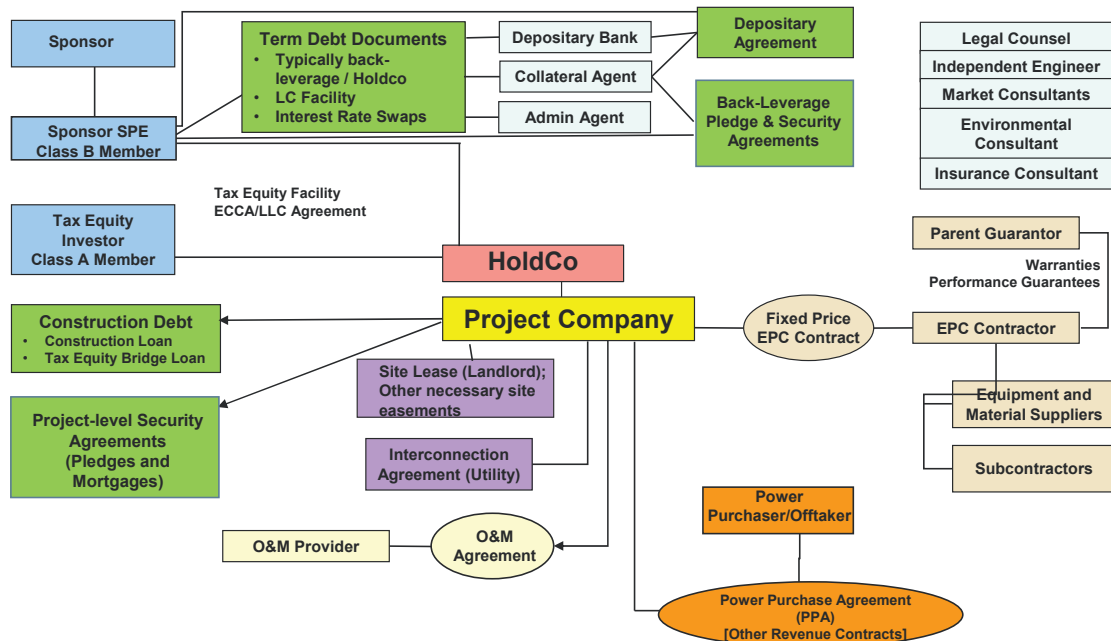
3

The Basics: What is Project Financing?

- Equity in SPE comes from Sponsor and outside parties
- “Tax Equity” investor provides additional equity funding subject to requirements of tax equity documentation
- Debt is provided to SPE based on the economic viability of the project and the strength of project contracts
- Risks borne by project parties / counterparties key credit
- Recourse limited to SPE’s assets and cash flow (not to Sponsor)

4

Parties to the Transaction



5

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: Top 10 Construction Loan Provisions

Also available as part of the eCourse

[Answer Bar: Navigating a Renewable Energy Project](#)

First appeared as part of the conference materials for the
18th Annual Renewable Energy Law Institute session
"Top 10 Construction Loan Provisions"