

LONG-TERM LOAN OR GUARANTEE APPLICATION

ATTACHMENT F: Project and Structured Finance

OMB No. 3048-0013
Expires 4-30-2010

I. Project Finance.

The term “project finance” refers to the financing of projects that are dependent on the project cash flows for repayment as defined by the contractual relationships within each project. These projects do not rely on the typical export credit agency security package which has recourse to a foreign government, financial institution or established corporation to meet a reasonable assurance of repayment criterion. By their very nature, projects rely on a large number of integrated contractual arrangements for successful completion.

1. Ex-Im Bank Project Finance.

- **Maximum Support Possible.** Where appropriate, Ex-Im Bank will offer the maximum support allowed within the rules of the OECD Arrangement, to include:
 - a) *Financing of interest accrued during construction related to the Ex-Im Bank financing.*
 - b) *Allowance of up to 15% foreign content in the U.S. package.*
 - c) *Maximum repayment term allowed under the OECD guidelines.*
- **No Size Limitation.** There are no minimum or maximum size limitations.
- **Flexible Coverage.** Any combination of either direct loans or guarantees for commercial bank loans with political risk only or comprehensive coverage are available for a given project.
- **Flexible Equity Arrangements.** There are no predetermined equity requirements. Ex-Im Bank will review and determine the appropriate equity structure on a case-by-case basis. The equity sponsor’s ownership position cannot be transferred without Ex-Im Bank’s consent.
- **Ex-Im Bank Exposure Fee Commensurate with Risk.** Exposure fees will vary depending on the risk assessment of the project and the type of coverage requested during construction and post completion. The exposure fee can be paid up-front or with each disbursement and can be financed.
- **Environmental Considerations.** Ex-Im Bank’s environmental procedures will apply.
- **Rapid Case Processing.** With the help of outside financial consultants, Ex-Im Bank will give a preliminary indication of support, called a Preliminary Project Letter (PPL), within 45 days from the date evaluation begins by the outside consultant. Should the project be sufficiently developed, the sponsor may proceed directly to a final commitment from the PPL, as determined by the Project Finance Division.
- **Financial Consultants.** Ex-Im Bank has advisers on specific project finance cases. Please contact the Structured Finance Group.

2. Application Process.

- **Submission.** The project finance application must include: 1) the standard *Ex-Im Bank LT Application*, and 2) five copies of the materials listed in this attachment. These materials should be marked “Project Finance Application” and submitted to Ex-Im Bank.
- **Preliminary Review.** Ex-Im Bank will review the submitted material within five to ten business days of the date that the application is received by the Structured Finance Division. This review will determine if the application includes the information required to proceed with an evaluation.
- **Incomplete Applications.** If the application presented is determined to be incomplete by the Structured Finance Division, the applicant will be contacted with an explanation of the application’s deficiencies. If the application is not determined to be suitable for limited recourse project financing but could still be considered for another form of Ex-Im Bank financing, it will be forwarded to the appropriate division and the applicant will be notified.
- **Choice of Financial Consultant.** A financial consultant will be selected by Ex-Im Bank to evaluate the application. Determination of the specific financial consultant will depend on several factors including geographic and sector expertise, and ability to meet project deadlines.
- **Evaluation Fee.** Before the financial consultant begins review, the applicant will be required to pay an evaluation fee.
- **Other Fees.** For most projects, Ex-Im Bank will require, either in conjunction with other lenders or for its own use, the advice of independent outside legal counsel, independent engineers, and insurance advisers. In addition, there may be other fees associated with conducting proper due diligence. Payment for these and any other fees will be the responsibility of the project sponsors or the applicant.
- **Preliminary Project Letter.** Assuming the evaluation process is satisfactory, the Structured Finance Division will issue a PPL. The PPL indicates that Ex-Im Bank is prepared to move forward on a financing offer and the corresponding general terms and conditions. These terms and conditions will be based upon the information available at the time of application. The evaluation and issuance of the PPL will be completed within 45 days of commencement of the evaluation.
- **Evaluation Post-PPL.** After issuance of the PPL, Ex-Im Bank will work with the applicant to secure a final commitment. On a case-by-case basis, Ex-Im Bank may continue to utilize the financial consultant.

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3. Project Criteria and Application Information Requirements.

a. General Project.(5 copies)

Definition

- Ideally the project should have long-term contracts from creditworthy entities for the purchase of the project's output and the purchase of the project's major project inputs such as fuel, raw materials, and operations and maintenance. Such contracts should extend beyond the term of the requested Ex-Im Bank financing. Where such contracts do not exist, additional equity and/or other credit support is expected.
- The project should contain an appropriate allocation of risk to the parties best suited to manage those risks. Sensitivity analysis should result in a sufficient debt service coverage ratio to ensure uninterrupted debt servicing for the term of the debt.
- Total project cost should be comparable to projects of similar type and size for a particular market.
- Product unit pricing and costs should reflect market-based pricing.
- Devaluation risk needs to be substantially mitigated through revenues denominated in hard currencies, revenue adjustment formulas based on changing currency relationships, or other structural mechanisms.

Information required

1. Summary of all aspects of the project, as contained in an independently prepared feasibility study and/or a detailed information memorandum, prepared by a qualified party. The study or memorandum should include the project description, location, legal status, ownership, and the background and status of key elements of the project structure, such as agreements, licenses, local partner participation, and financing.
2. Draft agreements for key elements of the project, including supply and offtake agreements.
3. A breakdown of anticipated project costs through commissioning, including interest during construction and working capital requirements, by major cost category and country of origin.
4. A summary of the anticipated project financing plan and security package, including: the proposed source, amount, currency and terms of the debt and equity investments; the sources of finance in the event of project cost overruns; and description of escrow accounts. Information on the terms, security requirements, and status of financing commitments of other lenders to the project, if applicable, should be provided.
5. Projected annual financial statements covering the period from project development through final maturity of the proposed Ex-Im Bank financing, to include balance sheet, profit and loss, source and application of funds statements, and debt service ratios. Projections should include a sensitivity analysis for not only the expected scenario but pessimistic and optimistic cases as well. This information should also be electronically provided with the project's financial model. The structure of the financial model should be in a format that is user friendly. Ex-Im Bank must be able to review and adjust the assumptions in the model.
6. Assumptions for the financial projections, including but not limited to the basis for sales volume and prices; operating and administrative costs; depreciation, a mortization and tax rates; and local government policy on price regulation.
7. Market information, to include: ten years of historical price and volume data; present and projected capacity of industry; product demand forecast with assumptions; description of competition and projected market share of the project as compared to the shares of the competition; identity and location of customers; and marketing and distribution strategy.
8. A description of the principal risks and benefits of the project to the sponsors, lenders, and host government.
9. A description of the types of insurance coverage to be purchased for both the pre- and post-completion phases of the project.

b. Participants. (5 Copies)

Definition

- Project sponsors, offtake purchasers, contractors, operators, and suppliers must be able to demonstrate the technical managerial and financial capabilities to perform their respective obligations within the project.

Information Required

1. Sponsors must provide a brief history description of their operations, a description of their relevant experience in similar projects, and three years of audited financial statements, in English.
2. If the sponsors are part of a joint venture or consortium, information on all participants should be provided. A shareholders' agreement should also be provided.
3. Offtake purchasers and suppliers should provide a history and description of operations, at least three years of audited financial statements, in English, and a description of how the project fits in their long-term strategic plan.
4. Contractors and operators must provide resumes of experience with similar projects and recent historical financial information.

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c. Technical. (3 Copies)

- Project technology must be proven and reliable, and licensing arrangements must be contractually secured for a period extending beyond the term of the Ex-Im Bank financing.
- A technical feasibility study or sufficiently detailed engineering information needs to be provided to demonstrate technical feasibility of the project.

Information Required

1. Technical description and a process flow diagram for each project facility.
2. Detailed estimate of operating costs.
3. Arrangement for supply of raw materials and utilities.
4. Draft turnkey construction contract and description of sources of possible cost increases and delays during construction, including detailed description of liquidated damage provisions and performance bond requirements.

5. Project implementation schedule, showing target dates for achieving essential project milestones.
6. A site-specific environmental assessment, highlighting concerns, requirements and solutions. The information to be provided should demonstrate compliance with Ex-Im Bank's environmental guidelines.

d. Host Country Legal/Regulatory Framework and Government Role. (5 Copies)

Definition

- Host government commitment to proceeding with the project needs to be demonstrated.
- Legal and regulatory analysis needs to demonstrate that the country conditions and the project structure are sufficient to support long-term debt exposure for the project through enforceable contractual relationships.
- Ex-Im Bank's relationship with the host government will be addressed on a case-by-case basis.

Information Required

1. A description of the host government's role in the project, and progress made toward obtaining essential government commitments, including authorizations from appropriate government entities to proceed with the project.
2. A definition of the control, if any, that the government will have in the management and operation of the project, and status of any assurances that the government will not interfere in the project's operation. If the government is also a project sponsor, these issues will be of particular importance.
3. Evidence of the government's current and historical commitment and policies for availability and convertibility of foreign currency.
4. Status and strategy for obtaining government undertakings to support any government parties involved in the project, to the extent that such undertakings are needed to provide adequate credit support for such entities.

II. Structured Finance.

"Structured" transactions will have an established corporation as a borrower but may rely upon sources of collateral or security in addition to the corporation's balance sheet. The information required for structured finance applications is the same as that requested in "Attachment G" plus any additional data describing the proposed structure and security package.

If you have questions about this attachment, please contact the Structured Finance Division (Telephone: 202-565-3690 or Fax: 202-565-3695).