



Export-Import Bank of the United States

EXPORT-IMPORT BANK
of the UNITED STATES

Jobs Through
Exports

“Financing Environmental Exports”

10th Annual LMOP Conference

and Project Expo

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U.S. Ex-Im Bank

- Independent agency of the U.S. government.
- Established in 1934 to finance the export sales of goods and services produced in the U.S.
- Supports short, medium, and long-term financing to creditworthy international customers both public- and private-sector; working capital guarantees to U.S. exporters.
- Products include Export Credit Insurance, Loan Guarantees, Direct Loans, Working capital Guarantees.
- *No minimum nor maximum project size.*
- Special initiatives for environmental exports.



Export Credit Insurance

- Enables U.S. exporters to offer short- and medium-term credit directly to their customers.
- Export credit insurance is an attractive substitute to cash-in-advance, letters of credit and costly local bank financing.
- Supports repayment terms up to 360 days for short-term goods; medium-term capital goods can qualify for 1-7 year terms.
- Only an invoice of the sale needed for short-term credit; Ex-Im Bank provides a promissory note to document medium-term credits.



Short-Term Credit Process

1. The U.S. supplier submits the application to Ex-Im Bank along with the required information to establish a credit limit for the foreign customer.
2. The information requirements from the foreign company for credit limits are as follows:
 - \$10,000 credit a favorable trade or bank reference.
 - \$10,000-\$50,000 credit a current credit report.
 - \$50,000-\$100,000 credit a current credit report plus a favorable bank or trade reference.
 - Over \$100,000 credit a current credit report, latest 3 years financial statements, and



Southwest Windpower, Inc.

- *Southwest Windpower, Inc.*, a small business in Flagstaff, Arizona that exports battery-charging wind turbines to more than 50 countries.
- *Southwest Windpower* generates more than 50% of its revenues from export sales.
- Challenge: *Southwest Windpower* needs to offer credit terms to small distributors in diverse foreign markets.
- Solution: Ex-Im Bank's Short-Term Credit Insurance enables *Southwest Windpower* to offer "open account" credit terms to its distributors that enables them to place larger orders.



Loan Guarantee Program

- Guaranteed Loans made by commercial banks to a foreign buyer with a 100% *unconditional* repayment guarantee from Ex-Im Bank
 - Guarantee covers 85% of the U.S. contact after 15% downpayment.
 - *Negotiated* interest rates, usually a floating rate based on spread over 6-month U.S. dollar LIBOR rate
 - Loan fully transferable, can be securitized
 - Guarantee available in major foreign currencies



Loan Guarantee Process

1. The Guaranteed Lender bank submits the application under its *Master Guarantee Agreement* along with the required information to Ex-Im Bank.
2. The information requirements from the foreign company for Medium-Term credit limits are as follows:
 - A current credit report.
 - A current commercial bank reference.
 - Latest 3 years financial statements; interim statements if the latest year's financial statement is older than 1 year.
 - Copy of the export contract.



Case Study: Facileasing, S.A.

- PNC Bank, Pittsburgh, PA arranged a 5-year loan for *Facileasing, S.A.*, Mexico City, to purchase \$1 million in U.S.-made equipment.
- The equipment includes a desalination plant, solar panels, laundry equipment, and golf carts which *Facileasing, S.A.* will lease to the Hotel Marival – Cancun on 5-year lease payment terms.
- *Facileasing, S.A.*, based in Mexico City, offers both finance and operating leases with payment terms ranging from 12-60 months.
- *Facileasing, S.A.* retains title to the leased assets for the entire term of the lease.



Environmental Exports Program

- Support for environmentally-beneficial exports mandated in Ex-Im Bank's Charter.
- Environmental projects are offered enhancements:
 - Maximum OECD repayment term for Long-Term Loans and Guarantees of 10-15 years after project completion.
 - Repayment terms of 15-years for renewable energy and water treatment projects!!
 - Capitalization of interest during construction.
 - Up to 15% local cost support within the U.S. scope of supply.



Project Finance Program

- Provides Direct Loans & Loan Guarantees for limited recourse project finance.
- Financing based on project structure and cashflow
 - *reasonable assurance of repayment*
 - 85% of the U.S.-made content
 - Term: up to 12 years after project construction
- Rapid processing, using outside financial advisors



Case Study: Philippines Geothermal

- Direct Loan of \$49.7 million to the sponsor Ormat Leyte Co. Ltd., to build, own and operate four geothermal plants 530km from Manila.
- Philippine National Oil Company signed a contract with Ormat to purchase power from the new plants, supply power to them.
- Ormat provided 25% in equity with Ex-Im Bank supporting the remaining 75% as the sole senior lender.
- During the construction phase, loans provided by a syndicate of banks with Ex-Im Bank providing a political risk guarantee.
- Project has important strengths:
 - The contract between Ormat and the PNOC, whose commercial obligations fully supported by Government of the Philippines.
 - Project's revenues mostly denominated in U.S. dollars to cover dollar-based fixed charges such as debt service.



What Can Ex-Im do for “Small” Projects?

- Ex-Im Bank can make a credit decision about a potential project in one of three ways:
 1. Based strictly on the balance sheet of the borrower or a guarantor;
 2. As limited recourse project finance with a special purpose company borrower and project cash flows as the source of repayment;
 3. Or, as a structured finance transaction with the borrower’s balance sheet enhanced by special features.

- “Structured” finance may be an alternative where projects are too large to be feasible strictly on a balance sheet... but too small to merit the time and expense associated with project finance transactions.



What Makes a Financing “Structured”?

- Structured finance involves elements of both corporate and limited recourse project finance. Like corporate finance, it involves full recourse to the project sponsor’s balance sheet.
- Like project finance, it involves special features to enhance the credit of the borrower, including (but not necessarily limited to) one or more of the following:
 1. Special purpose accounts;
 2. Confirmed off-take agreements
 3. Covenants and default provisions that would prevent payment of dividends to the sponsors;
 4. L/C’s or other sources of funds pledged by sponsor to Ex-Im Bank through a bank or other third party.



Structured Financing: Korea Solar

- Ex-Im Bank's Loan Guarantee to *City National Bank* supported its 15-year, \$7.8MM financing of the 1MW solar power project in Gwangju, Korea.
- *Powerlight, Berkeley, CA*, will design, develop, and deploy the solar power plant, located at the Kim Dae Jung Convention Center.
- Ex-Im Bank used the "structured finance" approach to create a reasonable assurance of repayment and support the project with no need for outside financial advisors, limited legal fees
- Structure of the deal included:
 - 15-year guaranteed tariff rate for power sales
 - Corporate guarantees of two relatively small private-sector companies as project sponsors
 - Mortgage on the solar panels
 - Debt service reserve account
 - Financial covenants



Working Capital Guarantee

- Ex-Im Bank provides 90-100% repayment Guarantee for working capital loans, revolving or transaction based, made by commercial lenders to small businesses to finance export sales.
- The Guarantee serves as the collateral to the lender by mitigating the risk inherent when the source of repayment for the loan is an overseas contract.
- Enables exporters to finance materials, labor, and overhead to produce goods/services for export.
- Enables exporters to cover standby letters of credit for bid and performance bonds, or payment guarantees.
- Enables the exporters to finance foreign sales receivables.
- Most Working Capital Guarantees provided by Delegated Authority Lenders (see www.exim.gov for a list) without prior Ex-Im Bank approval.



Case Study: PowerLight Corp.

- PowerLight of Berkeley, CA received a \$5 million working capital loan made possible through Ex-Im Bank's Working Capital Guarantee Program ("WCGP").
- PowerLight is using the working capital line of to finance the \$50+ million export sale of solar tracking technology to Bavaria Solarpark, the world's largest solar electric project!
- The project will generate 10 megawatts of electricity, enough to power 9,000 homes in the region, supported by a 20-year power purchase from the German government. .
- Union Bank of California, an Ex-Im Bank delegated authority lender, provided the loan and will receive Ex-Im Bank's Guarantee when the loan is processed.
- PowerLight is using the working capital line in part to post a 10% performance bond as required by Bavaria Solar.



Conclusion

- Ex-Im Bank: top priority to support environmental exports
- Ex-Im Bank supports short, medium, and long-term financing to creditworthy international customers, and working capital guarantees to U.S. exporters.
- Ex-Im Bank enables U.S. exporters to arrange the most attractive source of credit directly for their customers.
- Ex-Im Bank's programs provide the most attractive financing option for foreign small- and medium-sized firms to purchase of U.S. goods and services
- Ex-Im Bank is interested in any size project.



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