

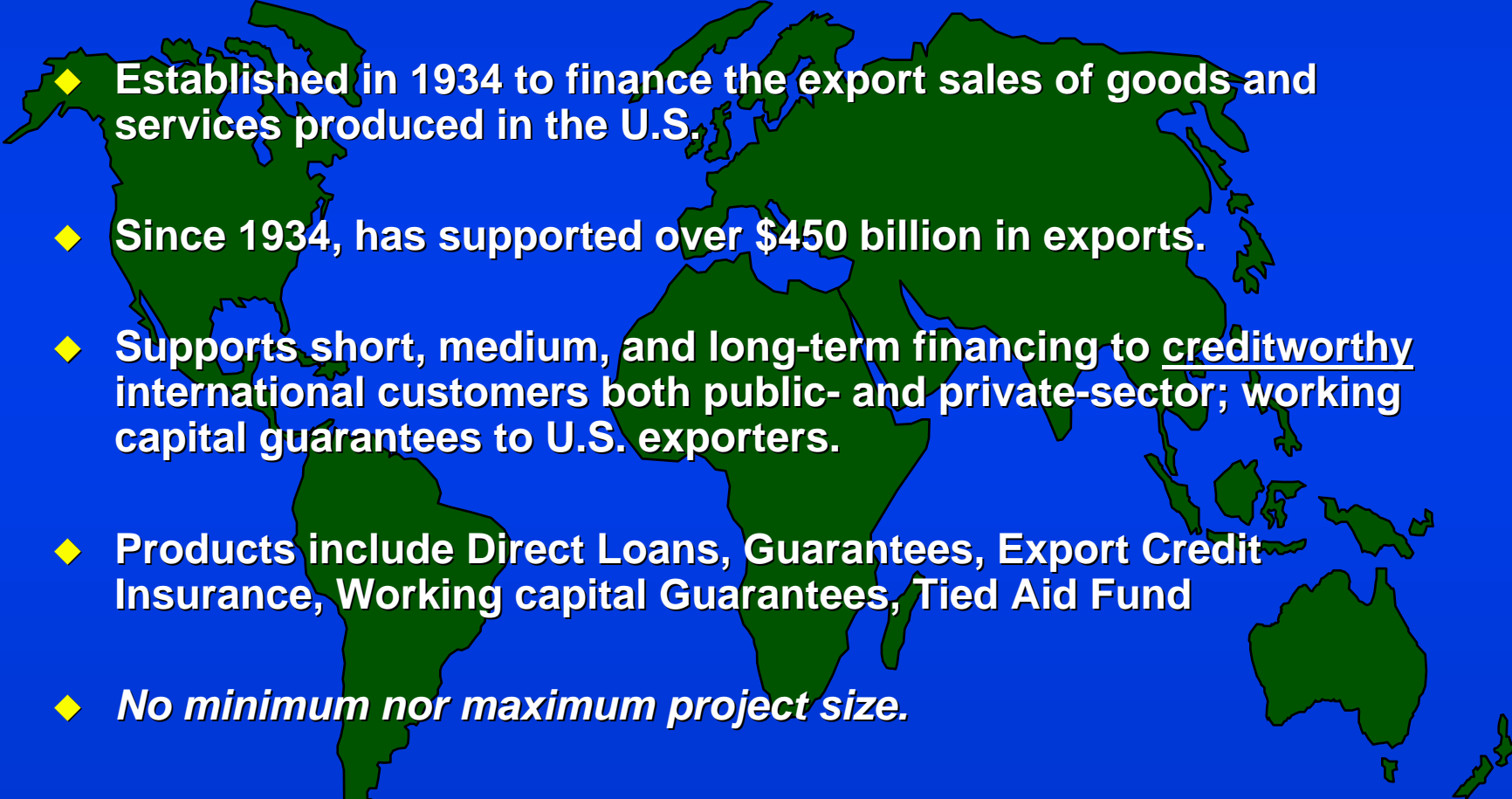
Export-Import Bank of the United States

“Financing Biofuels Exports”

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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.
 - ◆ Since 1934, has supported over \$450 billion in exports.
 - ◆ 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 Direct Loans, Guarantees, Export Credit Insurance, Working capital Guarantees, Tied Aid Fund
 - ◆ *No minimum nor maximum project size.*
 - ◆ Special initiatives for environmental exports, small business, and lending *directly* to municipalities in certain countries.
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Environmental Exports Program

- ◆ Support for environmentally-beneficial exports mandated in Ex-Im Bank's Charter.

- ◆ Environmental Exports Program Consists of pro-active business development and enhancements to existing Ex-Im Bank programs.

- ◆ 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.

- ◆ RESULTS: Transactions approved under the Program grew from 13 in FY 1994, to 71 FY 2006, totaling over \$2 billion.

Ex-Im Bank: Biofuels Policy

- ◆ Ethanol: Wide spectrum of possible Ex-Im Bank responses from an economic impact perspective depending on specific circumstances:
 - ❖ Produced/processed in Caribbean Basin Initiative countries (“CBI”), destined for U.S. – Politically and procedurally difficult (if not impossible) to support since CBI-produced ethanol can circumvent the tariff protection currently in place
 - ❖ Produced in Latin America, destined for U.S. – Likelihood of receiving support depends on how much of the project’s ethanol production is sold into the U.S. Projects with significant LA ethanol sales into the U.S. would likely not be eligible for Ex-Im support.
 - ❖ Produced in Latin America or anywhere else in the world, not destined for U.S. – Likelihood of receiving support from an economic impact perspective is high. U.S.-produced ethanol is not generally exported, U.S. ethanol producers are not likely to witness a displacement of their overseas market share.
- ◆ Biodiesel: Likelihood of receiving support depends on how much of the project’s biodiesel production is sold into the U.S.
- ◆ Biomethane: Likelihood of receiving support from an economic impact perspective is high. Biomethane is not generally traded.

Export Credit Insurance

- ◆ Enables U.S. exporters to offer short- and medium-term *credit directly to their customers.*
 - ◆ Export credit is an attractive substitute to cash-in-advance, letters of credit and costly local bank financing.
 - ◆ Using Ex-Im Bank to *insure a letter of credit instead of paying bank confirmation charges* usually more cost effective.
 - ◆ Supports repayment terms up to 180 days beginning from date of importation of the goods; capital goods terms of 360 days-7 years.
 - ◆ Only an invoice of the sale needed for short-term credit; Ex-Im Bank provides a promissory note to document medium-term credits.
 - ◆ *Insurance lowers reserve requirements for commercial banks.*
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Blue Sky Energy, Inc.

- ◆ *Blue Sky Energy, Inc., Vista, CA, uses Ex-Im Bank's Short-Term Insurance to offer "open account" credit terms to customers in Spain, Portugal, South Africa, Japan, United Kingdom, Australia, and Canada.*
- ◆ *Blue Sky Energy makes solar energy charge controllers.*
 - ❖ *Patented technology allows increase in power from PV energy systems*
- ◆ *Blue Sky Energy's use of Ex-Im Bank Insurance is supporting their growth in exports as overseas dealers offer credit to *their* customers.*
- ◆ *Blue Sky Energy's use of Ex-Im Bank Insurance provides risk mitigation on open account sales, and creates collateral for working capital borrowing.*
- ◆ *Blue Sky Energy's broker, Meridian Finance Group, works extensively with Ex-Im Bank.*
- ◆ *Financing is often THE critical factor in winning an export sale in emerging markets, Open account has advantages.*
 - ❖ *"Supplier credit" attractive substitute to buyer using L/Cs*
 - ❖ *Interest rates very high in many international markets*
 - ❖ *Increase order quantities to existing customers/distributors.*
 - ❖ *Enter new "risky" markets, attract new customers/distributors.*
 - ❖ *80% of sales in Europe done on open account basis*

Short-Term Credit Process

1. The U.S. supplier submits the application along with the required information to establish a credit limit for the foreign customer to Ex-Im Bank.

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 references.

3. Ex-Im Bank's Loan Officer analyzes the application and makes a decision on the amount of credit to be supported.

Loan & Guarantee Program

- ◆ Guaranteed Loans made by commercial banks (U.S. or foreign) to a foreign buyer with a 100% *unconditional* repayment guarantee from Ex-Im Bank
 - ❖ Guarantee covers 85% of the U.S. content of the transaction.
 - ❖ *Negotiated* interest rates, usually a floating rate based on spread over 6-month U.S. dollar LIBOR rate
 - ❖ Loan fully transferable, can be securitized
 - ❖ Banks often finance the 15% required cash payment
 - ❖ Guarantee available in major foreign currencies

Loan Guarantee Process

1. The Guaranteed Lender bank submits the application for *Final Commitment* under its *Master Guarantee Agreement* along with the required information to establish the credit limit for the foreign customer.

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.
- ❖ Note: audited statements required for credits over \$1MM
- ❖ Copy of the export contract.

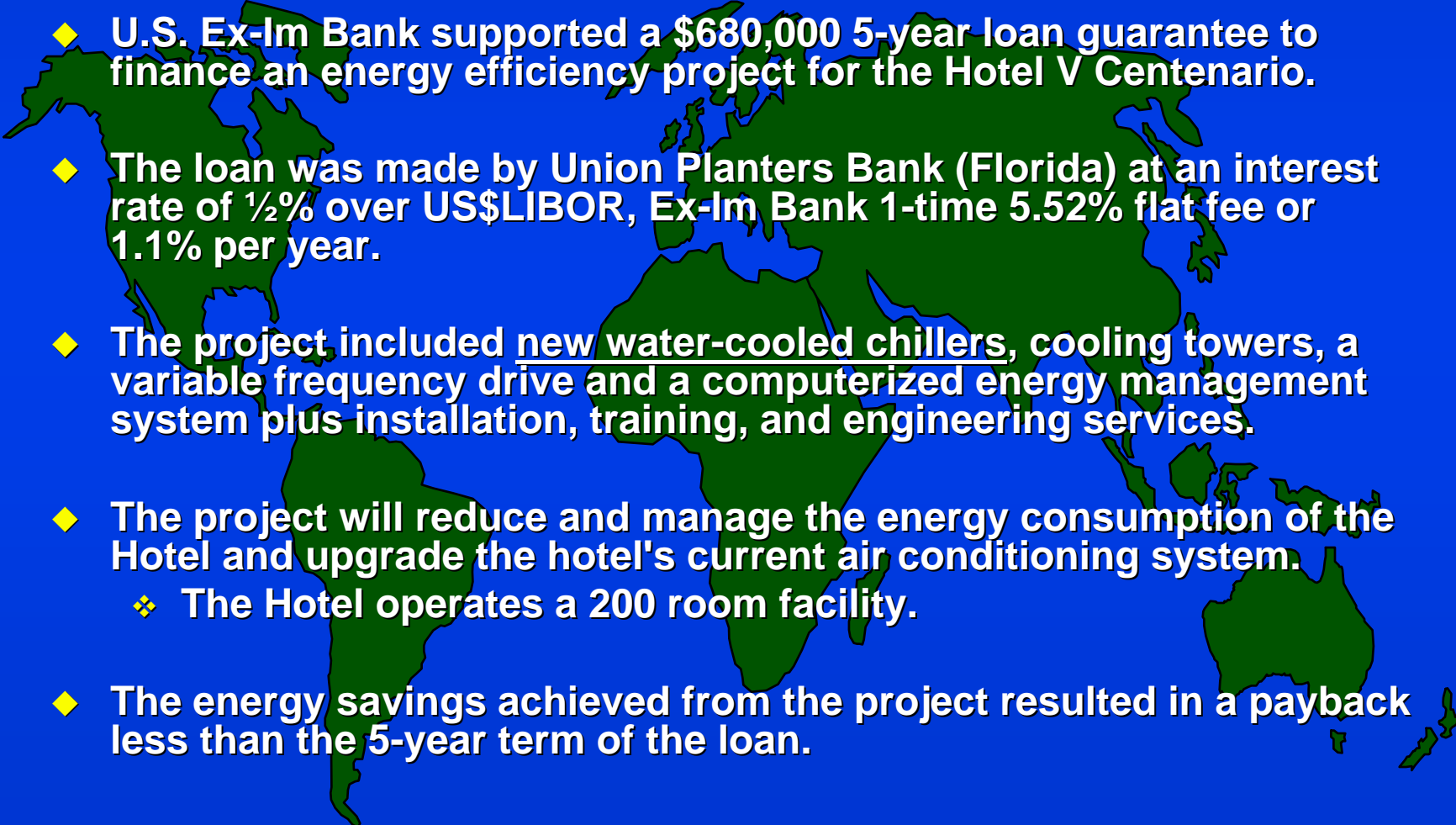
3. Ex-Im Bank's Loan Officer analyzes the application and makes a decision on the amount of credit to be supported.

Medium-Term Credit Standards

- ◆ Positive Operating Profit over last 2 years
- ◆ Positive Net Income over last 2 years
- ◆ Positive Cash-Flow-From-Operations (latest year)
- ◆ EBITDA/Debt Service greater than 150%
- ◆ Total Liabilities/Total Net Worth less than 175%
- ◆ Ex-Im Bank Exposure/Total Net Worth less than 40%

Borrowers that meet these standards very likely to be approved. If the borrowers misses one or more of the standards, Ex-Im Bank will conduct further analysis of the borrowers' business to determine whether to grant approval.

Case Study: Hotel V Centenario Dominican Republic

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- ◆ U.S. Ex-Im Bank supported a \$680,000 5-year loan guarantee to finance an energy efficiency project for the Hotel V Centenario.
 - ◆ The loan was made by Union Planters Bank (Florida) at an interest rate of ½% over US\$LIBOR, Ex-Im Bank 1-time 5.52% flat fee or 1.1% per year.
 - ◆ The project included new water-cooled chillers, cooling towers, a variable frequency drive and a computerized energy management system plus installation, training, and engineering services.
 - ◆ The project will reduce and manage the energy consumption of the Hotel and upgrade the hotel's current air conditioning system.
 - ❖ The Hotel operates a 200 room facility.
 - ◆ The energy savings achieved from the project resulted in a payback less than the 5-year term of the loan.

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 totaling \$16.7 million 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 a number of important strengths:
 - ❖ The contract between Ormat and the PNOC, whose commercial obligations fully supported by Government of the Philippines.
 - ❖ Ormat equipment has a record of reliable performance.
 - ❖ The engineering evaluation showed the geothermal fields to be a reliable power source, generating a high capacity of steam.
 - ❖ 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.

- ◆ Many 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.

- ◆ “Structured” finance may be an alternative.

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, including offshore payment accounts, escrow or reserve accounts, or other accounts that would be subject to Ex-Im Bank’s control;
2. Covenants and default provisions such as financial ratios or debt service coverage requirements that would, if violated, prevent payment of dividends to the sponsors;
3. Insurance requirements that might be more strict than those typically applicable under corporate insurance policies;
4. Letters of credit or other sources of funds that would be pledged by the 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.
 - ❖ Ex-Im Bank's first 15-year deal under the new OECD terms.
 - ◆ *Powerlight, Berkely, 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.
 - ❖ No 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
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Working Capital Guarantee

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- ◆ 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 Working Capital Guarantee serves as the collateral to the commercial 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.
 - ◆ Internet <http://www.exim.gov>
 - ◆ e-mail craig.oconnor@exim.gov, michael.howard@exim.gov
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