



EXPORT-IMPORT BANK OF THE UNITED STATES
Financing or Operating Lease Coverage
Explanation of Application Form for Export Credit Insurance

THIS EXPLANATION IS GIVEN ONLY FOR THE PURPOSE OF ASSISTING YOU IN REVIEWING THE APPLICATION FORM. THE COMPLETE TERMS AND CONDITIONS OF COVERAGE ARE SET FORTH IN THE POLICY ITSELF. PLEASE NOTE THAT ALL UNDERLINED WORDS IN THIS EXPLANATION AND THE APPLICATION FORM ARE DEFINED IN THE POLICY.

INTRODUCTION - Two Types of Coverage: Operating and Financing Leases

The Export-Import Bank of the United States (Ex-Im Bank) has created two credit insurance policies for the leasing industry, one entitled Operating Lease Policy, and the other Financing Lease Policy. Each provides a unique system of coverage which is described below. It is important to know that the terms operating lease and financing lease are used herein as descriptive titles for the purposes of the policies only. Definitions of an operating lease, true lease, financing or full payout lease vary depending upon whether one is speaking in the context of accounting, taxes, commercial law, or international trade. These definitions do not affect your choice between the two Ex-Im Bank policies. The choice between the Operating Lease Policy or Financing Lease Policy depends upon the characteristic of the transaction. The Finance Lease Policy must be used if the transaction is essentially a conditional sale and the intent of the lessor is to transfer title at the end of the lease period. Usually there is no or little residual value. The Operating Lease Policy must be used if the transaction is not essentially a sale, but involves the rental concept (i.e, the lessor does not intend to transfer title to the lessee at the end of the lease period). Usually there is a significant residual value. All transactions which have residual value greater than or equal to 25% of the full value of the leased products must use the Operating Lease Policy.

The separation between the two types of coverage is due in part to the necessities of compliance with certain international agreements pertinent to medium-term sales. For those purposes, the financing lease is viewed as a medium-term sale and therefore an advance payment from the lessee to the lessor is required. An operating lease, however, which embodies the expectation of repossession of a leased product, which product may or may not have retained its expected market value, can be viewed by Ex-Im Bank as a rental and thereby can be underwritten by Ex-Im Bank without the imposition of an advance payment requirement.

Coverage is made available for leased products of United States origin as defined by the current underwriting guidelines. Used products may be covered. Refer to Ex-Im Bank's Fact Sheet on Used Equipment Guidelines EIB92-63. Lessors may be located in the United States, the country where the lessee is located, or a third country. Coverage is available for products which have been previously exported from the United States, however, products which have been exported as a sale or financing lease must be returned to the United States for at least one year to be eligible for coverage. Products which have been exported under an operating lease must also be returned to the United States but there is no minimum repatriation period required.

STRUCTURE OF EX-IM BANK'S FINANCING LEASE POLICY

Similar to the structure of a medium-term sale transaction, there is a requirement of a 15% advance payment from the lessee to the lessor (applicant/insured) on or before the delivery of the leased products. The advance payment may be financed. You can only insure the remaining 85% of the lease transaction.

Should the lessee default, coverage is provided for the insured percentage of each lease payment as it falls due until the end of the lease term. Coverage is usually provided at 100%. At the time of claim payment, the insured is obligated to transfer to Ex-Im Bank all remaining obligations of the lease, as well as title to the leased products. The coverage of lease payments as they become due remains effective regardless of failed repossession efforts for any reason or Ex-Im Bank's own subsequent repossession of a leased product which has lost its market value.

STRUCTURE OF EX-IM BANK'S OPERATING LEASE POLICY

Coverage for Stream of Payments During Repossession Efforts - This policy divides coverage into two distinct parts, the first being for the stream of payments which fall due during a limited repossession efforts period after default of the lessee. Although the length of the repossession efforts period will be underwritten on a case-by-case basis, it will generally extend to cover those periodic and approved non-periodic payments which fall due during a maximum period of five months after the default. The intention of this first coverage is to maintain the insured's stream of payments while he takes action to repossess the leased products. Coverage for the stream of payments is usually provided at 100% for sovereign lessees and 90% for all others.

Coverage for Governmental Prevention of Repossession - If the insured has elected to purchase this coverage and is unable to effect repossession during the repossession efforts period, he may then claim under Risk 5 coverage, but only if repossession is prevented by the type of government action specifically described under Risk 5 of the Operating Lease Policy. Generally, those risks are referred to as expropriation or confiscation. Coverage will be limited to the actions of the governments of those countries which the insurer agrees to specify in the declarations. A failure of the insured to effect repossession for reasons other than those specified in Risk 5 is not covered. Note that the valuation of coverage under Risk 5 is the fair market value of the leased products at the time of claim submission. The coverage percentage under Risk 5 is 100%.

POLICY ISSUANCE

Both the Operating Lease Policy and Financing Lease Policy are of the single transaction type, meaning that a separate policy is issued for each separate lease you insure with Ex-Im Bank. Upon the review and approval of your application, Ex-Im Bank will issue a commitment notice for 90 days, reflecting the coverage parameters, including the credit limits and premium due, for your lease transaction. The policy is issued once you pay the applicable premium which is due prior to the expiration of the commitment notice.

The Operating Lease Policy offers "limits" type coverage:

Under Risks 1, 2, 3, 4 on the stream of payments, you may purchase an amount of insurance up to the credit limit which Ex-Im Bank has approved, or less, if you deem it appropriate. Ex-Im Bank's maximum claim payment for these risks would be the insured percentage of the loss up to the lesser of the actual amount of the limited number of periodic and non-periodic payments specified in the policy declarations or the coverage credit limit you have purchased.

In a similar manner, for Risk 5, you may purchase an amount of insurance up to the credit limit which Ex-Im Bank approves, or less if you desire, to cover the value of the leased products should their repossession after a default be prevented by one of the forms of governmental intervention set forth in the policy. Under Risk 5, the claim payment would be the insured percentage of the fair market value at the time of claim, but limited by the credit limit of coverage you have purchased.

Note that prior to the time of policy issuance you must make the final decision on your credit limits, taking into consideration whatever factors you choose, including the possibilities that a default and prevention of repossession may occur very early during the life of the lease.

Under the Financing Lease Policy, Ex-Im Bank's maximum claim payment for Risks 1, 2, 3, 4 would be the insured percentage of the amount of the insured's loss on approved non-periodic payments and on the principal and covered interest of each actual periodic payment as set forth on the schedule in the policy declarations.

FURTHER POINTS OF CLARIFICATION

- Ex-Im Bank coverage under both the Operating and Financing Lease Policies is available for both the rental portion of the lease, which is referred to as periodic payments, and also other non-rental type payments, referred to as approved non-periodic payments. Periodic payments must be due from the lessee to the insured under the lease at equal time periods, but the amounts of such payments may be unequal.
- The concept of a non-periodic payment is intended to include those payments which are obligations of the lessee under the lease, but for which payment is due upon the occurrence of certain specified contingencies other than the passage of equal periods of time. Such obligations might include service or maintenance payments payable by the lessee to the insured lessor. If such non-periodic payments are payable to a third party, however, they can be insured only if the lease contains an obligation of the lessee to reimburse the insured if such payments are not made to the third party by the lessee when due and are instead made by the insured. Your application for coverage of such non-periodic payments will be underwritten by Ex-Im Bank, and a credit limit will be entered for each approved non-periodic payment.
- Both policies require that the lease documentation set forth certain obligations. Before Ex-Im Bank can realistically underwrite a transaction, it is usually necessary to review at least a draft of the lease documentation prepared for the transaction you wish to insure. That draft should be as complete as possible when submitted.

POLICY RISK TYPES

Risks 1, 2, 3 - political risks of non-payment

(currency inconvertibility, cancellation of export or import licenses, war, insurrection, requisition or expropriation)

Risk 4 - commercial risk of non-payment
(protracted default, insolvency)

Risk 5 - governmental prevention of repossession of leased products (expropriation, confiscation - applicable to Operating Lease Policy only)

Information about Ex-Im programs, the materials and forms mentioned in these Instructions and the Application, names of Credit Reporting and Rating Agencies may be obtained:

- from Ex-Im's Website <http://www.exim.gov>,

- by calling an Ex-Im Regional Office: Midwest: Chicago (312) 353-8081, Northeast: New York (212) 809-2650, Southeast: Miami (305) 526-7436, Southwest: Houston (281) 721-0465, MidAtlantic: Washington,DC (202) 565-3902, West: Los Angeles (562) 980-4580, Orange County (949) 660-1688ext150, San Francisco (415) 705-2285,

- by calling the Ex-Im Business Development Division 1-800-565-EXIM (3946), or

- at 811 Vermont Avenue, NW, Washington, D.C. 20571.

A **non-binding insurance premium quote** can be determined using the Website's Exposure Fee Calculator.

APPLICATION FOR EXPORT CREDIT INSURANCE
FINANCING OR OPERATING LEASE COVERAGE

Date: _____
App. No.: _____
(Ex-Im Bank Use Only)

(Please Print or Type)

1. Applicant Name and Address, use 9 digit zip code 2. Broker Name and Number

Attn.: Telephone No.: Fax No.: E-Mail:	(If none, state "None") Brokerage: Broker No.: Attn.: Tel No.: Fax No.: E-Mail:
---	---

3. Lessee Name and full Address (If mailing address is a P.O. Box, also provide street address) File No.: _____
(Ex-Im Bank Use Only)

4. Guarantor Name and Address (If none, state "None") File No.: _____
(Ex-Im Bank Use Only)

(Please complete Parts I, II, III, IV and V for prompt processing of your request.)

PART I -- INFORMATION ABOUT THE APPLICANT

5. Please attach the following information
- Your most recent published annual report or financial statements (balance sheet and income statement) signed by company officers. If on file, please indicate.
 - Recent (within 12 months) credit agency report on applicant. If unavailable, please attach check for \$35.00 to cover the Export-Import Bank of the United States' (Ex-Im Bank's) cost in ordering a report. If you have submitted this report or \$35.00 to Ex-Im Bank during the past 12 months, please indicate and the requirement will be waived.
6. Nature of business (e.g., manufacturer, independent leasing company, leasing subsidiary of a bank, etc.):
7. Years engaged in: a) Leasing within your country _____ b) Leasing outside your country _____
8. a) Total leases and sales during the current and past two years: _____
- | | | | |
|----------------------|----------|----------|----------|
| Within your country | \$ _____ | \$ _____ | \$ _____ |
| Outside your country | \$ _____ | \$ _____ | \$ _____ |
- b) Total Employees: _____ c) Standard Industrial Classification (SIC) Code (if known): _____
- d) Tax ID #: _____ e) DUNS #: _____ f) Congressional District: _____
- 7) Indicate (Not Required) if owned by a woman, or an ethnic minority, describe _____
9. What are your principal foreign markets?
10. Principal products leased (including identification of major suppliers if other than applicant):

PART II - INFORMATION ABOUT THE TRANSACTION

11. Check one: ___ Firm Lease ___ Negotiating Lease ___ Responding to Invitation to Bid

12. Total value, term and schedules of payments under the lease:

(Attach a copy of the final lease if available, or a draft copy setting forth at least those provisions required by the policy.)

13. Leased products ___ New ___ Used (If used, attach Used Equipment Questionnaire.)

- a. Specify quantity, serial no., model no., year of manufacture, fair market value per unit and how derived, and a description of what the product does.
- b. Is there an active market for this particular product model number in the U.S. today, or is this product somewhat obsolete in the U.S. but still in demand overseas?
- c. Manufacturer or vendor if other than applicant: _____
- d. Is each leased product produced or manufactured in the United States to the extent that at least 85% of the value, exclusive of price mark-up, has been added by labor or material exclusively of U.S. origin? ___ Yes ___ No
- e. Original purchase value \$ _____
- f. Estimated value of leased products at the end of lease term \$ _____
- g. Who will own the leased products at end of lease term? _____

- h. Is title of ownership on each of the leased products unencumbered? ___ Yes ___ No If no, please attach an explanation.
- i. Does the lease give you the right to repossess the leased products in the event of default? ___ Yes ___ No
Identify the reference in the lease regarding repossession.
- j. Are products listed on the United States Munitions List? (part 121 of Title 22 of the Code of Federal Regulations)
 Yes No

See the U.S. Dept. of Commerce Website at <http://www.ita.doc.gov/import_admin/records/status> for a list of products and countries with Anti-Dumping or Countervailing Duty sanctions or call Ex-Im's Country Risk Analysis Division at (202) 565-3730.

14. Is the lessee going to be the user of the leased products or are the leased products expected to be released or sold to another entity? ___ Yes ___ No, if no, identify the entity and its location: _____.

15. Have you ever had to repossess products sold to or leased into the lessee's country? ___ Yes ___ No

a. If yes, were you successful in your repossession? ___ Yes ___ No

b. If you have repossessed products in the lessee's country, where did you resell or release them?

16. What procedures or measures (i.e., conforming with local documentation requirements and standard government regulations) have you undertaken to assure:

a. that you maintain good title to the leased products in the country of the lessee in this transaction?

b. that you will be able to repossess and re-export the leased products?

17. Does the lease establish an unconditional obligation of the lessee to make non-cancelable:

a. periodic payments? ___ Yes ___ No

b. non-periodic payments? ___ Yes ___ No

18. Shipment of leased products will begin on or before _____ (Date).

19. Other insurance:
- a. Ex-Im Bank requires that you be loss payee for transit insurance for the actual cash value of the leased products at the time of shipment. Has transit insurance been obtained or is it being obtained? ___Yes ___No
 - (i) For what actual cash value? _____
 - (ii) With which carrier? _____
 - (iii) Effective dates: from _____ to _____
 - b. Ex-Im Bank requires that casualty insurance on the actual cash value of the leased products be maintained at all times. Has casualty insurance naming you as loss payee been obtained or is it being obtained? ___Yes ___No
 - (i) At what time periods will you require a certification of casualty insurance from the lessee?

PART III - POLICY SELECTION INFORMATION (Refer to "Explanation of Application" form)

- Financing Lease Policy (Answer only questions 20 and 21) Operating Lease Policy (Answer only questions 22, 23 and 24)

FOR FINANCING LEASE POLICY

20. a. Contract price of the leased products \$ _____
Advance payment (minimum 15%) \$ _____
Credit Limit for Principal amount of periodic payments \$ _____
- b. Repayment terms for periodic payments
___Monthly ___Quarterly ___Semi-Annually in _____ installments beginning _____
(number)
- c. Attach as "Exhibit A" a schedule of periodic payments breaking out the principal amounts and interest for each periodic payment.
- d. Do you wish to insure any non-periodic payments? ___Yes ___No
If yes, please specify the credit limit requested and provide a description (including reference to the lease provision) of what each payment is for.
21. Against the actions of the government of which countries do you wish insurance under Risks 2 and 3?

FOR OPERATING LEASE POLICY

22. Repossession
At what point after default do you contemplate beginning repossession on this transaction and how much time do you estimate will be required for a successful repossession?
23. What is the length of the repossession efforts period you wish to insure?
24. a. Requested credit limit for periodic payments coming due during the requested repossession efforts period
\$ _____
b. Attach as "Exhibit A" the schedule of periodic payments
25. Do you wish to insure any non-periodic payments? ___Yes ___No
If yes, please specify the credit limit requested and provide a description (including reference to the lease provision) of what each payment is for.
26. Do you desire coverage for the risk of prevention of repossession ("Risk 5") of the leased products? ___Yes ___No
Credit Limit of fair market value you wish to insure under Risk 5: \$ _____
(Risk 5 premium rates will be applied to this amount only.)
27. Against the actions of the government of which countries do you wish insurance under Risks 2, 3, and 5?

PART IV - INFORMATION ABOUT THE LESSEE

28. Please attach the following information:

- Credit reports on the lessee, and guarantor (if any) not older than one year from date of application. Please provide one report from one of the sources listed in Column A and one from Column B.

<u>Column A</u>	<u>Column B</u>
<input type="checkbox"/> U.S. Commercial Bank	<input type="checkbox"/> Domestic Credit Agency
<input type="checkbox"/> Foreign Commercial Bank	<input type="checkbox"/> Foreign Credit Agency

- Minimum two years signed financial statements (preferably audited and in English) on the lessee, and guarantor (if any). Three years financial statements may be required by Ex-Im Bank on certain requests. Your internal credit analysis can be submitted with this application.

29. a. Summary of credit experience during the last three years with this lessee including uninsured experience. (Please include any additional information you may consider appropriate.)

Total Leases and Sales each year	\$ _____	\$ _____	\$ _____
Highest Amount Owing during the Period	\$ _____	\$ _____	\$ _____
Payment (Lease) Terms	_____	_____	_____

- b. Describe lessee's payment history (check one):
- No prior experience Prompt/Discount 1-30 days slow
- 30 - 60 days slow More than 60 days slow

c. Amount now owing \$ _____ as of _____ (Date).

d. Amount now past due (indicate maturity dates and explanation):

30. Describe any direct or indirect ownership interest or family relationship which exists between the applicant and the lessee or guarantor. If none, state "None." _____.

31. U.S. trade references (names/addresses/phone numbers/contacts). Submit copies of current reports if available.

32. Lessee's principal commercial banks (names and addresses):

Please answer all questions and sign the application. Applications not completely filled out or not submitted with at least the following information may be withdrawn:

- Copy of lessee's application (or substitute) to lessor for the lease transaction.
- At least a draft copy of the lease agreement prepared for the transaction you wish to insure.
- Financial statements on the applicant, lessee, and the guarantor (if any).
- Credit reports on the applicant, lessee, and the guarantor (if any).
- "Exhibit A" (schedule of periodic payments you wish to insure).

PART V - The Applicant (it) CERTIFIES and ACKNOWLEDGES to the Ex-Im Bank (the Bank) that:

A. it is (check one):

- 1) a corporation organized and **existing under the laws of the United States**, or a jurisdiction thereunder, or
- 2) an individual or partnership **resident in** the United States; **or**
- 3) a foreign corporation, partnership or individual **registered to do business in** the United States, **OR**
- 4) it has received a **written** of exception from the Bank and **attached** it to this certification, permitting participation in the transaction despite an inability to make statement certifications 1, 2 or 3.

B. The applicant certifies that, to the best of its knowledge and belief, the products and services to be exported in the transaction described in this application are principally for use as indicated below. If, however, the applicant has knowledge or reason to believe that the products will be re-exported from the original lessee's country, please complete item (2):

- 1) By the lessee in the country specified above.
- 2) If not, name country **where** products will be principally used: _____ and **by whom:** _____.

C. Neither it, nor its Principals, have within the past 3 years been:

- 1) debarred, suspended, declared ineligible from participating in, or voluntarily excluded from participation in, a Transaction;
- 2) formally proposed for debarment, with a final determination still pending;

