



EXPORT-IMPORT BANK *of the* UNITED STATES

Direct Loans and Guarantees Guidelines For Letters of Interest

These Program Guidelines for Letters of Interest describe general Ex-Im Bank policies applicable to Medium-Term and Long-Term Direct Loans and Guarantees which the U.S. exporter and the foreign buyer should consider in structuring the export transaction. A Direct Loan is an extension of credit by Ex-Im Bank to a foreign borrower. A Guarantee is repayment protection for an extension of credit by a private lender to a foreign borrower (a "Guaranteed Loan"). Ex-Im Bank's support of a Guaranteed Loan may be either a comprehensive guarantee (covering all risks) or a political risk guarantee (covering the risks defined in Ex-Im Bank's Political Risk Guarantee Agreement). Ex-Im Bank's guarantee commits the full faith and credit of the U.S. Government and covers all of the principal and regular interest on the Guaranteed Loan.

A Letter of Interest (LI) is an indication of financing terms Ex-Im Bank is prepared to consider based on a limited review of the transaction. A Preliminary Commitment (PC) is a preliminary offer of financing terms based on a credit evaluation and policy review. A Final Commitment (AP) is an authorization of Ex-Im Bank financing.

Terms

The terms of Ex-Im Bank support for Direct Loans and Guaranteed Loans are consistent with the Organization for Economic Cooperation and Development Arrangement on Guidelines for Officially Supported Export Credits (the "OECD Arrangement"). The OECD Arrangement sets the standards for the basic terms and conditions of export credits, provides procedures for notifying, matching, and consulting on offers of exceptional financing, and describes criteria for the use of tied aid.

Ex-Im Bank Export Credit Insurance is available for transactions requiring Ex-Im Bank coverage of no more than \$10 million and an amortization period no longer than five years. The Program Guidelines for Export Credit Insurance differ in some respects from those applicable to Direct Loans and Guarantees. Contact Business Development (202-565-3946), one of Ex-Im Bank's regional offices, or your insurance broker for more information about Export Credit Insurance.

Section I: Financing Considerations

1.01 Credit Risk

If the Term Sheet attached to this LI identifies a Guarantor, Ex-Im Bank will require that the specified Guarantor agree to guarantee repayment of the Direct Loan or Guaranteed Loan. If the Guarantor line in the Term Sheet refers to this section of the Program Guidelines, Ex-Im Bank will evaluate the credit risk of the Borrower at the time of a PC or AP application. If the credit risk of the Borrower is acceptable, Ex-Im Bank will not require a Guarantor. In the event Ex-Im Bank determines that a Guarantor is necessary, Ex-Im Bank will generally require a sovereign guarantee for a public non-sovereign Borrower or a guarantee from a creditworthy financial institution for a private sector Borrower.

1.02 Commitment Fee

Beginning 60 days after the date of authorization of an AP, the Commitment Fee specified in the Term Sheet for this LI accrues on the undisbursed and uncanceled portion of the Direct Loan or Guaranteed Loan, and is payable on each scheduled payment date.

1.03 Exposure Fee

Exposure Fee Determination

The Exposure Fee is Ex-Im Bank's charge for accepting the credit risk of a transaction. The Exposure Fee charged for a particular transaction is determined by seven variables: exposure fee level of the country, percentage of cover, the "quality" of product provided, the length of the drawdown and repayment periods, whether the fee is financed or not and whether the fee is paid up front or as drawn, as described in the attached Exposure Fee Advice. The Exposure Fee is specified per \$100 of the Financed Portion disbursed and is payable up front or at the time of each disbursement. Ex-Im Bank will finance the Exposure Fee if the applicant for the AP requests that it be financed in its entirety. The actual Exposure Fee will be determined by Ex-Im Bank at the time of issuance of a PC or AP in accordance with the procedures described in the Advice.

1.04 Interest Rate

1.041 Direct Loan

The interest rate on a Direct Loan (the "Ex-Im Bank Lending Rate") is the rate which is the lower of: (i) a 100-basis point spread over the applicable Base Treasury Rate in effect on the date Ex-Im Bank receives a complete application for an AP; or (ii) if a PC has been issued and a complete AP application is submitted to Ex-Im Bank on or before the PC expiry date, the rate, if any, specified in the PC. (A PC is available only for certain types of transactions, as described in "How to Apply for Ex-Im Bank Financing".) The applicable Base Treasury Rate is determined on the basis of the repayment term of the Direct Loan, as follows:

Loan Repayment	Term Base Treasury Rate
Up to Five Years	Three Year Maturities
Over Five to 8-1/2 Years	Five Year Maturities
Over 8-1/2 Years	Seven Year Maturities

The Base Treasury Rates are subject to change on the 15th of each month and are based on the average Treasury rates for the preceding month.

1.042 Guaranteed Loan

The interest rate on a Guaranteed Loan is a rate negotiated among the Borrower, Guarantor, if any, and the guaranteed lender. The rate may be fixed or floating.

1.05 Repayment Terms

1.051 Principal Repayment Starting Point

Repayment of principal generally begins six months after the Exporter's contractual responsibility is concluded. In most single shipment transactions, this means that principal

repayment begins six months after delivery or installation of the goods/services. For projects involving the installation of multiple units, either multiple starting points (one for each repayment tranche) or an average starting point is used. If the Exporter has a contractual role in completing a project, principal repayment will generally start six months after the project's physical readiness for operation. Ex-Im Bank will determine the appropriate starting point at the time of issuance of a PC or AP.

1.052 Principal Repayment Term

The repayment term or term range referenced in the Term Sheet reflects the size and nature of the export contract and is in accordance with the OECD Arrangement. In the case of a repayment term range, Ex-Im Bank will specify the term at the time of issuance of a PC or AP and will provide at least the minimum term in the range. Ex-Im Bank will consider matching a repayment term longer than the term referenced in this LI, if such a term is offered by another export credit agency (ECA). For additional information concerning principal repayment terms refer to the Ex-Im Bank's Standard Repayment Terms Fact Sheet.

If the LI Letter references section 1.06 and a repayment term range is referenced in the Term Sheet, Ex-Im Bank is prepared to offer in a PC or AP the maximum term in the range after Ex-Im Bank notifies the term to other ECAs.

If the export goods have an expected or useful life that is shorter than the applicable term based upon the Contract Price and Country Category, then the term may not exceed the expected or useful life. Ex-Im Bank staff will consult with the Engineering and Environment Division concerning the applicability of shorter repayment terms based upon the type of export goods. Also, please refer to Section 2.05 Used Equipment which also indicates that the useful life of the equipment will determine the applicable repayment term.

If the export goods are to be purchased for resale, then the term generally may not exceed 2 years. Ex-Im Bank will consider a term longer than 2 years in conjunction with a PC or AP application, provided that the buyer is (1) purchasing the export goods to satisfy a specific contract with an end-user of the goods, and (2) providing financing to the end-user with a repayment term at least as long as the term requested from Ex-Im Bank.

1.053 Total Term Limitation

If the LI Letter references this section of the Program Guidelines, Ex-Im Bank support is generally not available in the Borrower's country for a total term exceeding seven years. The total term is the time from the AP authorization date until the final repayment date of the Direct Loan or Guaranteed Loan. For transactions subject to this limitation, the maximum repayment term is usually five years. Ex-Im Bank will, however, consider support for a repayment term longer than five years if the Borrower or Guarantor, if any, qualifies as described in the Exposure Fee Advice. Ex-Im Bank will determine the appropriate repayment term at the time of issuance of a PC or AP.

1.06 Environmental Exports Program

If the LI Letter references this section of the Program Guidelines, this transaction qualifies for consideration under Ex-Im Bank's Environmental Exports Program (EEP). A transaction supported by the EEP must involve the export of goods/services: (i) to be specifically used

to produce beneficial environmental effects; or (ii) to be incorporated into a project specifically dedicated to producing beneficial environmental effects. Ex-Im Bank will offer enhanced financial support for qualified transactions, including: (i) “automatic” support for Local Costs (costs of locally originated and/or manufactured goods and services. Local Costs are costs that are incurred in the country of the End-user) in an amount not exceeding 30% of the Contract Price; and (ii) support for the capitalization of interest during construction on the Financed Portion. Section 1.052 includes information regarding the repayment term applicable to transactions that qualify for the EEP.

1.07 Engineering Multiplier Program

If the LI Letter references this section of the Program Guidelines, this transaction qualifies for consideration under Ex-Im Bank’s Engineering Multiplier Program (EMP). A transaction supported by the EMP must involve the export of architectural, industrial design, or engineering services for a project with the potential of generating subsequent U.S. exports of at least \$10 million or double the Contract Price of the transaction, whichever is greater. For EMP transactions, Ex-Im Bank will offer “automatic” support of Local Costs (for locally originated and/or manufactured goods and services) in an amount not exceeding the lesser of \$1.5 million or 30% of the Contract Price. If the project is subsequently implemented and Ex-Im Bank approves financing for related U.S. exports, Ex-Im Bank will allow the Borrower to roll the remaining balance of the EMP pre-construction loan into the Direct Loan or Guaranteed Loan for the project.

Ex-Im Bank will not provide enhanced financial support for EMP transactions if the U.S. Trade and Development Agency (TDA) is prepared to fund the transaction. Ex-Im Bank will determine the availability of TDA support only in conjunction with a PC or AP application.

1.08 Medical Equipment Initiative

The Medical Equipment Initiative (MEI) offers solutions to increase the export of medical equipment from U.S. companies to foreign borrowers that would not go forwards without Ex-Im Bank support. The MEI includes creative financing structures and enhanced cover.

Under the MEI support will include consideration of the following enhanced features: 1) Automatic Local Cost Cover – Local cost financing will be made available on an automatic basis for local costs (including import and similar duties) related to the exporter’s scope of work and documented as such up to 30 percent of the U.S. contract value; 2) Repayment terms will be offered up to seven years – Terms of up to seven years will be offered for medium term transactions when consistent with the expected life of the product, subject to a minimum contract value of \$350,000; and 3) Capitalization of Interest – Interest may be capitalized when there is an extended installation and/or construction period.

1.09 Local Cost Support

For transactions that do not qualify for Local Cost support under the EEP, EMP or MEI (see sections 1.06,1.07 and 1.08), Ex-Im Bank may offer support for Local Cost., Ex-Im Bank may provide local cost support for all *long-term* transactions. Ex-Im Bank may provide local cost support for medium-term transactions as long as the U.S. exporter can prove either: (1) the availability of official export credit support for the local cost; or (2) private market financing for local costs is either not available or cost prohibitive.

All transactions that receive local cost support must meet the following eligibility criteria: The Local Costs must be: (i) related to the U.S. exporter's scope of work; (ii) certified by the U.S. exporter in the Exporter's Certificate; (iii) detailed in the Acquisition List; and (iv) originated or manufactured in the host country.

Ex-Im Bank can support up to 30% of the value of the U.S. Net Contract Price for local costs. Ex-Im Bank will determine the appropriate amount of Local Cost support at the time of issuance of an AP.

1.10 Capitalization of Interest during Construction (CIDC)

For transactions that do not qualify for CIDC support under the EEP (see section 1.06), Ex-Im Bank will offer support for CIDC, provided that Ex-Im Bank has proof that a foreign ECA has offered equivalent support for the same contract (not for a different contract for the same project). Such proof would normally include either: (i) a copy of the foreign ECA's offer of support for CIDC; or (ii) confirmation of CIDC support by a foreign ECA through Berne Union telex/fax channels. Ex-Im Bank will determine the appropriate amount of CIDC support at the time of issuance of an AP.

1.11 Tied Aid Transactions

There are markets where many public sector infrastructure projects attract foreign official tied aid financing, and where the host government actively solicits such financing. Tied aid financing is characterized either by the mixture of a large grant with a standard export credit of up to 10 years in length, or by a credit with a repayment term of 20 to 30 years and an interest rate far lower than market rates. Tied aid financing is conducted on a government-to-government basis.

Should the authorities responsible for the procurement decision for your project provide indications that tied aid financing from another government is available, or should you receive other indications that a foreign government is considering offering tied aid for your project, we encourage you to contact Ex-Im Bank as soon as possible regarding potential use of our Tied Aid Capital Projects Fund.

Depending on the nature and conditionality of the foreign tied aid offer, Ex-Im Bank will consider offering one of several forms of counter offer – a Willingness to Match Indication, a Tied Aid Letter of Interest, or a Tied Aid Preliminary Commitment – each of which is designed to pre-empt or displace the foreign tied aid offer.

1.12 Lease Transactions

Ex-Im Bank will consider offering a guarantee when the contract between the Exporter and the Buyer is a finance or operating lease. The terms of Ex-Im Bank's support will generally depend on: (i) the degree to which the lease transfers the benefit and risks of ownership of the leased asset from the lessor to the lessee; and (ii) the relationship between the total principal portion of the lease payments and the cost of the asset to the lessor. Ex-Im Bank will quote terms for a guarantee related to a lease only in a PC or AP.

1.13 Currency of Direct Loan or Guaranteed Loan

Direct Loans and Guaranteed Loans are typically denominated in U.S. dollars. On a case-by-case basis, Ex-Im Bank will consider foreign currency guarantees for readily convertible

currencies. Ex-Im Bank will indicate its willingness to offer a foreign currency guarantee only in a PC or AP.

1.14 LI Expiry Date

The terms of this LI are valid until the LI Expiry Date specified in the Term Sheet. The LI applicant may request a maximum of three six-month extensions of the LI Expiry Date which, if approved by Ex-Im Bank, would extend the validity of the LI for a total term of two years. The terms referenced in this LI, including any indicated interest rate and fees, may change if the LI Expiry Date is extended.

Section II: Eligibility of Goods and Services

2.01 Foreign Content Policy: Eligibility

Foreign content guidelines for both Long-Term and Medium-Term transactions follow an "aggregate" approach that covers all goods and services provided by a particular Supplier which are contained in a single U.S. Supply Contract.. All such goods and services are eligible for inclusion in an Ex-Im Bank financing package only if they are shipped from the United States.

Ex-Im Bank has the exclusive right to determine what does and does not constitute "U.S. Content", and "Eligible Foreign Content". These terms are defined as follows:

"U.S. Content" is the aggregate Net Contract Price of the goods and services less the aggregate cost of Eligible Foreign Content of the goods and services.

The "Net Contract Price" is the value of the goods and services in a U.S. Supply Contract less ineligible foreign content and local costs.

"Eligible Foreign Content" is defined as the foreign content of goods and services included in a U.S. Supply Contract and goods shipped from the United States.

Local Costs do not qualify as Eligible Foreign Content.

2.02 Foreign Content: Level of Support

For eligible goods and services of supply in a particular request for guarantee or disbursement, Ex-Im Bank will support the lesser of: (i) 100% of the aggregate U.S. Content of the goods and services; or (ii) 85% of the aggregate Contract Price (including Eligible Foreign Content). Ex-Im cover for individual disbursements/ shipments will be based on the aggregate U.S. and foreign content percentages represented in an up-front Exporter's Certificate, irrespective of the relative amounts of U.S. and foreign content in any specific disbursement/shipment request.

Material Changes** in the amount of foreign content from the up-front certification must be notified to Ex-Im Bank, and future disbursements will be adjusted so that only the value of the U.S. content is supported by Ex-Im Bank. See the Exporter's Certificate instructions for additional information on this point.

** A "Material Change" in foreign content is defined as a change in foreign content by more than 5% which exceeds 20% of the Net Contract Price*.

A cash payment of at least 15% of the aggregate Contract Price of the goods/services is required.

2.03 Services

Services performed by U.S.-based personnel employed by a company doing business in the United States constitute U.S. Content. Eligible Foreign Content components of U.S. service contracts are limited to: (i) the costs of foreign-based personnel employed directly by the U.S. company; (ii) travel on non-U.S. carriers; and (iii) per diem or related expenses incurred outside of the United States.

2.04 Ancillary Service Fees

Ancillary services include banking, legal, financial advisor, and technical consultant (e.g., engineering, marketing or environmental consultant) services related to the structuring, evaluation, and documentation of the financing for an export transaction.

As a general rule, Ex-Im Bank will not set ceilings on the amount of fees for Ancillary Services that may be financed in any particular transaction. However, Ex-Im Bank will only finance those fees it considers reasonable. Limitations on the amount of fees financed could be imposed, for example, where amount of the fees for Ancillary Services is considered excessive as compared to the amount of the financing or where the credit involves risk-sharing.

2.05 Used Equipment

Some or all of the costs associated with the sale of used equipment may be eligible for Ex-Im Bank support. The financing term for used equipment may not exceed the remaining useful life of the equipment. The specific amount and terms of Ex-Im Bank support for used equipment are based on an evaluation of the related technical and financial risks. Ex-Im Bank will issue an LI for a transaction that includes used equipment, but will approve specific terms for used equipment only in conjunction with a PC or AP application.

2.06 Nuclear Transactions

If the LI Letter references this section of the Program Guidelines, Ex-Im Bank has determined, based on representations from the applicant, that the goods/services are not identified with the physical operations of any particular nuclear project or facility and are, therefore, eligible for an LI. Nuclear exports eligible for an LI include: (i) nuclear simulators designed for training purposes; (ii) environmental or radiation monitoring equipment not directly linked with the operations systems of a nuclear facility; and (iii) pre-project services such as feasibility studies or site evaluations.

This LI Letter will be considered null and void if the transaction involves the export of: (i) any goods/services to be used in the physical operation of a nuclear power plant or other nuclear facility; (ii) nuclear fuel; or (iii) reactors used for research or medical technology. Ex-Im Bank support for such transactions will be considered only in conjunction with a PC or AP application.

2.07 Military Transactions

Ex-Im Bank is prohibited by law, with limited exceptions, from financing defense articles and defense services. In defining what is a "defense article" or "defense service", Ex-Im Bank uses criteria based on the identity of the End-user, the nature of the goods/services, and the use to which it will be put. If the goods/services are sold to a military organization, they are considered to be defense articles until proven otherwise, and if the goods/services are designed primarily for military use, they are presumed to be a defense articles. Ex-Im Bank support for transactions involving the sale of goods/services to a military or defense entity can be provided only for those transactions which qualify under one of the following categories of limited exceptions:

1) *Humanitarian goods/services* related to lifesaving, health, and medical purposes such as hospital equipment, medical laboratory equipment, ambulances, fire engines, and rescue aircraft are not considered to be military, even if sold to a military buyer.

2) *Small marine vessels and aircraft used for coast guard/border patrol*, as well as activities such as drug interdiction, natural resource monitoring, and rescue or lifesaving services related to international shipping, may be eligible even though sold to military entities and used primarily for routine patrol activities.

3) If the goods/services has "*dual use*" (both military and commercial or civilian applications), it is eligible if there exists convincing evidence that the goods/services is nonlethal in nature, the goods/services will be used primarily for civilian activities, and the Buyer or End-user provides a certification to that effect. Specifically, Ex-Im Bank's investigation must indicate that: (i) the End-user has a legitimate civilian requirement which the dual-use goods/services will meet; (ii) the primary motivation for the purchase appears to be based on the civilian requirement; and (iii) the primary use for the goods/services by the intended customer will be civilian in nature.

4) Under the *Anti-Drug Abuse Act of 1988*, as amended, if Ex-Im Bank determines that an goods/services constitutes a defense article and is therefore ineligible for support, a limited waiver of the statutory prohibition against Ex-Im Bank assistance in financing the sale of such defense articles may be obtained. Under this "anti-narcotics" provision, if the goods/services in question is on the U.S. Munitions List and a "Presidential Determination of National Interest" is obtained (through a request from the host government directed to the U.S. State Department) which concludes that the goods/services are to be used primarily for drug interdiction purposes, then Ex-Im Bank may provide guarantee or insurance support for the defense article.

If the LI Letter references this section of the Program Guidelines, Ex-Im Bank has determined that there exists a reasonable probability, based on representations from the applicant, that the goods/services will eventually be considered eligible in accordance with the criteria set forth above. However, a *final determination* of eligibility by Ex-Im Bank can only be obtained in conjunction with a PC or AP application. Hence, this transaction may be determined to constitute a military sale, thereby making it ineligible for Ex-Im Bank support even though Ex-Im Bank previously issued an LI for the transaction.

2.08 Transportation

2.081 Shipping Requirements

Goods/services financed under (i) a Medium-Term or Long-Term Direct Loan or (ii) a Long-Term Guaranteed Loan over \$20 million (excluding Ex-Im Bank Exposure Fees or (with some exceptions) repayment period of greater than 7 years and transported by ocean vessel must be shipped in vessels of U.S. registry with certain exceptions. Please refer to www.exim.gov/products/policies/shipping.cfm for more details regarding Ex-Im Bank's Shipping Policy. Ex-Im Bank encourages exporters/buyers to contact US flag carriers as early as possible to obtain bids for transporting their ocean-bound cargos in order to obtain the most favorable rates and shipping schedule and use of the US Maritime Administration's (MarAd) facilitation services. In some limited circumstances, foreign flag shipping will be permitted under a MarAd certification or determination; please refer to www.marad.dot.gov/MarAdShippingGuidanceEx-ImBank for criteria and other information.

2.082 Financing of Transportation Costs

Except as otherwise provided below with respect to ocean freight for certain shipments of goods to Brazil, the cost of ocean or air freight for shipment of goods on vessels or aircraft of non-U.S. registry is considered to be Eligible Foreign Content if it is included in the Contract Price of the goods. If such freight cost is for the use of vessels or aircraft of U.S. registry, the cost is considered U.S. Content. The cost of ocean freight for shipment of goods to Brazil on vessels registered in Brazil will be treated as U.S. Content if: (i) such freight cost is included in the Contract Price of the goods; and (ii) the Borrower has obtained a determination or certification from MARAD.

2.9 Insurance

The Borrower must obtain insurance against marine and transit hazards on all shipments of the goods financed under the Direct Loan or the Guaranteed Loan. The insurance must be in an amount not less than the amount of the disbursements to be made under the Direct Loan or the Guaranteed Loan with respect to such shipments. U.S. insurers should be given a non-discriminatory opportunity to bid for such insurance business related to the goods. If the premiums for such insurance with respect to the goods are paid in U.S. dollars under policies of insurance payable in U.S. dollars and placed with U.S. companies in the United States, they will be considered as part of the U.S. Content of the goods. All other premiums will be considered as part of the Eligible Foreign Content of the goods.

2.10 Earliest Shipment Date

For all medium - and long-term transactions, that occurred prior to the submission of a final commitment or insurance application to Ex-Im Bank may be eligible for Ex-Im Bank financing provided the shipments occurred within one of the following allowable time frames:

- Shipments that occurred on or after the date Ex-Im Bank issued the initial Letter of Interest. For such transactions, only shipments that occurred up to 24 months before Ex-Im Bank received a final commitment application are eligible;
- Shipments that occurred on or after the date Ex-Im Bank received the initial Preliminary Commitment application. For such transaction, only shipments that occurred up to 24 months before Ex-Im Bank received a final commitment application are eligible; and
- Shipments that occurred up to 12 months prior to the date Ex-Im Bank received the final

commitment application or insurance application for the transaction.

The maximum reachback period is the earlier of the three dates summarized above.

2.11 Export Contracts

The contracts for the sale of the goods/services to be financed under a Direct Loan or a Guaranteed Loan must be submitted to Ex-Im Bank at the time of application for an AP. The export contracts must be satisfactory to Ex-Im Bank and shall not violate any applicable law.

Section III: Other Policy Considerations

3.01 Need for Ex-Im Bank

Ex-Im Bank supports transactions when at least one of the following two conditions exists: (i) there is a lack of adequate financing available from other sources, such as commercial banks or the capital markets; and (ii) a foreign ECA is offering financing support on behalf of a foreign exporter which is competing with a U.S. exporter for the same transaction. At the time of application for a PC or AP, Ex-Im Bank must make a positive determination that at least one of these conditions applies.

3.02 Co-financing with Other U.S. Government Agencies

In transactions where Ex-Im Bank is participating in a project with other U.S. government agencies, the joint financial support will be reviewed at the time of a PC or AP application for compliance with the guidelines of the OECD Arrangement. If this LI references this section of the Program Guidelines, the applicant has indicated (or Ex-Im Bank is otherwise aware) that a U.S. government agency besides Ex-Im Bank has been asked to support this export transaction or a related project. The LI Letter will be considered null and void if another U.S. government agency offers a grant in an amount that exceeds the lesser of \$1 million or 3% of the export contract value.

3.03 Environmental Impact

Ex-Im Bank will issue a PC or AP only after considering the potential environmental effects of the project or products financed by the Direct Loan or Guaranteed Loan, and may withhold support based upon adverse environmental impact. For Long-Term transactions, refer to the applicable Annex to the Program Guidelines for the environmental information which Ex-Im Bank will require with a PC or AP application.

3.04 Economic Impact

Ex-Im Bank is prohibited by statute from extending support for transactions that yield a net negative impact on the U.S. economy. To determine whether a transaction is likely to yield a net negative impact on the U.S. economy, Ex-Im Bank subjects applications for preliminary commitments and final commitments to the following questions:

1) Does the transaction support capital equipment to produce an exportable good? *(If the transaction does not support capital equipment to produce an exportable good, the economic impact issue is not relevant to the transaction; if the transaction supports capital equipment to produce an exportable good, the transaction is subjected to the next question.)*

2) Are there anti-dumping or countervailing duty orders applicable to both the buyer and the buyer's resulting production, or are Section 201 of the Trade Act of 1974 trade measures applicable to the product? *(If the referenced trade measures are applicable, Ex-Im Bank staff will*

recommend that the Board deny the transaction. However, the applicant will be given the opportunity to appeal the recommendation for denial by demonstrating that the lack of Ex-Im Bank support would cause the exporter extraordinary harm – e.g., imminent bankruptcy. If there are no applicable trade measures, the transaction is subjected to the next question. If there are applicable trade measures and the applicant demonstrates extraordinary harm due to the lack of Ex-Im Bank financing, the transaction is subjected to the next question.)

3) Is Ex-Im Bank financing more than \$10 million? *(If the Ex-Im Bank financing is \$10 million or less, the transaction is not subject to further economic impact analysis prior to Ex-Im Bank consideration of the transaction. If the Ex-Im Bank financing is more than \$10 million, the transaction is subjected to the next question.)*

4) Does the transaction pose the risk of substantial injury? *(Per Ex-Im Bank's charter, substantial injury occurs if the foreign production made with the Ex-Im Bank financed equipment is equal to 1% or more of U.S. production. If the transaction meets the substantial injury test, Ex-Im Bank subjects applications for Preliminary Commitments and Final Commitments to a full economic impact analysis, including an assessment of whether the foreign project will produce a commodity in oversupply. If the transaction does not meet the substantial injury test, the transaction is not subject to further economic impact analysis prior to Ex-Im Bank consideration of the transaction.)*

If applicants (for Letters of Interest, Preliminary Commitments or Final Commitments) would like advice on whether a proposed transaction is likely to be impacted by economic impact considerations, Ex-Im Bank is available to provide preliminary guidance on whether: (i) the commodity to be produced by the foreign project is in oversupply; (ii) the buyer and/or the relevant product are subject to applicable trade sanctions; and (iii) the foreign production is equal to or exceeds 1% of U.S. production (provided the applicant can provide Ex-Im Bank with foreign production volumes). Requests for preliminary guidance may be submitted in writing to the following email address: economic.impact@exim.gov.

3.05 Related Participants

Ex-Im Bank generally offers only political risk coverage for a Guaranteed Loan if a corporate affiliation exists between participants in a transaction and one participant (e.g., the Exporter or guaranteed lender) holds effective financial control over another participant (e.g., the Buyer or Borrower), however, Ex-Im Bank will consider offering a Direct Loan or a Guaranteed Loan with comprehensive coverage if it can be demonstrated at the time of a PC or AP application that the Buyer is able to purchase competing non-U.S. goods/services and obtain a direct loan or comprehensive guarantee or insurance coverage from an ECA.

3.06 Defaults

Ex-Im Bank may suspend issuance of all LIs, PCs, and APs, processing of all amendments and legal documentation, and operative declarations for all borrowers and guarantors in arrears to Ex-Im Bank, at the sole discretion of Ex-Im Bank. In addition, Ex-Im Bank may cancel this LI and limit any future activity with the Borrower or Guarantor if it is in default. If the LI Letter references this section of the Program Guidelines, Ex-Im Bank is aware of a payment default involving the Borrower and/or Guarantor. Ex-Im Bank will not convert this LI to an AP unless the default is resolved to Ex-Im Bank's satisfaction.

3.07 Credit Experience

In deciding whether support will be available for the transaction, Ex-Im Bank will take into account its credit experience with the Exporter, Supplier, Buyer, Borrower, Guarantor (if any), guaranteed lender (if any), and any other participants identified in an AP application.

3.08 Suspension and Debarment

As a U.S. government agency, Ex-Im Bank is subject to the Federal "Suspension and Debarment" rules. These rules provide that an agency or department of the U.S. government may determine that a person or entity should be prevented from participating in government programs where that person or entity has, or is believed to have, violated certain laws or engaged in certain behavior which indicates a lack of responsibility, honesty or integrity. These rules have government wide effect and, therefore, a party that has been suspended or debarred by another agency or department may be prevented from being a borrower, insured, supplier or exporter under Ex-Im Bank's loan, guarantee and insurance programs. Since the rules provide for certain exceptions, Ex-Im Bank must evaluate each case in which suspension or debarment is an issue in order to determine whether Ex-Im Bank is prohibited from participating in the transaction.

As a general matter, Ex-Im Bank will not issue a PC or AP for a transaction in which the applicant, exporter, supplier, or borrower is suspended, debarred, proposed for debarment, voluntarily excluded, or otherwise ineligible to participate in U.S. government programs.

3.09 Small Economies

If the LI Letter references this section of the Program Guidelines, the transaction involves a country designated by Ex-Im Bank as a "small economy". In such cases, Ex-Im Bank will evaluate the net impact of the transaction on the country's foreign exchange and/or tax resources. The evaluation will determine whether or not Ex-Im Bank support is available and, if so, the appropriate Exposure Fee. Ex-Im Bank will perform this evaluation only in conjunction with a PC or AP application.

3.10 Letter of Credit Caps

Ex-Im Bank may impose a cap on the amount available for drawing under any letters of credit related to Direct Loans and Guaranteed Loans, if Ex-Im Bank determines that the credit risk of a transaction warrants such action. Ex-Im Bank will consider caps only for the "highest risk" transactions (e.g., transactions involving risk sharing and exceptions to Ex-Im Bank cover policy). Caps on letters of credit are determined by Ex-Im Bank, in consultation with the Exporter, at the time of an AP application.

3.11 Host Country Pre-Clearance

If the LI Letter references this section of the Program Guidelines, Ex-Im Bank will require that the appropriate authorities of the government of the Borrower's country provide Ex-Im Bank with confirmation of the host government's support for this transaction. The confirmation must be received by Ex-Im Bank before Ex-Im Bank will consider a PC or AP application.

3.12 Anti-lobbying Prohibition

Under a law (31 U.S.C. 1352) which took effect on December 23, 1989, recipients of federal loans, grants, contracts and cooperative agreements are prohibited from spending federally-appropriated funds to influence or lobby certain U.S. government employees, including Ex-

Im Bank employees, in connection with the granting of those federal awards. The law also requires a declaration and disclosure of any expenditures made for lobbying or influencing U.S. government employees in connection with the granting of those federal awards, as well as in connection with insurance and loan guarantees.

Declarations and disclosures are to be made by applicants for APs and recipients of the Ex-Im Bank support, as well as certain exporters and suppliers. The law does not apply to foreign governments. The reporting requirements of the law do not apply to transactions in which the Direct Loan or Guaranteed Loan is less than \$150,000. Copies of all appropriate Declarations and Disclosure Forms will be provided by Ex-Im Bank. Applicants for Ex-Im Bank programs must complete and return the forms to Ex-Im Bank before Ex-Im Bank will consider an application for an AP. Recipients under Ex-Im Bank programs, who are not required to file at the time of application, will be required to complete and return the appropriate forms before Ex-Im Bank will enter into a loan or guarantee agreement for the transaction.

3.13 Guarantee Documentation

If an AP for a Guarantee is requested, Ex-Im Bank will require that the guaranteed lender have an operative Master Guarantee Agreement with Ex-Im Bank before Ex-Im Bank will approve an AP.

3.14 Specialized Transaction Structures

Participants seeking Ex-Im Bank support for specialized transaction structures, such as those involving security interests in property located outside of the United States and co-financing with other export credit agencies, should consider the additional costs associated with such structures prior to applying for a PC or AP. These costs may include outside counsel fees, an expanded documentation process, security trustee fees, and registration or other charges.

3.15 Legal Prohibitions

As an agency of the U.S. government, Ex-Im Bank is subject to requirements that may prohibit it from supporting otherwise creditworthy transactions. We are not aware at this time of any that may affect our ability to support the transaction. Please note, however, that despite issuance of this LI, Ex-Im Bank's support of the transaction will still be subject to all of Ex-Im Bank's legal requirements in effect at the time. If you have any questions about the legal status of the transaction, please contact Ex-Im Bank.

3.16 Direct Loans

When Ex-Im Bank extends a Direct Loan, Ex-Im Bank enters into a loan agreement, including promissory note(s), with the borrower. The utilization procedures are detailed in an annex to the loan agreement. Exports financed under a Direct Loan that are transported by ocean vessel must be shipped in vessels of U.S. registry with certain limited exceptions: please refer to www.exim.gov/products/policies/shipping.cfm for more details regarding Ex-Im Bank's Shipping Policy. Generally, the borrower requests that a commercial bank (L/C bank) in the United States which is acceptable to Ex-Im Bank and which has in place a Letter of Credit Agreement with Ex-Im Bank issue or advise letters of credit (L/C) in favor of the exporter(s). The L/C bank pays the exporter when presented with the documents specified in the letter of credit incorporating Ex-Im Bank's requirements. Ex-Im Bank reimburses the L/C bank for Ex-Im Bank's share of

such payments. L/C charges imposed by the L/C bank are to be paid by the exporter(s) or buyer, as agreed upon with the L/C bank.