

BACKGROUND

EXIM's Structured & Project Finance Division has been in operation since 1993 and has supported over 83 projects in 36 countries providing over \$37 billion in loans to support groundbreaking infrastructure projects. EXIM's project financing approach features projects with complex contractual structures that govern the project parties during the construction and operation periods. Projects suitable for EXIM financing, generate sufficient revenue to service debt and provide an adequate return to shareholders, once in commercial operation. EXIM projects are subject to extensive underwriting typical of a large project financing and include - but are not limited to - technical, environmental, market, financial, legal and insurance due diligence. EXIM has supported U.S. content in small renewable energy power projects to large energy "mega" commodity and extraction projects involving multiple lenders and export credit agencies.

COMMON FEATURES OF A SUCCESSFUL EXIM SUPPORTED PROJECT FINANCING

EXIM can begin financing activity when the project is sufficiently developed and is ready to be submitted to the rigors of lender due diligence and lending terms and conditions ("term sheet") negotiations. The project must be "Bankable" to EXIM.

At a minimum, the applicant/project sponsor(s) should provide the following "**Project Characteristics**":

- » The transaction must be sound. EXIM seeks reliability of the project's future cash flows to repay project debt. There must be a solid well-conceived business plan.
- » The project sponsor(s) must commit alongside EXIM to the funding of the project via substantial equity contributions. The project company/borrower/customers and off-taker(s)/supplier(s) and contractors must be creditworthy and be willing to commit to their respective contractual obligations to the project.
- » The project should have completed its feasibility studies, front end engineering and design (FEED), approved Environmental and Social Impact Assessment (ESIA) and preliminary finance plan structure. The project sponsor(s) should have engaged its own legal and financial consultants.
- » Sponsor(s) must provide a preliminary information memo (PIM) outlining the key elements of the Project, including a detailed Project Management Schedule illustrating milestones to each project phase development.
- » Risk allocation is spread amongst several key stakeholders and counterparties. Project risks should be borne by the parties best able to manage the risks.
- » Project economic benefits and incentives should be available to all Project stakeholders to align interests and ensure success of the Project commercial operations.
- » The conventional project financing structure will provide EXIM or its guaranteed lender with debt repayment of principal and interest fully amortized and supported by the project's contracted sales with creditworthy counterparties.
- » The Financial Model of the project will outline all project costs and demonstrate the project company's ability to pay debt service to repay the EXIM loan or guaranteed loan, including all other lender liability obligations. The model should reflect the sources and uses of capital during construction period, revenues and expenses during operations and debt amortization with resulting financial ratios as established by and negotiated with EXIM or

guaranteed lender.

- » If market risk exists in the project, such as with commodity projects, the commodity must be linked to international benchmarks where revenues are paid in U.S. dollars. The contracts should provide for firm volume commitments by the off-taker with extension options.

EXIM reserves the right to request additional information as needed during the underwriting process up until financial close.

The table below outlines common project features as guidelines of Successful EXIM Supported Project Financings.

Common Project Characteristics of Successful EXIM Supported Project Financings

Project Characteristics	Project Company / Project Stakeholders	EXIM's Position
Sponsor Equity	<ul style="list-style-type: none"> • Sponsors and strategic equity investors have committed significant equity to fund their respective project's capital costs, cost overruns and contingent equity requirements. • Successful project sponsor(s) typically have access to capital and meaningful guarantees from their respective parent company for any needed project support. 	<ul style="list-style-type: none"> • Sponsor(s) should be committed to contribute significant equity to the project's capital structure. • Leverage is subject to each project sector's unique characteristics.
Advanced Project Development	<ul style="list-style-type: none"> • Project Sponsors generally are advanced in their permitting process, have completed feasibility studies, Front End Engineering & Design and developed an Environmental & Social Impact Assessment. • Project sponsor(s) have a preliminary finance plan and will have engaged their own legal and financial consultants in preparation of commencing discussion, due diligence and financing activities with EXIM. 	
Binding Shareholders Agreement and/or Joint Venture Agreement	<ul style="list-style-type: none"> • The Binding Shareholders Agreement details the ownership structure and the terms and conditions: a) on which the Project company is to be owned and operated with established voting rights and requirements by the respective stakeholders; b) sponsor equity funding and committed injection of capital contributions, and obligations from each stakeholder(s); and c) resolution of disputes, disposal of shares, exit strategy and change of control (if applicable). 	<ul style="list-style-type: none"> • EXIM seeks to ensure the project has experienced and creditworthy sponsor(s)/shareholder(s) undertaking the responsibilities of funding the project's equity requirements, operations and management of the project, and of the respective debt obligations.

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Project Sponsor(s)	<ul style="list-style-type: none"> Project sponsor(s) will demonstrate credit strength, established experience and reputation in the sector to operate similar projects successfully. Project sponsor(s) will have an experienced and qualified management team and a skilled operations team in place to oversee the project plant and operations in the respective country. 	<ul style="list-style-type: none"> EXIM seeks to ensure that project sponsor(s) have established reputation, experience operating similar projects in the same sector proposed, management experience to operate in the country of destination (project risk can be site/country specific).
Management Team	<ul style="list-style-type: none"> The management team has successfully developed similar projects previously and is experienced in developing bankable deals. The management team is free of any major blemishes to its record with no material reputational or criminal convictions. Management team demonstrates sound corporate governance. 	<ul style="list-style-type: none"> Project sponsor(s) should have a well-established management and operations teams in the project sector with relevant experience managing similar projects.
Technology	<ul style="list-style-type: none"> Technology provider is experienced and has the financial strength to fund its working capital and warranty obligations. The technology selected for the project is proven. For projects using newer technologies, risk mitigants such as technology risk insurance have been proposed. 	<ul style="list-style-type: none"> EXIM seeks to mitigate performance failure through performance guarantees from creditworthy experienced technology providers. EXIM seeks suitable warranties and liquidated damages for non-performance and/or delay of technology delivery.
Resource Feedstock Supply	<ul style="list-style-type: none"> The resource or fuel supply is stable and can be delivered reliably. Long-term contracts have volume commitments with stability in contracted pricing. Fuel supply matches contractual terms required by off-taker(s). 	<ul style="list-style-type: none"> Near completed to final fuel or feedstock supply agreements containing market terms and conditions can be submitted on a preliminary basis, until final agreement is finalized. EXIM will hire a third-party consultant to conduct due diligence on the quality and reasonableness of the resource/supply.

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<p>Construction Delay Construction Completion</p>	<ul style="list-style-type: none"> Project sponsor has begun negotiations with a creditworthy and experienced EPC contractor. EPC contract contemplates sufficient liquidated damages to cover loss of revenues in case of project completion delays. 	<ul style="list-style-type: none"> EXIM seeks a <u>Date Certain</u> EPC or construction contract with sufficient liquidated damages to ensure both a commercial operations start date and sufficient funds to service debt in the case of project delays. This may help offset potential loss of the project's PPA and termination of contracts with project sponsor and may assist in debt service payments and other contractual financing commitments.
<p>O&M (Operations & Maintenance)</p>	<ul style="list-style-type: none"> The project has an experienced O&M operator(s) with a strong track record of operating assets of a similar nature and size. Long-term maintenance agreement(s) are in place (preferably with the original equipment manufacturers) along with quality and duration of warranty periods. Major maintenance (beyond regular maintenance) activities are contemplated and have appropriate reserve accounts established to fund those activities. 	<ul style="list-style-type: none"> EXIM will assess the quality and strength of the O&M contractor and the project sponsor(s)' commitment to minimize operational risk.
<p>Project Financial Model Project Revenues</p>	<ul style="list-style-type: none"> A detailed financial model is provided in the application outlining sources and uses of capital during construction, revenues and expenses during operations and debt amortization with resulting debt coverage ratios. The financial model contemplates a Debt Service Reserve Account for potential revenue shortfalls. The financial model incorporates assumptions for breakeven analysis, potential costs overruns and downside scenarios. 	<ul style="list-style-type: none"> EXIM seeks to ensure financial strength, feasibility and long-term viability of project operations, and financially strong and stable off-taker(s). EXIM looks for predictability of project revenues and cash flow generated by the project to pay debt service and other project costs.

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	<ul style="list-style-type: none"> The financial model allows EXIM to conduct stress tests to assess potential impacts to the project under certain downside scenarios. The financial model clearly identifies and itemizes the project's revenue streams outlining contracted versus merchant revenues. 	
<p>Off-taker(s)</p> <p>Off-take Contracts</p>	<ul style="list-style-type: none"> The project will enter into long-term contracted agreements with creditworthy off-takers. Credit strength and concentration risk of off-taker(s) is typically outlined in the Application. Projects possess signed and executed commercial long-term offtake contracts with investment grade enterprises or state-owned entities. Sovereign guarantors are committed to pay/ make good on their guarantee and performance obligations. 	<ul style="list-style-type: none"> EXIM generally seeks a diversified number of creditworthy off-taker(s) to minimize concentration risk. EXIM generally seeks off-take contracts that exceed the life of the requested tenor.
<p>Commodity Price Risk</p>	<ul style="list-style-type: none"> Project Sponsors will generally offer hedging products, price floor guarantees from credit worthy parents and other market risk mitigants to offset commodity price risk. 	<ul style="list-style-type: none"> Merchant-based agreements are generally higher risk and likely require additional due diligence and mitigation.