



## Project Finance Fact Sheet – ASIIF.COM 2009

These guidelines are for the private sector. Public sector projects are initiated directly through dialogue with governments.

### **ASIIF assisted funding criteria for projects from €5 million - €650 million**

- The project must be located in an approved country of operation.
- It must have good prospects of being profitable.
- Significant equity contributions in cash or in kind are required from the project sponsor.
- The project must benefit the local economy.
- It must satisfy internationally agreed environmental standards as well as those of the host country.

Smaller projects are almost always financed through financial intermediaries. In exceptional circumstances, the lenders can consider financing smaller projects.

### **Project structure**

The Bank tailors solutions to client and project needs and to the specific situation of the country, region and sector. It assigns a dedicated team of specialists with expertise in project finance, the region and sector, law and environment.

- The lenders through ASIIF assistance funds up to 35% of the total project cost for a greenfield project or 35% of the long-term capitalization of an established company.
- Additional funding by sponsors and other co-financiers is required. The lenders through ASIIF assistance may identify additional resources through their syndications programme. A great emphasis is placed on involving other sources of financing in its operations, as a way to increase the total resources available to clients in the lending institutions' countries of operations.
- Typical private sector projects are based on at least one-third equity investment.
- Significant equity contributions are required from the sponsors. Sponsors should have a majority shareholding or adequate operational control. In-kind equity contributions are accepted.

The loans are structured with a high degree of **flexibility** to provide loan profiles that match client and project needs. This approach determines each loan currency and interest rate formula.

The basis for a loan is the expected **cash flow** of the project and the ability of the client to repay the loan over the agreed period. The **credit risk** can be taken entirely by the lenders or may be partly syndicated to the market. A loan may be secured by a borrower's assets and/or it may be converted into shares or be equity-linked. Full details are negotiated with the client on a case-by-case basis.

### **Loan features**

- Minimum €5 - 15 million, although this can be smaller in some cases.
- Fixed or floating rate.
- Senior, subordinated, mezzanine or convertible debt.
- Denominated in major foreign or local currencies.
- Short to long-term maturities, from 5 to 15 years.
- Project-specific grace periods may be incorporated.

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### **Interest rates**

The loans are based on current market rates and are priced competitively. Financial terms can be discussed in detail with banking staff once a project has been presented to the lenders. The lenders do not subsidize projects, nor do they offer soft loans.

The lenders offer both fixed and floating interest rates:

- Fixed rate basis, linked to a floating rate such as LIBOR.
- Floating rate basis with a cap or a collar.

As the type rate directly affects profitability, a project's financial structure should preferably include both floating and fixed rate loans. The mix is evaluated with respect to client and project sensitivities to interest rate movements.

### **Fees and charges**

A margin is added on to the base rate. The margin is a combination of country risk and project-specific risk. This information is confidential to the client and the lender.

In addition to the margin, the lenders may charge some of the following fees and commissions:

- Front-end commission, paid up-front.
- Commitment fee, payable on the committed but undisbursed loan amount.
- Loan conversion fee, paid at the time of interest rate or currency conversion on the amount which is to be converted.
- Prepayment, cancellation and late payment fees are also charged if necessary.

In line with commercial practice, sponsors will be obliged to reimburse the lender and ASIIF for out-of-pocket expenses, such as fees for due-diligence, site-visiting, technical consultants, outside legal counsel and travel expenses.

### **Other lending terms**

Full lending terms are negotiated with the client for each project.

#### ***Recourse***

The lenders may seek specific performance and completion guarantees plus other forms of support from sponsors of the kind that are normal practice in limited-recourse financing.

#### ***Insurance***

The Bank requires project companies to obtain insurance against normally insurable risks. Examples include theft of assets, outbreak of fire, specific construction risks. The lenders generally do not require insurance against political risk or non-convertibility of the local currency.

#### ***Security***

The lenders usually require the companies it finances to secure the loan with project assets. These can include:

- Mortgage on fixed assets, such as land, plant and other buildings.
- Mortgage on movable assets, such as equipment, other business assets.
- Assignment of the company's hard currency and domestic currency earnings.
- Pledge of the sponsor's shares in the company.
- Assignment of the company's insurance policy and other contractual benefits.

#### ***Covenants***

Typical project finance covenants are required as part of the loan package. Such covenants, limiting indebtedness and specifying certain financial ratios and various other issues, will be negotiated.

#### ***Loan repayment***

Repayment is normally in equal, semi-annual installments. Longer maturities may be considered on an exceptional basis, for example, up to 15 years for large infrastructure operations.

#### ***Hedging possibilities***

The lenders can help manage financial risks associated with a project's assets and liabilities. This covers foreign exchange risk, interest rate risk and commodity price risk. Risk hedging instruments include currency swaps, interest rate swaps, caps, collars and options and commodity swaps.



### **Excluded sectors ASIIF services do not finance**

- Defense-related activities
- Tobacco industry
- Substances banned by international law
- Stand-alone gambling facilities.

In addition, the lenders may not finance certain products or processes due to their environmentally harmful nature or if adverse impact cannot be adequately mitigated.

### **Overall Financing Process through ASIIF**

ASIIF's processing of the client applications are conducted generally under following path; however, in accordance with the nature of project and/or financing methodology this path can be altered:

- i. The applicant fills, signs and sends the Demand Letter for Advisory and Consulting Services and sends preliminary application form which can be found at the end of this project finance fact sheet.
- ii. For the project financing applications, it is obligatory to fulfill the Preliminary Due-Diligence. The applicant will fill out and send Client Information Form (CIF)
- iii. This is a preliminary due-diligence and it is generally handled by ASIIF Due-diligence department. ASIIF Due-diligence department will send Due-Diligence Execution agreement for the signature of the applicant. The cost of due-diligence differs from region to region as internationally accredited Law offices are commonly executing these services.
- iv. After the successful completion of the Due-Diligence, the applicants' documentation, feasibility studies, reports, etc are reviewed and analyzed by our expert team. An administration, document review and analysis fee may apply.
- v. ASIIF will produce a Letter of Authorization declaring that the prelude application process prerequisites are completed and ready to proceed. During this process, if found necessary, technical or consultant team members may be required to visit the applicant and project. As a requisite of Letter of Authorization, the applicant is obliged to present an official mandate or authorization to ASIIF which states the applicant's assignment as its consultant and project finance intermediary.
- vi. ASIIF experts then structure and lead the project financing through an appropriate methodology. It can be direct investing, syndication of lenders, international banking institutions, private funds or equity financiers.



## INITIAL APPLICATION TO ASIIF FOR PROJECT FINANCING

Forms will only be accepted from commercial companies or by an intermediary authorized to act for them. ASIIF enforces a policy of *strict confidentiality*. Details submitted will not be disclosed to any other party without prior consent.

Company name*	<input type="text"/>
First name*	<input type="text"/>
Last name*	<input type="text"/>
Position*	<input type="text"/>
Telephone*	<input type="text"/>
Email*	<input type="text"/>
Fax	<input type="text"/>
Street address	<input type="text"/>
City*	<input type="text"/>
Post code*	<input type="text"/>
Country*	<input type="text"/>
Web site	<input type="text"/>

**Briefly describe your business:**

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**Identify your main competitors and your comparative advantages to them:**

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**Summarize your investment plans** State the total capital required through ASIIF and, if needed, from other sources in order to develop your business. Specify the required amount for capital investment and for working capital/other purposes. Indicate how much of shareholders' own funds are available for investment in the project:

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**Explain how the investment programme will generate the returns necessary to repay the financing provided:**

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**Outline the ownership structure of the company** Include the percentages owned by both private shareholders and the state:

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**Other relevant information:** For example: annual sales, profits, tax; basic balance sheet data (debt and shareholders' funds); integrity of financial statements; auditing organization; credit history; bonds/securities issues.:

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