

Sample Guarantee Term Sheet

Small Scale Renewable Energy (SSRE) Business Finance Loan Guarantee Program

For SSRE business finance loan guarantee programs, Guarantee Agreements between GUARANTOR and participating lenders will be based on GUARANTOR's standard forms, adapted to the special circumstances of this program. This Guarantee Term Sheet is provided as a checklist for discussion to understand GUARANTOR's guarantee methods, terms and conditions. The guarantee agreements are anticipated to include the following key terms.

- 1) **Eligible Borrowers:** SSRE companies; if a Donor is involved in the Program, then this definition must be approved by the Donor to meet Donor objectives and criteria.
- 2) **Eligible Use of Loan Proceeds:** Working capital, plant and equipment capital projects, dealer finance, end-user finance, other purposes as approved by DONOR.
- 3) **Risk Sharing and Guarantee %:** The guarantee will be on parity with the lender and will be partial, up to ___% [e.g., 80%] of outstanding loan principal and interest.
- 4) **Maximum guarantee term, years:** ___ [five] years. Working capital loans are expected to have one year terms with certain renewal provisions. Term loans for plant and equipment and anticipated to be of two to three year terms.
- 5) **Guarantee pricing:** To be determined based on GUARANTOR practices; estimated in the range of 1.0% per annum of the guarantee liability limit plus origination fees.
- 6) **Definitions of Event of Loss:** Tied to definition of event of default in the underlying loan agreement and following lender's delivery of formal demand notice to borrower calling the loan.
- 7) **Guarantee Claims Payments:** Guarantor's proportional share of the loss would be paid within ___ [30] days following lender's delivery of formal demand notice to borrower calling the loan.
- 8) **Loan monitoring:** By lender with notice provisions to Guarantor, and, in turn, to DONOR.
- 9) **Administration of loans in default and responsibility for collections/recoveries:** To be determined; these responsibilities will be performed either by lender or Guarantor according to GUARANTOR standard practices.
- 10) **Distribution of Recovered Monies:** Recovered monies shall be distributed proportionately to Lender and Guarantor in proportion to each party's share of the loss for the applicable transaction net of the collecting parties' reasonable collections costs.

- 11) **Assignment of Guarantee:** Guarantee shall not be assignable by Lender without prior approval of Guarantor.
- 12) **Maximum single transaction/borrower guarantee liability limit:** To be determined, likely in the range of \$500,000 equivalent.
- 13) **Guarantee Facility Liability Limit:** Maximum outstanding guarantee liabilities with one single lender, to be determined, as applicable.
- 14) **Availability Period:** Period during which new guarantees can be issued, to be determined. Expected to be a minimum of two years, or through _____, 200_.
- 15) **Guarantee approval procedures:** To be developed. It is anticipated that GUARANTOR will perform appraisals of borrowers prior to submitting loan requests to lenders.
- 16) **Information & Reporting:** Requirements to be determined. Will include all DONOR requirements and payment performance history on all guaranteed loans.