POLICY PAPER

EXTENDED RISK GUARANTIES OF LOANS FOR PRIVATE PROJECTS

(other than housing projects)

December 1964

Department of State

AGENCY FOR INTERNATIONAL DEVELOPMENT

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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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The purpose of the extended risk guaranty program, authorized by Title III of the Foreign Assistance Act of 1961, as amended, 1/ is to facilitate and increase the participation of private enterprise and private institutions in furthering the development of productive capacities and increasing social progress in less-developed friendly countries and areas.

To accomplish this aim, the Agency for International Development ("A.I.D.") is prepared to guarantee a lender against up to 75 percent of loss incurred on a long-term loan made to enterprises and institutions which contribute to economic or social development. In addition, at the option of the lender, the unguaranteed portion of the loans also may be insured both for principal and interest against the risks of non-convertibility, expropriation and war under A.I.D.'s specific risk guaranty program.

While this paper deals with guaranties for loans, which is the major emphasis of the extended risk guaranty program, the Agency also is prepared to consider guaranties for equity investments in exceptional circumstances.

I. ELIGIBILITY

To qualify for an extended risk guaranty, the following criteria must be met:

1/ An excerpt from the Statute is contained in Annex A.

A. The Lender

The lender must be a U.S. citizen, or a corporation, partnership or other association created under the laws of the United States or any State or Territory and substantially beneficially owned by United States citizens, or any wholly-owned foreign subsidiary of any such corporation (determined without regard to shares, in aggregate less than 5 percent required by law to be held by persons other than the parent corporation).

The primary intent of the policies and procedures discussed here is to provide an effective guaranty of loans from professional lending organizations, such as banks, insurance companies, pension funds, Edge Act companies, etc., to priority projects where a responsible party is prepared to assume a true risk of loss and asks the United States to share in that risk. Loans by U.S. companies to affiliates in developing countries in which the U.S. company holds a substantial equity investment will also be considered.

No assignment of the guaranty will be permitted, without the approval of A.I.D.

B. The Borrower and the Project

Generally the borrower should be a private business enterprise or private institution, although partial government ownership of a private borrower will not disqualify such a borrower, if the government ownership does not result in government control. The borrower must also (1) be of good repute, (2) have demonstrated managerial ability, and (3) have enough equity capital invested in the enterprise so that the project will be able to operate on a sound financial basis and provide ample coverage for a guaranteed debt.

The project for which a guaranty is considered should be technically, economically and financially sound. It should offer reasonable promise of making a major contribution to the economic development within the country in which the project is located. In determining the eligibility of a project, special attention will be given to the social benefits to be derived from the project, such as the wider distribution of ownership within the country or the encouragement of small business. Consideration also will be given to the relationship between the project and the plans and programs for economic and social development of the country in which the project is located, the priority of the project, and its effect (including the balance of payments effect) on the local economy.

To the extent that a proposed project involves economic, technical, and financial planning, such planning must be completed before a guaranty can be approved.

C. Loan Financing

To be eligible for an extended risk guaranty, the loan must be:

(1) part of a sound financial plan, in support of an eligible project;

(2) made and repayable in United States dollars;

(3) amortized over a period reasonably related to: (a) the purpose of loan, (b) the ability of the borrower to pay, and (c) the ability of the country in which the project is located to service the debt; and in no event should the term be in excess of twenty years and generally not less than seven;

(4) bearing an appropriate rate of interest. Interest and other charges must be approved by A.I.D.

A.I.D. is primarily interested in guaranteeing loans which will lead to the establishment, expansion or modernization of productive facilities. Loans which in effect refinance or pay off outstanding indebtedness, or which provide funds for distribution to owners, partners or shareholders normally will not be eligible for an extended risk guaranty. Nor will guaranties be available to cover loans the primary purpose of which is to effect a change in ownership in an enterprise or to provide funds for speculation in any kind of property, real or personal. The maximum amount of any guaranty of a loan may not exceed $25 million, nor may the term of the guaranty exceed 20 years.

Except in unusual circumstances, guaranties will be made only in connection with projects which involve procurement of United States goods and services in an amount substantially equal to the amount of the guaranty.

Loans will not be guaranteed if the necessary private financing is available on reasonable terms without the guaranty, or if an acceptable alternative guaranty is otherwise available, or if the project may result in an unacceptable effect upon the U. S. economy or the United States' balance of payments.

Annex B contains a checklist of causes for ineligibility of extended risk guaranty proposals.

II. SCOPE AND CONDITIONS OF THE EXTENDED RISK GUARANTY

A. Basic Coverage

Under the extended risk program, A.I.D. is prepared to provide institutional investors with a guaranty of payment, though in some situations the Agency may require that the investor pursue remedies before collecting under the guaranty. The guaranty may cover up to 75 percent of the scheduled maturities of the loan and 75 percent of interest due and unpaid at the time of claim; the risks covered may include all risks except the fraud or misconduct of the investor and risks for which commercial insurance is available, such as fire and theft. The availability of commercial insurance will be agreed on and specified as part of the guaranty contract.

Arrangements may be made by guaranteed investors to obtain other security or additional guaranty protection from other sources (such as equity investors in the project or commercial banks in the country in which the project is located).

Generally, A.I.D. will consider proposals for applying the extended risk guaranty against the later maturities of a loan, while allowing the percentage of the loan not covered by such a guaranty to constitute the early maturities. For example, assume A.I.D. was prepared to guarantee 75 percent of a loan. If the Agency guaranteed none of the risk for installments equal to the first 25 percent of the principal due, the remainder of the installments could be 100 percent guaranteed.

Under A.I.D.'s guaranty of payment, in the event of a default of a payment of principal or interest (or, where specified, a payment to meet the guaranty fee), A.I.D. will pay to the lender in cash the guaranteed percent of the sum of the outstanding principal and any interest which is then due and unpaid. This payment will be made by A.I.D. within 60 days of receipt of an application for compensation, unless A.I.D. chooses to cure defaults of principal, or interest (or, where specified, payment toward the guaranty fee) with its own funds. Upon payment of a claim by A.I.D., all the right, title and interest of the lender arising out of the guaranteed transaction will be transferred to A.I.D. Subsequent collections will be shared rateably between A.I.D. and the lender.

A.I.D. will obtain the undertaking of the lender to consult and collaborate with A.I.D. with respect to obtaining cure of defaults and in collecting amounts due under defaulted credits. In the event of payment under the guaranty and assignment of the lender's right and interest to A.I.D., the United States may undertake legal action in the name of the lender, and the lender will make available to the United States all necessary records and evidence.

B. Coverage Against Specific Political Risks

An extended risk guaranty includes specific risk coverage. A lender may increase his coverage against the specific risks described below to the limits set for the specific risk program (usually 100 percent of the loss) by taking supplementary coverage (e.g., for the remaining 25 percent or more of his investment) under the specific risk program.

The specific political risks covered are:

(1) Convertibility: A.I.D. will guarantee the lender against inability of the lender to convert foreign currency receipts of principal or interest into dollars.

(2) Expropriation: A.I.D. will guarantee the lender against losses of accrued interest or principal of the loan which are the result of expropriatory or confiscatory acts of the government.

(3) War: A.I.D. will guarantee the investor against a share of physical damage to the project directly resulting from war, revoluation or insurrection.

C. Other Provisions of Extended Risk Policy

(1) Any material misrepresentation by the lender, any substantial deviation by the lender from the financing arrangements approved by A.I.D. or any breach by the lender of a warranty or a covenant contained in the guaranty contract will be grounds

for termination of the guaranty by A.I.D. subject to the provisions allowing the lender to cure defaults within the periods set forth in the contract.

(2) Periodic reports to A.I.D. and prompt notification of defaults will be required.

(3) Disputes under the guaranty agreements may be settled by arbitration.

(4) The term of the guaranty will not exceed 20 years. The guaranty may be terminated at any time at the option of the lender.

(5) The guaranty will be a contractual obligation of the United States and, other than as set forth above, will not be subject to unilateral termination or modification by the United States.

(6) A.I.D.'s obligations to make payment under extended and specific risk guaranties are backed by the full faith and credit of the United States.

D. Fees

(1) Basic Coverage: A.I.D. will charge a fee, payable annually in advance, not to exceed 1-3/4 percent of the amount of the extended risk guaranty to be in force on the estimated amount of the disbursed and outstanding credit. Overpayments will be credited against the following year's premium. Underpayments would decrease coverage during the year in question. To the extent that the guaranteed amount might be guaranteed by another financial institution or the government of the country in which the project is located, it may prove possible to reduce the amount of the extended risk guaranty fee.

(2) Supplementary Coverage: The extended risk guaranty fee provides coverage against loss from specific political risks up to the guaranteed portion of the principal and interest due but unpaid.

If the investor seeks more protection than this against political risks, insurance on the portion not covered by the extended risk guaranty may be obtained for standard specific risk fees as if the additional coverage related to a separate investment. Thus, where the extended risk coverage is at the 75 percent level, the remaining 25 percent of the investment could be covered under the specific risk program. The fees for specific risk coverage are 1/2 of 1 percent per year for each of the three risks covered, with standby fees of 1/4 of 1 percent for coverage not in use.

There will be no refund or credit of the extended risk fees if the investor requests lower coverage on specific risks within the percentage of extended risk coverage.

E. Bilateral Agreements

Annex C contains a list of the countries where an agreement has been signed with the foreign government covering the extended risk guaranty program. Agreements are currently pending with a number of other countries. In the case of high priority projects in countries where an agreement has not as yet been concluded, A.I.D. is prepared to exchange letters with the government covering the understandings of the agreement on an ad hoc basis for the particular projects.

III. INQUIRIES AND APPLICATIONS

If an investor is interested in an extended risk guaranty, it is suggested that an informal conference be arranged with A.I.D.; in the case of a Latin American application, with the Office of Capital Development, Private Enterprise Division, Bureau for Latin America, and in the case of all other countries with the Extended Risk Guaranty Division in the Office of Development Finance and Private Enterprise.

Prior to filing a formal application for such a guaranty, it is urged that a letter outlining major factors such as the project's planned output and markets, the financial plan, the source of procurement, management arrangements, and the economic contribution be sent to the above offices. A ruling on the eligibility of the project for extended risk guaranties will be forthcoming promptly. Only after a favorable ruling, should a detailed application be prepared and submitted.

IV. CONTENTS OF AN APPLICATION

Set forth below is the information which an application for an extended risk guaranty should typically contain. If information in addition to the data supplied in an application is required, the applicant will be so notified.

A. Summary of Application

The first page of the application for an extended risk guaranty should contain:

(1) The name of the lender applying for the guaranty (Lender).

(2) The name of the recipient of loan to be guaranteed (Borrower).

(3) The use to which the loan proceeds will be put (Project or Program).

(4) The amount, interest rate, and repayment period of the loan to be guaranteed.

(5) The amount and percentage of the requested extended risk guaranty.

B. Lender 1/

(1) State the Lender's full legal name, address, form of organization (i.e., whether a corporation, partnership, sole proprietorship, etc.), the State or U.S. Territory in which organized, and the date of such organization.

(2) State the principal business of the Lender.

(3) Indicate, by classes and descriptions of equity ownership, the total capitalization authorized, subscribed or paid in of the Lender organization. Show the total amount and percentage of equity beneficially owned by U.S. citizens.

(4) Describe the basic terms of any finaicial, technical assistance, management or other agreements between the Borrower and the Lender. A copy of each such agreement should be supplied.

(5) Indicate the nature of any other commercial or business relations, between the Borrower and the Lender.

(6) State the number of the Lender's representatives on the Borrower's Board of Directors. Indicate whether the Lender has a contractual right to designate a specified number of such representatives. Indicate the degree of common ownership and control of the Lender and the Borrower.

(7) Describe the nature of the Lender's actual participation, to date, in the Borrower's affairs and the nature of any prospective involvement.

1/ If the Lender is a wholly-owned foreign subsidiary of a U.S. organization, data should be furnished for both the Lender and the U.S. parent organization.

C. The Loan

Submit a draft copy of the loan instrument, complete with all attachments thereto, and a brief resume showing (a) the total amount of the loan, (b) the annual interest charge and any fees or other charges associated with the loan, (c) the term of the loan in years, any grace period to be allowed, and the schedule of repayments, and (d) other significant terms of the loan such as security collateral or guaranty arrangements, dividend limitations, etc.

D. Borrower

(1) State the Borrower's full legal name, address, form of organization (whether a corporation, partnership, or sole proprietorship, etc.), the country in which organized, and the date of such organization.

(2) Describe the nature of the existing and/or proposed business. Name and describe the specific products produced or to be produced or the services performed or to be performed. For an existing business, describe any significant past changes in the nature or scope of operations, products, services, management or ownership.

(3) List the names of the principal owners, and the percentage of ownership held by such persons. Indicate affiliated groups of stockholders.

(4) List the names of company Directors.

(5) Provide a brief biographical sketch of the principal owners, directors, officers, and key personnel, indicating the extent of their experience and qualifications.

(6) Submit separate schedules showing for both, (a) the existing capitalization of the Borrower, and (b) the additional financing required to complete the project, the following:

	Foreign Exchange	Local Currency (Note)	Total Equivalent In U.S. Dollars
Issue of Common Shares			
(a) To local investors			
(b) To U.S. investors			
(c) To other non-local investors			
Issue of Preference Shares			
(a) To local investors			
(b) To U.S. investors			
(c) To other non-local investors			
Issue of Debentures			
(a) To local investors			
(b) To U.S. investors			
(c) To other non-local investors			
Loans from (identify each lender by name):			
(a) Shareholders			
(b) U.S. lending institutions			
(c) Local banks or other financial institutions			
(d) Others			

With respect to both the Borrower's existing capitalization and the additional capital required to complete the project, specify the interest rate and repayment terms of all loans, the nature of any guaranty or security provided or to be provided as collateral for such loans, the basic terms of any preferred stock or debentures, and any restrictions imposed under such loans, stock or debentures upon the Borrower. If any shares of stock or debentures were or are to be issued for other than cash, include a description of the nature of the property or services for which such shares or debentures were or are to be issued, how such property or services were or are to be valued, and to whom such non-cash shares or debentures were or are to be issued. Indicate whether firm commitments have been obtained for the additional capital required and when it is anticipated that such additional capital will be paid in to the Borrower.

Note: Local refers to the country in which the project is located.

E. The Project

(1) Describe fully the project for which the A.I.D. guaranteed loan is sought. If it is proposed to construct a new productive facility, indicate the proposed capacity of the facility. If it is proposed to expand an existing productive facility, indicate the capacity of the present facility and of the facility as expanded.

(2) Indicate the total cost of the project. Costs should be broken down into general categories, e.g., land, buildings, machinery and equipment, engineering and construction services, import duties, provision for contingencies, and working capital during the construction period, etc. Foreign exchange costs should be distinguished from local costs and the sources (countries) of procurement shown.

(3) If the construction or expansion of a productive facility is contemplated, identify and describe the facility's location and explain the basis for selecting the site. Preliminary construction plans and specifications should be submitted. The accessibility to required sources of raw materials and to markets for the products to be produced also should be described. Indicate the arrangements made to provide the utility and other services (e.g., power, water, transportation, etc.), required to operate the facility at full capacity.

(4) List the type and source of all raw materials required for the project. Indicate whether a continuous supply of raw materials is assured.

(5) Indicate the dates that construction of the project will commence, when it will be completed, and in the case of the construction or expansion of a productive facility, when the facility will reach full operating capacity.

(6) State whether all government licenses and approvals necessary to undertake the project (including all licenses and approvals necessary to obtain the financing required for the project) have been secured. If any such licenses have not been obtained, indicate the nature of such licenses and when it is expected that they will be received.

F. Economic Considerations

(1) State the sales value, in units, of each of the Borrower's principal products and/or services for the past five years and the estimated future sales volume of such products and/or services projected until the operations become fully developed with debt servicing stabilized. Indicate the minimum volume of sales, in units, required to generate sufficient cash receipts to enable the Borrower to meet all of its cash expenses, including debt service.

(2) Indicate if any recent studies have been made by or for the Borrower and explain the basis on which estimated future sales volume has been projected. To the extent feasible, show in tabular form, the volume (in units) for the past five years of local production, imports and exports of each of the Borrower's principal products or services.

(3) Indicate the Borrower's present and forecasted share of the market, together with an explanation of the basis on which the future market share has been projected.

(4) Describe briefly the manner in which the Borrower markets, or plans to market, its products.

(5) Indicate the competition which the Borrower presently faces or may be expected to face in the foreseeable future from local and foreign sources. Describe any significant competitive advantages or disadvantages (e.g., the relative availability, quality and cost of labor, raw materials, component parts, or transportation, etc.) which the Borrower may enjoy or to which it may be subject with respect to its local or foreign competitors.

(6) Compare the prices the Borrower charges or plans to charge for its products and/or services with the prices charged for competing locally produced or imported products and/or services (both CIF and with all charges).

(7) Describe any local laws, regulations, government subsidies and policies which affect the marketing of the Borrower's products or services. Indicate the nature and extent of any import duties, tariffs, quotas, or restrictions imposed on competing products or services of foreign firms.

(8) State the benefits which the project would yield to the host country. Include an estimate of the net foreign exchange savings that will result from the project. If the project is to produce items for export, estimate the value of such exports and the probable markets therefor.

G. Financial Data

(1) If the Borrower is already in operation, submit for the current year and prior three years: (a) a balance sheet including a statement of surplus, (b) a profit and loss statement, and (c) a source and application of funds statement. All financial statements should, if possible, be audited by an independent certified public accountant. Otherwise, they should be attested to by the appropriate corporate officers.

(2) A balance sheet, profit and loss statement, and source and application of funds statement estimated for future years until operations become fully developed with debt servicing stabilized. The projections should be signed by the appropriate corporate officers and should be supported by an explanation of all assumptions made in preparing such projections. For example, the price at which it is estimated that the Borrower's products or services will be marketed, the estimated volume of demand for such products or services, the projected rate of growth in demand, and the Borrower's estimated operating and non-operating costs should be indicated

together with an explanation of the basis on which such estimates were prepared. In addition, the extent to which sales will be on a cash or credit basis should be indicated.

A guide to a suggested form of source and applications of funds statement is attached as Annex D.

H. General

(1) The name(s) of Borrower's bank(s).

(2) The name and address of persons in the United States whom A.I.D. may contact for additional information about the applicant, the Borrower, and the project.

(3) Any additional information which the applicant believes may be material to A.I.D.'s consideration of the application.

FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

TITLE III - INVESTMENT GUARANTIES

Section 221. General Authority. (a) In order to facilitate and increase the participation of private enterprise in furthering the development of the economic resources and productive capacities of less developed friendly countries and areas, the President is authorized to issue guaranties as provided in subsection (b) of this section of investments in connection with projects, including expansion, modernization, or development of existing enterprises, in any friendly country or area with the government of which the President has agreed to institute the guaranty program. The guaranty program authorized by this title shall be administered under broad criteria, and each project shall be approved by the President.

(b) The President may issue guaranties to United States citizens, or corporations, partnerships, or other associations created under the laws of the United States of any state or territory and substantially beneficially owned by United States citizens, as well as any wholly-owned (determined without regard to any shares, in aggregate less than 5 per centum of the total of issued and subscribed share capital, required by law to be held by persons other than the parent corporation) foreign subsidiary of any such corporation.

* * * * * * * * *

(2) Where the President determines such action to be important to the furtherance of the purposes of this title, assuring against loss of any loan investment for housing projects with appropriate participation by the private investor in the loan risk and in accordance with the foreign and financial policies of the United States, or assuring against loss of not to exceed 75 percentum of any other investment due to such risks as the President may

determine, upon such terms and conditions as the President may determine: Provided, that guaranties issued under this paragraph (2) shall emphasize economic development projects furthering social progress and the development of small independent business enterprises, and no such guaranty in the case of a loan shall exceed $25,000,000 and no other such guaranty shall exceed $10,000,000: Provided further, that no payment may be made under this paragraph (2) for any loss arising out of fraud or misconduct for which the investor is responsible: Provided further, that the total face amount of the guaranties issued under this paragraph (2) outstanding at any one time shall not exceed $300,000,000. Provided further, that this authority shall continue until June 30, 1966.

(c) No guaranty shall exceed the dollar value, as of the date of investment, of the investment made in the project with the approval of the President plus actual earnings or profits on said investment to the extent provided by such guaranty, nor shall any guaranty extend beyond twenty years from the date of issuance.

(d) The President shall make suitable arrangements for protecting the interests of the United States Government in connection with any guaranty issued under Section 221(b) including arrangements with respect to the ownership, use, and disposition of the currency, credits, assets, or investment on account of which payment under such guaranty is to be made, and any right, title, claim, or cause of action existing in connection therewith.

EXTENDED RISK GUARANTY PROGRAM

Preliminary Checklist of Eligibility

The following is a checklist of items that would cause an extended risk guaranty proposal to be ruled ineligible. The checklist is not definitive, but is furnished as a guide to investors.

1. The investor is not a U.S. citizen or a U.S. corporation, partnership or other association substantially owned by U.S. citizens, or a wholly-owned foreign subsidiary of such a U.S. corporation.

2. The investment does not create new physical resources, but rather is primarily for the purchase of existing investment or roll-over of existing debt.

3. The project is considered unsatisfactory under criteria for the furthering of the development of the economic resources and productive capabilities of the country involved. This would rule out luxury industries such as alcoholic beverages or cosmetics.

4. The project is not high enough in the development priorities for the country in which it is located.

5. The project will be predominantly owned and controlled by the foreign government. A.I.D. is prepared to consider mixed enterprises, so long as the private participants maintain control of the enterprise, or if there is a firm plan for divestiture on the part of the government at some future time.

6. The basic financial plan for the project is unsound, or there is not ample coverage for the guaranteed debt.

7. The project will not involve U.S. procurement substantially equal to the amount of the guaranteed coverage. This criteria would be waived only in the case of projects of the highest importance to the U.S. national interest.

8. The project is a "run-away" plant which replaces existing U.S. facilities with facilities in a foreign country for the purpose of re-exporting to the U.S.

9. The project involves a monopoly or some other unreasonable restriction of trade not in the best interest of the U.S. or the host country.

10. The project will have a significantly adverse effect upon the host country's balance of payments.

11. The investment has been committed prior to authorization of an extended risk guaranty.

12. The investment will bear a rate of interest too high to be acceptable by A.I.D.

13. The loan is not considered to have a long enough term in light of the earning capabilities of the project and the balance of payments outlook of the country.

14. The funds to be guaranteed consist of currencies which are not freely convertible.

15. The investment or the project is undertaken pursuant to an agreement which is unreasonably disadvantageous to the host country.

16. The investors requesting the guaranty, the U.S. entrepreneur, or the local parties are of such bad reputation that the U.S. would be injured in its relations with the host country if it were to be associated with the activities of such individuals.

17. The investment would significantly affect the economy of the U.S. in some adverse fashion not indicated elsewhere.

ANNEX C

COUNTRIES WITH WHICH BILATERAL AGREEMENT COVERING EXTENDED RISK GUARANTIES NOW EXECUTED

Argentina	Malagasy, Republic of
Bolivia	Mali
Chile	Morocco
China, Republic of	Nepal
Colombia	Niger
Congo (Brazzaville)	Senegal
Congo (Leopoldville)	Sierra Leone
Cyprus	Somali Republic
Dominican Republic	Sudan
Ecuador	Tanganyika
Gabon	Togo
Greece	Trinidad-Tobago
Guinea	Tunisia
Israel	U.A.R. (Egypt)
Ivory Coast	Venezuela
Jamaica	Vietnam
Kenya	Turkey
Liberia	

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GUIDE TO PREPARATION OF SOURCE AND APPLICATION OF FUNDS STATEMENT

As used in this "guide" the term "source and application of funds statement" refers basically to a condensed report of how the activities of the Borrower have been or will be financed and how its financial resources have been or will be used during the period covered by the statement. The statement should organize the material into two principal groups: (1) sources of funds and (2) application of funds. Broadly speaking, sources of funds are net income before taxes, decreases in assets, and increases in liabilities or in stockholder's equity, while the application of funds relates to increases in assets and decreases in liabilities or in stockholder's equity.

The term "funds" is intended to refer to purchasing or spending power or all financial resources arising from external rather than internal transactions of the Borrower. The statement should thus take into account assets or financial resources which do not affect or flow through the working capital accounts. Examples are the purchase of property in exchange for shares of stock or bonds, gifts or subsidies, exchanges of property and the like.

Set forth below is a suggested form of source and application of funds statement. It should be kept in mind, however, that the funds statement prepared by the Borrower should disclose and emphasize all significant changes and transactions, whether or not called for by the suggested form.

An accompanying explanatory statement should indicate clearly the assumptions made in preparing the estimates for future years and the basis for such assumptions.

SOURCE AND APPLICATION OF FUNDS STATEMENT

(SUGGESTED FORM OF STATEMENT)

	PRESENT OPERATIONS				CONSTRUCTION YEARS				OPERATIVE YEARS			
	1960	1961	1962	etc.	1963	1964	1965	etc.	1966	1967	1968	etc.
SOURCE OF CASH												
From Operations:												
Net earnings before taxes and interest on loans												
Depreciation (1)												
Other charges against earnings which do not require the disbursement of funds (list each charge separately)												
Total Funds from Operations												
New Borrowings:												
Shareholder loans												
Loans from U.S. lending institutions (list each loan separately)												
Loans from local banks or other financial institutions (list each loan separately)												
Other (specify, listing each loan separately)												
Total Funds from Borrowings												

	PRESENT OPERATIONS				CONSTRUCTION YEARS				OPERATIVE YEARS			
	1960	1961	1962	etc.	1963	1964	1965	etc.	1966	1967	1968	etc..
From Issuance of Securities												
Common stock												
Preferred stock												
Total Funds from Issuance of Securities												
Other Receipts												
(Specify, listing each item separately)												
APPLICATION OF FUNDS												
Capital Expenditures for Project												
Taxes												
Interest on Loans												
Shareholder loans												
Loans from U.S. lending institutions (list each loan separately)												
Loans from local banks or other financial institutions (list each loan separately)												
Other (specify, listing each loan separately)												
Total Interest												

	PRESENT OPERATIONS				CONSTRUCTION YEARS				OPERATIVE YEARS			
	1960	1961	1962	etc.	1963	1964	1965	etc.	1966	1967	1968	etc.
Repayment of Borrowings (2)												
Shareholder loans												
Loans from U.S. lending institutions (list each loan separately)												
Loans from local banks or other financial institutions (list each loan separately)												
Total Repayment of Borrowings												
Provision for Working Capital												
Dividends												
Common stock												
Preferred stock												
Other Expenditures (Specify, listing each item separately)												
TOTAL EXPENDITURES												
TOTAL EXCESS FUNDS AVAILABLE												

	PRESENT OPERATIONS				CONSTRUCTION YEARS				OPERATIVE YEARS			
	1960	1961	1962	etc.	1963	1964	1965	etc.	1966	1967	1968	etc.
FREE CASH /BEGINNING / END												
Non-Cash Working Capital Changes												
Working cash (increase (-))												
Inventories (increase (-))												
Receivables (increase (-))												
Other current assets (increase (-))												
Total current assets (increase (-))												
Total current liabilities (increase (+))												
Net cash effect of working capital changes												

(1) Indicate in a note the basis on which depreciation is calculated.

(2) If the Source and Application of Funds Statement is not carried out until all borrowings are repaid in full, indicate in a note the final maturity date of each borrowing.