

- actions that involve importation;
- c) In the case of importation of Equipment, the Fund reserves the right to do Witness Testing or engage the services of a consultant to do so on its behalf, at the expense of the beneficiary company, before shipment.
 - d) For locally sourced items, disbursement may be made directly to the supplier of the item;
 - e) Other disbursement terms shall be as agreed between the borrower and the Fund.

8.0 SECURITY

The security requirements shall be determined by the Fund on the merits of each transaction. Generally, one or more of the following may be accepted as security from borrowers.:

- a) Promissory note(s);
- b) Personal guarantee of the Directors, backed up by a notorized statement of net worth in Nigeria;
- c) First legal charge on stock of inventory (raw materials and finished goods), fixed assets including landed properties, spares and equipment on which the borrower has clean title.
- d) Landed Properties belonging to the borrower or its Directors shall be located in a place acceptable to the Fund and whose value is determined by a competent professional, acceptable to the Fund;
- e) Marketable financial instruments, share certificates of quoted companies, investment certificates and commercial bills acceptable to the Fund;
- f) Assignment of underlying export receivables, where applicable;
- g) An unconditional Bank guarantee from an acceptable/reputable bank acceptable to the Fund;
- h) Warehousing agreement issued by a reputable warehousing agent, acceptable to the Fund;
- i) Letter of hypothecation;
- j) Any other security that may be acceptable to the Fund.

In all cases, the value of the security to be taken shall be at least 1.5 times the amount of the loan. For 3rd part securities belonging to a company/co-operative society, a board resolution of that company/co-operative society is required authorizing the use of their asset as security. All assets to be financed under the facility and pledged as security must be comprehensively insured with an insurance company/co-operative society acceptable to the Fund, noting the Fund as the first loss payee. All required legal documents must be in the Fund prescribed form.

9.0 INTEREST PAYMENTS

Interest payments shall be made in the currency of disbursement and on a semi-annual basis in arrears on outstanding balances commencing from the date of first disbursement or as may be determined at the time of disbursement. Subsequent payments shall be made on the installment dates of loan balances.

10.0 LOAN REPAYMENT

The Fund may consider repayment terms of up to five (5) years from the date of initial disbursement. Payments will normally be made in a set number of equal and consecutive installments typically within six months from the expiration of the moratorium. All principal repayments shall be in the currency of disbursement and in accordance with the repayment schedule established at the time the loan is sanctioned.

11.0 PENALTY ON DEFAULT

In case of default on any facility or due loan installments, the Fund shall charge a penal rate of 4% p.a. above the rate at which the initial loan was given and for the period of the default. All payments received shall be applied to defray interest charges first and the balance applied to outstanding principal amounts.

12.0 UNUTILIZED CREDIT

Any approved credit facility is deemed to have lapsed if:

- a) The facility letter is not duly accepted by the

authorized signatory(ies) of the borrower within 30 days from the date of the Offer Letter.

- b) It remains unutilized within 30 days and 90 days for short term and medium-term facilities respectively, from the date of acceptance of the Offer Letter.

13.0 OTHER CONDITIONS

- a) The Fund may request for an acceptable technical report or warranty on the equipment to be acquired.
- b) No new equipment shall be purchased with proceeds from the facility from sources other than the manufacturers or major/accredited distributors of the manufacturers.
- c) The Fund and the Presidential committee on Textile will undertake regular monitoring visits to ensure the utilization of funds by the beneficiaries.
- d) Where the funds are used for purposes other than for which they were granted, or other forms of abuse such as false declaration etc, the Fund shall immediately recall all outstanding amounts on the facility and the borrower blacklisted. The borrower shall pay the penal rate for the period the funds were held. A written report will also be made to the appropriate authorities.
- e) The Management Team of the Textile Development Fund and/or NEXIM may be represented on the Board of the beneficiary company/co-operative society for so long as the facility is outstanding.

14.0 EFFECTIVE DATE, REVIEW AND AMENDMENT

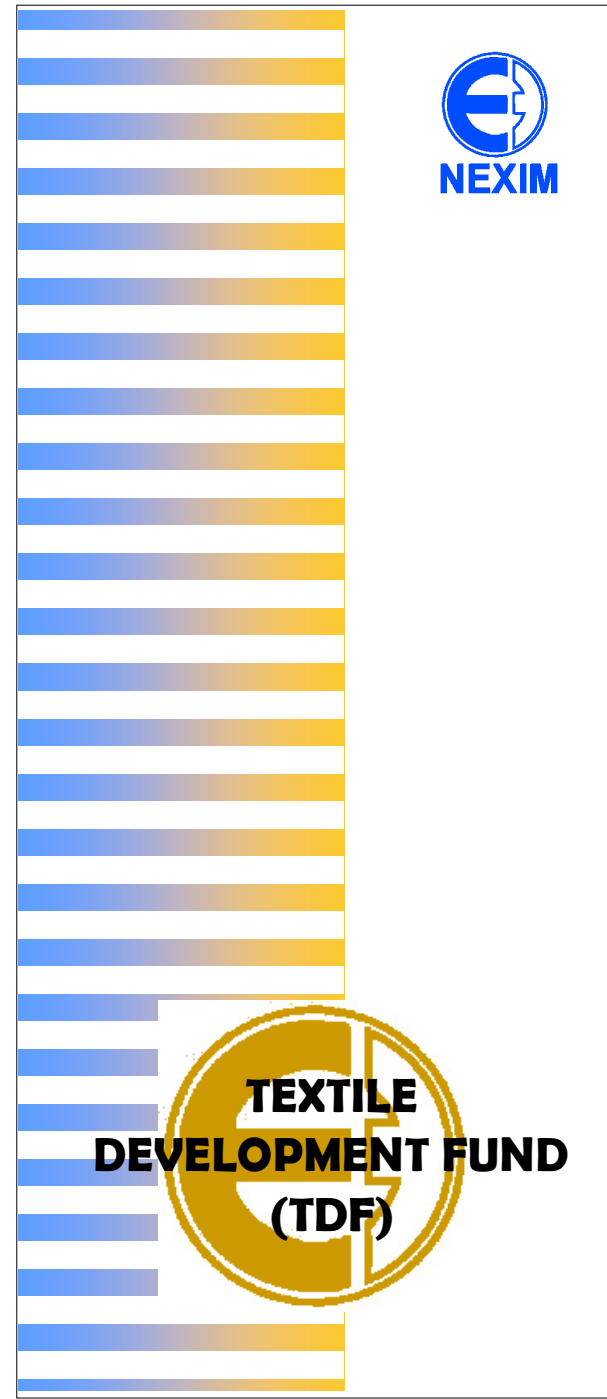
These Guidelines take effect from 1st March 2008 and provide an indication of the terms and conditions under which the Fund may be willing to provide financial support to companies/co-operatives in the Nigerian Textile industry. The Fund reserves the right to make any changes or additions to these terms and conditions that are necessary or desirable without notice.

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TEXTILE DEVELOPMENT FUND

The textile industry has significant importance for Nigeria. The sector is a strategic non-oil industry given its position as the largest industry in Nigeria after oil and agriculture and the largest textile industry in sub-Saharan Africa. In 2006, President Olusegun Obasanjo created the Presidential Committee on the Revival of the Textile Industry to address the industry's decades of decline. The Committee commissioned a study on the state of the industry and a study to formulate a financing package for the revival of the Nigerian textile industry.

NEXIM and the Project Managers (Osprey Investments Group Limited) will now implement a package of financial and programme assistance to the cotton and textile industries to improve performance and competitiveness in the domestic and international markets. New investment to the cotton and textile sectors will be financed by a N70bn Textile Development Fund (TDF).

The N70 billion Textile Development Fund (TDF) will be the principal source of finance for Nigerian cotton and textile companies. TDF funding for new investment will be channeled through two financing facilities, one for cotton and one for textile manufacturing. Each will be managed and administered by NEXIM in co-operation with the Project Managers. The funds would be on-lent to companies subject to approval of the beneficiary's business and financing plan.

1. The N50 billion Textile Financing Facility of the Textile Development Fund will provide investment finance for companies that seek to refinance high cost debt, replace and upgrade textile production lines, renew stocks of spare parts and acquire new technology. This facility will also be available to part-finance the establishment of new businesses in the garment and finished textile products sectors.
2. The N20 billion Cotton Financing Facility of the Textile Development Fund will provide fixed and working capital for the cotton production sector. Fixed capital will be needed to enable ginneries to upgrade gins, presses, transport and other equipment and to expand process capacity where required. Working capital will be required for seed cotton purchases but also to provide inputs and other support to farmers.

1.0 PURPOSE OF THE FUND

The amount lent under the Fund facility shall be used for the following purposes:

- € Rehabilitation, modernization, and expansion of ginnery and textile manufacturing plants;
- € Procurement of inputs, principally raw materials and spare parts for the production of cotton and textile products;
- € Refinancing of outstanding bank loans;
- € Financing of exports of cotton & textile products
- € Any other activity acceptable to the Textile Development Fund as contributing to the revival of the textile industry.

1.1 SELECTION CRITERIA

NEXIM will evaluate the viability of the companies applying for the Fund based on the following criteria:

- € Registration as a limited liability company/co-operative society
- € Good governance, financial transparency and credit worthiness
- € Competent management team with relevant experience in the cotton and/or textile industry.
- € Engagement in the production, processing and marketing of cotton and/or textile goods and services evidenced by previous and existing sales or any other evidence acceptable to the Fund
- € Employment generation minimum capacity of 3000, 100 and 500 jobs for categories I, II and III respectively.

2.0 EXPOSURE LIMITS

2.0.1 TEXTILE AND GARMENT COMPANIES:

The maximum exposure limits are as follows:

- i. Category I = up to N3.5 billion or its foreign currency equivalent. Maximum N5 billion for a g.o
- ii. Category II = up to N1 billion or its foreign currency equivalent.
- iii. Category III = up to N500 million or its foreign currency equivalent.

2.0.2 GINNING AND COTTON PRODUCTION:

The maximum exposure limits are as follows:

- i. Category I = up to N1.5 billion or its foreign currency equivalent.
- ii. Category II = up to N500 million or its foreign currency equivalent.
- iii. Category III = up to N200 million or its foreign currency equivalent

2.1 ELIGIBILITY

Eligible businesses shall include only companies in the cotton and textile value chain, from cotton growers to ginneries, spinners, weavers, finishers and manufacturers of made-up products and garments.

The Fund may be available to a Nigerian-registered company/co-operative society in local currency, foreign currency (US dollars) or in a mix of foreign and local currencies.

2.2 ELIGIBILITY CRITERIA

2.2.1. Category I

The borrower must:

- a) Be a creditworthy duly registered limited liability company or cooperative society;
- b) Be engaged in the production and/or marketing of textile goods and services.
- c) Belong to the relevant Association
- d) Generate annual turnover of at least 55% of the loan amount
- e) Have fixed assets coverage of at least 1.5 or 150%
- f) Be an existing, dormant or startup company
- g) Have a capacity to generate employment of a minimum of 3000 jobs

2.2.2. Category II

The borrower must:

- a) Be a creditworthy duly registered limited liability company or cooperative society
- b) Be engaged in the production and/or marketing of textile goods and services
- c) Belong to the relevant Association
- d) Generate annual turnover of at least 55% of the loan amount
- e) Have fixed assets coverage of at least 1.5 or 150%
- f) Be an existing, dormant or startup company
- g) Have a capacity to generate employment of a minimum of 1000 jobs

2.2.3 Category III

The borrower must:

- a) Be a creditworthy duly registered limited liability company/co-operative society or cooperative society
- b) Be engaged in the production and/or marketing of textile goods and services
- c) Be recommended and guaranteed, if necessary by their various associations or community leaders.
- d) Generate annual turnover of at least 55% of the loan amount
- e) Have fixed assets coverage of at least 1.5 or 150%
- f) Be an existing, dormant or start-up company
- g) Have a capacity to generate employment of a minimum of 500 jobs

3.0 APPLICATION AND REQUIRED DOCUMENTATION

A cotton or textile business seeking to benefit from the Fund shall complete an application form (No NEX/TDF1) and forward same with the following documents, where applicable:

- a) Certified True Copy of Certificate of Incorporation;
- b) Current three years tax clearance certificate;
- c) Audited Statement of Accounts for the last three years and the most recent Management Accounts;
- d) Certified Memorandum and Articles of Association;
- e) Feasibility Study Report/ Business Plan in the required format. This should include a brief profile on Members of the Board and Management of the company/co-operative society including information on their educational qualifications and experience; The Feasibility Report would include project cost, financial structure, financing plan, projected profit and loss, cash flow projections and projected balance sheet, all to cover the period of the proposed credit;
- f) Projected five-year Cash Flow, Profit and Loss Account and Balance Sheet;
- g) A Board resolution authorizing the company/co-operative society to

borrow;

- h) A letter from the company/co-operative society authorizing the Fund to obtain any information on it;
- j) Duly executed authorized signature cards;
- k) Certified True Copies of Forms CO2 and CO7;
- l) If applying for equipment loans, a copy of Proforma Invoice(s) from a reputable supplier(s);
- m) Evidence of Licenses/Permits from relevant agencies;
- n) Copy of Environmental Impact Assessment Report;
- o) Details of any financial difficulties the borrower has encountered at any time during the last three (3) years and how these have been or are being resolved;
- p) Full details of all other facilities obtained elsewhere, including collateral, liens, etc;
- q) Provision of adequate collateral security;
- r) Any other document that may be required by the TDF.

4.0 TENOR AND LENDING RATE

Tenor: From a minimum 1 year to a maximum 5 years

Interest Rate: 9% per annum

5.0 FEES AND CHARGES

- a) Application fee: Non-refundable application fee of N100,000.00
- b) Monitoring fee: Not Applicable
- c) LC Charges: Where NEXIM establishes LC for the transaction, an LC charge of 0.25% shall apply.
- d) Administrative fee: Not Applicable.
- e) Legal fee: Where the service of external legal counsel are used in the preparation of legal documents, borrower will be required to pay the legal fees.
- f) Statutory/Prescribed fees: The borrower would be obliged to pay the fees/charges with respect to stamp duty, other charges or taxes payable in relation to the loan documentation and perfection of security.

6.0 CONDITIONS PRECEDENT TO DRAWDOWN

Where an application meets the eligibility criteria of the Textile Development Fund, an offer shall be made to the borrower in writing stating the terms and conditions of the facility. Where an application is not successful, the borrower shall also be notified in writing.

On receipt of offer of the loan facility, the borrower shall:

- a) Forward to the Fund, the duplicate copy of the Offer Letter duly signed by two authorized signatories of the borrower to signify acceptance of the offer;
- b) Submit Board Resolution accepting the offer;
- c) Pay administrative/commitment/legal and other fees on the approved loan amount as would be indicated in the Offer Letter;
- d) Enter into a loan agreement with the Fund;
- e) Submit to the Fund duly executed legal and facility documents as specified in the offer letter and as required by the facility
- f) Take comprehensive insurance on the assets financed under this facility and assets to be taken as security from a reputable and approved insurance company/co-operative society with the Fund's interest duly noted;
- g) Provide all documents in respect of security for the loan as may be required by the Fund;
- h) The Fund shall be satisfied with all legal and disbursement documents
- i) The Fund shall reserve the right to institute any other pre-disbursement conditions, which shall be communicated in the Offer Letter.

7.0 DISBURSEMENT

The Textile development Fund shall disburse the approved facility upon fulfillment of all conditions precedent to drawdown;

- a) In the case of medium-long term loans, disbursement shall be in accordance with the project implementation plan. Subsequent disbursements shall be made only after satisfactory utilization of previous ones;
- b) The Fund shall establish the Letter of Credit for trans-