

Great News for Tech and Life Science Companies: Ex-Im Relaxes Its U.S. Content Rule

The Export-Import Bank of the United States (Ex-Im Bank) recently announced a historic change to its working capital loan guarantee program in June, 2010. This change is significant for dynamic, fast-growth technology and life science companies looking to borrow against export-related accounts receivable and inventory. For the first time in its 76-year history, Ex-Im Bank will count a borrower's U.S.-incurred research and development (R&D) and all other sales and administrative (SG&A) expenses towards its U.S. content calculation when the borrower is applying for an Ex-Im guaranteed working capital loan.

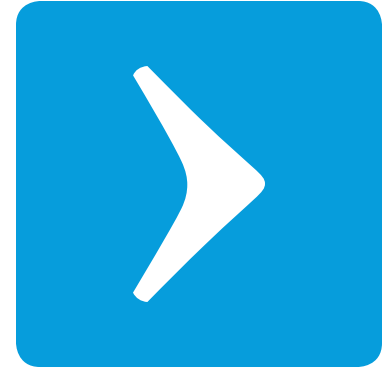
To qualify, a borrower needs to demonstrate that 50 percent or more of its cost of goods as well as related expenses were incurred in the U.S. Once these criteria are met, all export-related accounts receivable are eligible for working capital loan advances, provided they meet other general eligibility requirements. If a borrower's U.S. content is below 50 percent, eligibility is restricted to that lower percentage.

The key benefits for U.S. exporters include:

- Expanded borrowing capability to support growing companies
- Reduced cost of funds
- U.S. job creation

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While many exporting companies had been able to take advantage of this Ex-Im guarantee program by leveraging their export-related accounts receivable and inventory, a significant number of technology companies were excluded due to Ex-Im's previous content rule.

How Silicon Valley Bank Works with Ex-Im Bank

Ex-Im Bank was established as an independent agency of the U.S. government in 1934 to increase U.S. exports and stimulate job creation through financial guarantees. Since its inception, Ex-Im Bank has supported more than \$450 billion in exports through a variety of programs including loan guarantees (such as working capital loans) and export credit insurance.

Over the course of many years, Silicon Valley Bank (SVB) has taken a leadership role in working with Ex-Im to change the rule through committee work as well as providing real-life examples of borrowers that were unable to take advantage of the program and missed opportunities for additional job creation.

As one of only eight banks in the U.S. that enjoy a Super Delegated Authority of up to \$450 million from the Ex-Im Bank, SVB is able to leverage its extensive history and experience in working with Ex-Im Bank. SVB currently supports loan commitments of over \$220 million within the Ex-Im Working Capital Guarantee program. These loans support more than 5,500 new and existing U.S. jobs.

An Example: How New U.S. Content Rules make a Difference

A U.S.-based maker of mobile device accessories generates the majority of its revenue by exporting to Mexico, Korea and Taiwan. The company designs and manufactures its products in the U.S., but imports most of its raw materials from suppliers in China and Malaysia. The company ships the final products from the U.S. and bills and collects out of its U.S. headquarters.

While other lenders shied away from lending to this company due its foreign-related collateral, SVB believed they could make the deal happen. When SVB reviewed the company's U.S. content in early 2009, we discovered that the U.S. portion of the content only accounted for 38 percent of its direct costs/expenses because of the high cost of imported raw materials. In other words, only 38 percent of its export-related collateral pool was eligible for an Ex-Im guaranteed facility.

Under new U.S. content rules, the company is able to include R&D, SG&A and any other administrative costs as U.S. content. The revised calculation now made a difference as 70 percent was now designated as U.S. content.

The Result: This exporter now has 100 percent eligibility on all export-related receivables that fit under Ex-Im Bank's guidelines, more borrowing capacity to fuel growth, and has also helped support U.S. jobs.

To learn more how SVB's Ex-Im Bank guarantee program can fuel your company's growth, please contact your SVB international trade advisor or your SVB relationship manager.

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