

Fuel Revenue and Job Growth with Ex-Im Bank Programs

Asset-based lines of credit have long been popular financial options for dynamic, fast-growth technology and life science companies. Given the stage and high growth nature of these firms, they usually do not qualify for unstructured or cash flow based loan facilities. On the other hand, asset-based (structured) loan facilities are a natural solution.

Under a conventional asset-based lending facility, U.S. lenders typically exclude foreign receivables and may not lend on export-related inventory. Foreign receivables are deemed to be ineligible by U.S. lenders due to additional risks related to overseas collections, a lack of uniform commercial laws as found in the United States and the daunting prospect of engaging foreign legal counsel to pursue a collection action where a home bias may exist. As a result, some companies may need to rely on financing U.S.-related receivables to support export sales. This situation becomes even more

problematic should the company's sales shift towards export sales, away from domestic sales.

The U.S. government provides a variety of support for exporters through the United States Commercial Service (www.export.gov), U.S. Small Business Administration (www.sba.gov), and the Export-Import Bank (Ex-Im Bank) of the United States (www.exim.gov). However, the Ex-Im Bank in particular has been very effective in fostering U.S. exports by mitigating the additional risks recognized by lenders related to foreign sales.

EX-IM BANK WORKING CAPITAL GUARANTEE PROGRAM

Ex-Im Bank was established as an independent agency of the U.S. government in 1934 to foster the growth of U.S. exports. In the years since, it has supported more than \$450 billion in export sales through a variety of programs, including loan guarantees (working capital and medium-term loans) and export receivable credit insurance.

CASE STUDY: EX-IM BANK IN ACTION

A U.S.-based maker of semiconductor components sells more than 60 percent of its products abroad in Mexico, Spain and Taiwan. The majority of its manufacturing activities takes place in the U.S. and the company bills and collects its invoices out of its U.S. headquarters.

When the company wanted to expand production to meet increasing demand in early 2007, it contacted its bank for working capital financing. Citing the higher risk of foreign-related collateral, the bank was only willing to lend on the company's domestic accounts receivable and inventory. The company turned to SVB for a second opinion.

After reviewing the company's financial statements, export contacts and sales and collections cycle, SVB's lending team and its Global Credit Products team was able to lend on the company's domestic- and export-related collateral through the Ex-Im Bank Working Capital Guarantee Program.

The semiconductor company received a \$14 million working capital facility, \$10 million of which was guaranteed by Ex-Im Bank. More significantly, the company received a higher advance rate of 90 percent on Ex-Im Bank-guaranteed A/R and 75 percent on Ex-Im Bank-guaranteed inventory (compared to rates of 80 percent and 25 percent for domestic-only loans). In this agreement, SVB kept the interest rate on both the domestic loan and the export-related loan the same. The only additional expense to the company for this new financing strategy was an annual facility fee of approximately one percent charged by Ex-Im Bank.

The Ex-Im Bank's Working Capital Guarantee Program allows lenders to expand loan availability (working capital) to technology and life science companies by allowing export-related receivables and inventory to be classified as eligible collateral. This includes receivables due from companies in more than 100 countries around the world, with advance rates as high as 90 percent on export accounts receivable and 75 percent on export inventory.

Borrowers typically pay the same interest rate on export-related collateral as they pay for domestic-related collateral, and pay Ex-Im Bank an annual facility of no more than 1.5 percent of the total loan amount to extend the guarantee. If the borrower obtains the government guarantee through an Ex-Im Bank delegated lender, such as Silicon Valley Bank (SVB), the approval time takes ten business days or less.

To qualify for an Ex-Im Bank loan guarantee program, a company must answer yes to two simple questions:

1. Does the company incur 50 percent or more of its total costs (i.e., labor, materials, services and overhead) in the U.S.?
2. Does the company bill from and collect in the U.S.?¹

For borrowers, the key benefits are:

- Expanded borrowing capacity
- Reduction in financing costs related to foreign receivables

At the same time, the U.S. government:

- Fosters export growth
- Helps maintain and create U.S. jobs

¹Technically, invoices billed and collected outside the U.S. are eligible under the Ex-Im program. However, the overseas security interest perfection can be a very lengthy and cost prohibitive process.

Silicon Valley Bank is one of only eight banks in the U.S. that enjoys a [Super Delegated Authority](#) of up to \$300 million from the Ex-Im Bank. As of June 2009, SVB is providing 45 Ex-Im Bank-guaranteed working capital facilities totaling over \$150 million and supporting more than 3,000 U.S. small business jobs.

To learn more how the SVB's Ex-Im Bank guarantee program can fuel your company's growth, please contact your Silicon Valley Bank relationship manager.

ABOUT SILICON VALLEY BANK

Silicon Valley Bank is the premier commercial bank for companies in the technology, life science, venture capital/private equity and premium wine industries. SVB provides a comprehensive suite of financing solutions, treasury management, corporate investment and international banking services to its clients worldwide. Through its focus on specialized markets and extensive knowledge of the people and business issues driving them, Silicon Valley Bank provides a level of service and partnership that measurably impacts its clients' success. Founded in 1983 and headquartered in Santa Clara, Calif., the company serves clients around the world through 27 U.S. offices and international operations in China, India, Israel and the United Kingdom. Silicon Valley Bank is a member of global financial services firm SVB Financial Group (Nasdaq: SIVB), with SVB Analytics, SVB Capital, SVB Global and SVB Private Client Services.

More information on the company can be found at www.svb.com.

Silicon Valley Bank is the California bank subsidiary and the commercial banking operation of SVB Financial Group. Banking services are provided by Silicon Valley Bank, a member of the FDIC and the Federal Reserve System. SVB Financial Group is also a member of the Federal Reserve System.

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