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Export Finance Program

Program Guidelines

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Table of Contents

Section I	General	1
A.	Introduction	1
B.	Eligible Applicants	1
C.	Eligible Activities	1
D.	Ineligible Activities	2
E.	Program Requirements	3
Section II	Single Application Instructions	4
A.	General	4
B.	Single Application Instructions	4
C.	Specific Instruction for Working Capital Financing	5
D.	Specific Instruction for Accounts Receivable Financing	5
E.	Application Approval Procedure	5
F.	Application Evaluation Criteria	5
G.	Limitations, Restrictions and Penalties	6
H.	Contact Information	6
Appendix I	Application Checklist	
	Export Finance Program Working Capital Financing	7
Appendix II	Appendix II – Application Checklist	
	Export Finance Program Account Receivable Financing	8

Section I – General

A. Introduction

The Export Finance Program (EFP or the “Program”) administered by the Department of Community and Economic Development (DCED), is designed to increase the level of foreign exports and the number of exporting companies in Pennsylvania. Many creditworthy small businesses do not have access to adequate financing because they either lack a relationship with a financial institution with export finance capabilities or the size of the transaction makes it uneconomical for the private sector to participate, even when credit risks are insured. The program fills the export financing gap by lending on export contracts.

EFP provides assistance for two types of export financing projects. As a Delegated Authority Lender Authority under Ex-Im Bank’s Working Capital Guarantee Program, the Commonwealth of Pennsylvania is permitted to provide working capital financing for pre-export working capital needs. In addition, the program also provides accounts receivable financing for post-export assistance. This Program is not intended to supplant or be a substitute for funds otherwise available from private lending sources.

B. Eligibility Applicants

Export Financing is available only for products that are manufactured or assembled at facilities located in Pennsylvania or for services that originate from facilities located in Pennsylvania.

An eligible applicant is a **for-profit** business enterprise which is a corporation, limited liability company, partnership, proprietorship or other business entity that:

- operates as a going concern in Pennsylvania.
- has no more than 250 full-time employees.
- has had an operating history of at least one year.

C. Eligible Activities

The Export Finance Program can assist eligible businesses by offering working capital and accounts receivable financing in an amount of up to \$350,000. Assistance is limited to the financing or export activities that take place within Pennsylvania.

1. Working capital financing may be used to:
 - a. Acquire inventory.
 - b. Pay direct and indirect costs (e.g., design, engineering, labor and overhead) used for the manufacture or purchase of goods (including work-in-process), or for the provision of services.
 - c. Support Standby Letters of Credit used as bid bonds, performance bonds or payment guarantees.
2. Accounts receivable financing may be used to finance export accounts receivable sold on payment terms up to 180 days from the date of arrival at the port of importation.

D. Ineligible Activities

The Export Finance Program does not provide funding for:

1. **Defense and Nuclear Products and Services** as determined by Ex-Im Bank.
Ex-Im Bank's restrictions include:
 - a. Items that are sold to military organizations or are designed primarily for military use; and
 - b. Items sold for nuclear products or services that must be approved by the U.S. Congress.
2. **Inventory** which includes:
 - a. Inventory that is not located in the United States.
 - b. Demonstration inventory or inventory sold on consignment.
 - c. Defense articles or services (i.e., items sold to military organizations or designated primarily for military use).
 - d. Inventory consisting of proprietary software (software not intended for resale).
 - e. Inventory that is damaged, obsolete, returned defective, recalled or unfit for further processing.
 - f. Inventory that is to be incorporated into items whose sale would result in an ineligible account receivable, as described below.
 - g. Inventory that has previously been exported from the United States.
3. **Accounts Receivable**, which includes:
 - a. Accounts receivable with terms greater than net 180 days.
 - b. Accounts receivable more than 30 calendar days past the invoice due date.
 - c. Any intra-company receivables or any receivables from a subsidiary, from any person or entity with a controlling interest in the exporter, or from an entity, which shares common controlling ownership with the exporter.
 - d. Accounts receivable from military buyers or generated by defense articles or services.
 - e. Accounts receivable that DCED deems uncollectible or unacceptable for whatever reason.
 - f. An irrevocable letter of credit is not considered to be an account receivable until the underlying goods have been shipped.

E. Program Requirements

At the discretion of the Department, a business may be required to have the guarantee of the Ex-Im Bank Working Capital Program or be on an export sales contract insured by a policy or be eligible for a policy.

1. The amounts and terms/conditions for **working capital financing** are:
 - a. **Loan Size:** The maximum loan amount is \$350,000.
 - b. **Terms:** The terms of the loan shall not exceed 12 months and may support a single transaction. Revolving lines of credit are available for multiple transactions. The term of the line of credit shall not exceed twelve months and may be renewed for an additional 12-month period. Renewal will be at the discretion of the Department. Disbursement under a revolving line of credit will be based upon up to 85% of eligible accounts receivable and up to 70% eligible inventory.
 - c. **Interest Rate:** An annual fixed rate of 3.75%.
 - d. **Fees:** Commitment fee of ½% for terms up to 12 months. The renewal fee is ½%.
 - e. **Maturity and Renewals:** Loan maturities can be up to 12 months. Once accepted, the commitment letter is valid for 30 days. To renew an existing revolving loan, the Borrower must submit a written request with updated company and financial information.
 - f. **Collateral:** Loans must be secured with a first lien position on the asset being financed, such as the export inventory and accounts receivable and may require the assignment of the contract and letter of credit proceeds. Also, corporate and personal guarantees may be required.
2. The amount and terms/conditions for **accounts receivable financing** are:
 - a. **Loan size:** The maximum loan amount is \$350,000.
 - b. **Terms:** The loan is due when the receivable is paid or 180 days after disbursement, whichever is sooner. Revolving lines of credit are available for multiple transactions. The term of the line of credit shall not exceed twelve months and may be renewed for additional 12-month period. Renewal will be at the discretion of the Department. Disbursement under a revolving line of credit will be based upon up to 85% of eligible accounts receivable.
 - c. **Interest Rate:** An annual fixed rate of 3.75%.
 - d. **Fees:** Commitment fee of ½% for terms of up to 12 months. The renewal fee is ½%.
 - e. **Maturity and Renewals:** Lines of Credit maturities can be up to 12 months. Once accepted, the commitment letter is valid for 30 days. To renew an existing revolving line of credit, the borrower must submit a written request with updated company and financial information.
 - f. **Collateral:** Loans may be secured with the assignment of export credit insurance policy. Additional collateral in the form of a first lien position on the export related inventory and accounts receivable and the assignment of the receivables proceeds may also be required. Also, corporate and personal guarantees may be required.

Section II – The Application Process

A. General

While not a requirement, the potential applicant is strongly encouraged to communicate with the Department about a proposed project prior to submitting an application. This can be accomplished by sending a letter or concept paper that provides basic information about the proposed project to the DCED Service Provider or the Small Business Financing Division (Commonwealth Keystone Building, 400 North Street, 4th Floor, Harrisburg, PA 17120-0225. Phone: 717-783-5046). Potential applicants may call either office to discuss the same information. This preliminary step permits EFP staff to offer technical assistance and alerts staff to pending Single Application submissions.

Applicants should carefully review the instructions outlined in the on-line electronic Single Application kit and submit documentation that addresses the objectives identified in these guidelines. The narrative section in the Single Application should be as detailed as possible.

The on-line electronic Single Application is designed for all DCED programs; therefore, some information on the form may not be applicable to your specific program. Applicants are encouraged to seek the assistance of the Team Pennsylvania Export Region Provider or Area Loan Organization in preparing the applications. (Listings can be found at www.newPA.com).

B. Single Application Instructions

1. The business applies electronically utilizing the DCED Electronic Single Application for Assistance located at www.newPA.com or www.esa.dced.state.pa.us. DCED also requires the applicant to submit the application addenda listed in the ESA as a part of the application process. The required Application Content may be attached electronically to the application on the Addenda tab, or submitted via US Mail with the signature page. Please reference the Single Application number on any documents sent with the signature page.

If you need additional assistance, contact:

PA Department of Community and Economic Development
Customer Service Center
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, Pennsylvania 17120-0225

1-800-379-7448 | 717-787-3405 or e-mail: re-dceds@pa.gov

2. Applications may be submitted at any time.

C. Specific Instructions for Working Capital Financing

1. Complete pages 1 thru 6 of the Single Application. Attach a project narrative description of the overall project and a description of the specific items identified on the Project Budget as listed on pages 3 thru 5.
2. Copies of the following items must accompany Single Application:
 - Funding commitment letters from all other project funding sources (including equity commitments and interim financing). Letters must be signed and dated and should include the applicable term, rate, and collateral conditions.
 - Financial statements of the company/developer, parent company, and any other proposed guarantors, if any, for the last three years of operations and one year proforma. Financial statements should include balance sheets, income statements, cash flow statements, and notes to the financial statements.
 - Personal financial statement for any principal and their spouses having ownership of 20% or greater in the Company/Developer. The personal financial statements should not be more than six months old and must be signed and dated. An independent certified public accountant may prepare personal financial statements or the individuals themselves by using standard forms available from most banks.

D. Specific Instruction for Accounts Receivable Financing

The following items must accompany the Single Application:

- A copy of the Purchase Order or Contract Sale.
- A copy of the Commercial Invoice.
- Evidence of Export Shipment(s).
- Copies of any other documents as may be required under the terms of payment.

E. Application Approval Procedure

1. DCED reviews each application in the order in which it is received. The applicant is responsible for updating the application if changes occur during the review.
2. DCED approves or rejects the loan application and formally notifies the applicant about the decision within 30 days of receipt of the completed loan application.
3. Applicants of approved projects will receive a loan commitment letter, which they must review, accept, and return within 30 days. Once accepted by the applicants, the commitment letter is valid for a period of six months.

F. Application Evaluation Criteria

1. **Business Evaluation:** DCED evaluates the historical performance of an existing business to assess its ability to repay the EFP loan.
2. **Public Benefit Criteria:** DCED evaluates the strategic importance of the industry to the commonwealth.

G. Limitations, Restrictions and Penalties

1. Any material misrepresentation in any application or use of loan funds for ineligible activities may be cause for rejection of an application or for calling an EFP loan in default. In addition, the matter may be referred to the appropriate authorities for criminal investigation.
2. An EFP Loan may be prepaid at any time without financial penalty.
3. Upon reasonable request of the DCED, the borrower shall permit duly authorized employees of the commonwealth to inspect the plant, books, and records of the borrower.
4. Borrowers and their principals may not be delinquent or in default on any existing private or public loan.
5. Borrowers and their principals must be current in payment of all applicable federal, state and local taxes.
6. The borrower and its principals and managerial officers must disclose any potential conflicts of interest with any officials or employees of the commonwealth or of the area loan organizations involved in the administration of the program.

H. Contact Information

Program inquiries should be directed to:

PA Department of Community and Economic Development
Small Business First Division
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, Pennsylvania 17120-0225

(717) 783-5046

Appendix I – Application Checklist

Export Finance Program Working Capital Financing

Check if item is included in application

- 1. DCED Single Application
- 2. Borrowing Base Certificates (Revolving Transactions Only)
- 3. Copy of Buyer's Order (Single Transaction Only)
- 4. Borrower's Certificate
Certificate attesting that Borrower's Bank did not wish to participate in transaction.
- 5. Borrower's Resume
- 6. Commitment Letters from all funding sources
- 7. Company Financial Statements
- 8. Personal Financial Statements

Appendix II – Application Checklist

Export Finance Program Account Receivable Financing

Check if item is included in application

- 1. DCED Single Application
- 2. Copy of Buyer's Order or Contract of Sale
- 3. Commercial Invoices
- 4. Evidence of Export Shipment(s) including but not limited to Bills of Landing
- 5. Copies of any documents required under the "terms of payment" including but not limited to Bills of Exchange, Promissory Notes and Letters of Credit
- 6. Copy of Endorsed Ex-Im Bank Small Business Credit Insurance Policy including endorsement for Special Buyer Limit or Discretionary Credit Limit
- 7. Endorsed Ex-Im Bank Assignment Agreement
- 8. Borrower's Certificate
Certificate attesting that Borrower's Bank did not wish to participate in transaction.
- 9. DCED Promissory Note