

EX-IM BANK WORKING CAPITAL GUARANTEE PROGRAM (WCGP)

PRIORITY LENDER PROGRAM (PLP) / DELEGATED AUTHORITY LENDER PROGRAM (DALP)
CREDIT MEMORANDUM FORMAT (REV. 2/01)

A. Request

1. Name of Applicant.
2. Preliminary Commitment or Final Commitment.
3. Maximum Amount (amount of Loan Facility requested)
4. Type
 - a. Revolving Loan Facility
 - b. Transaction-Specific Loan Facility
 - c. Transaction-Specific Revolving Loan Facility
5. Term (in accordance WCGP documents and Manual)
6. Name of Borrower/Exporter.
7. Name of Lender.
8. Use(s) of Loan Facility Proceeds (Be specific.)
9. Primary Collateral (i.e. Export-Related Accounts Receivable and Inventory)
10. Other Collateral (e.g., second or junior lien on all other assets of the Borrower, Guarantor).
11. Proposed Advance Rates for Borrowing Base (e.g., 75% against Eligible Export-Related Inventory; 90% against Eligible Export-Related Accounts Receivable)
12. Guarantor(s): (Personal, Corporate, Other...).

B. Background of the Borrower

1. History of company.
2. Type of entity (C-Corp., S-Corp., Partnership, etc.).
3. Ownership (broken down by owner name and percent of ownership).
4. Product/Service description (in non-technical terms).
5. Description of operations (i.e. staffing, organizational chart, facilities, etc.).
6. General discussion of the Borrower's industry.
7. Is Borrower a Small Business per SBA guidelines? (not an Ex-Im Bank requirement)
8. Previous Ex-Im Bank experience (Lender and/or Borrower)? Previous SBA experience?

C. Why is Ex-Im Bank support needed? (“Additionality”)

Additionality is a test to determine whether an Ex-Im Bank Guarantee is necessary to facilitate the financing of the Borrower’s export sale(s). Each application, whether submitted by the Exporter (Borrower) or the Lender or committed under Delegated Authority, must address the

following questions:

1. Need for additional working capital - Why does the Exporter not have sufficient internally-generated working capital for the proposed export sale(s)?
2. Availability of external financing sources - Why are funds not available from external sources?
3. Need for Ex-Im Bank - Why is Ex-Im Bank's Guarantee needed in order to provide funding to the Exporter? Some examples which satisfy the Additionality test include a Lender's reluctance to provide financing because of the risks associated with export sales, collateral, or significant credit risks.

Notwithstanding the above, the Additionality test will be deemed to have been met (without specifically addressing the three questions above) by the Lender's signature under Part C of the SBA/Ex-Im Bank Joint Application for all Loan Facilities which meet all of the following four criteria (*unless qualifying for the Reduced Facility Fee*):

- (i) the Maximum Amount is \$2,000,000 or less;
- (ii) the Exporter qualifies as a small business under SBA guidelines;
- (iii) the Exporter employs 100 people or fewer; and
- (iv) the Exporter's annual revenues do not exceed \$10,000,000.

D. Export Expertise

1. Dollar amount of revenues that were generated by export sales, and percentage of total revenues that such export sales represent, for each of the last three years.
2. Largest export sales contract to date (\$ amount & summary).
3. Largest domestic sales contract to date (\$ amount & summary).
4. Principal export markets.
5. Principal terms of sale (i.e. letters of credit, export credit insurance, open acct, # days tenor).
6. Established export customers. (Address buyer concentrations, if any.)
7. Export credit insurance experience (if any).
8. Anticipated "terms of sale" on the exports to be financed through the subject Ex-Im Bank guaranteed Loan Facility must comply with the Country Limitation Schedule. Terms of sale are limited to a maximum of 180 days, and may include:
 - a. Cash before Shipment/Cash at Shipment
 - b. Irrevocable Letters of Credit
 - c. Export Credit Insurance (for comprehensive commercial and political risk)
 - d. Collections (Cash against Documents)*

e. Open Account*

* Note: If the Lender is proposing to include any "Open Account" or "Collections" type Accounts Receivable in the Borrowing Base, the Lender must submit sufficient information, on which Ex-Im Bank will base its decision concerning whether to approve such terms of sale. Ex-Im Bank may require the applicant to submit additional information, which may include the name and address of each foreign buyer, a history of the exporter's account activity with the buyer and a recommendation for the maximum outstanding accounts receivable balance for each foreign buyer. After Ex-Im Bank review, it may be determined that export credit insurance or letter of credit will be required.

E. Revolving Loan Facilities

Pro-forma Cash Flow Statement - For Revolving Loan Facility applications, an aggregate company pro-forma cash flow is optional, however, the Lender is encouraged to provide one using their own internal format. The cash flow statement supporting the requested Maximum Amount (amount of Loan Facility requested) should simply summarize major cash receipts and payments categories.

F. Transaction-Specific and Transaction-Specific Revolving Loan Facilities

This special section is required for all Transaction-Specific Loan Facility and Transaction-Specific Revolving Loan Facility applications where the financing, whether Disbursements and/or performance bond (i.e., Standby Letter of Credit), is supporting a specific export sales contract.

1. Project description. Short narrative description of project.
2. Export Sales Contract Breakdown. Summary breakdown of total sales contract price into all significant costs of production (e.g., \$ engineering/design, \$ raw materials, \$ sub-contracted components, \$ labor, \$ overhead, \$ gross profit, etc.).
3. Summary of the Payment Terms contained in the export sales contract. Provide a summary of the terms and conditions of the sales contract. Particular attention should be given to the Payment Terms and the Borrower's duties under the contract. Any unusual payment terms should be highlighted.
4. Pro-forma "Project" Cash Flow Statement. Shown below is a "sample" format that is particularly useful for large transactions. Lenders may elect to use their own format. For

smaller transactions, the lender may wish to simplify the format where possible.

The pro-forma month-by-month project-specific cash flow statement should include major cash "Receipts" (e.g., advance payments from buyer, utilization of internally generated funds, funds disbursed from subject Loan Facility, progress payments from buyer) and major cash "Disbursements" (e.g., raw materials, engineering, sub-contracted components, direct labor, overhead, selling expenses, debt service, freight).

Sample Pro-Forma "Project" Cash Flow Statement

<u>CASH RECEIPTS</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>etc.</u>
Cash from Down Payment	\$	\$	\$	\$
Cash from Progress Payment(s)				
Cash from Collection of Receivables				
Ex-Im Bank Loan Disbursements				
Other Sources of Cash				
<i>Total Cash Receipts</i>	\$	\$	\$	\$
<u>CASH PAYMENTS (Cash out)</u>				
Material Purchases	\$	\$	\$	\$
Direct Labor				
Factory Overhead				
Selling Expenses				
Administrative Expenses				
Ex-Im Bank Loan Repayment				
Other Payments				
<i>Total Cash Payments</i>	\$	\$	\$	\$
CASH OVER (SHORT)	\$	\$	\$	\$
PROJECT CASH BALANCE:				
BEGINNING	\$	\$	\$	\$
ENDING	\$	\$	\$	\$
PROJECT LOAN FAC. BAL.-BEGIN.:	\$	\$	\$	\$
Project Loan Facility Repayments	\$	\$	\$	\$
PROJECT LOAN FAC. BAL. - ENDING:	\$	\$	\$	\$

5. Pro-forma "Project" Borrowing Base. Pro-forma month-by-month borrowing base, both pre-export and post-export (if applicable), demonstrating that there is sufficient borrowing base to support the outstanding Credit Accommodations (principal balance and/or L/C's) balance for the entire period that it is outstanding. The pro-forma should estimate the monthly outstanding Credit Accommodations and the related borrowing base components (e.g., Eligible Export-Related Inventory @ 75%, Eligible Export-Related Accounts Receivable @ 90%, etc.).

Sample Pro-Forma "Project" Borrowing Base

	<u>Jan.</u>	<u>Feb.</u>	<u>March</u>	<u>etc.</u>
(a) Eligible Export-Related A/R	\$	\$	\$	\$
(b) Eligible Export-Related Inventory				
(c) "Other" Collateral				
1. Line (a) X <u>90%</u> Advance Rate	\$	\$	\$	\$
2. Line (b) X <u>75</u> % Advance Rate				
3. Line (c) X <u>?</u> % Advance Rate				
TOTAL BORROWING BASE =	\$	\$	\$	\$
(Lines 1 + 2 + 3)				

VS. PRO-FORMA LOAN FACILITY BAL.

6. Comments should also address the following issues regarding the project:
- a. Product's compliance with Ex-Im Bank's U.S. content requirements.
 - b. Company's ability to perform under contract.
 - c. General discussion of the foreign buyer, and the foreign buyer's bank that will issue the documentary letter of credit (if applicable) to support the payment.
 - d. Discuss how product will be employed by the end-user.
 - e. Review contract and L/C for compliance with the terms and conditions of the Master Guarantee Agreement and other WCGP documents (i.e. Military issue, Country Limitations...)
 - f. Is the working capital guarantee being used to support a standby letter of credit that will be used as a bid bond, performance bond or advance payment?

G. Financing Relationship(s)

Summarize all short and long term debt relationships, and all lease obligations (Include the following items for each obligation):

1. Term of loan, payment structure, maturity date, authorized amount, current balance, average balance on revolving loans for last 12 months, collateral, lender/creditor name & address.
2. Identify shareholder debt to be subordinated to Ex-Im Bank Loan. Address whether or not the subordination will permit payments to be made, if so, amounts (principal and/or interest) and frequency, and under what conditions such payments can be halted.
3. Proposed Lender on the subject Ex-Im Bank guaranteed Loan should summarize experience with all Ex-Im Bank programs and highlight attendance at Ex-Im Bank training sessions. Lenders using the Program for the first time should include a copy of their most recent annual report.
4. Identify any SBA or other government guarantees.

H. Management Expertise

Concentrate on the company's high-level executives (i.e. CEO/President, CFO/Controller, (Senior) V.P. Engineering, (Senior) V.P. Marketing, etc.). Briefly highlight each individual's qualifications, and attach copies of resumes or biographical summaries in the appendix.

I. Credit History of the Borrower

Obtain and summarize 5 primary supplier credit references. (Lender must perform traditional credit check on each supplier.) Mention D&B highlights and any adverse notations. If Borrower has an existing relationship with a commercial lender, a written credit reference should be obtained from such lender.

Discuss pending litigation (if any), and status of any suits, liens, judgements, bankruptcy & UCC filings.

J. Type of Financial Statements

Discuss the accounting periods under analysis, the name of the financial statement preparer, and the quality of the financial statements (i.e. Internally-prepared, Compiled, Reviewed, or Audited [Qualified, Unqualified, or Draft]). Do the statements comply with Ex-Im Bank financial reporting requirements? Alert the reader to any qualifications and adverse opinions as noted in

the accountant's report.

K. Financial Analysis

Narrative financial analysis comments should summarize the following topics in appropriate detail relative to the size of the guarantee being requested.

1. Liquidity.
2. Leverage.
3. Equity.
4. Revenues & Earnings (Historical and Projected).
5. Cash Flow Projection
 - a. For Revolving Loan Facility applications, an aggregate company pro-forma cash flow is optional, however, the lender is encouraged to provide one using their own internal format if available.
 - b. For Transaction-Specific Loan Facility and Transaction-Specific Revolving Loan Facility applications, see "sample" pro-forma cash flow format below.
6. Export Contract Backlog (detailed).

Please include the following basic ratios and trends detailed on the next page. The loan officer should select additional ratios and trends where appropriate. Attach detailed spreadsheets in the appendix. If possible, spreadsheets should reflect 3 full years of operations and the most recent interim year-to-date results.

<u>Audited</u>	<u>Audited</u>	<u>Audited</u>	<u>Interim</u>
<u>FYE'XX</u>	<u>FYE'XX</u>	<u>FYE'XX</u>	<u>xx/xx/XX</u>

LIQUIDITY:

- * Working Capital (\$000)
(Current Assets - Current Liabilities)
- * Current Ratio
(Current Assets/Current Liabilities)
- * Quick ratio
([Cash & Equiv.+Trade Receivables]/Current Liabilities)
- * Accts Receivable Turnover
(Net Sales/ Accounts Receivable-Trade)
- * Inventory Turnover
(Cost of Sales/Inventory)
- * Accounts Payable Turnover
(Cost of Sales/ Accounts Payable)

LEVERAGE:

- * Long-Term Debt (\$000)
- * Total Debt (\$000)
- * Net Worth (\$000)
- * Debt/Worth
(Total Senior Liabilities / Tangible Net Worth)

<u>Audited</u>	<u>Audited</u>	<u>Audited</u>	<u>Interim</u>
<u>FYE'XX</u>	<u>FYE'XX</u>	<u>FYE'XX</u>	<u>xx/xx/XX</u>

OPERATING STATEMENT:

- * Revenue (\$000)
- * Gross Profit (\$000)
- * Operating Profit (\$000)
- * Net Profit (\$000)

- * Gross Margin (%)
- * Operating Margin (%)
- * Net Profit Margin (%)
- * Net Sales/Total Assets

COVERAGE RATIOS:

- * EBIT / Interest
(Earnings Before Interest & Taxes/Annual Interest Expense)
- * Debt Service Coverage
(Net Profit + Depreciation + Depletion + Amortization/Current Maturities Long-term Debt)

NOTE: Do not just describe the numbers. Call attention to any strengths and weaknesses. Describe any major changes to key accounts, variances, significant trends, fluctuations, and explain in detail. Explain any losses or extraordinary events.

L. Financial Statements / Financial Analysis of Guarantor(s)
(Personal, Corporate, and/or other Guarantors)

Summarize each guarantor's financial statement in writing and attach copies of financial statement(s). Personal financial statements should be prepared using commercial bank forms. Summarize personal credit bureau reports.

M. Strengths of the Overall Application

The overall strengths of the entire application should be summarized here. *For example:*

1. Ability of Borrower to perform under contract.
2. Pro-Forma Cash Flow and Borrowing Base supports the request.
3. Financial condition of the Borrower.
4. Substantial secondary support from Guarantor(s).
5. Terms of sale/foreign market(s).

N. Weaknesses of the Overall Application

Any major weaknesses or concerns should be summarized here. *For example:*

1. Collateral.
2. Credit History of the Borrower.
3. Borrower's Industry.
4. Expertise of Management.

O. Conclusion / Loan Officer Recommendation

Short summary on why approval is being recommended. Using Ex-Im Bank's standard language, your recommendation should include the following: "Based on the above, we have determined that a reasonable assurance of repayment exists, and approval is recommended".

NOTE FOR PLP LENDERS: In addition, please indicate that your institution has internally approved the requested Loan Facility subject to Ex-Im Bank's final approval.

NOTE: The list of suggestions in this credit memo format is not inclusive and we encourage you to use your professional judgement to provide additional information where appropriate. Please feel free to expand upon the items outlined above; however, at a minimum we expect the above items to be included in your write-up.

P. Special Conditions

For direct/PLP applications, the Ex-Im Bank loan officer may insert additional terms and conditions specific to that Loan Facility.

Q. Appendices for Direct / PLP Applications

1. Non-refundable \$100 check or money order made out to Ex-Im Bank.
2. Application form (rev. 8/00) with signatures of Borrower, Lender (if applicable), and

- Guarantor(s) (if applicable).
3. Copies of Borrower's financial statement(s) for the last 3 years, and spreadsheets.
 4. Current interim financial statement (dated within 90 days of the date of application filing).
 5. Most recent Federal income tax returns for the Borrower (for Loan Facilities of less than \$5 million).
 6. Pro-forma Operating Statement (for Revolving Loan Facility applications).
 7. Project Pro-forma Cash Flow Statement (for Transaction-Specific Loan Facility and Transaction-Specific Revolving Loan Facility applications).

 8. Signed personal financial statements of the major shareholders/partners of the company and their most recent federal income tax returns.
 9. Financial statement(s) of Guarantor(s).
 10. Resume(s)/biographical information of principals and key employees (senior managers).
 11. Agings (recent month-end) of accounts receivable and accounts payable with explanation of any serious delinquencies.
 12. Copies of the export sales contract (for Transaction-Specific Loan Facility and Transaction-Specific Revolving Loan Facility applications), and copies of any Letter of Credit documentation (if applicable).
 13. Export Credit Insurance related material (policy/application)(if applicable).
 14. Disclosure Form to Report Lobbying (Std. Form LLL) (*if applicable*, for final commitments).
 15. Other material information and documents as needed.

R. Appendices for Delegated Authority Lender Program Transactions

1. Non-refundable \$100 check or money order made out to Ex-Im Bank (for application fee).
2. Application form (with signatures of both lender and exporter).
3. Two signed original Loan Authorization Notices (Annex A of the Delegated Authority Letter Agreement), including Schedule A to the Loan Authorization Notice. (The Lender must complete and execute Schedule A to show the Facility Fee calculation and to certify as to which level of Facility Fee [Standard or Reduced] is applicable).
4. Copies of letters for any waivers or other special accommodations approved by Ex-Im Bank with respect to the application.
5. A check for the portion of the Facility Fee due to Ex-Im Bank.
6. A written notice from the Lender, prepared on Lender's letterhead, stating that the Lender, Borrower, and Guarantor(s) (if any) have executed the Loan Documents. The notice should include the Effective Date, which is defined as the date that the Loan Documents were executed by the Borrower.

Note: All of these items (1 through 6, above) are due at Ex-Im Bank within ten (10) Business Days of the Effective Date of the Loan Facility.

(REV. 2/01)