

U.S. Exports of Power  
Technologies and Equipment  
*Export Financing for Energy  
Projects*

*May 11, 2009*

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Presented By: Chantal Wittman, VP

# First American Bank

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- ❑ Established in 1968
- ❑ Privately owned, serving the greater Chicagoland area
  - 47 locations in Cook, DuPage, Kane, Kankakee, Lake, and Will counties
- ❑ Over \$2.5 billion in bank assets
- ❑ Markets served include:
  - Individuals
  - Institutions \*not-for-profit, charitable, municipal
  - Businesses & Investors \*privately held, middle market
- ❑ Products and Services include:
  - Int'l Trade Finance
  - Commercial Loans
  - Treasury Management
  - ESOPs (Employee Stock Ownership Plans)
  - Wealth Management

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# Definition of Trade Finance

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Trade Financing consists of a series of financial services to facilitate the export (or import) of various equipment and services. Export financing includes a range of financial and risk management services, including:

- 1) export credit insurance,
- 2) financing of international buyers and or Sellers,
- 3) guarantees,
- 4) working capital / cash management,
- 5) foreign exchange

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# Trade Finance

## Customer risks with international transactions:

- Currency risk
- Translation risk
- Interest rate risk
- Country risk
- Bank risk
- Transport risk
- Liquidity risk
- Debtor risk/Payment risk

## First American Bank Trade Finance

### Bank products:

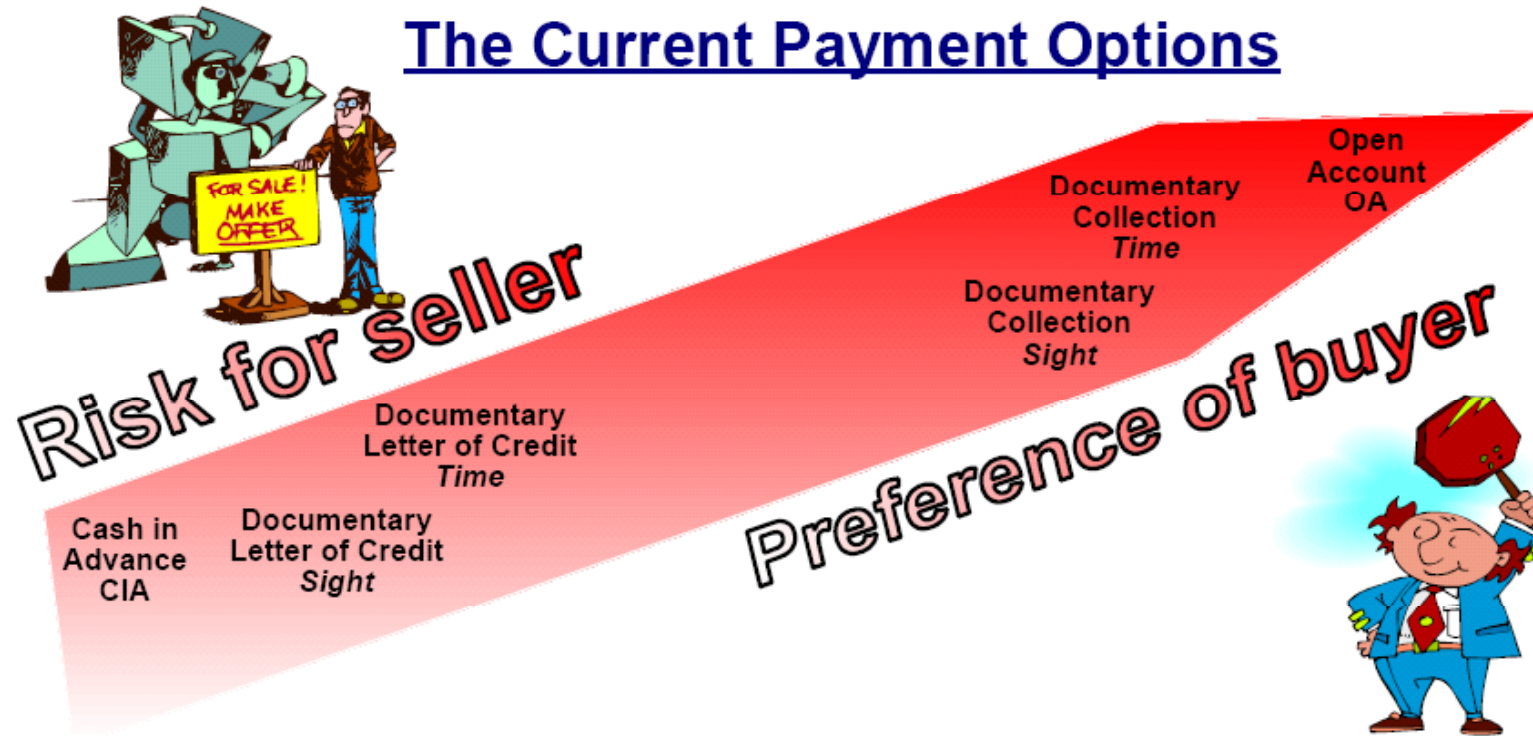
- **Documentary Payments**
  - Letters of Credit, Documentary Collections (CAD), Draft discounting, Forfaiting and L/C confirmations
- **Export Finance**
  - Purchase Order Financing, Confirmed Purchase Order Financing, Buyer's Credits and Suppliers Credits
- **Cash Management**
  - International Payments (FAMBUS44)
  - Pooling structures
  - Internet payments (local, checks etc.)
- **Foreign Exchange Hedging**
  - Spot , Forwards and derivatives
- **Interest rate Hedging**
  - Interestrate Swaps, Caps and Floors
- **International Guarantees**
  - Payment guarantees, bid bonds, performance bonds etc.

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# Trade Finance as it has been



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# Export Letter of Credit

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## Important points

- ❑ Security for the Seller
- ❑ Time lines are agreed upon
- ❑ Preparing documents
- ❑ Experience
- ❑ Creditworthiness of the buyer
- ❑ Cost versus calculation

When you receive the Letter of Credit thoroughly check:

- Documents required
- Time line (shipment date's etc)
- Payment and delivery terms
- Partial shipment / Transshipment allowed
- Description of the goods
- Coordinate production
- Arrange transport

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# Export L/C issues

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## Payment under L/C:

- ❑ Are there discrepancies?

## Most common discrepancies:

- ❑ Delay in shipment
- ❑ Description of the goods are not per L/C
- ❑ Goods shipped are higher than the L/C amount
- ❑ L/C is Expired

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# Challenge: Sellers and Buyers Need a Middle Ground

Seller prefers:

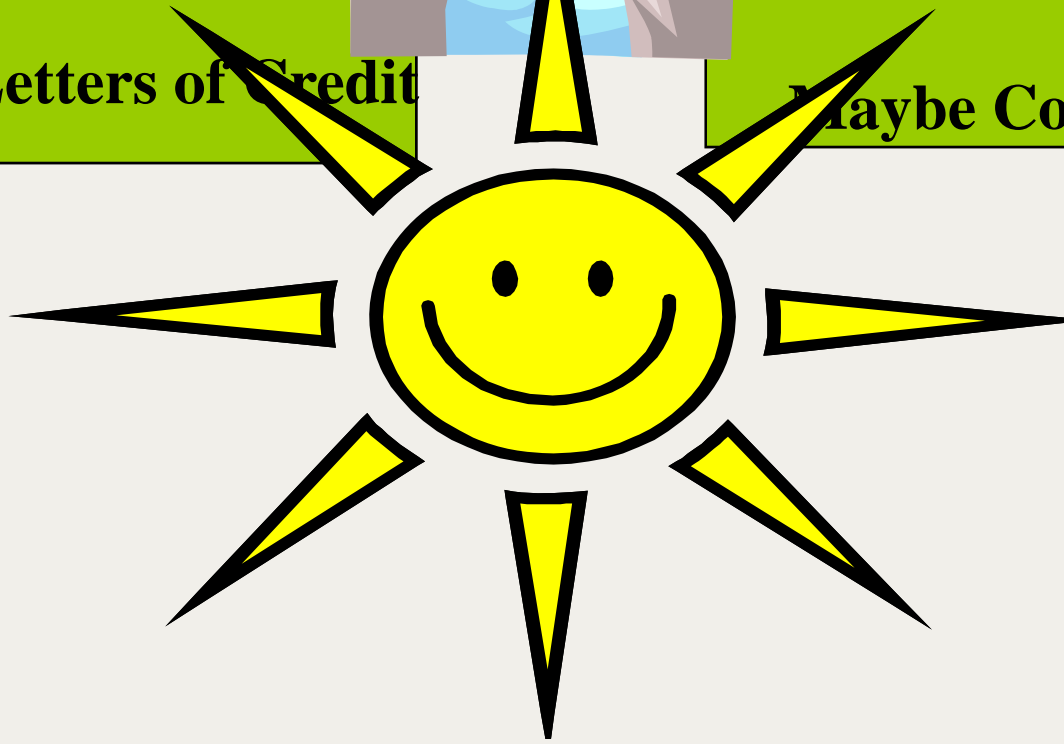
Cash In Advance

Maybe Letters of Credit

Buyers prefers:

Open Account

Maybe Collections



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# Why Credit Insured Open Account “CPO” may be best option

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- ❑ Foreign Buyer would like longer terms (competition is offering 180 days)
- ❑ Seller is interested in expanding into new markets and int'l sales are growing (how do you protect co. as you grow?)
- ❑ Market conditions change (ie: Venezuela) or order size is larger than normal
- ❑ Seller's credit policy changes to require insurance (New CEO/CFO or new owner)

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# How does it work?

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- ❑ Seller can “piggyback” on lender’s policy
- ❑ Seller can obtain its own policy and assign it to lender
- ❑ First step is to get buyer(s) approved for a credit line—usually only name, address and credit amount is needed
- ❑ If buyer can be approved—lender sets up credit facility in order to advance on A/R

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# Key Benefits of Foreign Receivable Financing with Credit Insurance

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## □ Seller

- Sells more
- Pays less fees
- Gets payment faster



## □ Buyer

- Buys more
- Pays less interest
- Gets goods faster

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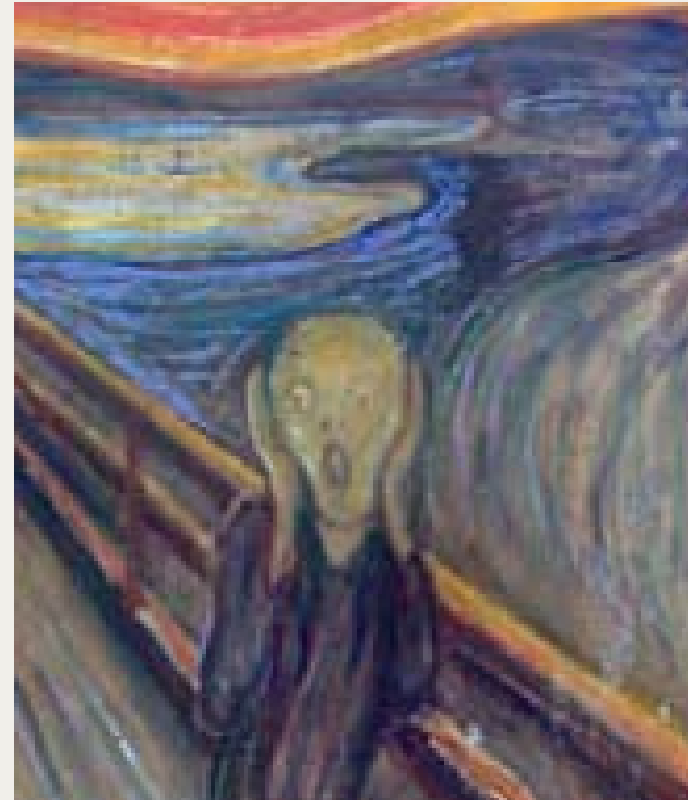
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# Challenge:

## Pre-shipment Financing

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- ❑ I finally got the big order from China
- ❑ The Chinese Buyer will give me an irrevocable letter of credit (LC)
- ❑ Now ***I need cash*** advances to get the order ready so I can draw on the LC
- ❑ I cannot find a bank to help me
- ❑ What can I do????



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# Obstacle Is Performance Risk (and Credit Risk if no LC)

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- ❑ LC is worthless if drawing conditions are not met
- ❑ A Bank will need strong assurances that Seller can perform under the LC
- ❑ Could some third party mitigate the performance risk?
- ❑ Yes, thru government agencies

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# Solution for Pre-shipment Financing

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Combined Use of Government Agency Programs (Exim/SBA) with Confirmed Purchase Order product (CPO) or other export credit insurance program

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# Government Agencies that assist exporters with export finance

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## □ Export-Import Bank

- Underlying shipments must have 51% U.S. content, no shipments to military buyers. Asset based financing line.

## □ Small Business Administration

- For financing requests less than \$1.5 mm and perfect for those companies where straight PO financing is necessary. No U.S. content restrictions and no military restrictions.
- Both loans must carry personal guarantees.

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# What Type of Financing Does Co. Need?

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- ❑ Financing of export Inventory and export Receivables (SBA/Exim)
- ❑ Advances for labor or overhead cost associated with the export(SBA/Exim)
- ❑ Medium term financing for repayment terms longer than 360 days (Exim)
- ❑ Financial assistance to participate in trade shows (SBA)
- ❑ Advances to cover cost of marketing material, including translation expenses (SBA)
- ❑ Short term purchase order financing (SBA)
- ❑ Project Finance (OPIC etc)

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# Getting Started with FAB as a Client

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- ❑ 3 years corporate tax returns and financial statements
- ❑ Most recent interim financials, current AR and AP
- ❑ Articles of Inc, Company registration information
- ❑ Foreign Buyer information, address, high credit amt
- ❑ FAB will require a UCC/subordination agreement
- ❑ Personal credit score on >20% ownership
- ❑ Copy of credit insurance policy-assignment

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# Trade Finance Department

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