

Finding Customers, Finding Cash

A Guide to Government Services for Canadian Exporters

Table of Contents

- 3 About the Guide**
- 4 Finding Customers and Markets Abroad**
 - 4 The Canadian Trade Commissioner Service
 - 5 Trade Shows
 - 5 Market and Country Research Databases
 - 6 Finding Customers in the United States
- 7 Financing Your Exports**
 - 7 Market Development Support
 - 8 Financing Your Contracts
 - 10 Financing Your Foreign Investments
 - 11 Foreign Buyer Financing
 - 11 Guarantees and Bonding
 - 12 Covering Your Risks

About the Guide

Exporters have to deal with difficult problems every day, but two of these challenges can be especially daunting for smaller companies. First, how do you find reliable customers in distant and often very unfamiliar markets? Second, how do you obtain the cash you need to enter a foreign market, to secure orders in it and to finance enough production to fill those orders?

These problems are as old as international trade itself — ancient clay tablets reveal that the businessmen of Babylon were worrying about them more than three thousand years ago. Fortunately, Canadian exporters of the early 21st century enjoy much better government support than the Babylonian traders did, and there are many federal and provincial programs that will help you find both customers and cash. This guide will introduce you to these programs and tell you how you can use them to your best advantage.

Finding Customers and Markets Abroad

Making the jump from entrepreneur to exporter can be an exhilarating experience. After all, what could be more exciting than the discovery of new and lucrative prospects in places such as India, China and Brazil? And if you have the right product or service, plus a solid commitment to becoming an exporter, you'll probably find that size is no barrier to success — many small and medium-sized Canadian companies join the global market every year and discover that they can prosper in it.

The key to export success, of course, is to find the most promising markets and the most enthusiastic customers. But this can require a substantial amount of research, analysis and networking, which can be a problem if you're a small business without a lot of resources to spare. Fortunately, there are several Canadian government services that can help you pin down the foreign customers you need, and this section of the guide will examine these services and what they offer you.

For general guidance on identifying export-related government services and programs (federal, provincial and territorial), you can contact a Canada Business Network Information Officer at 1-888-576-4444 or visit the Canada Business Network website at www.canadabusiness.ca.

The Canadian Trade Commissioner Service (TCS)

The Canadian Trade Commissioner Service is one of the most important sources of government assistance for Canadian exporters. For businesses that have researched and selected their target markets abroad and need on-the-ground help to start doing business outside Canada, the TCS offers several important services.

Preparing for international markets

Trade commissioners at TCS Regional Offices in Canada will help you work toward your entry into the international market by connecting you to the provincial and territorial trade promotion agencies that make up the Regional Trade Network. They can also refer you to trade commissioners who work in Canadian embassies and consulates in 150 cities around the world, and who are intimately familiar with local markets and business conditions.

Many companies find that regular contact with a trade commissioner in a nearby TCS Regional Office is an excellent way to get the most from the service. If you keep in touch, the trade commissioner can learn more about your business and what it can offer on the international market. This will help him or her connect you to foreign buyers and emerging opportunities overseas.

For a listing of the TCS Regional Offices in Canada, refer to www.infoexport.gc.ca/ie-en/InCanada.jsp; for offices abroad, go to www.infoexport.gc.ca/ie-en/EServices.jsp. The TCS home page is at www.infoexport.gc.ca.

Assessing your market potential

Trade commissioners can help you assess your company's potential for success in your chosen target market. They can tell you about local barriers to trade and the regulations and standards that may affect the ease with which you can enter that market. They're familiar with local business cultures and can tell you about new opportunities that may be on the horizon. They will be pleased to advise you on ways to improve your market strategy and can refer you to qualified local firms that can assist in your market research.

Finding qualified contacts

The TCS can help you find and connect to many different kinds of government, business and professional contacts. Among them are:

- potential buyers and partners;
- professionals in financial and legal institutions;
- technology sources;
- agents;
- manufacturers' representatives;
- foreign regulatory authorities; and
- foreign investment promotion agencies.

Resolving problems

While the TCS won't become involved in a company's business or legal disputes, it can provide advice on difficulties with:

- customs clearance and shipping;
- unfair business treatment;
- contract bidding;
- storage and warehousing;
- insurance coverage and claims; and
- overdue accounts receivable.

Virtual Trade Commissioner

The Virtual Trade Commissioner is your personal gateway to the Trade Commissioner Service. Once you register, you can log onto your account at any time to receive market- and sector-specific information, look at business leads and news, request services, obtain country information and more. There's no charge for any of these services. For more information and to register, visit www.infoexport.gc.ca/ie-en/login.jsp.

Trade Shows

Don't overlook the potential of international trade shows as matchmaking opportunities. By exhibiting at a carefully chosen show, you can introduce your company and its products or services to many potential buyers in just a few days.

EXPORTE*ExpressCredit*

Participating in an international trade show can be expensive, and this is where Export Development Canada's (EDC's) *EXPORTEExpressCredit* can help. The program offers unsecured loans of up to \$50,000 that you can use to participate in trade shows abroad, with flexible repayment terms of up to two years. No pledge of company or personal assets is required to qualify, and there are no penalties for early payback. For details, refer to www.edc.ca/english/financing_export_express_credit.htm.

Canada Pavilion

To help Canadian companies attend major international trade fairs, the federal government often sets up a multi-unit exhibit space called the Canada Pavilion. Associated events allow companies to meet new and existing clients and attend matchmaking events. For information about shows with Canada Pavilions, refer to the Trade Events section of the CanadExport website at www.canadexport.gc.ca, or contact the closest Regional Office of the TCS.

Market and Country Research Databases

In addition to the research resources already mentioned, here are some specialized tools that may help you find the customers you need.

Trade Data Online (TDO)

Trade Data Online, an online trade database maintained by Industry Canada, will help you determine how much export business your sector has carried on over various time periods. You can search either by product (HS codes) or by industry (NAICS codes). To use the database, go to www.ic.gc.ca/epic/site/tdo-dcd.nsf/en/Home.

International Market Research Reports

Industry Canada maintains an online database of international market research reports at www.strategis.gc.ca/epic/site/imr-ri2.nsf/en/gr-01000e.html. Most of these reports are from the U.S. Department of Commerce and can be very illuminating. The selection includes Country Background Notes, Country Commercial Guides, Industry Sector Analyses, International Market Insights and the CIA World Factbook.

Agriculture and Agri-Food Canada

For companies in the agri-food sector, a wealth of market studies and country reports is available through the Agri-Food Trade Service website of Agriculture and Agri-Food Canada; you'll find it at <http://ats-sea.agr.gc.ca>.

Export Development Canada

EDC maintains a country information database with a selection of reports on the world's major markets, as well as its semi-annual Global Export Forecast and weekly commentaries on international trade trends. You'll find it at www.edc.ca/search/CountryInformation.asp?slang=e.

Finding Customers in the United States

As Canada's biggest and most accessible trading partner, the U.S. is often the first choice for Canadian exporters seeking new customers. Two key government services for this market are:

ExportUSA

If you're considering the United States for your first export venture, or if you're already selling in the U.S. but are looking for new customers, you can find hands-on, practical training through ExportUSA, a program operated by Foreign Affairs and International Trade Canada and the Trade Commissioner Service. ExportUSA consists of three programs:

- ***New Exporters to Border States (NEBS) Program***
NEBS introduces the essentials of exporting, including practical export information and first-hand exposure to markets in the United States.
- ***Exporters to the United States (EXTUS) Program***
EXTUS serves Canadian companies already exporting to the U.S. By combining sessions with industry experts, entry to a major national/regional trade show, and a networking opportunity with distributors, representatives and buyers, EXTUS focuses on expanding the markets of successful exporters to other regions of the U.S.
- ***The Reverse NEBS Program***
For Canadian companies not yet exporting to the United States, the Reverse NEBS program provides seminars in Canada that cover the essentials of exporting.

Missions and seminars may vary by Canadian province or by region in the U.S., depending on the location, the industry sector and the interests of the participants. Each program may include the following:

- information on exporting and export services and programs;
- briefing on border procedures;
- presentations by U.S. manufacturers' representatives, sales agents, distributors or buyers;
- briefings by industry experts and an overview of regional U.S. markets; and
- distribution of an exporter's information guide.

The NEBS and EXTUS programs (only) may also include:

- travel to a Canadian consulate in the United States;
- a meeting with Canadian consulate trade officers, plus networking opportunities with potential agents and distributors; and
- visits to trade shows and/or meetings with local wholesalers and retailers.

To register or to ask about the details of the programs, contact the nearest Regional Office of the Trade Commissioner Service; these are listed at www.infoexport.gc.ca/regions/contact-en.html.

Sell2USGov

If you believe that the U.S. government would be a good customer for your product or service, be sure to check out the Sell2USGov website maintained by Foreign Affairs and International Trade Canada. It's at www.international.gc.ca/sell2usgov and provides essential information about identifying contract opportunities, the advantages of teaming and subcontracting, and many other issues.

Financing Your Exports

As any small or medium-sized company knows, it can be hard to finance an export project from company resources alone. Fortunately, there are government programs and services that can support you in all phases of exporting, from developing a new market to protecting yourself against payment risks.

Market Development Support

Opening up a foreign market usually requires a considerable financial investment for attending trade shows, engaging in overseas networking, conducting market research and developing local marketing strategies. You can often reduce these expenses if you tap into the support programs offered by the following institutions and organizations.

Atlantic Canada Opportunities Agency (ACOA)

Small and medium-sized companies in the Atlantic Region can approach the Atlantic Canada Opportunities Agency for project funding that will help them prepare for and enter international markets. ACOA's Business Development Program helps such businesses obtain capital in the form of interest-free, unsecured, repayable contributions. ACOA also works with numerous partners to help businesses access needed cash. Refer to www.acoa.ca/e/financial.

Business Development Bank of Canada (BDC)

The Business Development Bank of Canada provides numerous financing tools for exporters. These include assistance for international marketing activities, product adaptation for a foreign market, R&D for new equipment or technology, and the use of consulting services to help you prepare for international trade. Refer to www.bdc.ca/en/my_project/Projects/exporting.htm.

Export Development Canada (EDC)

If your company has annual sales of less than \$5 million and you need cash to help attend a trade show, promote your company in a new market or increase production capacity for an export order, you may be able to use the EXPORT*ExpressCredit* program from EDC. Operated jointly by EDC and Mercantile Finance Services Inc., EXPORT*ExpressCredit* provides unsecured loans of up to \$50,000 with flexible repayment terms of up to two years. No pledge of company or personal assets is required to qualify and there are no penalties for early payback. Refer to www.edc.ca/english/financing_export_express_credit.htm.

Canada Economic Development for Quebec Regions (CED)

Canada Economic Development for Quebec Regions offers repayable contributions of up to \$120,000 (or 50 per cent of total costs) for market research, product demonstration and other activities designed to improve a Quebec-based company's international competitiveness. Refer to www.dec-ced.gc.ca.

Canadian Agriculture and Food International Program (CAFI)

If your organization is an agricultural or food industry association (rather than a business entity), the Canadian Agriculture and Food International program can provide you with funding for business development activities abroad, such as attending trade shows and promotional events. This Agriculture and Agri-Food Canada program supports both long-term strategic ventures of three to five years, and shorter, one-time projects. To qualify for funding, your organization has to be a national entity and must be an industry association or alliance, or a technical and marketing support organization. If your application succeeds, CAFI will provide a grant matching your association's contribution. Refer to www.agr.gc.ca/int/cafi-picaa.

Growth Capital for Traditional Industries Program (GCTI)

The Growth Capital for Traditional Industries program, operated by Western Economic Diversification Canada, is designed for small and medium-sized British Columbia businesses that find it difficult to obtain financing from traditional lending institutions. The GCTI program provides loans for working capital, product development, market development and export expansion. Refer to www.wd.gc.ca/262_ENG_ASP.asp.

Master Pre-Shipment Financing Guarantee Program

Newfoundland and Labrador's Pre-Shipment Financing Program is a partnership between the provincial Business Investment Corporation and Export Development Canada. If you need working capital to secure an export contract, the program may provide up to \$250,000 in the form of an interest-bearing loan. Refer to www.intrd.gov.nl.ca/intrd/PreShipment.htm.

Ministère du Développement économique, de l'Innovation et de l'Exportation (MDEIE)

MDEIE provides assistance to Quebec firms pursuing export opportunities. It will contribute up to 40 per cent of the eligible costs of market development, such as assessing market penetration strategies, identifying market and credit risks, and creating export networks. Refer to www.mdeie.gouv.qc.ca.

Trade Assistance Program (TAP)

Manitoba's Trade Assistance Program offers financial assistance to smaller businesses so they can attend trade shows and design export-related promotional materials. The program will contribute up to \$2,000 to defray the cost of renting trade show space. You can also obtain a maximum of \$2,000 for the design of items such as brochures, packaging and labels. Refer to www.gov.mb.ca/trade/tap.

Trade Routes Contributions Program (TRCP)

The Trade Routes Contributions Program from Heritage Canada provides financial support for entrepreneurs in the arts and cultural sectors including crafts, design, film and video, new media, performing arts, publishing, sound recording, television and broadcasting, and visual arts. The program can defray the export-related costs of attending trade shows, engaging in networking activities abroad, researching foreign markets or developing marketing strategies. The funding is paid out as a grant. Refer to www.canadianheritage.gc.ca/routes/rctr_e.cfm.

Financing Your Contracts

Most international buyers don't pay in advance, so you'll usually have to manufacture the goods before you receive payment for them. Unless you can pay all your production expenses from company resources, this means you'll need to obtain working capital from somewhere else. You might also need to buy new equipment or upgrade your manufacturing facilities in order to fulfill the contract. In both cases, you'll need to arrange financing with a lender.

Most companies use banks for this purpose, and this usually presents few problems when the contract is for a sale in Canada. Export sales, however, are inherently more risky than domestic ones, and you could encounter difficulties with your lender when trying to finance a deal with a foreign buyer. These problems can often be minimized or eliminated, however, if you obtain help from the following government institutions.

Atlantic Canada Opportunities Agency (ACOA)

ACOA provides capital for various purposes in the form of interest-free, unsecured, repayable loans for small and medium-sized firms. Eligible projects include new establishments, expansions, modernizations, competitiveness improvements, marketing, training, business studies and capital investment. Depending on the project, ACOA may cover up to 75 per cent of the capital costs involved. Refer to www.acoa.ca/e/financial/business.shtml.

Business Development Bank of Canada (BDC)

To help Canadian companies undertake and complete export contracts, BDC can provide not only working-capital loans but also long-term financing for acquiring fixed assets such as equipment and property. Loans can be set up to offer flexible repayment schedules, additional financing on existing fixed assets, and a ratio of financing on fixed assets that will free up working capital. Refer to www.bdc.ca/en/my_project/Projects/financing.

Export Development Canada (EDC)

EDC offers the following financial instruments to help businesses fulfill international contracts.

- ***Export Guarantee Program***

By providing a guarantee to your bank, the Export Guarantee Program helps you access more working capital to take on an export contract or make a foreign investment. Specifically, it can be used for new loans to:

- finance inventory and work in progress related to a specific or multiple export contract;
- finance ongoing export-related work;
- finance the purchase of new equipment;
- provide term or working capital financing for a foreign affiliate or subsidiary;
- make business investments outside Canada;
- finance foreign-domiciled inventory (among other requirements, this type of inventory must consist of finished goods for which you have unencumbered title).

Refer to www.edc.ca/english/financing_pre-shipment.htm.

- ***EXPORTExpressCredit Program***

If your company has annual sales of less than \$5 million, you can use EDC's ExportExpressCredit program to cover the financing gap that exists until you're paid for a foreign order. Under the program, EDC will guarantee an unsecured loan of up to \$50,000 so you can buy equipment and/or materials to fulfill an export contract. Repayment terms can be up to two years. No pledge of company or personal assets is required to qualify and there are no penalties for early repayment. Refer to www.edc.ca/english/financing_export_express_credit.htm.

- ***Supplier Financing***

EDC offers a variety of supplier financing arrangements tailored to small and medium-sized export contracts. Under a note purchase arrangement, we can buy promissory notes issued to you by your foreign buyer for Canadian goods and services. This reduces your risk of non-payment and increases your access to cash. Typically, note purchase arrangements are suitable for contracts with simple repayment terms of up to two years. Refer to www.edc.ca/english/financing_supplier_financing.htm.

Investissement Québec

If your Quebec-based business needs working capital to increase production volume so you can accept new or larger orders, Investissement Québec can provide either a direct loan or a loan guarantee to your financial institution. The minimum loan amount is \$50,000 on a term of up to seven years. Loans granted directly by Investissement Québec may cover up to 75 per cent of total project costs, while loans provided by your financial institution under the guarantee may cover up to 100 per cent of these costs. Refer to www.investquebec.com/en/index.aspx?page=1616.

Nextrade Finance

Nextrade Finance is a division of Saskatchewan Trade and Export Partnership (STEP) and provides financing for the province's exporters. It is directed to small and medium-sized businesses undertaking export transactions of less than US\$150,000. The assistance offered by Nextrade is in two forms: contract financing to help a company fill an export order, and an accounts receivable program that allows a business to convert foreign receivables into cash. Refer to www.nextrade.ca.

Western Economic Diversification Canada (WD)

Western Economic Diversification Canada works with commercial financial institutions to provide venture capital through its Loan and Investment Program. There are 20 loan funds in the program, each targeting a specific industry sector. The funding is in the form of repayable contributions (loan-loss reserve funds) that are then made available as loans to small and medium-sized businesses. Refer to www.wd.gc.ca/259_ENG_ASP.asp.

Financing Your Foreign Investments

If you want to invest outside Canada — perhaps by acquiring a firm in your target market, by making a significant investment in such a firm, or by establishing a foreign subsidiary from the ground up — you may need substantial financing from external sources. This often entails working with more than one financial institution, including government entities such as EDC.

Capital financing, project financing and equity financing are among the major types of financing you may require. Your ability to obtain such financing will be determined by numerous factors, including the assets of your business as a whole, the financial health of the foreign firm and the revenues expected from it, or the expected performance of your newly created subsidiary. The following major Canadian government institutions support the financing of foreign investments.

Capital Financing

- ***EDC Canadian Direct Investment Abroad (CDIA) Program***

Through its Canadian Direct Investment Abroad program, EDC offers financing to Canadian firms seeking to expand their overseas operations. Any Canadian company with operations in Canada, or any Canadian company with a head office in Canada, may obtain financing as long as it takes an active part in directing and/or managing the affiliate or subsidiary, and has a minimum 10 per cent ownership in the affiliate or subsidiary. The investment must also be a direct investment and not a portfolio investment. Financial terms vary according to factors that include the market, the size and nature of the investment, and the industry sector. Refer to www.edc.ca/english/need_to_international_sales.htm.

- ***NORTHSTAR Capital Financing***

NORTHSTAR's chief function is to support Canadian goods and services exports. However, it occasionally provides financing for international investments by small and medium-sized companies, primarily in emerging markets. The financing is intended to help the company establish a branch or plant abroad, or to help the company move operations to such a branch or plant. NORTHSTAR will finance such undertakings up to a value of \$10 million.

Project Financing

- ***EDC Project Financing***

Project financing often involves capital-intensive political, technical, environmental and economic risks. For such undertakings, EDC has extensive international financing contacts and can assist in mobilizing capital as dictated by the needs of the project. As a partner in international financing syndicates, EDC has traditionally taken on such roles as advisor, arranger and underwriter, as well as specific roles related to the project's technical, environmental or documentation needs. EDC also provides financing for smaller scale projects, acquisitions and asset financings. EDC's focus is typically on energy, telecom, infrastructure, mining, metals and resources. Refer to www.edc.ca/english/financing_project_finance.htm.

Equity Financing

- ***EDC Equity Investments***

EDC Equity Investments allow you to leverage EDC's access to a unique combination of financial tools, expertise and international networks, and to acquire the private equity and venture capital you need to expand your export business. To qualify, you need to meet certain information requirements and investment criteria. For example, EDC requires:

- a business plan or information memorandum;
- a copy of the proposed investment terms and conditions (if available);
- identification of other key parties, including other potential equity investors, strategic alliances, debt providers, and project sponsors (if applicable);
- copies of relevant commercial documentation.

Refer to www.edc.ca/english/financing_equity_investments.htm.

Foreign Buyer Financing

There are two main types of foreign buyer financing. In the first, you may need to help a prospective customer arrange financing for a single, specific transaction. In this case, your buyer is provided with credit to support the transaction, and the funds are paid directly to you (not the buyer) for the goods or services.

The second kind of buyer financing covers multiple sales, for which your foreign customer can be offered a line of credit. The chief benefit of this service for both you and your customer is that all financing terms can be prearranged, so that financing is quickly accessible when needed. Both EDC and NORTHSTAR Trade Finance provide foreign buyer financing.

Export Development Canada

EDC has developed a number of innovative ways to support foreign buyers of Canadian goods and/or services through loans, guarantees and lines of credit.

- EDC loans offer flexible financing options for foreign buyers of Canadian goods and/or services. Refer to www.edc.ca/english/financing_foreign_loans.htm.
- EDC guarantees can be provided, on a risk-sharing basis when another financial institution is prepared to participate in the financing of an export sale. Refer to www.edc.ca/english/financing_foreign_guarantees.htm.
- EDC lines of credit can be established for foreign companies intending to buy repeatedly from Canadian companies. EDC has also established lines of credit with various foreign financial institutions worldwide that can on-lend money to buyers of Canadian goods and/or services. These lines of credit are particularly suitable for smaller transactions. Refer to www.edc.ca/english/financing_foreign_lines_of_credit.htm.

NORTHSTAR Trade Finance

NORTHSTAR provides buyer financing for the purchase of Canadian capital goods. Medium-term buyer credit financing is available in Canadian dollars, U.S. dollars and Euros, in amounts that range from US\$100,000 to US\$5 million. NORTHSTAR can also finance larger transactions (up to US\$10 million) on a case-by-case basis. Refer to www.northstar.ca.

Guarantees and Bonding

Foreign buyers often require some kind of contract performance security to ensure that you'll fulfill your end of the bargain. These securities are usually referred to as bonds or guarantees and include letters of credit, letters of guarantee and contract surety bonds. Most companies obtain them from banks or financial institutions.

Such securities are intended to guarantee to your customer that your company will abide by the terms of the contract. Before issuing a bond or guarantee, your bank will require you to provide security by freezing cash in your account. This protects the bank if your company fails to perform and causes the customer to "call the bond" — that is, if the customer demands that the value of the bond be paid out because you didn't meet the terms of the contract.

The two major Canadian government bonding and guarantee institutions are EDC and the Canadian Commercial Corporation.

Export Development Canada

EDC offers the following instruments to help you with bonding and guarantees:

- **Performance Security Guarantees**
These cover 100 per cent of losses incurred by your bank when a foreign customer calls a bonding instrument, such as an irrevocable letter of credit or a letter of guarantee.
- **Surety Bond (re)Insurance**
This gives surety companies a reinsurance capacity of 100 per cent, enabling them to provide your company with the bonding support you need to conduct business overseas.
- **Financial Security Guarantee**
A Financial Security Guarantee replaces the collateral that you must usually provide to secure operating lines of credit with foreign banks or letters of guarantee for suppliers. It provides a 100 per cent, irrevocable and unconditional guarantee to your bank and is equivalent to the amount of the letter of guarantee for a period of one year.

If you arrange one of these bonding or guarantee instruments, make sure your contract clearly stipulates your performance obligations, as well as the conditions under which your customer can make a valid call for non-performance and thus have the value of the bond paid out. Refer to www.edc.ca/bonding.

Canadian Commercial Corporation (CCC)

The Canadian Commercial Corporation can guarantee to a foreign government buyer that a contract will be performed according to its terms and conditions. The CCC can also establish a contract between itself and a foreign government buyer, then subcontract to a Canadian firm. If you're trying to secure a contract with a government procurement agency abroad, these guarantees may help you close the deal by providing an added level of security for your buyer.

Covering Your Risks

Doing business abroad is inherently more risky than operating in Canada. EDC provides several financial instruments that will minimize your exposure to the perils of international trade.

Accounts Receivable Insurance (ARI)

EDC's ARI offers coverage of up to 90 per cent of losses resulting from a variety of causes, including the failure of a buyer to pay for goods delivered and accepted, the bankruptcy or insolvency of the foreign buyer, and the buyer's refusal to accept the goods on delivery. This insurance can also protect you against various political risks, including foreign exchange restrictions, war or revolution in the buyer's country, and the cancellation of import/export permits by the buyer's government.

ARI can also help you free your working capital, since commercial banks will lend ARI-protected borrowers up to 90 per cent of the value of the insured receivables, as opposed to a typical limit of 75 per cent against uninsured receivables. This lets you offer more attractive payment terms to buyers, since it removes part of the risk of offering longer payment periods. EDC provides ARI that is specific to a market, client or transaction, which means you don't need to insure an unnecessarily large percentage of your receivables.

In addition, using ARI often makes it easier for exporters to obtain financing, which enhances their competitiveness and may help close a deal. Refer to www.edc.ca/english/insurance_accounts_receivable.htm.

Single Buyer Insurance (SBI)

On contracts worth up to US\$250,000, you can use EDC's Single Buyer Insurance to cover an unlimited number of sales to the same customer for six months. The policy insures up to 90 per cent of your losses against non-payment after your customer has accepted the goods. Refer to www.edc.ca/english/insurance_single_buyer.htm.

Performance Security Insurance (PSI)

EDC's Performance Security Insurance covers the working capital of your company against 95 per cent of losses due a wrongful call of a bonding instrument. If you use PSI in combination with EDC's Performance Security Guarantee (see the "Guarantees and Bonding" section above) you'll gain almost complete protection for all your bonding risks. Refer to www.edc.ca/english/insurance_performance_security.htm.

EXPORTCheck

EXPORTCheck reports allow you to review the credit profile of more than 20 million U.S. and 80 million international customers before you close your deal. Two types of reports are available at www.edc.ca/exportcheck:

- The EDC Opinion Report provides key credit and financial information, as well as an opinion provided by our automated credit model as to whether the company is insurable.
- The D&B Business Information Report provides detailed corporate information including company history, legal issues and credit and financial information.

EXPORTProtect

EXPORTProtect is an online insurance service for single export transactions (excluding services) that will cover up to 90 per cent of your losses if your customer doesn't pay after accepting the goods. Coverage is for 90 days on shipments of up to US\$250,000. Refer to www.edc.ca/english/10451.htm.

Contract Frustration Insurance (CFI)

EDC's Contract Frustration Insurance will cover up to 90 per cent of your losses in relation to a specific export contract for services, capital goods or projects. Refer to www.edc.ca/cfi.

Political Risk Insurance (PRI)

Political Risk Insurance insures against non-payment due to actions by the buyer's host government, or to specific risks including war, government expropriation, cancellation of a licence, or revocation of an import or export permit. A central bank's decision to impose restrictions on the conversion or transfer of currency may also be covered by PRI.

EDC's PRI will cover up to 90 per cent of your losses of overseas assets due to such events. It thus protects your company from the financial consequences of political upheaval, which means you're more likely to obtain financing for your exports to developing markets. EDC's PRI can be tailored to almost any investment or transaction, with premium rates that vary according to country, industry and contract. Refer to www.edc.ca/english/insurance_political_risk.htm.

Foreign Exchange Facility Guarantees

Many international transactions specify an extended time between the signing of a contract and the delivery of the goods or services. This exposes you to foreign exchange risks before you receive full payment for your contract.

Companies often try to protect themselves from this risk by going to their banks and buying a foreign exchange contract to lock in an exchange rate. To do this, however, a bank may demand collateral of up to 15 per cent of the contract value.

On foreign exchange contracts of up to three years, EDC's Foreign Exchange Facility Guarantees (FXGs) can help you meet these collateral requirements by providing your bank with a guarantee that will replace your collateral requirements. The bank can then forego freezing your company's cash or operating line, which will free your working capital for other purposes. Refer to www.edc.ca/english/bonding_foreign_exchange.htm.

This guide is a compilation of publicly available information. It is not intended to provide specific advice and should not be relied on as such. This Guide is intended as an overview only. No action or decision should be taken without detailed independent research and professional advice concerning the specific subject matter of such action or decision. While EDC has made reasonable commercial efforts to ensure that the information contained in this guide was accurate as of July 2008, EDC does not represent or warrant the accurateness, timeliness or completeness of the information contained in the guide. This guide or any part of it may become obsolete at any time. It is the user's responsibility to verify any information contained in this guide before relying on such information. EDC is not liable in any manner whatsoever for any loss or damage caused by or resulting from any inaccuracies, errors or omissions in the information contained in this guide. This guide does not intend to and does not constitute legal or tax advice. For legal or tax advice, please consult a qualified professional.