

# SHARING TRADE SECRETS

## Public/Private-Sector Alliance Brings New Export Financing Tool to SMEs

*In many instances, the difference between a sale and a no sale hinges on the exporter's ability to offer a foreign buyer favourable, fixed rate financing over up to four years.*

Small and medium-size Canadian enterprises were quick to pick up our article in the *CanadExport* issue of October 17 about the new financing mechanism offered by Northstar. Northstar phone lines have been flooded ever since; and for good reason... Northstar is providing a financing mechanism that would fill a gap in the financial market by supporting exports with a value between \$100,000 and \$3,000,000 — with payment terms up to four years.

The architect behind this ingenious new financing tool is a former trade commissioner, Scott Shepherd. He had an idea, a vision of what could be done to fulfil financing needs of SMEs. Canadian SMEs were producing quality products for overseas markets. However, they did not have easy access to traditional lenders who needed a minimum of \$3 million in transactions to make their involvement worthwhile.

To assist Canadian SMEs — all of

whom are guaranteed access to this mechanism — Northstar is offering them fixed rate medium-term financing to credit worthy foreign buyers from OECD and other countries of eligible Canadian goods and services. The inspiration for this idea and the astute strategy to bring it to fruition can be traced to Shepherd's varied experiences, from chief financial officer for the Nexus Group, to financing officer for the Export Development Corporation, to Assistant Trade Commissioner in the Philippines.

### Northstar Financing Criteria

To qualify for Northstar financing, companies must meet the following criteria:

- the exporter must be domiciled in Canada.
- the exports must be from Canada with at least 50 per cent Canadian content.
- the buyer must be within a country that is a member of the Organization for Economic Cooperation and Development (OECD) or that is approved by EDC and Northstar.

Making an application is simple. After phoning Northstar's Richmond, B.C. office, exporters receive a short questionnaire about their product, the buyer and the market. When Northstar gets the completed form and performs a satisfactory credit analysis of the buyer, it will, assuming the applicant meets all criteria, issue a letter of offer. After the goods or services are delivered, the exporter gets paid and Northstar assumes the overseas buyers's risk.

For further information, contact Northstar Trade Finance by phone at (604) 664-5828 or by fax at (604) 664-5838.

After having convinced B.C. Trade Development Corp., the Ontario government and the Bank of Montreal to each invest \$100,000 in the new venture Northstar received a \$150,000 interest free loan through the Western Economic Diversification Fund. The loans that Northstar will extend to SMEs will come from a \$30-million special line of credit from the Bank of Montreal. The loans will be insured by the Export Development Corporation.

"When you have an idea for something that has never been done before, it's difficult to get your point across," said Shepherd. It took a year to put the deal together, but Shepherd's company is now

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