

BANK PARTICIPATION CASE STUDY: \$1,000,000 ACCOUNTS RECEIVABLE AND INVENTORY LINE OF CREDIT TO AN INDUSTRIAL TOOLING AND SUPPLY DISTRIBUTOR



\$1,000,000

*Accounts Receivable and
Inventory Line of Credit*

Industrial Tooling and
Supply Distributor

BUSINESS SUMMARY:

The Company was founded in 1983 and is headquartered in East Central, AL. They are an industrial distributor specializing in cutting tools, abrasives, hand tools, power tools, as well as other general line industrial supplies. The company is known for their technical capabilities and supporting their customer base with value added programs that include; vendor managed inventory, documented cost savings, vending machines, fluid management and consigned inventory on commodity contracts.

SITUATION:

The Community Bank which had approached Southeastern about this existing Bank customer experienced a financially disappointing year in 2009 but was experiencing a turnaround so far in 2010. The customer needed an increase in their current line of credit in order to support the turnaround and projected 2010 sales growth. The company has been a long-time customer to the Bank and the loan officer wanted to support their customer's turnaround. However, due to the company's loss in 2009, the company was a rated credit which hindered the Bank's ability to increase their line.

PROCESS:

After the Bank and Southeastern accessed the situation, it was determined that there was sufficient collateral (A/R and Inventory) available to support an increase in the current line of credit. A solution was formulated in which the Bank could keep their current exposure of \$600,000 or 60% of the line and Southeastern would provide an additional \$400,000 or 40% of the line. In addition to providing the additional funding, Southeastern also provides collateral monitoring services for the Bank, which includes weekly monitoring plus periodic on-site field exams.

RESULT:

- This turned out to be a win-win for both the Bank and the customer. The Bank was able to provide the additional working capital the company required and therefore accommodate the customer; at the same time improving the regulatory rating of the credit.
- The company was able to get the additional working capital needed to handle positive growth in 2010 and to pursue additional business

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