

OVERVIEW:

Rhode Island Asset Based Lending makes loans to small businesses in the form of revolving lines of credit secured by Accounts Receivable and Inventory. Line commitments range in size from \$500,000 to \$5,000,000 and above. Borrowers report collateral daily or weekly and are able to request advances when needed, keeping borrowing costs down. Interest rates are competitive and generally lower than a factor or traditional commercial finance lender. Viable ABL candidates may exhibit high leverage, marginal earnings or may have experienced losses and in the midst of implementing a turnaround plan.

**BORROWER
CRITERIA:**

Rhode Island Capital seeks prospects meeting the following criteria:

- ◆ Businesses located in Rhode Island
- ◆ Engaged in manufacturing, distribution, wholesale or select service industries
- ◆ Some healthcare businesses may qualify
- ◆ Must have a solid, experienced management team including a CFO or controller who is able to report collateral as required
- ◆ Start-up businesses, construction companies, companies with progress billings, and companies whose inventory financing needs are greater than the receivable financing needs are unlikely candidates

**LOAN
STRUCTURE:**

Either acting unilaterally or in participation with another financial institution, Rhode Island ABL lines are structured as fully-followed revolving lines of credit. Borrowers report sales, cash receipts, and credit memos daily and inventory weekly. All cash is remitted through a lockbox at a local banking institution, with cash receipts paying down the loan on a daily basis. Borrowers are able to advance on the line of credit when needed, keeping borrowing costs down.

Generally speaking, Rhode Island Capital requires annual audited financial statements prepared by an independent accounting firm. Borrowers with little to no inventory exposure may obtain reviewed statements.

Minimal financial covenants. Ongoing loan monitoring tied to level of excess borrowing availability.

Rhode Island Capital ABL may structure financing packages with other product lines, offering the borrower a customized credit facility to meet the needs of the company.

**UNDERWRITING
PROCESS:**

The underwriting process formally begins with the submission of a business plan which includes:

- ◆ A brief overview of the company
- ◆ Three years of financial statements, including a balance sheet, P&L and statement of cash flows prepared by an independent accountant
- ◆ Most recent internally prepared financial statements, including a balance sheet and P&L
- ◆ A budget for the next fiscal year, by month, including a balance sheet and P&L
- ◆ Most recent accounts receivable aging
- ◆ Most recent accounts payable aging
- ◆ Most recent inventory report

Due diligence includes a field exam by Rhode Island Capital staff completed prior to funding.

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