

## Top of the Line' Service for "Growing" Logistics Co.



In late 2007 the directors of "Top" Logistics Co. were pleased with how their business was growing. Founded in 2003 and run by two brothers, they initially availed themselves of a factoring facility in order to fund the day-to-day operation of the business (e.g. fuel and truck leases need to be paid long before they can collect the invoice). Following a meeting with their bank to discuss some equipment financing they saw a way of getting out of their current factoring facility with ITC and 'graduating' to a banking facility, which not only promised to be a 'one stop shop' for both the equipment financing and a line of credit, but was going to cost far less. As such, "Top" Logistics Co ended their factoring relationship to move to the bank in August 2007.

In spite of somewhat turbulent times in the transportation industry the last few years, thanks in part to the high price of fuel and increasing costs, "Top" Logistics Co continued to grow based on their reputation for good customer service and on time delivery. However, they soon discovered the limitations of a bank line of credit, vs. a factoring facility. The brothers visited their bank to explain the situation and were told that due to their key ratios not being what the bank would have liked them to be, they could not increase their facility. This left "Top" Logistics Co with a decision to make; either to start turning away business, or seek alternative financing. Realizing the negative impact turning away business could have on their business, they decided to revisit factoring, the kind of "sales linked" financing that would allow them to continue to grow their business.

Once the deal hit the underwriting stage, some creative thinking was required as to how Neebo Capital could take over the account and pay out not only the line of credit, but also the equipment loans as the bank was not willing to leave these in place. Our potential funding shortfall was further amplified by the client's previous factoring experience being quite negative. Due to their past experiences, they wanted to exclude a number of accounts until they were comfortable the process would work for them. While the salesperson did an excellent job selling the differences and what we can do, the client felt selective factoring was a deal breaker. Had we not been willing to exclude debtors, they would have gone to a competitor.

In order to pay out the bank in full to obtain their full discharge, we needed to provide a \$50,000 over advance at first funding. We agreed to repay the advance from future schedules, at a pace of \$8,000 per month. In these uncertain economic time, we really weren't looking forward to an over advance at the time of first funding. As such, we sought out a partner to provide a sub-debt loan to the company to take out our over advance position. Having numerous contacts, the astute sales person put the client in contact with the Business Development Bank of Canada (BDC). The BDC is a Crown Corporation (Canadian Government) that helps SMEs with flexible financing solutions. They typically provide sub-debt financing, and willingly subordinate to cash flow / working capital lenders. It was soon established that "Top" Logistics Co and BDC were a great fit for one another. As it took some time for the paperwork to be finalized, we still had to provide the over advance to get them out of the bank, however, this was ultimately paid out from the BDC loan.

To address their initial service concerns, we agreed they would be allowed to exclude debtors, but would revisit this within the first 3 months to determine whether or not they felt comfortable assigning their remaining invoices to us. By the end of the first month, the client contacted us to let us know they appreciated all we had done to help the family business and due to not only receiving positive feedback from his customers, but also from the BDC, they no longer had any concerns about assigning the once excluded accounts to us.

Since their initial funding a little over three years ago, the client has continued to grow. They have undergone two facility limit increases, moving from their initial limit of \$250K to \$750K. They are now one of our largest transportation clients.