

# CASE STUDY: \$1,500,000 ACCOUNTS RECEIVABLE LINE OF CREDIT TO A DISTRIBUTOR AND MARKETER OF PROCESSED POULTRY PRODUCTS

## BUSINESS SUMMARY:

This Company was founded in 2005 and headquartered in Northeast Alabama. They are a distributor and marketer of processed poultry products namely chicken tenders that are typically marinated, breaded, and frozen for delivery to restaurants throughout the United States.



Southeastern  
Commercial  
Finance, LLC

**\$1,500,000**

*Accounts Receivable Line of Credit*

Processed Poultry Products  
Distributor and Manufacturer

## SITUATION:

A Community Bank approached Southeastern about a current Bank customer that was experiencing rapid growth. Due to the Company's rapid growth, limited history, and current banking environment, the Bank was not in a position to increase the customer's current line. To fund the Company's growth over the past couple of years, it had relied upon a credit line provided by a strategic partner. The relationship with this strategic partner resulted in this partner providing credit, funding inventory and processing, and carrying the receivables in exchange for a percentage of the Net Profit. The Company was seeking a line that would allow it to acquire and own its own inventory, work its own sales avenues, and collect 100% of the receivable and profit. Also, the Company had previously been introduced to a true "Factor" which proposed a facility with an annual rate of 25%. Realizing the proposed rate by the "Factor" seemed extremely high, the loan officer recommended the Company talk with Southeastern Commercial.

## PROCESS:

After review of the financial package and discussions with both the company and Bank, Southeastern was able to approve a facility based on the following: 1) The Company was profitable in 2009 and remained profitable through the 1st quarter of 2010, 2) The pre-funding audit revealed the Company maintained good books and records, and 3) The quality of the receivables were good in that the customer base was strong, the historical A/R turn was reported in the range of 12-20 days, and Dilution was minimal.

## RESULT:

- The company was able to pay off the Bank and get the additional working capital needed to handle their rapid growth and to pursue additional business. However, the bank maintains the depository relationship.
- The Company was able to move away from their strategic partner and become more involved directly with their customer base. Additionally, the company was able to regain almost half of their Net Profit.
- Southeastern was able to propose a significantly less annualized cost than that proposed by the "Factor." In addition to the cheaper cost, the Company was able to continue collecting their own cash without any type of notification that a third party finance company was involved.

**Southeastern Commercial Finance, LLC**

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