



CATALYZING GROWTH FOR SMALL MANUFACTURERS

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Rhode Island
Economic Development Corporation

Building the 21st Century Innovation Economy



RIEDC

Our mission is to create jobs, help companies expand and develop their workforce, and identify opportunities to bring new companies into our state.

TOOLS:

- \$14 million Small Business Loan Fund
 - EDA RLF
 - Treasury State Small Business Credit Initiative
- Issuer of Industrial Revenue Bonds through RIIFC
- \$60 million in Bond & Mortgage Insurance authority through RI-IRBA
- \$125 million in Loan Guarantee Authority through JCGP

What we see

- Manufacturing represents 35%+ of loans
- Many manufacturers seeing opportunity for growth
- Difficulty realizing opportunities for growth due to lack of capital
- Existing lender not meeting their needs or pushing them out entirely
- Most Manufacturers victims of “Financial Foreplay”

“Stimulation of a client/borrower, leading them to the false hope of being financed, followed by the feeling of rejection and abandonment.”



RIEDC Approach

- Keep Looking Forward
 - Traditional lenders look backwards, we look at the opportunity
- Understand the opportunity and needs
- Bring together partners to best meet the needs
- Consultative Approach
 - Find best solution for company

Understand the Issues

- Learn the business and the situation
 - Contenders vs. Pretenders
 - Growth opportunity?
 - Turnaround opportunity?
 - What are the business needs?
 - Short Term vs. Long Term?
 - Does the current lender meet the needs?
 - Technical needs vs. financial needs?
 - Who are their customers?
 - Is there stability in the industry?
 - What is the company's competitive advantage?



Team Approach

- Bring together resources
- When necessary, finance resources
 - Low dollar short term loans to pay consulting fees, taken out by larger financing later
- Educate – Give Options
- Be Bold – Act as a Catalyst
- Don't limit self to own programs – most of our clients end up financed through other lenders

Partners

Lenders

Accountants

OSBDA

Business Consultants

Other Companies

The logo for RIMES features the word "RIMES" in a bold, sans-serif font. The "R" is blue, and the "IMES" is green. Below the text is the tagline "Increasing profitability and competitiveness." in a smaller, black font.

RIMES

Increasing profitability and competitiveness.

The logo for SCORE consists of the word "SCORE" in a bold, blue, sans-serif font. To the right of the text is a stylized blue graphic of three upward-pointing lines, resembling a hand or a set of stairs.

SCORE

FOR THE LIFE OF YOUR BUSINESS

RI

The logo for the Rhode Island Procurement Technical Assistance Center (PTAC) features the text "Rhode Island" in a small font above "PTAC" in a large, bold, blue font. To the right of "PTAC" is a stylized graphic of a star and waves in red, white, and blue. Below the main text is the full name "Procurement Technical Assistance Center" in a smaller font.

Rhode Island
PTAC
Procurement Technical Assistance Center

The logo for ECC (Every Company Counts) features the letters "ECC" in a large, bold, sans-serif font. The "E" and "C" are green, and the "C" is blue. To the right of the letters is the text "Every Company Counts" in a smaller, blue font.

ECC Every
Company
Counts

Rhode Island's Small Business Connection



How Does It Work?

Case Studies

Fastener Manufacturing Company

- 60+ year old family-owned company
- Continually reinvented itself to new markets
- Well managed, efficient company employing lean management concepts
- Highly dependent upon specialty industries
- Recession had large impact on market for end use products, reducing revenues dramatically
- Major Bank lender shut down line due to declines in revenues/profitability
- Company experiencing “financial foreplay” from other banks – keep waiting for another quarter’s results

Solution



- Educate Borrower
 - Took time to educate borrower as to why banks were not right fit at this time
- Approve for \$250k working capital loan
 - Shows commitment of RIEDC and gives comfort to borrower
- Introduce to Asset Based Lenders
 - Secured line of credit for working capital needs
- Coordinated refinance of equipment and real estate loans to improve cash flow

Results

- Company strong and prospering, new direct supply contracts
- Increased military orders due to partnership with RI-PTAC
- New relationships leading to expansion into specialty fasteners for military uses
- New technological advances used in fasteners for composite construction
- Recently renewed line of credit with Asset Based Lender – very happy with relationship



Lighting Manufacturer



- 20 year old family-owned company
- Well known in marketplace – popular with interior designers
- Involved in many high profile projects across country & internationally
- Strong growth despite economy
- Existing 37k sf facility proving too small
- Looking to locate new facility and investigate financing options

Solution

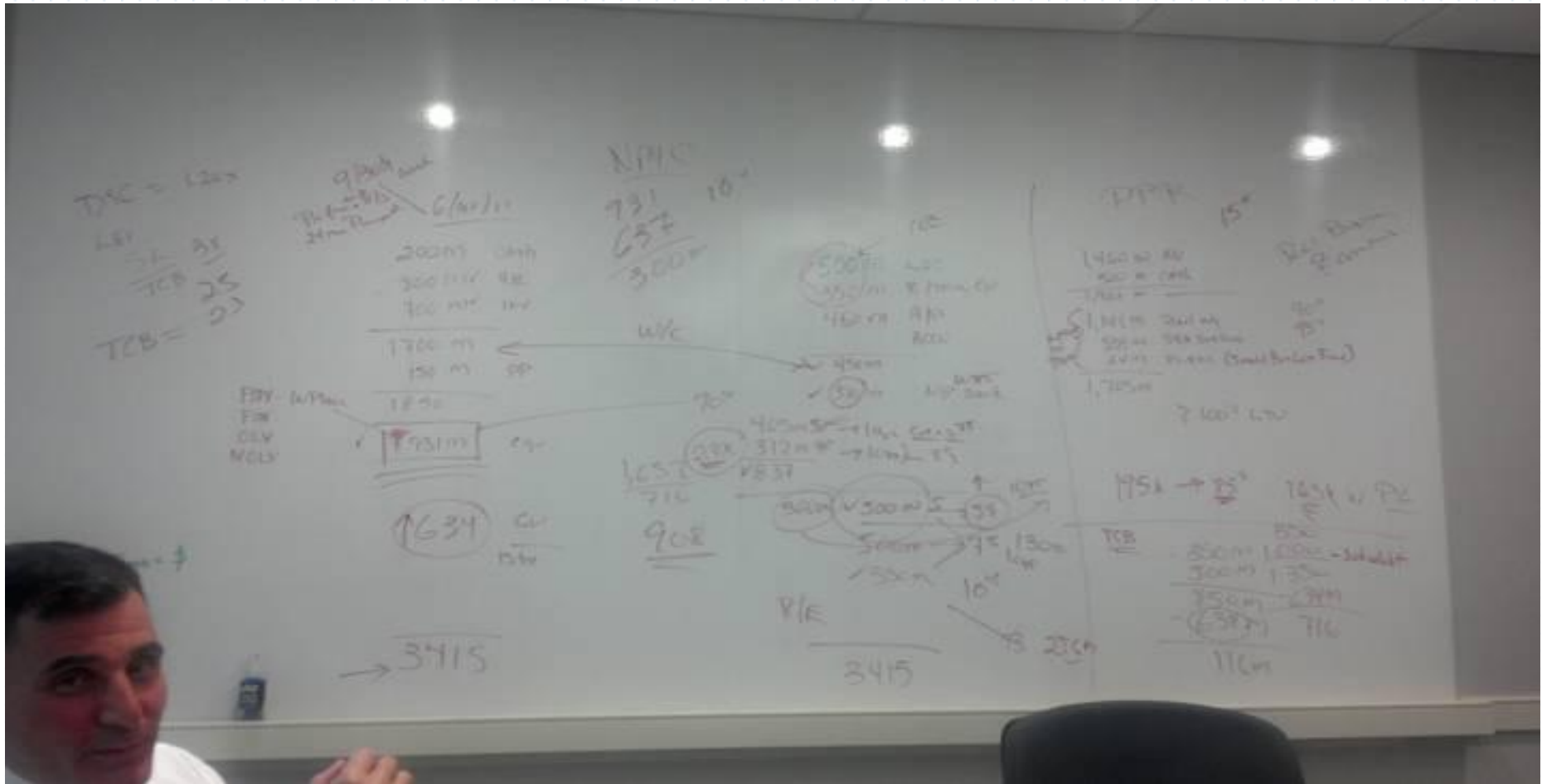
- Learn Needs
 - Engage RIMES
 - Assess current operations/facility
 - Forecast needs for new facility
 - Assist in property evaluations
 - Facility Layout / Move Planning & Assistance
- Educate on Financing Options
 - SBA 504
 - RIIFC Tax-exempt Bond
 - Traditional Loan
- Introduce to Lenders
- Work with RIEDC Site Locator service



Specialty Manufacturer

- 60+ year old company manufacturing safety signs and labels
- Increased revenues 20% from 2009-2011
- Strong profits
- Excellent management team
- RIEDC participated in financing of new facility for company expansion in 2006
- Absentee ownership looking to cash out
 - Purchase agreement signed with strategic buyer who only wanted book of business and would shut down RI operations
 - Management committed to RI employees, refused to go along with sale due to concern over employees – made counteroffer.
 - Strategic buyer backed out as value not there without management cooperation
 - Management now needed to finance purchase, however company lacked assets to support price.

Solution



- RIEDC brought together existing lender, SBA 504 lender and mezzanine finance company to structure a leveraged buyout
- RIEDC was Catalyst – only funded \$250k of \$4.5 million transaction
- Financing preserving 60+ manufacturing jobs



QUESTIONS?