FROM FINANCIAL DISTRESS TO SUCCESS

How eCapital helped The DPI Group **overcome challenges through innovative financing.**

Headquartered in Portland, Oregan, The DPI Group is a non-profit organization dedicated in identifying and creating job opportunities for individuals with disabilities and other employment barriers. Originally formed in 1971 as DePaul Industries, the company has evolved from a local nonprofit to a diversified social enterprise with eight locations in six states across the United States.

Throughout their journey, the company navigated financial challenges, embraced diversity, and maintained a commitment to creating employment opportunities for those encountering barriers to work.

Interview with **Tom Horey**, CFO of THE DPI GROUP
BUSINESS RESULTS WITH SOCIAL IMPACT

We had the pleasure of speaking with Tom Horey, the CFO of The DPI Group, to learn about the company's transformative journey and how they overcame their financial challenges with an alternative lending solution.

Thank you, Tom, for joining us today. Can you provide an overview of The DPI Group, and the company's journey, especially its transition from local to national scope?

"Certainly. The DPI Group is a for-profit holding company within the nonprofit sector, operating as a supporting organization since 2018. It originated in 1971 as DePaul Industries and has grown into a diversified social enterprise comprised of eight nonprofit companies with a national reach.

Our mission is to create job opportunities for individuals facing employment barriers. Our unique approach in this sector is that we operate as a self-sustaining non-profit, running revenue-generating businesses to cover costs of our operations rather than relying on contributions.

By applying these business principles to our working model, we've successfully expanded our services overtime to include staffing, security, packaging, janitorial and HR consulting, all focused towards employing people with disabilities and other barriers to employment."

You've expanded your scope to a national level. How did this expansion come about, and what factors influence your decisions to enter new markets?

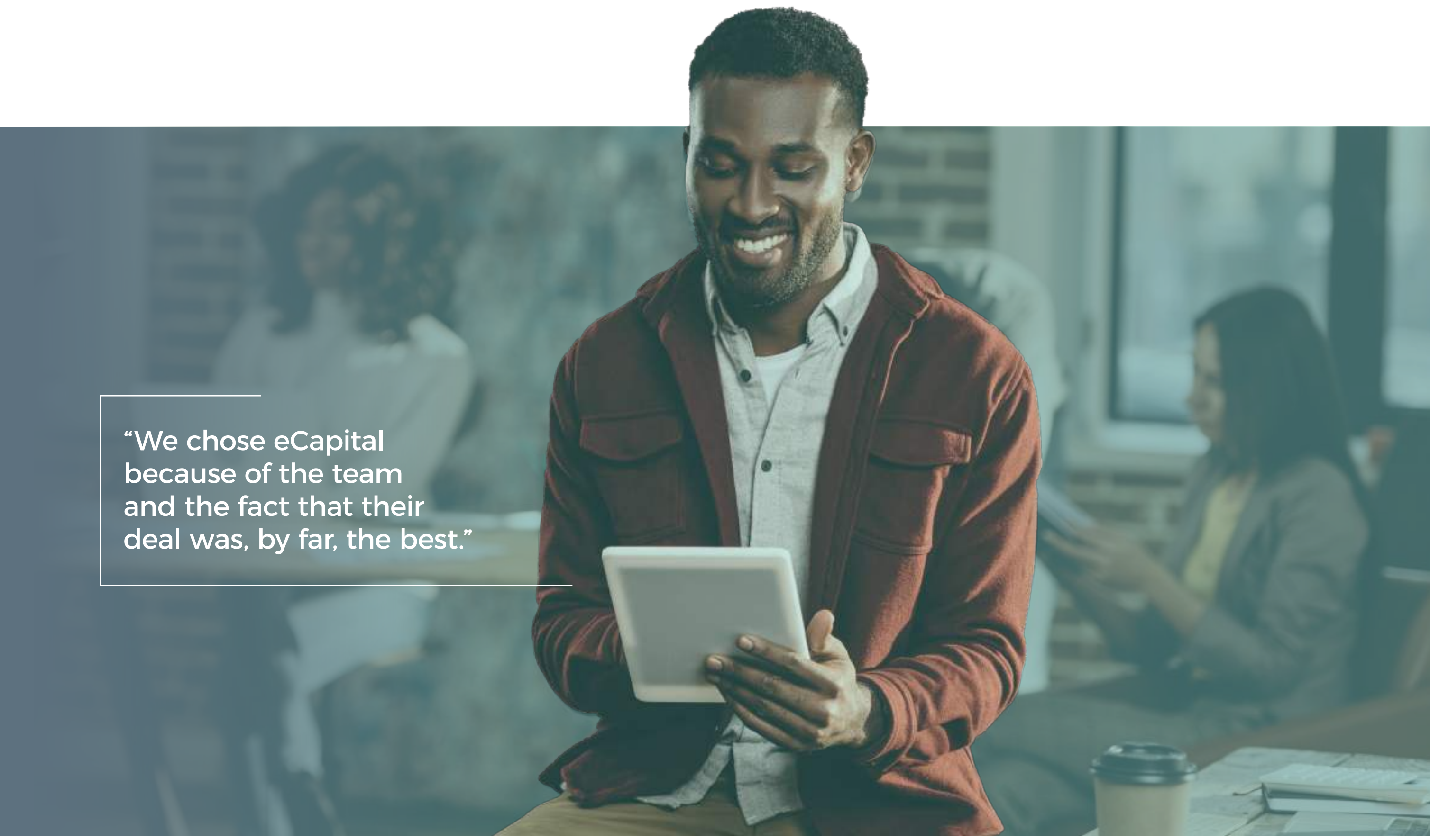
"Our expansion has primarily been driven by opportunities, often from existing federal customers operating in different states. We strategically enter new locations only when a substantial customer base is present to minimize risk. For example, our entry into Minneapolis was prompted by a significant organization's interest in our disability hiring program.

> FACTORING PROVIDED THE BEST SOLUTION TO IMPROVE OUR FINANCIAL POSITION.

"The flexibility and many benefits provided by factoring was instrumental to our decision-making at that time."

IF WE WEREN'T SURE ON SOMETHING **WE COULD RELY** ON THE eCapital TEAM

The flexibility and responsiveness we experienced with the eCapital team were crucial in making the transition from a traditional bank smooth."



"We chose eCapital because of the team and the fact that their deal was, by far, the best."

Following a similar pattern, we plan to open in Pennsylvania and Arkansas soon. Our strategy revolves around being customer-focused, ensuring a solid customer base before venturing into a new state. While our growth has been steady, our future might witness more accelerated expansion depending on capital and commitments."

Can you share a bit about your own background? What motivated you to join The DPI Group, and how did this experience compare with your expectations?

"I joined the DPI Group as CFO in 2014. Prior to that, I was the CFO for a local convenience store chain called Plaid Pantries for 16-years, overseeing more than 100 locations and 800 employees.

"THE ADVANTAGE OF FACTORING **LIES IN THE ABILITY TO BORROW MORE, BASED ON THE VALUE OF YOUR RECEIVABLES."**

I then ventured into launching Oregon Acres, a wholesale nursery company. Within three years, we successfully built Oregan Acres into a $3 million enterprise operating in two states with three nurseries. I've also managed a small hedge fund for a few years.

The transition to DPI was significant, considering the shift from a retail environment to a non-profit organization. But for me, this transition represented an opportunity to blend entrepreneurship, which I loved during my experiences with the nursery and hedge fund, with a socially impactful mission. It was the best of all worlds.

When I first joined the company, there were significant financial, accounting, and operational challenges that needed attention right away.

Many of these challenges were related to losses in our food packaging business, where we were a leading packager for years. Unfortunately, we hit severe challenges with this division when a key customer exited their relationship. This triggered our Chapter 11 filing in June 2016.

After re-emerging in July 2017, we re-entered the food processing sector with infant formula, initially a profitable move that turned unfavorable, resulting in further financial strain. This created a second major financial setback that ended with us selling the venture in January 2023."

How did you end up moving to a factoring solution?

"So here we were. We had an asset-based lending (ABL) line with a major national bank, and because we were borrowing a higher percentage of our line-of-credit than they wanted and because we recently experienced some losses, they were no longer comfortable with us as a client. Because of these factors, I suspected that we couldn't get approved for another traditional ABL line.

In addition, because factoring would give us a higher borrowing percentage on our receivables, I started to consider alternative lending options, and more specifically the value of factoring as a viable option to improve our cash flow. In hindsight, I'd say that these experiences helped shape our understanding of risk, and now, with a strengthened financial position, it has enabled us to create and support smart expansion strategies.

The flexibility and many benefits provided by factoring, especially in leveraging our receivables, was instrumental to our decision-making at that time. Factoring provided the best solution to improve our financial position.

In my opinion, the advantage of factoring lies in the ability to borrow more, based on the value of your receivables.

And with a very high percentage of receivables, factoring requirements are less in terms of covenants, and very strong financials aren't a pre-requisite. We fit the bill perfectly since our advantage at The DPI Group is that we have a lot of gold-plated receivables, many of which are federal and state entities."

Why eCapital?

"Once our bank signaled a change, factoring emerged as the logical choice. We evaluated several factoring companies. But ultimately, we chose eCapital because of the team and the fact that their deal was, by far, the best. eCapital met our financial needs and provided a solution that perfectly aligned with what we required.

eCapital has been great to work with. The transition was relatively fast. There were some initial challenges due to the high volume, but we worked through them together. You know, if we weren't sure on something, we could rely on the eCapital team. The flexibility and responsiveness we experienced with the eCapital team were crucial in making the transition from a traditional bank smooth."

What is the structure of the facility you currently have with eCapital?

"We operate with a single facility, with DePaul Industries serving as the Administrative Agent, and all other entities as co-borrowers.

Initially we had different companies set up, but we ran into inefficiencies as limits had to be continually adjusted for each company.

Internally, we really viewed it on an overall basis anyway – cross collateralized and cross-guaranteed. There was never any specific amount for a particular company."

Was the unbilled facility in your invoicing process part of the original package, or was it a later addition?

"The unbilled facility was a critical part of the original deal. Some government customers prefer monthly invoices rather than weekly, and this feature was critical for us. It had to be part of the original package.

Our strong partnership started at the beginning of our relationship - taking the time to know our business model and being flexible to accommodate our specific needs."

How has your experience been with eCapital in terms their willingness to learn about your business, and the industry knowledge they brought to the table?

"In terms of understanding, especially regarding non-profits selling to the federal government. eCapital grasped the nuances and complexities involved. Their approach to our relationship and understanding of our business have been exceptionally valuable, contributing to our success."

Reflecting on the factoring industry, do you think the market is aware of alternative solutions, or is there still a prevailing notion that factoring is prohibitively expensive?

"There's a common perception that factoring is prohibitively expensive. Although certainly more expensive than traditional ABL lines, depending upon the company, the benefits of factoring can more than offset the higher interest costs. Beyond that, people might not even consider factoring as an option due to concerns about high interest rates. There's room for more awareness and understanding of factoring as a viable financial solution."

What's does the future hold for DPI? Do you anticipate significant growth?

"While we don't anticipate high levels of growth, we plan to add operations in Pennsylvania and Arkansas, likely in the first part of the year. Our CEO's involvement with Supra, an organization running disability programs for different states, has opened new opportunities for us across the country.

With our transformed capital structure, we now have the flexibility for smart expansion. Our goal is to generate over $1,000,000 a year in profits, and we're particularly excited about allocating a portion of that to provide grants to smaller nonprofits serving the same community. It's a meaningful initiative for us, and we're enthusiastic about creating a positive impact."

The DPI's Group's journey highlights the critical role of financial partnerships and innovative approaches to financing in overcoming significant financial challenges.

> "eCapital MET OUR FINANCIAL NEEDS AND PROVIDED A **SOLUTION THAT PERFECTLY ALIGNED WITH WHAT WE REQUIRED."**

The transition from traditional banking to eCapital exemplifies the importance of flexibility and responsiveness in financial relationships, ensuring a seamless transition.

Through alternative lending solutions, like factoring, the DPI Group has been able to secure a strong financial foundation, supporting sustainable growth and ongoing success.