

WHITEHALL BUSINESS CREDIT CORPORATION

A Webster Financial Company

Asset-Based Financing

Some of the worst receivable frauds I have seen

(NOT AT WHITEHALL BUSINESS CREDIT CORP.!)

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WEBSTER

We Find a Way

Webster at a glance

- **Webster Financial Corporation** (NYSE: WBS) is the holding company for Webster Bank. With \$13 billion in assets Connecticut-based **Webster Bank** provides commercial banking, small business and consumer banking, mortgage, insurance, trust and investment services, and treasury sales through more than 100 banking offices, 210 ATMs and the Internet at www.websteronline.com.
- **Webster Financial Corporation is a majority owner of:**
 - **Chicago-based Duff & Phelps, LLC.** A nationally recognized leader in financial services and investment banking, including extensive expertise in middle-market mergers and acquisitions, private placements, and ESIO and ERISA compliance services.
- **Webster Bank owns:**
 - **Whitehall Business Credit Corporation.** An asset-based lending group focused on the middle market in need of working capital revolvers and term loans for growth restructuring, recapitalizations, turnarounds, DIPs, ESOPs, mergers and acquisitions.
 - **Center Capital Corporation.** Provides equipment leasing and financing to companies throughout the United States and is headquartered in Farmington, Connecticut.
 - **Webster Trust Company, N.A.**

Core Businesses

- Whitehall Business Credit Corporation
 - Asset-Based Finance
 - Retail Finance
- Cash Management Services

Market Focus and Quality Service

Our organizational strengths

- Flat Organization
- Team Approach
- Middle Market Focus

How customers Benefit

- Quick, Decisive Response
- Senior Management Accessibility
- Customer-Unique Solutions
- Continuity of Financial Relationships
- Ready Access to all Our Services
- Short and Long Range Client Focus
- In-depth Market Knowledge
- Creative Financial Solutions
- Consistent Market Strategy
- Expertise with Complicated Financings

Brief Business Description - Product Types

<p>Borrower</p>	<p>WBCC Leveraged Middle Market</p>	<p>Cash Mgmt.</p>
<p>Basis</p> <p>1st 2nd</p>	<p>Collateral Cash Flow</p>	
<p>Collateral</p> <p>A/R Inv. M&E R/E</p> <p>Intangibles</p>	<p>✓ ✓ ✓ ✓ ✓</p>	
<p>Types</p> <p>Acquisitions Turnarounds Recapitalizations ESOPs Refinancings Growth Financings Debtor-in-Possession Management Buyouts Capital Equipment Financing</p>	<p>✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓</p>	

Lending Guidelines

	Revolvers	Firm Loans					
Advance Rates	Accounts Receivable	Machinery and Equipment	CAPEX	Real Estate **	Cash Flow Component	Non Traditional Assets *	
	Inventory	Up to 85% on Accounts Receivable	Up to 80% of Orderly Liquidation Value	80% of Invoice	Up to 50% of Fair Market Value	Varies depending on historical and projected performance	Varies depending on transaction
	Up to 65% on Inventory						
Amortization	Revolving	5 - 7 Years	5 - 7 Years	20 Years Amort.	2 Years	Varies depending on transaction	
	Field Audit	Appraisal	Invoice				
Due Diligence							

Whitehall Business Credit Corporation will commit \$5 Million - \$50 Million with \$5 Million - \$20 Million hold limit.

Prime, libor or fixed rate pricing options are available.

* = Including Tradenames, Customer Lists, Contracts, and Patents.

** = Through a strategic alliance with Zion National Bank

Whitehall Retail Finance

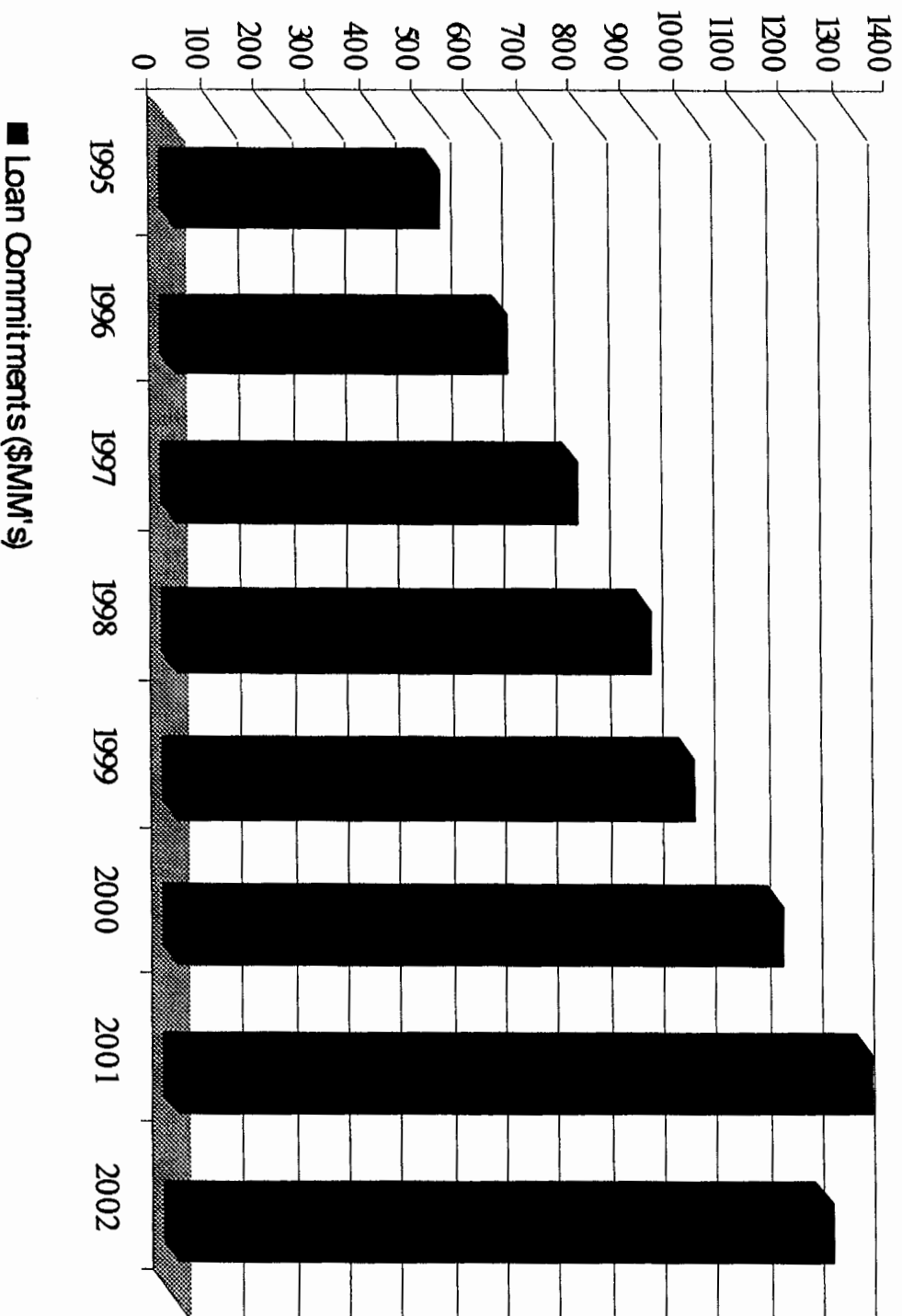
FOCUSED EXPERTISE

- *Senior Management Team* -- Underwritten and managed more than \$2 billion in retail loans.
- *Retailer's Working Capital Needs* -- Understand factors affecting inventory collateral value, capital expenditures, and sales fluctuations.
- *Retailer's Business Plan* -- Provide analysis and construct a credit facility incorporating flexible covenants, increases in advanced rates, and other secured asset loans.

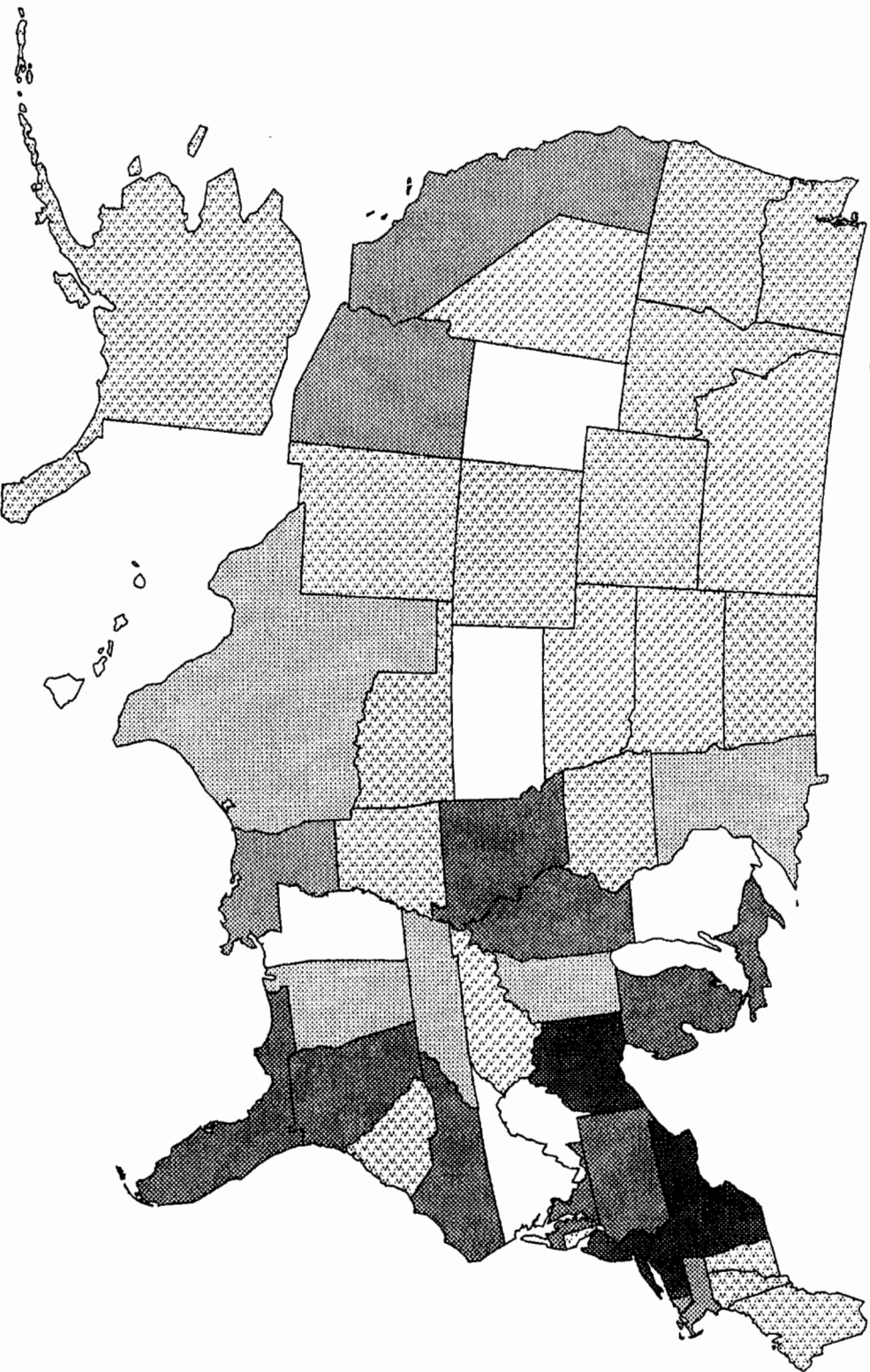
WHAT WE OFFER

- Rapid Growth
- Refinancing
- Corporate Restructuring
- Mergers and Acquisitions
- Debtor-in-Possession Financing
- Emergence Financing
- \$5 Million Minimum Line of Credit

Asset-Based Finance Growth From 1995 — 2002



WBCC Geographic Presence



Gray shaded States represent location of WBCC's client base.

Sample of Industries Covered by Asset-Based Finance

- Retail Apparel and other Retail Products
- Auto Repair, Services, Parking
- Business Services
- Chemical and Allied Products
- Communications
- Electronics and Electronic Equipment
- Fabricated Metal Products
- Food Products
- Food Stores
- General Merchandise Stores
- Industrial Machinery and Equipment
- Leather and Leather Products
- Manufacturing Industries
- Non-depository Institutions
- Paper and Allied Products
- Primary Metal Industries
- Printing and Publishing
- Rubber and Misc. Plastic Products
- Textile Mill Products
- Trade (Durable/Non-durable Goods)

Recent Transactions...

\$6,500,000

**Senior Revolving Credit
and Term Loan Facility
Provided for
Occunomix**

**The Undersigned Structured
Underwrote and Acts as Agent**

\$15,000,000

**Senior Revolving
Credit Facility
Provided for
Textiles from Europe, Inc.
d/b/a
Victoria Classics**

**The Undersigned Structured
Underwrote and Acts as Agent**

\$5,000,000

**Senior Revolving
Credit Facility
Provided for
Des Champs**

**The Undersigned Structured
Underwrote and Acts as Agent**

\$7,000,000

**Revolving Credit Facility
Provided for
Erehwon Mountain
Outfitter**

**The Undersigned Structured
Underwrote and Acts as Agent**

\$6,000,000

**Revolving Credit Facility
Provided for
Alpha Omega**

**The Undersigned Structured
Underwrote and Acts as Agent**

\$7,000,000

**Revolving Credit Facility
Provided for
Joseph -Beth Booksellers
and
Davis Kidd Booksellers**

**The Undersigned Structured
Underwrote and Acts as Agent**

Fraud Myths

- They are the exception to the rule
- They are impossible to find
- They mostly happen in small and middle market companies
- It is too expensive to staff up to detect and limit them

Debtor

- Pre-Billing or Bill and Hold, or just plain fraudulent invoices
- Diversion of collections
- Mis-Application of payments to reduce past dues
- Creating new contras on the debit side to get fresh merchandise post chapter
- Guaranteed, Consignment or Right of Return Sales
- Disguising billings to foreign customers and affiliated parties
- Credit Card Sales
- Re-rejuvenating past due invoices
- Accepting short pays, and re-invoicing remaining balance

What Helps a Fraud to Hide

- Not receiving and comparing all affiliated company receivable agings to all affiliated payable agings
- Major backlogs in cash application
- Misapplication of payment checks even when check indicates specific invoices being paid
- Sloppy record keeping (can't find, mis-filed PO's and PODs)
- No independent party making phone calls to verify authenticity
- No one analyzing monthly cash collections to previous month's total receivables (same month prior year for seasonal companies)

"Where large sums of money are involved, its best to trust no one"

Agatha Christie

Domestic and International Telecommunications Company

1st Case

- Brought in 3 months after total shut down
- Total Receivables \$230 million
- New CFO estimated only \$8 million to be collectible
- Seven billing entities, each doing business both ways with numerous multi subsidiary companies, i.e. serious contras
- Seven different computer systems with no interface between different systems
- No clear understanding as to customer family relationship names

"Delay always breeds danger":
Don Quixote Cervantes

"All I want is the facts Ma'am"
Sgt. Joe Friday/Dragnet

Regional Distributor of Arts and Crafts

2nd Case

- Company did annual volume over \$100 million
- Because of tightness on the revolver caused by increasing ineligible, the Bank recommended us to the client to clean up ALL over 120s
- \$8 million of \$20 million of A/R ineligible

"I will draw a line in the sand":

George Bush

Regional Distributor of Arts & Crafts

2nd Case (continued)

\$4 million of \$8 million heavily disputed primarily due to:

- Goods shipped which were never ordered
- Invoices billed for goods short or never shipped
- Invoices paid, but checks cleared through principal's personal account at different bank
- Substantial amount of contra accounts

"Your dirty double crossing rat".
James Cagney

Major Midwest Wire and Cable Distributor

3rd Case

- Brought in by lender prior to filing of chapter 11
- Outstanding A/R \$68 million

Major Midwest Wire and Cable Distributor

3rd Case (continued)

Collection Performance

- Original portfolio \$63 million
- Collections totaled \$42 million
- Big phony invoices issued and credited out from collections on real invoices

Cheese Distributor

4th Case

- Starting A/R balance \$92 million
- Collections only \$36 million

Cheese Distributor

4th Case (continued)

- **Company A in New Jersey invoiced Company B in Detroit**
- **Company B in Detroit invoiced Company C in Los Angeles**
- **Company C in Los Angeles invoiced Company A in New Jersey**

Cheese Distributor

4th Case (continued)

- All companies financed by different lenders
- All companies financial reflecting strong profitability and balance sheet
- All audit tests of purchase orders and payment receipts were satisfactory

Cheese Distributor

4th Case (continued)

- **No one questioned why a distributor would buy so much product from another distributor, nor why a distributor would sell so much product to another distributor.**
- **Cash collections T/O had consistently slowed, but not fully investigated.**