

## Corporate Finance Gets Results: November 2018

### Recent Transactions

Farber's Corporate Finance team recently completed three more deals, totalling more than \$9.7M

#### Distributor - Wood Products

\$3,950,000

Bridge Loan

#### Technology - Software Developer

\$5,500,000

Personal Bridge Loan

#### Auto Mechanic Franchise

\$260,000

Term Loan and Working Capital

### Distributor, Wood Products: 30 Day Property and Equipment Refinancing

#### Background

High manufacturing costs have resulted in many local productions facilities closing. Our client, a distributor/manufacturer of wood products was facing local manufacturing costs that were too high, resulting in local production being shut down. Their core distribution business continued, however, the rationalization and re-organization was still in process, and profitability had not stabilized.

## Challenge

Losses in the operating company had maxed out their bank facilities, and the bank had called the loan. The company's manufacturing plant was in the process of being turning it into a commercial investment property. The property, located in a rural location, was in the lease-up phase.

The business wanted to exit their bank relationship to give them time to complete the turnaround. The company also had both source deductions and HST arrears which were required to be paid at the time of the refinancing.

The owners had personal and commercial real estate assets (including the plant), which they wanted to borrow against. These assets, together with their personal cash, would be enough to pay out the banking facilities. However, the bank had given a deadline to pay out their facility, and a court date was established to implement a receiver.

The owners needed to come up with approximately \$4 million to pay out the bank, CRA, and to cover fees. They wanted to avoid a receivership and therefore required a refinancing to be approved and funded within a very tight timeline of 30 days.

## Solution/Result

The owners had a commercial property (the plant) which secured the banking facility but would become available, and unencumbered, for a new lender. In addition, the owners had three residential properties which, although they had mortgages currently, also had lending value behind them on a conventional basis; second position collateral mortgages on these properties could provide further support for the loan. The plant also contained a significant amount of equipment which could provide further collateral value.

It was necessary to find a non-traditional lender that would be interested in lending against the properties without any support for the business. Starting with a comprehensive list of lenders that support this type of lending, only a few were comfortable with the \$4 million required. Getting up to the \$4 million hinged on the lender being able to give value to:

- rural commercial property;
- second position on urban residential real estate; and
- liquidation value of equipment in the plant

After reviewing the options, only one lender could then also complete their approval process, due diligence, and security documentation in a remarkable 30 day time window; a process which ordinarily takes 60 days, or more. The lender flew in a due diligence team, along with their credit lead, at the site. The successful lender had close relations with their legal team and was able to expedite security registrations and quickly overcome all pre-funding conditions.

After discussions and negotiations with multiple lenders, auditors, legal counsel, and assisting in the preparation of information, repayment of the bank occurred on target, and the company was able to avoid the court date which would

have resulted in the appointment of a receiver.

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