

## **Manufacturing Company Workout – A Case Study**

By Steve Hancox and Leonard Eppel, Winter, 2015

For a Receiver, processing transactions and offers in an honest and competent manner is what it generally takes to be considered acceptable within the industry. But that's really not good enough. To add value, the ideal Receiver needs to bring knowledge, skills and abilities to the party and utilize them in an ethical manner that meaningfully improves the outcome.

### **Background**

A Midwest manufacturing company was in default on its loans and had amassed significant unsecured debt. After exhausting its other remedies, the bank filed for Receivership and Financial Resource Associates was appointed. In the world of workouts, this is not an unusual scenario.

### **Situation**

Operating at a loss for several years, liquidation was widely viewed as the most likely option. Neither a turnaround nor sale of the entity appeared viable, due to the extent of the insolvency and general market conditions.

The company was operating in a depressed area and local unemployment was high. This company had a substantial number of employees who would likely soon be losing their jobs.

The bank was not prepared to advance any further funding to the company, as it was clearly a situation where good money would have been chasing bad.

### **Outcome**

Using only internally generated funds, FRA was able to keep the company operating while it proactively sought multiple buyers (including some from within). Additionally, the Receiver found a way to monetize a large amount of distressed inventory for substantially more than book value.

The secured lender benefited from both that windfall and the added recovery a sale produced versus the liquidation alternative. Additionally, the court expressed its appreciation, specifically remarking about the company's continued operations with no loss of jobs.