

Financing

Definition:

Raising capital including Senior Unsecured Debt, Senior Secured Debt (Revolvers and Term), Mezzanine Debt, Subordinated Debt, Preferred Stock and Common Equity. The capital may be used in all types of transactions including Refinancing, Recapitalization, Liquidity, Growth, Restructuring and Acquisition/Expansion oriented.

Benefits:

Clients obtain the most efficiently priced and structured capital to support company initiatives. Barnes Wendling Corporate Finance has extensive knowledge of and relationships with financing partners who are most likely to offer competitively priced and structured capital. Through creation of a competitive market or negotiating with existing financial partners and by properly positioning the company and being knowledgeable of credit markets, the best terms and structure can be obtained for the client. As an aggressive advocate for the Company, favorable terms such as Pricing, Flexibility, Timing, Structure and Covenants can be achieved.

Process:

- Meet with the client and his or her advisors to understand their goals
- Gather financial data, company and industry data and forecasts
- Analyze data, tangible and intangible factors, and assess the Capital Structure and Financing needs of the company
- Recommend Capital and Financial Alternatives and review benefits and risks associated with each alternative
- Determine most likely financial partners, complete Financing Memorandum, contact most likely sources of capital, distribute marketing documents and obtain initial indications of interest

- Select value-maximizing financial partners, determine other critical issues, coordinate due diligence and management meetings and negotiate definitive agreement
- Execute definitive agreement; finalize documents, coordinate closing requirements and close.

Case Example:

A manufacturing client had been with their incumbent Bank for over 40 years. Their borrowings under an unsecured line of credit ranged between \$5.0 and \$10.0 million annually. Within an 18-month period, the company's net worth declined by \$4.0 million due to a drop in sales, bad debt write-offs and operating profits. Upon receipt of their year-end financial statements, the Bank required a modification of the line of credit agreement to a secured asset based facility and reduced the commitment to \$6.0 million. Other terms and conditions included an equity infusion, a personal guarantee secured by real estate, a shareholder compensation covenant, increase in interest rate and a significant amendment fee. Barnes Wendling negotiated a six-month moratorium with the Bank to propose a counter offer, based upon a turnaround plan. During that time, we reviewed and documented the shareholders turnaround plan and identified a number of other qualified lenders, to provide the appropriate level of capital under market terms to support the company's turnaround plan. By creating a competitive marketing process to qualified lenders, the company was able to increase its borrowing availability by \$4.0 million through a 3-year, \$10.0 million dollar secured credit facility with a lien against accounts receivable and inventory. The new facility did not require an equity infusion, personal guarantee, or covenant on ownership compensation. The company received a market competitive interest rate with performance based pricing. The new facility was in place six months after the start of the process.