



How ABLs **SCALE** **LENDING OPPORTUNITIES**

Learn the tool ABLs use to eliminate sub-debt and lend in first position.

Sub-debt no longer needs to bottleneck deal flow. In just 45-60 days, a single transaction turns previously encumbered assets into pristine lending situations.

Learn how a single, streamlined transaction can eliminate business debt and put you in first position to lend. Overleveraged target opportunities can become pristine and debt-free in 45-60 days, so you can lend freely against the entire asset base.

As a result, you can scale your deal flow by evaluating target opportunities differently, with a focus on top-line factors irrespective of the debt schedule.

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“We love it. In 45-60 days it allows us to finance the same asset base, where we otherwise couldn’t.”

- Alex Mazer, Big Shoulders Capital

As an asset-based or factoring lender, transactable collateral is your lifeblood. Yet, deal-flow is inevitably bottlenecked by a simple fact: Your target enterprises typically don't qualify for traditional lending, so a disproportionate number of them come to you on the spectrum of distress, with target assets already encumbered and therefore, untransactable.

Your Target Enterprise is Out of Options—But You Aren't

When a target enterprise has stacked creditors on a lengthy debt-schedule, it is likely you—the alternative lending professional—are viewed as the last financing option by an owner in distress.

They've exhausted the spectrum of conventional and alternative lending vehicles and can no longer capitalize their business. They are on the brink of an unsupportable financial position as a precursor to default and insolvency.

The conundrum is that these businesses often have attractive asset bases and AR, but aren't transactable. In most cases, the alternative lender simply walks away.

Don't Walk Away From Opportunity

In situations where you cannot finance the asset base, there is a solution that not only eliminates all subordinate debt and puts you in first position to lend, but also offers distressed owners a path to preserve the business from insolvency and failure.

That solution is a transactional reorganization which eliminates business debt, while allowing a new purchasing entity to inherit the tangible and intangible assets of the business. Operations continue uninterrupted, full enterprise value is preserved, and all subordinate liens and liabilities are left behind – in just 45 to 60 days.

By result, ABLs take a senior lien on the assets of a debt-free business with the cash flow to service the loan.

Article 9 Reorganization Creates Opportunity for Lenders

For ABLs, the strategic Article 9 transaction eliminates all subordinate debt, while maintaining the full enterprise value and continuity of operations in a new entity, under new ownership, free of all legacy liability.

Understanding this process requires familiarity with Article 9 of the Uniform Commercial Code. This provision is designed for the protection of the first position secured creditor—in short, the bank. At the point of default, it allows the senior creditor to sell their collateral in a private, out-of-court sale in order to recover maximum value, while avoiding the costs and inefficiencies of formal liquidation. Through this transaction, all subordinate liens and obligations are necessarily removed.

The elimination of subordinate liens is for the senior creditor's protection because, in order to transact on their collateral, a potential buyer requires assurance that they are receiving those assets free and clear. Article 9 of the UCC creates the means for the first position creditor to sell their collateral efficiently. But unlike in bankruptcy, this collateral does not need to be sold off at auction.

“Unlike in an auction context, in an Article 9 transaction, assets are sold in one lot, to one buyer who intends to continue operations. The asset purchaser inherits the tangible and intangible assets of the business - and thus full enterprise value - free and clear of all encumbrances.

As an Asset Based Lender, this allows us in 45-60 days to take what was an unfinanceable transaction and now take a senior lien on the assets, in a company that, because the legacy debt has been left behind, has the cash flow to service the loan.”

- Alex Mazer, Big Shoulders Capital

Maximum Benefit for All Parties

The Article 9 transaction is streamlined because every party is incentivized:

- Distressed entrepreneurs are afforded a path that avoids bankruptcy while allowing for a successful exit.
- The asset purchaser enters into an ongoing concern at the attractive cost of liquidated asset valuation, without inheriting any legacy liability.
- The first position creditor receives maximum return on their collateral without the mess of formal liquidation.
- The ABL finances the asset sale and is thus able to transact where they could not before.
- Subordinate creditors benefit as they write off their bad investments more quickly and take advantage of the tax benefits therein. Additionally, the purchasing entity will often engage the previous owner in a contingent/performance-based compensation package to create a path to resolving personal guarantees; which represents an additional benefit for subordinate creditors.

“As an ABL initiating an Article 9 sale, it was very helpful that our borrower had engaged Second Wind. It was helpful for the borrower to understand the process, not directly through the lender initiating the sale process, but from a third party that's had a lot of repetition and practice executing on the Article 9 sale process and seeing the benefits of it.”

- Alex Mazer, Big Shoulders Capital

Your Untransactable Deals Become Great Situations

It's time to reevaluate your opportunities. Second Wind Consultants has conducted more Article 9 reorganizations than anyone else. Over the past ten years, thousands of businesses have been spared from bankruptcy—preserving the ongoing concern value, jobs and economic activity that otherwise would have been destroyed through forced liquidation.

Bring Second Wind your untransactable opportunities. Second Wind will engage your borrower, conduct the reorganization, and deliver you a pristine lending opportunity in a matter of weeks - at no cost to you.

Contact Second Wind Consultants today about a strategic ABL Alliance that will scale your deal flow and allow you to offer service and benefit to clients that you couldn't otherwise.

Contact us to start the conversation.

P: 800.594.7473

E: alliance@secondwindconsultants.com

Paul Freeman
Alliance Program Manager
Second Wind Consultants
136 West Street, Northampton, MA 01060