



# Private Equity Strategy: **ACQUISITIONS AT LIQUIDATED ASSET COST**

---

The “must know” tool PEGs deploy to:

- Acquire enterprise value at the cost of the assets
- Create seller incentives
- Reduce exposure
- Accelerate capital deployment

As a private equity group or strategic intermediary, you are looking for attractive acquisition and add-on opportunities.

Learn about a source of target opportunities and value of which you may not be aware of. Furthermore, you will learn why these opportunities are unique—because target acquisitions are available at the attractive cost of liquidated asset valuation.

*“We see tremendous potential for investors.”*

*- Bob McCormack, Murphy McCormack Capital Advisors*

## How Reorganizations are a Source of Opportunity

---

The distressed space is often thought of as a minefield of sunken costs, risk and futility—and rightly so. A host of complexities and inefficiencies involving a lengthy debt schedule are often prohibitive to pursuing acquisitions. More often than not, the value of the distressed enterprise is lost to liquidation.

However, a growing number of distressed or insolvent businesses are pursuing the more rational path of “transactional reorganization.” This alternative is one that preserves core enterprise value while divorcing all subordinate debt from operations. The result is a pristine, debt-free new entity—and a unique opportunity for purchasers.

Under Article 9 of the Uniform Commercial Code, business assets may be sold privately into a purchasing entity, in order to satisfy the appraised valuation of the first position creditor’s collateral. But unlike with formal liquidation, the result of this strategic asset sale is that enterprise value and the full continuity of operations are preserved and passed through to the purchasing entity. This represents an opportunity for any investor.

"

*"The process allows us as a buyer to buy assets free and clear of all encumbrances, and to effectively acquire an enterprise at the cost of asset valuation."*

*- Alex Mazer, Big Shoulders Capital*

## Pristine Entities at Liquidated Asset Cost

---

Article 9 of the UCC provides the first position creditor a means to liquidate their collateral in a private sale, while eliminating all subordinate liens and obligations. Subordinate creditors' liens are removed through Article 9 when total asset valuation is outweighed by the obligation to the first position. This benefits the first position creditor and facilitates their ability to transact on the collateral with assurance to purchasers that assets transfer free of all encumbrances.

Through the strategic Article 9 asset sale, a purchaser for the assets is identified and a new purchasing entity is selected or created for the transaction. This simplified short sale of business assets requires only the consent of the first position secured creditor.

Upon completion of the ten-day notice period to subordinate creditors, the assets transfer free and clear to the buyer. At the same time, enterprise value and continuity of operations pass through to the purchasing entity acquiring the assets.

"

*"The assets are sold in one lot to one buyer who inherits both the tangible and intangible assets in the transaction, and who intends to continue operations as the new owner of those assets."*

*- Alex Mazer, Big Shoulders Capital*

"

*"You're talking about 45 days to clean up a company and allow investors to acquire that value, with no debt, while mitigating their risk and cost at asset valuation. It's a golden opportunity."*

*- David Wimer, Murphy McCormack Capital Advisors*

# A Flow of Add-on Opportunities at Attractive

---

There are three scenarios in which your PEG or even M&A model can benefit from strategic Article 9 reorganizations.

## **Scenario 1: Distressed to Pristine Prior to Acquisition**

You have a distressed target acquisition where the outstanding debt outweighs the value of the assets. You bring that target opportunity to Second Wind Consultants who will—at no cost to you—reorganize the target prior to your acquisition and deliver you back a pristine, debt-free enterprise in a matter of weeks. There is no need for ABCs, global settlements or 363 sales. Reorganizations are streamlined, requiring negotiation with only the first position creditor, and generally are completed in 45-60 days.

## **Scenario 2: Enterprise Value at Liquidated Asset Valuation**

When core business value is preserved through an Article 9 reorganization, purchasing entities become available as target opportunities to PEGs at the attractive entry cost of liquidated asset valuation. By forming a strategic alliance with Second Wind Consultants, PEGs will be alerted to add-on opportunities that fit their criteria in real-time.

## **Scenario 3: Strategic Buy-side Alliance**

Intermediaries can form a strategic alliance with Second Wind Consultants to line up purchasers of potential add-ons in order to transact on newly reorganized enterprises, creating a competitive advantage for themselves and value for their clients.

Find out more about how a strategic alliance with Second Wind Consultants can offer you a stream of reorganized opportunities at attractive entry points.

# Contact us to start the conversation.

---

**P:** 800.594.7473

**E:** [alliance@secondwindconsultants.com](mailto:alliance@secondwindconsultants.com)

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

W