



How ABLs Scale Lending Opportunities

secondwind
CONSULTANTS

**Second Wind Consultants
specializes in:**

Extracting business
value from distressed
situations.

Preserving business value
in new, unencumbered
debt-free enterprises.



**Second Wind creates deal flow for lenders
in 2 ways:**

We conduct approximately 250
reorganizations per year, requiring financing
for asset purchases.

You, as a lender, pass on many potential
opportunities when assets are not
financeable. When Second Wind reorganizes
a distressed business, assets you
previously could not lend against become
unencumbered in just 45-60 days – so you
can lend in first position.



Second Wind solves
a historical problem
for distressed owners
and lenders.

When owners are distressed:

- Their business can no longer be capitalized
- They are likely insolvent
- They can't make an exit

**Distressed owners typically believe
their only options are:**

- Stacking further debt (MCAs)
- Chapter 11

**Lenders who see an attractive asset
base – when it's already encumbered:**

- Attempt complex cramdowns or short-sales
- Walk away

**Second Wind creates a solution for
distressed owners, and opportunity
for lenders.**

The SWC Process:

Solves the owner's entire problem.

- Avoid bankruptcy
- Avoid new debt
- Preserve the business
- Earn from the new company
- Resolve all PGs

We enroll the distressed owner on behalf of the senior creditor who wishes to recover on their collateral without forced liquidation.

By creating a better solution for both the distressed owner and senior lender, we bring owner and lender together cooperatively.

The Article 9 reorganization preserves business operations and unencumbers the entire asset base for lending in 1st position.



"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



Understanding Article 9 – UCC Sale

Uniform Commercial Code regulates the flow of goods and services between businesses.

The Article 9 transaction overview:

A controlled short-sale of business assets to a new purchasing entity.

The asset sale satisfies the senior creditor's position based on appraised asset value.

Only the senior creditor's approval is required for the sale.

All subordinate debt / liens are removed through the asset sale via UCC Article 9.

The purchasing entity inherits both the tangible and intangible assets of the previous business.

In the Article 9 short-sale, business assets are sold to a single purchaser who intends to continue ongoing operations.

Full enterprise and operational value pass through to the new, debt-free enterprise.

WIN #1

1st Position Creditor

Sells collateral for maximum value with no expense and no risk.

WIN #2

Seller

Creates a successful exit where they otherwise couldn't.

Owners can:

- Exit successfully
- Avoid bankruptcy
- See their business preserved
- Earn from new company

WIN #3

Buyer

Able to buy a business that would otherwise not have closed and at an entry price based on the asset value.

Lenders can:

- Finance target assets in a new, healthy enterprise – in just weeks.

WIN #4

Subordinate Creditors

Able to write off toxic assets on their balance sheets, preserve future business (vendors).

WIN #5

Lender

Finances entire asset base

Creates new relationship with healthy company

Example:

Larry Lancaster: Manufacturing Company in Ohio

- \$9MM Market Valuation
- \$6MM Asset Valuation
- \$15MM Total Debt
- \$7.5MM SBA Bank Debt
- \$7.5MM Subordinate creditors

Article 9 sale for \$6MM with a variable earn-out of \$3MM for Larry (based on performance).

Lender finances 2MM asset sale in 1st position.

Lender establishes further equipment, inventory, and A/R lines.

Qualifications:

Requires adequate consideration for assets being sold (based on appraisal).

Borrowing business must not have the asset base or income to support full repayment of the debt.

10-day notice sent to subordinate creditors.



An ABL Alliance with Second Wind Consultants **creates opportunity.**

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