



LS Associates LLC – Case Study

Primary Industry: Printing

Company Overview: \$12 million in annual sales privately held printing company.

Secured Creditors: \$3.7 million bank debt including \$1M on Revolving Line of Credit Agreement and \$2.7 million on a term note. Debt was secured by inventory, trade receivables equipment, furniture and fixture, buildings and real estate, and personal guarantee of owner.

Unsecured General Creditors: Approximately \$1.0 million in unsecured trade debt.

Situation: The Company had been experiencing declining revenues and profit margins on its core business due to overall decline in the demand for print materials. This resulted in cash pressures for the Company and the inability to adequately service its debt and pay trade payables in a timely fashion. LS was hired to evaluate and develop a restructuring plan. After the involvement by LS and a restructuring of the business, for a period of approximately 10 months the Company met its debt obligations and reduced its past due trade payables to the point substantially all vendors were being paid within terms. Subsequently, the Company was notified by its largest customer that they were consolidating their printing resources and had selected another printer; therefore they would be moving their business to a competitor. This customer accounted for approximately 40% of the Company's business and after assessing the situation with LS, the Company determined it could not remain in business without additional capital to rebuild the business. The decision was made by the Company to close the operations and conduct an orderly liquidation of the assets.

LS Objectives: Initially LS was hired to restructure the debts of the business and recommend actions to restore the cash flow of the Company. After the loss of the Company's largest customer, LS was to evaluate alternatives and once the decision was made to close the business, LS was asked to work to satisfy the owner's desire to maximize the return for the creditors, avoid potential debts arising from guarantees and provide assistance to get management and the Company through the process. The Company was also looking to avoid filing bankruptcy for various reasons. Eventually LS was appointed Chief Liquidation Officer for the Company. In this capacity LS was to wind down the business operations in an orderly fashion, liquidate the assets of the business including equipment, furniture and fixture, and buildings/real estate, collect outstanding trade receivables, communicate with secured and unsecured creditors, and distribute available funds in accordance with the priorities of the law.

Tasks Performed:

Restructuring

LS worked with management to improve communication with the secured lender and to gain extensions of the current loan agreements.

- LS verified that Balance Sheet items were reconciled and prepared a working capital analysis to include weekly cash flow budgets, and review of financial statements.
- LS analyzed and modeled the Client's breakeven and current financial position and profitability through a review of personnel and critical monthly expenses.
- LS worked with management to identify additional options to improve financial planning, performance and credibility and assisted management in the implementation of these plans.
- LS worked with other creditors to restructure debts.

LS evaluated the financial impact of the loss of the Company's largest customer and presented alternatives to the Company.

Liquidation

LS assisted in negotiations with the secured lender for the terms of the liquidation , to include provisions to mitigate the owner's personal guarantee.

Robert W. Leasure of LS was appointed by the company's Board of Directors and the Chief Liquidation Officer. All other officers of the company resigned their positions.

Mr. Leasure and LS, along with the company owner, met with company employees to announce the closing of the business. LS then developed and quickly implemented a plan for an orderly process to complete work in process, which was completed within two weeks of announced business closing.

LS has collected receivables, communicated with creditors and employees while winding down the operations and while protecting and preparing for the sale of the building and equipment.

LS interviewed and evaluated proposals from auction and real estate companies and negotiated contracts for the same. They have supervised the auction of the equipment and evaluated contracts for the sale of the real estate.

LS communicated with all creditors that contacted the Company and confirmed all open creditor balances for the potential distribution to unsecured creditors.

As appropriate, the secured lender and creditors were kept informed of actions in order to maintain their support for the process.

Outcome: LS initial involvement resulted in returning the Company to profitability and repairing relations with its secured lender as well as completing a loan restructure and extension. As the liquidation officer, LS effectively closed the operations. Unsecured creditors were informed on the status of the Company's liquidation process and the probable outcome of available funds to secured and unsecured creditors. The non-real estate assets of the business were liquidated through an auction process. Current accounts receivables were substantially collected. Pending final sales of real estate,

and based on the terms negotiated of the liquidation, it is projected that the owners should be relieved of exposure personal guarantees.