Isaacs Advisory
Financing Advisory Services

Financing to Exit A Division I Proposal

By: Adrian Isaacs, CPA, CA, Founder and Managing Partner at Isaacs Advisory

The Need:

Our client was 12 months into a creditor and court approved Division I Proposal. Creditors accepted 25 cents on the dollar to be paid over a 5-year period. The Proposal was a joint proposal, which included the business owner and some related holding companies.

The business, however, had since landed some major contracts with a large public company and started to show profits in the past number of months. In fact, revenue growth was going to go from $2 Million to $10 Million in the current fiscal year, and would generate strong EBITDA and cash flow.

The client came to us as they were looking to raise financing from a non-traditional lender that would be subordinate to the bank. This would provide them with the financing to exit the Proposal, and have the working capital to finance their ongoing growth. Based on these requirements and the collateral mix, a more traditional ABL lender was not an option.

The Solution:

We sourced a $1.2 Million term loan with the following salient terms:

- Interest paid monthly
- Principal paid quarterly (and tied into revenue performance)
- Secured, but subordinate to the bank
- A limited personal guarantee
- Warrants

This financing solution can be repaid in full, without penalty after 1 year, and provide the Company with an immediate and sizeable cash injection.

The End Result:

The financing solution enabled the Company to immediately pay out the Proposal, receive a Certificate of Full Performance, and allowed them to apply for more traditional sources of financing much sooner than they would in waiting for the 5-year proposal term to be completed. Given it was a joint proposal, the business owner was also able to exit the Proposal, and is now able to rebuild his personal credit.
