

## CASE STUDY

# Bankruptcy Avoided Through Sale Transaction

*How Platinum helped owner and lender to identify a buyer, cover debt and save jobs*



### SITUATION

A manufacturer of critical components for OEMs was anticipating lower volume from a major customer. The owner projected losses and, due to the existing debt level and limited borrowing capacity, was considering bankruptcy. The company's lenders wanted to avoid a bankruptcy because it would result in liquidation of the business and a loss of jobs in the community. The lender asked the owner to engage Platinum Group to evaluate options.

### CHALLENGES

- The owner's marketing skills were limited, resulting in operating deficits and high debt over time.
- The owner, who had strong technical skills, wanted to continue working.
- With loan limitations and debt levels, the only solution that would satisfy the owner and the bank was a sale.

### RESPONSE

Platinum quickly identified a buyer for the business and assisted both lenders to facilitate the transaction. The prospective buyer provided a Letter of Intent to purchase the inventory, equipment and real estate, which was sufficient to pay off all debt and vendors and provided a long-term employment agreement for the owner.

The buyer began conducting due diligence. While the purchase agreement was being negotiated, the owner obtained a Payroll Protection Program (PPP) loan to provide additional liquidity. The purchase agreement was signed, but closing was extended to accommodate PPP loan forgiveness requirements. During the extension, the buyer assisted the owner in managing the business and brought new customers.

**RESULTS** – Once the buyer met the PPP loan forgiveness criteria, the sale of assets was completed and the loans and other accounts payable were paid. The business was able to continue to operate and jobs in the community were preserved, which was a win-win for the former owner and its lender.