

Stressed or Distressed ESOP Companies Have Options in These Unprecedented Times

Across nearly every industry, the COVID-19 pandemic has had an immediate and significant impact on business operations and balance sheets. The rules are different in the zone of insolvency for companies that are stressed or distressed and it remains incredibly important for business owners and trustees to understand their options.

When facing financial stress, the sooner a company takes affirmative action to address the situation, the better the outcome for the stakeholders. The closer a company gets to insolvency, the more the options dwindle, so now is the time to take action.

Griffin Financial Group, the affiliated FINRA-licensed investment bank of SES ESOP Strategies, can help distressed ESOP companies in transition, in the shadow of bankruptcy or already in bankruptcy. Griffin has a dedicated Special Situations Group with extensive experience. Our special situations team has existed since 2005 and is comprised of experienced deal professionals with backgrounds in the areas of law, lending, accounting and tax. All of their professionals bring an in-depth experience in the bankruptcy process, insolvency and special situations arena.

ESOP companies have unique considerations, and the combined experience of Griffin's Special Situations Group and SES ESOP Strategies make us an ideal partner for distressed situations. Our professionals can guide you through recapitalizations/refinancings, financial restructuring and bridge loans, distressed M&A advisory and Section 363 sales, and Chapter 11 plans of reorganization and out-of-court settlements.

Below are some critical issues you may be facing and solutions that can help you navigate these difficult times.

Critical Issues	Griffin's Solution
Is your company operating, winding down or shut down?	Griffin will quickly analyze whether a business has the ability to entice a new lender, a buyer or a pure asset liquidation process.
Are your loan payments current and what type of facilities are in place?	Griffin will review financial information, loan documents, forbearance agreements, if any, collateral package and other information to understand the practical timeline to effectuate a transaction and what type of transaction is optimal.
Has there been covenant or payment defaults?	Griffin will review the financials to understand why the borrower is struggling. We dig in to determine if the problems are "one time" and solvable or more systemic, whether the existing loan facility is adequate to allow the company to achieve its goals, or whether a new partner/ buyer is needed.
Has your loan been transferred to the workout or special asset group?	Griffin is expert at understanding your lender's needs and articulating what our process may look like, why we are doing what we are doing, and keeping your lender updated on what is actually occurring in the deal.
Is there a Forbearance Agreement?	How long does your company have remaining under the FA, or if there isn't one, whether one will be entered into and why. Griffin's team is structured to handle any deadline. While it is certainly better to allow us more time to run the appropriate process to maximize value, we understand the need to move with speed.
Is your lender demanding repayment?	Griffin will determine whether a (1) refinancing process (is there sufficient collateral in place to support the business, the loan facilities and a possible transaction - AR, Inventory, Machinery or Real Estate, etc.), (2) sale process (is it an active market in a particular industry and what multiples are generally), or (3) dual-track process is most appropriate to ensure a closing and to maximize value for all stakeholders, whether in a federal or state court process.

SES ESOP Strategies can help you understand your options and position you for the future

Our affiliated FINRA-licensed investment bank's Special Situations Group is dedicated to positioning and marketing companies and managing competitive transactional processes with unique or complex stories to effectuate refinancing or M&A processes. For more information, please contact the SES professional you typically work with or the contacts listed below.

CONTACT:

Thomas G. Whalen
Co-Head, Special Situations
610.205.6115
tgw@griffinfinancialgroup.com

Glenn S. Bernabeo
Co-Head, Special Situations
610.205.6034
gsb@griffinfinancialgroup.com

