

US CAPITAL PARTNERS

DIRECT LENDING AND ADVISORY FOR SMALL & MIDDLE MARKET COMPANIES

Case Study: International Produce Supplier

Specialist Advisory and Financial Restructuring Services



At US Capital Partners, we are both a direct lender and offer specialist advisory services. This gives us a leading edge in the marketplace. For instance, we can advise on how to deal with a hostile bank, how to resolve lender issues, or how to refinance in distress situations. As a direct lender, we are well-positioned to negotiate on your behalf with your current lenders.

US Capital Partners always finds the best possible financing solution for its clients. Our ability to assess complex or special situations quickly and provide solutions outside the conventional box has made us one of the most innovative small to middle market investment banks in the country. We have both principal capital and detailed, specialized knowledge of the marketplace. This allows us to engineer affordable financing for your business quickly and efficiently.

About the Produce Supplier

Based in California, this privately-held agricultural produce supplier and shipper has been supplying quality produce for 25 years—primarily to major retailers, wholesalers, and distributors in North America. The company has established a worldwide grower network. With production strategically located across the US, Mexico, and Central America, the business is able to meet increasing customer demand for year-round, locally grown produce supplies.

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The company has been providing growers with seed, financing, infrastructure, harvesting equipment, packaging, and other resources. It offers growers technologically advanced sorting and distribution services, as well as the ability to garner the best yield and tonnage from their crops. In most cases, the company does not invest in the crop directly, but is hired by growers to market and sell their crop. However, the company also enters into joint venture agreements with selected growers and takes a percentage financial ownership in the crop. This offers the company the opportunity to participate in growing profits also.

The Problem

The company happened to suffer one or two weak harvest years. Coupled with inadequate financial controls, this led to some modest losses in an otherwise very profitable business. While the crop losses were an anomaly, they happened to coincide with the company's bank becoming severely weakened during the economic downturn.

To accommodate the seasonal nature of the business, the company had a revolving line of credit with the bank, as well as a seasonal "over-advance" from January through May, through a bridge note structure. An over-advance is a short-term loan that a company takes out in order to fund work-in-progress immediately before a period of increased sales. Generally, a company uses an over-advance to finance its expected increase in sales.

The bank, however, was financially weak and faced liquidity issues of its own. It therefore was no longer able to provide the seasonal over-advance it had made available to this produce company for the past 10 years. Now unable to pay its vendors, the company's liabilities increased. This in turn led to a weakening of the company's credit. Soon the business found itself under serious financial pressure, which spiraled into a technical default and bank workout. The bank was forcing the company to exit at probably the worst time in its history.

Unable to resolve the situation with the bank or to find a comparable line of credit in the existing financial climate, the company turned to US Capital Partners for help.

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Offering a Solution

US Capital Partners immediately entered into negotiations with the bank. It is often necessary for a third-party lender to come in and speak lender to lender. Unlike the produce company, US Capital Partners was able to articulate the structure of a deal going forward and bring new capital to the table, and to provide protections to the bank. This diffused the situation and bought the company some more time.

US Capital Partners devised an intelligent workout plan for the company, and was able, by the end of the fourth quarter of 2010, to arrange a successful exit from the bank at 100% debt payout. In other words, there was no “haircut” on the bank’s part, even though this was a workout situation.

US Capital Partner’s intervention and negotiation with the bank allowed refinancing to take place for the company, facilitated a safe and orderly exit by the company from its relationship with the bank, and allowed the company to be financially viable going forward. The company executed on the workout arrangement and secured \$7 million of new debt financing for itself.

Specialist Advisory Services

US Capital Partners always looks for the best possible financing solution for its clients. Sometimes the pathway to refinancing is clear; at other times it is less so. By examining every aspect of a business, US Capital Partners is able to offer company management a choice of the best available pathways to optimal financing. Having both principal capital and detailed, specialized knowledge of the marketplace allows us to create solutions tailored to your needs.

At US Capital Partners, we are skilled at helping clients obtain financing where they would not otherwise qualify for traditional bank or cash-flow lending. Our specialist advisory services are ideal for under-capitalized companies; for companies with recent operating losses, large accounts receivable concentrations, government receivables, or poor recent economic performance; or for companies that simply have difficult borrowing needs that cannot be served by the banking community.

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At US Capital Partners, we have cultivated close contacts and strategic relationships with a wide range of suitable lenders. We are able to bring these lenders together, speak their language, and solve the various technical issues that may arise in the refinancing process. Importantly, we are able to provide financial opinions from a lender's perspective, and not simply from a consultant's perspective. This allows us to provide optimal financing for you quickly and efficiently. At US Capital Partners, we are able to lend to you directly. These attributes differentiate us from our competitors, and make us the refinancing and restructuring specialists of choice in the small business arena.

About US Capital Partners, LLC

Since 1998, US Capital Partners has been providing prompt, innovative, and reliable financing solutions including lending, corporate financing, advisory, and debt restructuring to businesses across the United States and abroad. US Capital Partners is a private investment bank, direct lender, co-lender, and lead financial arranger that specializes in asset-based debt for small to middle-market private and public companies. The company's innovative approach allows them to provide the best financing available, not only for companies in excellent financial condition, but also for companies who may have been refused credit by traditional lenders.

If you would like to know more about how your business can secure the funding it needs, visit <http://www.uscapitalpartners.net> or call (415) 889-1010.

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