



Distressed Mergers and Acquisitions



BDO Dunwoody Limited
Transaction Advisory Services



Choose the Right Advisor for a Successful Outcome

Given the special circumstances and pressures of distressed company transactions, successful outcomes rely on involving advisors who contribute the following strengths.

A respected reputation among lenders, especially senior lenders whose support is often essential for the successful completion of a transaction.

Diverse technical knowledge and expertise. The execution of a distressed transaction requires in-depth knowledge of a broad range of issues. An advisor should be knowledgeable with: business operations, financing, financial management, tax planning, bankruptcy procedures, creditor and employee rights, landlord issues, government priorities, director/officer obligations, and other issues that may impact a transaction involving a troubled business.

Conflict resolution experience to navigate competing interests and limit conflicts. Distressed transactions often involve significant compromises among the parties involved and an effective advisor must have the experience to resolve multiple issues and produce a reasonable arrangement.

Connections. When funds are limited and solutions eroding, distressed companies need to finalize transactions within abbreviated timeframes. Thus an advisor must have the experience and personal connections to quickly access opportunities and resources.

In fact, in today's global economy, buyers, sellers or investors of distressed companies could be located anywhere in the world. With its international connections and resources, BDO is able to access opportunities for clients worldwide.

If you are facing financial challenges or seeking opportunities in the mid-market, look first to BDO. We have the skills, experience, connections and commitment to effectively guide sellers, buyers, investors and lenders through transactions that deliver results.

Distressed M&A

Canadian businesses operate in a complex, competitive, quickly-changing environment. When a company moves into a state of uncertainty, transition or distress due to financial pressures, a pending sale or succession, BDO's professionals can provide transaction services to address the challenges. Blending extensive corporate finance and turnaround expertise, our team has an impressive track record of successfully navigating the complex processes of buying, selling or restructuring financially troubled companies to achieve maximum value.

BDO applies a thorough, multi-faceted approach to achieve a timely and successful outcome for sellers, buyers, lenders or investors. Our team can help to:

- assess the company's financial situation and performance as well as current market conditions,
- explore options to resolve financial challenges,
- present stakeholders with alternatives and their potential risks and returns,
- develop a creative plan to maximize value, and
- advise management on the procedures required to achieve goals.

The members of BDO's Transaction Advisory Services team understand the often conflicting interests of stakeholders involved with distressed companies. As experienced professionals, we provide objective advice and guidance on the course of action that will help you achieve the best possible results. Our services for troubled companies encompass divestitures, acquisitions, re-capitalizations, restructurings and asset transactions.

Mergers, Acquisitions & Divestitures

When a company is unable to pay debts as they come due and financial constraints to operations threaten the viability of the business, a merger or sale of all or a portion of the enterprise may be the best option to preserve going-concern value. Typical candidates...

- ... have significant liquidity constraints
- ... have limited access to capital
- ... demonstrate poor operating performance
- ... are in breach of a loan covenant
- ... are in default on debt instrument payments
- ... are experiencing increasing demands from creditors, such as COD payments
- ... have secured creditors that are restricting capital or seeking a reduction in line limits.

Representing sellers and buyers of distressed companies facing such challenges, BDO structures transactions that achieve our clients' goals – within pressured timeframes. Our professionals present the alternatives, weigh the potential benefits and drawbacks of each course of action, assist management in making an informed decision, and help to execute all aspects of a transaction.

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Conveyance of Assets

One company's loss can sometimes be another's gain, especially when it comes to purchasing a troubled business or its assets. A purchaser may gain, at a significant discount to replacement value, access to valuable assets, an experienced management team, brands, patents, product lines, markets, manufacturing capacity, equipment or a developed infrastructure.

Distressed assets may be acquired in a variety of ways, each with certain rewards and risks for buyers, sellers and creditors. Thus to capitalize on an opportunity, it's vital to understand both the advantages and the disadvantages of these types of transactions.

BDO's professionals are qualified and experienced in guiding purchasers through the liabilities and opportunities of the acquisition process. When the assets of an insolvent company are sold, they are conveyed through a formal process such as a private or court-appointed receivership, foreclosure, bankruptcy, or a proposal under the Bankruptcy and Insolvency Act or the Companies' Creditors Arrangement Act. As one of the largest filers of insolvency engagements in Canada, BDO helps clients successfully work through the details of these processes.

Re-capitalization

For certain distressed companies whose core business is sound, it may be possible to refinance operations and turn around the fortunes of the enterprise. For many owners, this is preferable to selling a business in which they have already invested substantial time, energy and funds.

Lenders to distressed companies tend to impose more onerous covenants, penalties and default provisions and take action more quickly than traditional lenders to recover their investments. Thus, for an owner seeking additional sources of debt or equity capital to recapitalize operations, it is important to identify the right lender and establish the right arrangement to meet goals.

BDO's professionals have the experience and the lender relationships to help owners of distressed companies build financial models that are achievable and that minimize the risk of default. BDO assesses each company's situation, evaluates lender and financing options and determines lenders' expectations in order to establish an arrangement that meets the current and evolving needs of financially challenged businesses.

Corporate Restructuring

A corporate financial crisis can erupt as a result of many causes: industry decline, loss of a critical customer; emergence of a strong competitor, litigation, labour dispute, supplier problem, the loss of a primary lender and many other foreseen or unforeseen events.

Depending upon the specific circumstances, it may be possible to restructure an enterprise in financial distress in order to stabilize its health and enhance its value.

Restructuring may involve changing contractual arrangements among lenders, creditors, shareholders, employees, or other stakeholders. The BDO team has a long history of successfully reorganizing companies through both informal and formal restructurings. From simple re-negotiation of debts to proposals under the Bankruptcy and Insolvency Act and the Companies' Creditors Arrangement Act, BDO's professionals have revitalized a diverse range of businesses.



About BDO

BDO is the 5th largest accounting and advisory network worldwide with 22,000 professionals in 105 countries. Through our international network we are also affiliated with Trenwith Securities LLC (www.trenwith.com), a full-service New York-based investment bank serving the mid-market.

BDO provides a full range of traditional corporate finance and restructuring services including:

- Mergers and acquisitions
- Divestitures
- Leveraged Recapitalization
- Private capital
- Valuations
- Strategic consulting
- Succession planning
- Distressed M&A
- Restructurings

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