



CASE STUDY:

ABC Fuse Manufacturer

Background

ABC Fuses* manufactures fuses, deemed much more reliable than circuit breakers, for users including commercial and government office buildings and naval ships. For years, the operation had been very profitable.

The Problem

Because of difficult economic times, loss of a key employee, and slow collections of receivables, ABC Fuses was in arrears on its line of credit. When its lending bank called its line of credit, ABC needed to come up with almost \$1,000,000 to satisfy the bank, at the threat of losing everything.

Operating without expert advice, the owner, Joe*, overextended himself with credit cards. In addition, his home mortgage carried a high interest rate. And, he had not been able to implement a retirement plan for employees.

The Rescue

Bob Greenfest, SantosPostal Principal and Asset Management Division Leader, performed a detailed financial analysis, became familiar with ABC Fuses' business, and then prioritized objectives for the operation:

1. Greenfest negotiated a forbearance agreement with the bank in order to have time to prepare a Loan Information Package and present ABC Fuses in a comprehensive and articulate manner to other lenders. The package made sense to an alternative lender, and the company was able to obtain financing to pay off the original lender.
2. Greenfest performed a diligent collection of ABC's receivables and paid outstanding vendor invoices. He also negotiated with Joe's credit card companies and obtained some discounts; but for the most part all creditors were paid in full, although on a longer timeline than the initial terms.
3. Joe promoted a long-time employee in order to re-gain business that had been lost and drive up sales. ABC re-trained their customer service reps to provide better service to customers. Cash flow began to move in a positive direction!
4. Greenfest renegotiated the loan on the client's office/warehouse with a new lender at a lower rate.
5. Over time, Joe's home mortgage was refinanced from a C credit to B to A – each step of the way reducing the interest rate and monthly payments.
6. An employee retirement plan was put into place, fully-funded by ABC.

Current Market Position

Joe decided to retire and was able to sell ABC Fuses for a very healthy multiple of earnings (EBITDA.) ABC Fuses is still in business as a profitable enterprise. ❖

* Names are fictional to protect the identities.

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CASE STUDY:

XYZ Hardware Supply Company

Background

XYZ Hardware* is a 70-year old, father-son, family-owned supplier of plumbing, electric, hardware, and other supplies (items that you might find in a Home Depot or Lowes store). They supply hotels, apartment buildings, office buildings, and retail stores. Property managers or building owners ordered by phone from the company catalog, and the item was delivered. XYZ Hardware operated from a commercial facility that it owned (along with the bank, of course).

The Problem

XYZ Hardware's business model was becoming extinct. It was less expensive for the customer to drive to a big box store and buy the item at retail prices because mega stores buy in such large volume that their retail price was often less than XYZ Hardware's wholesale price.

XYZ Hardware owed money to the bank for its building, on which XYZ had no equity. XYZ Hardware also owed money on its line of credit and to relatives who had a financial stake in the business even though they had retired and were no longer contributing to XYZ.

The Rescue

After performing an in-depth financial and operational analysis, Bob Greenfest determined that XYZ Hardware was no longer sustainable. He proceeded to work with the owners to liquidate their company with the least amount of personal liability.

To mitigate the personal obligations of the owners, Greenfest negotiated a deed in lieu of foreclosure in order to gain time to collect receivables and repay the bank in full. The family-related obligations were settled for \$2,500. Greenfest advised his client to take his 401(K), roll it into an IRA, and take early distributions under 72(t) which would eliminate the 10% early withdrawal penalty normally due for withdrawals taken prior to age 59 1/2.

Current Market Position

Greenfest helped XYZ Hardware wrap up its financial obligations and close its doors. More importantly, the owners avoided filing for corporate and personal bankruptcy. The father is currently employed as a salesman, and his son, having learned directly from his experience, joined a bank in its training program and has subsequently achieved success. ❖

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CASE STUDY:

Quick Service Restaurant (“QSR”) Holding Company

Background

While employed at a publically-traded Real Estate Investment Trust (REIT), Bob Greenfest managed its venture capital subsidiary, which included an entity that operated QSRs and casual dining restaurants in food courts located in shopping malls.

The Problem

QSR Holding Company operated more than 70 restaurants in 15 venues and was losing money.

The Rescue

After performing a comprehensive financial analysis to determine and understand the company’s operating margins, Greenfest discovered certain line items on their income statement and balance sheet were not within the industry average.

Greenfest conducted interviews with members of corporate management and staff at all locations. He learned that the losses were, in part, due to an infrastructure in which expenses were driving revenue, and, that traffic at the mall locations was declining. Based on his findings, he implemented:

- Expanding into airport locations. As traffic declined at malls, it was increasing at some airports, and those airports were striving to attract good operators and concepts to their locations.
- Analyzing price structure of same-store sales per transaction and analyzing same-store transactions, Greenfest found that a 10% price increase across the board would not hinder transactions.
- Training the staff to up sell. Greenfest hired a food service sales guru to teach managers about service, pre-shift team meetings, motivation, presentation, and how to develop good sales skills.
- Providing managers with financial incentives to implement ideas and succeed.

As a result, the company won airport contracts, staff started to up sell, managers took a more active role, and earnings (EBITDA) turned positive.

Current Market Position

This successful business was sold to a strategic buyer at the industry average multiple of earnings (EBITDA.) ❖

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ABOUT ROBERT GREENFEST

Bob is an accomplished advisor with expertise in real estate and corporate finance, turn around management, operations, investment banking, financial planning, and wealth management. He has revitalized troubled real estate projects and corporations, and he has coordinated more than \$500 million in corporate financing. Bob focuses on assisting businesses and consumers with renegotiating, restructuring and working out of financial problems, including commercial and consumer loans, retail leases, residential mortgage loans and renegotiating residential real estate taxes. Bob received his B.B.A. in Finance and M.B.A. in Finance and Investments from The George Washington University. He is also a licensed Registered Representative, maintaining his Series 7 and Series 63 Securities Licenses.