



## Valuation and Appraisal Services

### Restructuring of Debt Covenants and Subsequent Refinancing

#### The Issue

A North American-based chemical and polymers company faced difficulty in meeting its debt covenants during a cyclical and economic downturn. The lenders feared for their loan quality and debt service reliability. The complexities and lack of transparency of the borrower's operations, and the changes in the chemical industry, made it difficult for the lenders to reach conclusions among themselves and also to agree with the borrower on the best course of action.

#### The Service

Nexant was engaged by the legal advisor to the lenders to review the overall quality of the borrower's operations, develop a bottom-up cash flow model and valuation, and act as their industry-expert advisor. A detailed historical and forecast operating cash flow model was prepared. Based on our existing forecast for the industry and its key segments, a forecast of the future operating cash flows was prepared and the fair market value and orderly liquidation values of the company was appraised. Nexant also advised the creditor group on a regular basis regarding the industry outlook and company-specific operating events.

#### The Outcome

The lenders and borrower reached a mutually acceptable restructuring of debt covenants and service. The borrower was able to continue operations at a high level, and subsequently enjoyed an upturn in its business and was able to refinance debt at attractive terms and interest rates

#### Report Overview

Key Issues addressed in the Study:

- **Project Type**  
Valuation and Lenders' Advisory
- **Client**  
Law firm advising lenders
- **Duration**  
Over a one year period
- **Scope**  
Operations Assessment  
Collateral analysis  
Review of planned capital expenditures  
Assist with covenant restructuring  
Industry commercial dynamics  
Ongoing "event" advisory role for benefit of lenders  
Industry profitability trends

Contact:  
Jeffrey S. Plotkin  
Vice President, Chemicals  
Nexant, Inc.  
44 South Broadway  
White Plains, N.Y. 10601  
Tel: +1 914 609 0300  
Fax: +1 914 609 0399  
Email: [jplotkin@nexant.com](mailto:jplotkin@nexant.com)  
Web: [www.nexant.com](http://www.nexant.com)