

Smith Anderson 2012 Finance Transaction Case Studies

1. \$300 Million Dividend Recapitalization with Market Speed

a. *The Situation:*

A long-time corporate client was exceeding its performance expectations and desired to pay a special dividend to shareholders.

b. *The Problem:*

The client's existing credit agreement prohibited further dividends at that time. The client could potentially structure around this issue, but doing so would require taking advantage of potentially fleeting favorable conditions in the credit markets and the company would have to move at unprecedented speed.

c. *The Solution:*

Within a period of weeks, Smith Anderson assisted the client and its shareholders in negotiating, documenting and placing \$300 million of holding company term loans at favorable terms, including a "pik toggle" feature that rarely had been seen in the loan markets in recent years, and that allowed the client to service the new debt within the limits of its existing credit agreement. In light of the speed at which the transaction was completed, the Gold Sheets finance publication referred to it as a "drive by" financing, and the lead bank commented that it was one of the fastest dividend recapitalizations they had ever seen.

2. Going Private

a. *The Situation:*

A local public information technology company was in the process of being taken private by a large private equity firm, and the transaction required the placement of significant company bank debt and bonds based on the assets and cash flow of the company.

b. *The Problem:*

Not surprisingly, company management had not been through the process of taking a public company private, and they needed counsel experienced in all aspects of that process, including the placement of the associated debt. Counsel to the private equity firm could negotiate generic debt documents with generally favorable terms, but would not be in a position to learn and reflect the company's strategic and operational concerns, or to coordinate the company's response to the debt process with the associated board action, tender offer and other aspects

of going private. The debt required for the transaction was significant and would require a complex financing coordinating simultaneous access to the credit markets for both loans and bonds.

c. ***The Solution:***

Smith Anderson was able to quickly come up-to-speed on the company's business and strategic plans, and because we are experienced in large going private transactions, we were able to orchestrate the company's process, legal and negotiation responses for the multi-step process, including securities issues, coordination of the actions of the old and new boards of directors, and the procurement of needed debt financing. In close communication with company management we assisted the company in its placement of over \$500 million of loans and \$250 million of senior notes, insuring in the process that the covenants and other terms of these financings were consistent with company plans and with each other. We were able to accomplish these outcomes in a time period, from our initial engagement to the closing of the going private transaction, of less than six weeks.

3. **Easy Access to Capital Markets for Major Interest Savings**

a. ***The Situation:***

A leading life sciences client that Smith Anderson had represented in a series of financing transactions for over a decade wished to explore opportunities to access the debt markets for interest rate reduction and other cost savings.

b. ***The Problem:***

The client recently accessed the debt markets, and did not want to undertake a transaction that would involve high levels of restructuring or the payment of significant fees. The client's relationship banks were willing to explore possibilities, but were also faced with massive deal flow in an active market, so the banks needed assurances that our client, with our help, could facilitate a prompt and efficient process to achieve the desired cost outcomes.

c. ***The Solution:***

Smith Anderson was able to draw on relationships with bankers and their counsel developed in over a decade of repeated transactions in order to execute the negotiation and closing process with maximum effectiveness and minimal slippage of effort or time. In less than three months, Smith Anderson twice assisted our client in accessing the capital markets, first to procure \$250 million in additional revolving credit commitments and term loans, and then to reprice an

existing tranche of \$1.975 billion in term loans. The latter transaction is projected to result in interest savings likely to exceed \$10 million annually for the company.

4. **Knowledge of the Market (and the Company) for Non-Repeat Participants**

a. ***The Situation:***

A large public company operator of a chain of convenience stores in the Southeast, for which Smith Anderson acts generally as outside general and securities counsel, needed to refinance over \$600 million of outstanding loans and commitments nearing maturity.

b. ***The Problem:***

The company had not accessed the capital markets for a period of five years (since it last refinanced with our help), and therefore, had no reason to be conversant with the latest in market information and with efficient execution. They wanted to work with counsel that knew their business and their financing needs, but who could also give them comfort that they were receiving appropriate business and legal terms in the financing transaction.

c. ***The Solution:***

Smith Anderson was involved from the beginning of the transaction process in assessing proposals and potential deal structure for the company. In that process, we were able to bring to bear the information and relationships that we had developed with the company over time. The client was able to refinance on favorable terms with confidence, and successfully closed a \$480 million Senior Secured Revolving and Term Loan Credit Facility and the offering of \$250 million of Senior Notes, along with an associated tender offer.

5. **Consistency of Representation**

a. ***The Situation:***

A large public utility needed to designate counsel for the representation of the company in large and recurring credit facilities and bond offerings.

b. ***The Problem:***

The general counsel of the company wanted counsel who could represent the company without the need for significant oversight, as well as provide the company with certainty in the amount of legal costs at reasonable rates.

c. ***The Solution:***

Smith Anderson partners have worked with the company and its internal counsel for years, including as designated counsel for fundamental financing transactions aggregating to billions of dollars in principal amount. In light of this experience and our existing relationships, we were able to offer a fixed fee for designated financings for the benefit of all parties. In early 2012, we implemented this arrangement to assist with the renewal of the company's existing \$478 million revolving credit facility.