

Case In Point

CHALLENGES

- Over 60 % of sales came from school vending programs, which were in a steady decline due to school campaign to reduce “unhealthy” snacks and drinks available to students. Plus, summer vacation and holiday recesses created uneven cash flows.
- Promises made to schools to catch-up delinquent vending commissions were not being kept.
- Unsecured creditors, which were the schools, were also the company’s main customers and the customer list became public through the normal bankruptcy notification process which provided a target list for competitors.
- Minor DIP equipment lender charged exorbitant rents and wouldn’t exit with a reasonable payoff.
- A large geographic customer base coupled with rising fuel prices affected product delivery and machine servicing costs as well as product costs leading to reduced gross margins.
- Style and age of vending machine equipment created stocking limitations that made it difficult to raise prices.
- Company had very weak personnel, security and administrative procedures in place to minimize losses from theft.
- Unsecured (secondary bank) creditor attempted to obstruct plan approval.

SOLUTIONS

- Aurora recommended and oversaw cost reductions, management re-deployment, downsizing and asset sales.
- Created weekly cash flow projections and negotiated the banks’ forbearance.
- Identified new business opportunities and located and negotiated source of funds to pursue new sales.
- Prepared projections to show court and major creditor groups company viability.
- Secured mezzanine working capital and capital for new equipment to support the marketing of new product lines and conversion of existing equipment to produce more revenue per machine.
- Negotiated settlements with large adversarial creditors using DIP capital from mezzanine lender.
- Designed Plan, coordinated with legal to prepare Disclosure Statement and submitted Plan for confirmation.
- Implemented major changes to the company’s financial personnel and processes.
- Sold excess and under-utilized assets and compromised obligations to simplify “party” structure and provide cash.

RESULTS

- The re-organized management team had a clear strategy and business focus.
- The new sales territory footprint made the route system more manageable and much more cost-efficient.
- Emerged from bankruptcy with a workable plan for survival with continuing support of secured lender and a new mezzanine lender. Plan confirmed in approximately 18 months.
- Owners maintained control of re-organized company.



INDUSTRY

- Food & Drink Vending

SERVICES

- Interim Management, Restructuring
Bankruptcy



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