



Asset-Based Lending

Chapman and Cutler's Asset-Based Lending Group represents a wide variety of banks and commercial finance companies in asset-based finance transactions.

Chapman practice professionals enjoy a long-standing reputation for successfully negotiating numerous asset-based finance transactions.

In the not-too-distant past, asset-based finance transactions were relatively small in size and driven principally by working capital assets (e.g., accounts receivable and inventory) and were reserved for transactions not considered "bankable."

Times have changed, and so has the practice of asset-based finance. These days, commercial banks compete with commercial finance companies to extend credit on an asset-based basis and asset-based lenders also compete to make acquisition loans, capital expenditure and equipment loans, and real estate loans.

Contemporary asset-based finance transactions have grown in size and complexity, including the use of syndicated secured credit facilities, multi-currency borrowings and cross-border collateralization. Our practice group has grown accordingly, applying our collective experience in all aspects of today's asset-based finance transactions. Included in the mix are syndicated lending issues in the context of an asset-based/dominion of funds transaction, personal property and real estate collateral security matters, regulatory matters and cash management arrangements (which are at the heart of asset-based finance transactions).

Representative Transactions

- Represented the lender in connection with a \$17.5 million asset-based revolving credit facility to a plumbing supply company, which included negotiating agreements with freight forwarders.
- Represented the lender in connection with an \$18 million asset-based revolving credit facility to a pet products manufacturer with a

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complicated capital structure, which required taking pledges of stock from U.S., Canadian, and Barbadian entities.

- Represented the administrative agent and lead lender in a \$45 million secured asset-based revolving credit facility to finance the ongoing working capital needs of an affiliated group of moving and storage companies.
- Represented the administrative agent in a \$90 million asset-based revolving loan facility to a Canadian-based outdoor products manufacturer secured by receivables, inventory, and real estate. The transaction involved negotiating an intercreditor agreement with an insurance company lender.
- Represented the co-collateral agent in a \$60 million asset-based revolving credit and a \$15 million secured term loan facility to a manufacturer of packaging for the beauty industry. This transaction involved negotiating a subordination agreement with the equity sponsor-affiliated holder of a \$10 million unsecured acquisition loan facility.
- Represented the lender in a \$24 million, five-year secured acquisition credit facility that included an asset-based revolving credit facility, term A loan and term B loan, to finance the purchase and ongoing working capital needs of an East Coast metal products fabricator. This transaction involved negotiating an intercreditor agreement with the mezzanine lenders in addition to a subordination agreement with the sellers.
- As counsel to a lender in a \$25 million, multi-year secured revolving credit facility and term loan (with a portion of the term loan extended to the borrower in Euros) to refinance existing indebtedness, we helped our client provide financing for the borrower's purchase of a European business operation. The transaction also provided ongoing working capital financing to a Colorado-based provider of outsourced services in the commercial airline industry. This complex transaction involved negotiating an intercreditor agreement with the mezzanine lender involving the subordination of its claims, as well as its junior liens on the assets of the borrower.
- Assisted a lender-client in negotiating a \$19 million, three-year secured revolving credit facility and term loan extended to refinance existing indebtedness and provide ongoing working capital financing to a group of affiliated companies in the freight-forwarding industry.
- Represented the administrative agent and lead lender in a U.S. \$36 million, three-year secured revolving credit facility and term loan and a

Related Practices

Corporate Finance and Securities

Cdn \$10 million, three-year secured revolving credit facility to refinance existing indebtedness and provide ongoing working capital financing to a U.S. manufacturer and its Canadian subsidiary.

- Represented the administrative agent in a \$40 million asset-based revolving loan facility to a manufacturer of chemicals, oils and lubricants. The transaction involved a bifurcated collateral structure with the ABL facility holding a first-priority lien on current assets and a second-priority lien on fixed assets. The indenture trustee for a \$350 million senior secured note facility held a first-priority lien on the fixed assets and a second-priority lien on the current assets. The transaction involved negotiating the intercreditor arrangements between the asset-based revolving loan facility and the note indenture facility.
- Represented the administrative agent in a \$45 million asset-based revolving loan facility to a bicycle retailer. The capital structure included a \$35.2 million second lien term loan facility and a \$15 million unsecured mezzanine term loan facility. This transaction involved negotiating an intercreditor agreement with the second lien lenders and a subordination agreement with the mezzanine lenders. The firm also represented the administrative agent in connection with an equity "tag" investment in the borrower.
- Represented a bank in connection with a \$10 million asset-based revolving credit facility to a specialty meat packer secured by the current assets of the borrower. The transaction involved negotiating an intercreditor agreement with the equipment and real estate lender to the borrower, which had a \$7 million senior loan and a \$3 million subordinated loan secured by the equipment, real estate and certain intellectual property of one of the borrower's subsidiaries.
- Represent on an ongoing basis a bank in connection with numerous participating lender loans in large-cap, syndicated ABL credit facilities.
- Represented banks and finance companies on a variety of secured, revolving asset-based loans to equipment finance companies, factoring companies, commercial finance companies, and special purpose finance subsidiaries of manufacturing companies. Loans typically range in size from \$50-100 million. These transactions typically involve eligibility criteria and concentration limits for pledged collateral, lockbox arrangements, backup servicing arrangements and intercreditor agreements.