

QUICK FACTS ABOUT LEGALIST'S DIP FINANCING SERVICE

- Legalist is a bankruptcy investment firm in San Francisco that focuses on providing Debtor-in-Possession (DIP) financing.
- DIP financing is used by companies to pay for the costs of chapter 11, including:
 - legal fees;
 - other professional fees;
 - adequate protection payments to prepetition creditors;
 - appraisals;
 - operating costs;
 - other bankruptcy administrative expenses.
- Companies that use DIP financing from Legalist are afforded the opportunity to avoid liquidation and:
 - pay off pre-petition creditors;
 - maximize sale and reorganization value of assets;
 - keep their companies operational.
- Legalist specializes in DIP financing for smaller and middle-market debtors, with typical loans in the \$1 million to \$10 million range.
- Legalist's team of bankruptcy attorneys and analysts have a collective 65 years of experience in bankruptcy and can move quickly.

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CASE STUDY: KLAUSNER LUMBER TWO, LLC ("KL2")

- KL2 owned an industrial-scale sawmill in central North Carolina that was forced to enter bankruptcy under chapter 11 before becoming operational. At the time of filing, KL2 held assets appraised at less than **\$10 million** on a liquidation basis and over **\$175 million** in liabilities.
- At the time of filing, KL2 had cash on hand of less than **\$250,000** and was mired in litigation with its prepetition creditors.
- KL2 lacked the funds to pay lawyers, bankers, and other advisers to run a sale process or solicit investments in the company, making a firesale liquidation under chapter 7 all but inevitable.
- **Legalist** issued a term sheet to the debtor and in a matter of weeks, provided a Debtor-in-Possession (**DIP**) loan to KL2 for a total of **\$5.5 million**.
- Receiving DIP financing to allow KL2 to have a "**war chest**" to pay for legal and professional fees, to reach a global settlement with its prepetition creditors, including a Chief Restructuring Officer to run a professional, value-maximizing sale process.
- Less than two months later, KL2 sold for more than **\$90 million** in cash and other consideration -- versus the earlier liquidation appraisal of less than **\$10 million**. The purchaser intends to complete development of the KL2 sawmill, creating hundreds of jobs in the local community.
- The KL2 story is a case study in how **Legalist** DIP loans can allow debtors to resolve disputes with prepetition creditors, to pay for professional fees in the bankruptcy process, and to maximize recoveries for all involved.