



Small Company

Transaction of the Year

HEI, Inc.

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Alliance Management ("Alliance") was appointed financial consultant and investment banker of HEI, Inc. ("HEI" or "the Company") in the summer of 2014. After a thorough analysis, and in order to maximize recoveries for all stakeholders, it was determined that the Company should seek protection under Chapter 11 and conduct an expedited sale process. With the assistance of the Company's legal counsel, Fredrikson & Byron ("Fredrikson"), the Company's bankruptcy petition was filed on January 4, 2015. During the pendency of the bankruptcy, Alliance provided financial consulting services to the Company and managed an investment banking process.

Leading up to the bankruptcy filing, HEI's customer base began to erode as customers sought other providers to manufacture their products. Accordingly, running an efficient and effective sale process was critical to preserving HEI's value.

As the sale effort commenced, Alliance worked with the customer base to continue operations in all three of the Company's locations. The Company operated in the medical, defense, and aerospace industries and continued production was imperative for customers whose products could be lifesaving. Notably, 100 percent of the post-bankruptcy production was funded by HEI's customers and totaled approximately \$2.8 million. In addition to funding the operations, Alliance and HEI negotiated over \$1 million in additional premiums that had to be paid by the customers in order to release product. These premium payments will help fund the final payout to unsecured creditors.

Continued production helped preserve jobs for eight individuals in Boulder, Colorado, and four individuals in Victoria, Minnesota, for an additional six months, allowing those employees time to transition into new employment. By completing a going concern sale for the Company's operations in Tempe, Arizona, approximately 39 additional jobs were preserved.

In total, the estate was able to generate approximately \$13.3 million for the payment of administrative expenses and creditor claims through the sale of assets, continued operations, collection of receivables, and the collection of operating expenses funded by customers. Specific noteworthy achievements in this area included the following:

- The auction sale of the HEI assets resulted in cash and other consideration totaling \$4,435,000. This was \$1,630,000 or 58 percent over the stalking horse bid, and was achieved while dealing with time constraints and continued production onsite.
- HEI retained \$3.4 million of accounts receivables and with Alliance's assistance, was able to collect nearly 99 percent of the total balances owed at the time of filing.
- The sale of excess inventory netted \$250,000, of which more than \$100,000 was considered a premium.
- The sale of the HEI facility in Victoria resulted in proceeds of \$1,260,000.

The efforts of the Alliance team, together with HEI's senior staff and Fredrikson, resulted in full repayment of HEI's senior secured obligations less than two months after the Chapter 11 case was filed.

It is projected that the general unsecured creditors could receive distributions between 36 percent and 63 percent on their claims.