Small Company Turnaround

Turnaround of the Year

Phoenix Manufacturing Partners; Joined Alloys; and Di-Matrix Precision Manufacturing

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Phoenix Manufacturing Partners and Joined Alloys were respected small businesses in central Phoenix's manufacturing community prior to their financial downturn. In 2011, Joined Alloys, manufacturer of machining components used in the aerospace industry, and Di-Matrix Precision Manufacturing, manufacturer of fabricated sheet metal, merged into Phoenix Manufacturing Partners to better serve the military, aerospace, medical, energy, electronic, automotive and general commercial industries.

Disputes between the two merged companies' respective owners and management resulted in overextended debt levels, mismanagement and loss of business revenues. This state of affairs was compounded by the federal government shutdown and sequestration in 2012, a long-term, multi-million-dollar lease for a needlessly large new warehouse facility, and the acquisition of a supply company designed to reduce costs through volume purchasing but was unsuccessful.

Gross revenues declined from $23 million in 2012 to $14 million in 2013. From 2014 through mid-2016 the companies had uneven performances, but Joined Alloys' operations kept the merged company in a bare-bones survival mode. Various options were considered to avoid bankruptcy including new capital infusion via an investment banker and a merger with a national manufacturer. By May 2016, the companies could no longer operate and filed for chapter 11 protection.

The turnaround was accomplished by implementing a restructured management and ownership team, a meticulously renegotiated credit facility, a revised and more favorable long-term contract with Honeywell, compromises and negotiated settlement with the Creditors Committee which yielded a 19 percent recovery for unsecured creditors, workouts and agreements with equipment financing companies and hard money lenders, and a resolution of a significant dispute with a major member interest holder of Phoenix Manufacturing Partners.

This successful Chapter 11 case resulted in a consolidated reorganized debtor, Leading Edge Manufacturing, LLC. The consolidation eliminated the burden and expense of running three separate companies—streamlining operations and saving significant overhead and human resources. Leading Edge now has a unified and goal-oriented board with competent management and strict financial structures in place. Most importantly, 92 employees retained their full-time employment.

Since emerging from bankruptcy on December 1, 2017, Leading Edge has seen stabilized business operations and a return to quarterly improvements. The successful turnaround and restructuring of the business into a consolidated, lean and effectively managed company has had a positive impact on the business community.