Small Company

Turnaround of the Year

Bost Distributing Co.

Charles Alley, Anderson Bauman Tourtellot Vos
Cindy Strickland, formerly of Bost Distributing Co.
Josh Hall, Florin Ventures, LLC
Kelley McLaren, formerly of Trigild Inc
Pat Landry, NextGen CFO
Luis M. Lluberas, Moore & Van Allen PLLC

Bost Distributing Co. (BDC) was founded 20 years ago in rural North Carolina, 40 miles outside Raleigh. BDC was a small regional food processor that produced a wide, disjointed, array of products, with a risky concentration of sales to a small number of customers. The business was operated from three locations, with 59 employees producing canned goods, fresh packed salads, and BBQ. BDC revenues had fallen more than 40% from its 2010 peak, to $6.5 million in 2013 and an EBITDA loss of more than $200,000. At the onset of the turnaround, BDC had a mountain of aging payables, weary vendors, exhausted employees, a strained customer reputation and had not serviced any secured debt in over a year. In March 2014, after two years of unsuccessful negotiations between the secured creditors and the owner regarding repayment of BDC's secured obligations, a state court entered a consensual order establishing a receivership over BDC.

In April 2014, Kelley McLaren took over as interim CEO and took up office onsite, and Josh Hall assumed the role of interim CFO, working remotely, though visiting the plants often. All of the business assets (personal property, FF&E, intellectual property) were owned by BDC, but two of the three commercial real estate properties that housed BDC's operations were owned by the sole shareholder. In an attempt to thwart a sale of BDC's assets through the state court receivership and a foreclosure of the commercial real property, and to retain control of the company's operations, both BDC and its sole shareholder filed for chapter 11 bankruptcy relief. BDC's sole shareholder was the first to file for bankruptcy protection, followed by BDC approximately two months later.

BDC's bankruptcy filing resulted in a contested hearing on a motion by BDC's secured creditor to excuse the receiver from turnover of BDC's property pursuant to section 543 of the bankruptcy code. The bankruptcy court never ruled on the motion as the principal stakeholders agreed to the entry of a consensual order that excused the receiver from turning over BDC's property to BDC and authorized the receiver to remain in control of BDC's business operations. Although the parties had consented to the receiver's continued control over BDC, BDC's sole shareholder continued to impede BDC's progress to a consensual bankruptcy plan. Eventually, the sole shareholder's intransigence resulted in the appointment of a trustee in his personal chapter 11 bankruptcy case, thereby giving the trustee control over BDC. The trustee thereafter promptly moved to convert the personal chapter 11 to a chapter 7, and agreed to sell substantially all of BDC's assets under section 363 of the bankruptcy code to the secured creditors' designee.

BDC's bankruptcy case was ultimately concluded through a consensual structured dismissal, which was a new precedent in the Eastern District of North Carolina. While juggling complex legal issues, the interim executive team steadily breathed new life into the BDC enterprise. Among its many accomplishments prior to the consummation of the 363 sale and consensual structured dismissal, the interim executive team helped BDC realize: 21% increase in revenue through expansion of existing customer volume and rekindling of old customer relationships; and 11% expense reduction through increased production process efficiencies and cessation of excess spending. The rekindling of the BDC enterprise's economic viability was most evident in a 271% increase in EBITDA during the interim executive team's 12 months of turnaround operations. Of utmost significance is that this turnaround preserved the jobs of approximately 50 hard-working employees in Sanford, North Carolina, who continue to thrive with BDC's successor.