

CASE STUDY: TRANSPORTATION INDUSTRY

How Hilco is Systematically Assembling a High-Performance Asset Leasing Portfolio One Strategic, Distressed Acquisition at a Time

Based on Hilco's successful acquisition of substantially all of the assets of the transportation and truck leasing company, 19th Capital, in early 2020 and our ongoing, active involvement in valuation and other work across the trucking industry, we were familiar with evolving developments at Sutton Leasing over the past year.

Sutton was a family-owned business, built as a collection of leasing companies acquired over time. Run by its owner, C.J. Sutton, and his daughter, Amy Sutton Blair, the company had operated quite successfully for many years until becoming involved in a leasing venture with business partners. That venture had a negative impact on Sutton's business operations and ultimately led to challenges with the Sutton's lenders.

In early 2021, Huron Consulting and Huron Transaction Advisory were engaged by Sutton's creditors, who had assumed control of the business to explore options for the company's sale to a going concern buyer. Based on a strong pre-existing relationship and knowledge of our thriving H19 Capital truck leasing business, the Huron team reached out to Hilco regarding developments at Sutton. At that time, Hilco took the proactive step of performing its own high-level diligence on the company and provided a letter of interest based on the findings.

Although Sutton's creditors actively negotiated with another highly qualified potential buyer for some time, that deal never materialized and Hilco was once again contacted based on our continued, expressed interest in the purchase. At that point, Hilco's consulting practice, Hilco Performance Solutions, managed an accelerated diligence process, including modeling for the acquisition. Our Valuation Services practice handled the painstaking process of providing a valuation for the more than 7,000 vehicles the company had out on lease as well as those located at its facilities. Our Receivables practice simultaneously engaged in the process of appraising the lease portfolio and the strength of collecting on those assets.

Working within tight time constraints and the restrictions of COVID-19, and utilizing resources from H19 Capital, the Hilco team expedited travel to each of the company's three operations sites, engaged closely with local leadership and employees on the ground, and

inspected every vehicle title housed at those locations to ensure everything was in order. Looking closely at the company's operational practices, including a focus on finance and IT, we were able to determine that Sutton could 1) be quite effectively managed as a going concern and 2) share certain resources and toolkits already in place within our H19 Capital truck leasing business. A number of other considerations also played into Hilco's active pursuit of the deal. Among these were the relatively low-risk structure of the widely disbursed, open-ended leases issued by Sutton as well as the company's thorough credit check process which yielded a proven, positive payment history by the vast majority of its lessees.

Ultimately, Hilco's final firm offer to purchase and run the business as a going concern was selected based on numerous factors including our ability to quickly fund the deal by deploying both our own capital and securing additional financing via our strong, longstanding relationship with Wells Fargo.

"It was a pleasure to work with the innovative Hilco Global management team for this important financing. We were able to structure a flexible financing solution and execute a seamless, quick process to close within 15 days to meet the customers' demands. It was a great collaboration between all parties."



Lindsay Gray, Managing Director
Wells Fargo Capital Finance

In keeping with the Sutton family's wishes, our acquisition strategy also ensured continued employment for almost all of Sutton's employees and retention of key management in defined advisory roles. From formal diligence through financing and close, including execution of all purchase and employment agreements, the total elapsed time of the deal, which closed on May 7, 2021, was a mere 15 days.

Since the close, the new company - H19 Sutton Leasing - has been folded into Hilco's H19 group of companies, which includes the Indianapolis-based H19

Capital. As intended, this step along with the ongoing consolidation of the three component businesses of the original Sutton Leasing business is already leading to added operational efficiencies and cost reduction as we continue to collect on the portfolio. Under the direction of the new executive team including Steven Tanzi, President of Hilco Performance Solutions - who serves as Chief Executive Officer; David Dye, Managing Director of Hilco Performance Solutions - who serves as Chief Financial Officer; Bryan Courcier Senior Vice President Hilco Valuation Services - who serves as Chief Operating

Officer; and Buddy Beaman Executive Vice President at Hilco Receivables - who serves as Chief Commercial Officer, H19 Sutton Leasing remains one of the top ten fleet management companies in the United States and an integral part of our growing portfolio of businesses with an asset leasing component.

DEAL DETAILS

Deal Type

Acquisition of Assets
Leveraging Debt and Equity

Industry

Transportation and
Truck Leasing

Funding

Hilco and Partners Capital
Deployment/Bank Financing
via Wells Fargo

Overview

Acquisition, Restructuring,
Strategic Performance
Analysis/Improvement and
Hands-On Management
of a New Opco Within
Expanding Asset Leasing
Portfolio- Leveraging the
Hilco Global Platform

What We Did

Hilco Global was able to apply its combined expertise in asset valuation, lease receivables, corporate restructuring and operations to create a timely and practical monetization solution for the ownership and creditors of Sutton Leasing.

AMOUNT
\$80-100mm

DILIGENCE TO
CONCLUSION/SALE

15 Days
Under lingering
constraints of COVID-19

Related Services

Equipment & Inventory Sales
Retail Account Receivables
Business Analysis, Consulting
Diligence, Restructuring Plan
Asset Valuation
Capital Deployment

Hilco Task Force

Hilco Commercial Industrial
Hilco Receivables
Hilco Performance Solutions
Hilco Valuation Services

MEET OUR TEAM

Hilco Global is comprised of leaders with extensive experience redeveloping some of the nation's most complex and challenging businesses.



Tom Greco

Chief Executive Officer
Hilco Valuation Services and
Hilco Commercial Industrial
tgreco@hilcoglobal.com
847.849.2961



Brent Bonham

Executive Vice President
Hilco Commercial Industrial
bbonham@hilcoglobal.com
616.328.6890



Steven Tanzi

President
Hilco Performance Solutions
stanz@hilcoglobal.com
847.504.2468



Joel Schneider

Senior Vice President
Hilco Real Estate
jschneider@hilcoglobal.com
847.418.2723



Jay Stone

Chief Executive Officer
Hilco Receivables
jstone@hilcoglobal.com



Gabe Fried

Chief Executive Officer
Hilco Streambank
gfried@hilcoglobal.com

"This acquisition further illustrates the bench strength of the Hilco platform of companies and the power of our partner relationships. The integration of Sutton Leasing into the H19 group of companies demonstrates the viability of the asset leasing portfolio we are building via our expertise in identifying and transforming businesses which have fallen into distress yet possess the potential to thrive under the right optimization strategy and management oversight."



Steven Tanzi, President of Hilco Performance Solutions/
CEO H19 Sutton Leasing