

Client: Evergreen Engine Exchange Ltd.

Transaction: Acquisition and recapitalization

The Situation

For the past 20 years, from its headquarters in Spokane, Washington, Evergreen Engine Exchange Ltd., has carefully and quietly built a reputation as a national leader in the automotive engine remanufacturing industry.

With a combination of skilled engine technicians, pride of workmanship, fast turnaround, and a dedication to using only new parts in their reconditioned engines, Evergreen delivers a commitment to customer satisfaction and high levels of service.

In early 2000, however, the estimated \$2.5 billion U.S. engine-remanufacturing industry underwent upheaval. Fueled by a somewhat shrinking market, big engine remanufacturers began to acquire smaller ones, heightening competition for the remaining small companies.

Around that time, Spokane area business leader, Lou Reillo, bought into Evergreen Engines as a passive investor. By 2005, Lou recognized the need and took the appropriate steps to right size their production facility to readily respond to changing demand. At the same time, he saw untapped opportunity in the remanufactured engine market. To capitalize on this opportunity and strengthen Evergreen for the long-term, Lou actively took over day-to-day management of the company and turned to Aequitas Capital Management for advice.

The Transaction

Through its corporate advisory services, Aequitas evaluated the strengths and weaknesses of the company and mapped out a recommended course of action and long term financial plan for Evergreen. Two key components of the plan were recapitalization of a line of credit and an acquisition of a smaller competitor company in the Seattle market. To augment that strategy, Aequitas also advanced Evergreen additional junior capital from one of its proprietary funds to support the anticipated growth. The subordinated funds that Aequitas loaned Evergreen allowed it to purchase parts being sold at discounted prices by remanufacturers who were going out of business, complete the acquisition and position itself for future growth.

The Results

Not only did Aequitas help Evergreen gain more stable footing, they made it happen in a timely manner, while achieving a creative solution. Ultimately, Evergreen has gained strength as a vital business in the Spokane region, providing a reliable source of jobs and contributing to economic prosperity. Through the acquisition and recapitalization, Evergreen is now positioned to begin a third phase of the plan.

On the foundation of Aequitas' expert advice, Evergreen plans to implement growth strategies that will add depth to their product line and enhance their East Coast market distribution. Within the next three years, Evergreen expects to have the revenue strength it needs to be an attractive acquisition property for another larger company.