

\$8 Million Drilling Company

Lavallee & Associates was hired by the parent corporation of eight artesian well drilling companies to assist them in their corporate revitalization effort. Operations were in nine locations throughout New England, New York and Canada.

The company came to Lavallee & Associates with \$8 million in sales, accounts payable of \$2.1 million, and secured debt of \$3.4 million. Cash flow was negative, debt servicing was not possible, profitability was nonexistent and bank and vendor relations were strained.

Lavallee & Associates worked with the company for a year in an effort to revitalize the company. After analyzing each location, unprofitable locations were closed and workers and materials were reassigned to the profitable locations. Excess equipment was put up for sale. Expenses were reduced and non-essential positions were eliminated. The drilling season was analyzed and schedules were adjusted accordingly. Lavallee & Associates conducted an in-depth review of the cost associated with wells and adjusted prices when it was determined the company was losing money on most wells. The payment terms for the company's receivables were reviewed and modified. Deposits were required and payment in-full was needed prior to any well being sunk. Lavallee & Associates negotiated with vendors for more favorable payment terms and were able to convince the company's material suppliers to continue working with the company through its turnaround phase.

After careful analysis, it was determined the turnaround was going to take more than one drill season to accomplish. With this information, the owner decided to retire from the business. Lavallee & Associates continued to assist the company in running the business from a positive cash flow perspective and lowered the debt of the company to a level where the owner's personal guaranty was not called. After reviewing several different options, the client opted to negotiate with their secured lenders to close the company and auction all unsold equipment, material and buildings.