



Recent Transactions

Farber's Corporate Finance team recently completed three more deals, totalling more than \$3.6M

Telecom Hardware \$2,585,000 Working Capital & SRED Financing	Health and Wellness Clinic \$650,000 Start-up Term Loan and Working Capital	Lawyers \$400,000 Operating Line of Credit
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Health Management Services: \$650,000 Financing for a Start-up

Background

Obtaining bank financing for a new business is a common challenge for entrepreneurs. Approximately 29% of new businesses do not survive past the first two years ([Statistics Canada, Centre for Special Business Projects, December 2012](#)). For this reason, lenders are typically cautious in their approach when financing a start-up business. Our client is the owner of three high-end gyms in Toronto, offering customized personal training services to executives. In its latest venture, in addition to personal training, it aimed to horizontally integrate physical therapy, I.V. vitamin drips, massage, chiropractic treatments, and float tank therapy by building a new \$1.2 million facility. The client wanted to offer expanded services to capture additional revenues from existing customers that they were referring to other providers. These services included massage, chiropractor, and health management consulting.



Having secured all of the other necessary financings for the new 6,500 square foot health management services facility, the owners were seeking the remaining \$350K in through a Canadian Small Business Financing Loan (CSBFL) facility in order to complete their leasehold improvements.

Challenge

The project was already facing delays and it was critical that they hit certain target key dates. The engagement was time sensitive as construction was underway, and the contractor needed to be paid within a specified timeline. The client had approached a leading bank to extend them the \$350M facility. However, the information package provided by the client did not provide sufficient clarity on key business issues; the bank could not understand how the facility would be repaid, and ultimately declined their request. The high start-up costs for the clinic, which forced the client to take on significant debt from day one, was another challenge cited by the bank.

Solution/Result

A complete information package was developed addressing key business and lender issues. This brought out, at a more granular level, the owner's plan to bridge existing clients into the new clinic and leverage existing clients of therapists that were to form part of the team at the new clinic. The presentation to lenders included a detailed project description and projections that articulated baseline revenues. This conveyed a level of certainty to the lender about their ability to service the proposed debt facilities. Importantly, the client had already injected \$410K in equity and was able to provide corporate guarantees from its other business.

The successful lender provided not just the requested \$350K CSBFL, but also an additional \$250K term loan, to pay down a more expensive credit facility, and a \$50K line of credit. Total facilities provided by the bank were \$650K-\$300M more than initially requested. Credit approval and funding of the facilities occurred rapidly within a four-week timeframe, and the business avoided running short on funds during construction, which could have created additional difficulties.

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