



### Client / Matter

The client, a national retail bank, had been approached to provide funding to the operator of two retirement villages. The funding was to enable the re-structure of a previously unregistered managed investment scheme that had developed and operated the two retirement villages.

### Appointment

Taylor Woodings was approached by the bank to conduct a full scope pre-lending review.

### Issue

The bank had exposure to the old scheme as an existing lender when the Court wound up the scheme after legal action from investors. The bank had security over various parcels of land that formed part of the old scheme.

The Court agreed that a new, properly registered managed investment scheme, be established. Three proposals were put to the Court Appointee for investors and the Court to consider. The borrower, being the initial scheme operator, was the successful proposer.

As part of the proposal, the existing bank debt was to be refinanced and additional funds obtained to complete further developments, pay creditors and fund the costs of restructuring the group.

### Solution/Outcome

Taylor Woodings achieved the following:

- determined that the client's model and forecasts were incomplete and inaccurate in terms of interest rates, borrowed amounts and capital expenditure. The model also excluded Court-ordered debt repayments
- rebuilt the model to include the omitted information
- identified the reasons for failure of the old scheme, assessed the corporate structure of the new scheme and advised the bank as to the risks of the proposed structure
- proposed improvements to the repayment plan to reduce the risk of default by the client
- made recommendations to the bank to obtain additional security from the client to bring the loan within the bank's lending criteria
- made recommendations to the bank as to additional covenants enhanced monitoring arrangements and documentation to be included in the loan approval

After receiving our report, the bank altered its offer of finance in order to enhance its security position. The borrower subsequently accepted an offer of finance from another lender.

There was significant risk for the bank that the borrower would default and the bank would have to enforce its security. Taylor Woodings identified the inadequacies and risks in the proposed financing and recommended significant improvements to the model and security for the bank before the bank would consider approving the loan. The bank adopted Taylor Woodings' recommendation in full.