

Strategic Advisors Seals Its Largest Deal to Date

Everybody's Biz

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Strategic Advisors LLC completed its sixth deal this year and arguably its most volatile to date.

The firm arranged a \$15 million financing package to enable a Harrisburg-area chemical company to buy a business unit of a British specialty chemicals maker.

And to hear partners of the Cecil-based investment bank talk, it took creative thinking to turn the transaction for client Copperhead Chemical Co.

"Well, I'd say it's one of the more complicated deals," said David Eichenlaub, a Strategic Advisors director. "This company makes nitroglycerin, that in itself scared potential lenders away."

Copperhead, which is owned by several Canadian investors, had wanted to acquire the special drugs mixture business of Avecia Inc., a United Kingdom-based chemicals company, for more than a year.

The two businesses were next-door neighbors in Tamaqua, Pa., and it seemed logical that they'd come together. Avecia's business unit supplies diluted nitroglycerin for use in transdermal heart patches and other heart medications. Copperhead operates the only facility in North America currently certified by the U.S. Food and Drug Administration to manufacture nitroglycerin for pharmaceutical use.

But Copperhead had problems raising the senior and subordinated debt financing. When Strategic Advisors was retained in late summer, the Pittsburgh firm cut to the chase.

"There was a significant 'air ball' -- a collateral shortfall," said Mr. Eichenlaub. "We had to find ways to mitigate that risk to the lenders and highlight the merits, of which there were many."

They decided to emphasize the fact that Copperhead's plant had clearance from the FDA.

"Because it was the only one in North America with FDA approval, we got everyone to look at it in an in-use basis and this caused the lenders to look at the collateral in a different light," said Mr. Bianco.

In fact, six banks and subordinated lenders made offers. Strategic Advisors completed a private placement of \$10.5 million senior credit and \$4.5 million subordinated debt to fund the acquisition and refinance Copperhead's existing debt. Two of the six were chosen. PNC Financial Services Group Inc. provided the senior financing -- an \$8.5 million term loan and a \$2 million revolving loan. Patriot Capital Funding, Westport , Conn. , provided \$4.5 million in subordinated debt. Strategic Advisors expects a similar deal pace in 2005.

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