



CASE STUDY

# Experts with Impact in going concern business sales

On 19 March 2018 Kelly Trenfield and John Park were appointed replacement Voluntary Administrators of Crusaders Managers Pty Ltd at the first meeting of creditors. Our appointment was supported by the major secured lender. The company, as trustee of the Crusaders Trust, traded a chain of Snap Fitness gyms located in Queensland and the Northern Territory.

## SITUATION

### COMPLEXITY OF THE APPOINTMENT

There were several complexities to be managed as part of the appointment including:

- A number of conflicting amendments to the trust deed had been made prior and subsequent to the appointment of voluntary administrators, the effectiveness of which were questionable;
- Difficulties faced by secured creditors in locating and identifying their assets due to poor records, alleged movement of assets between the gyms, and assets which could not be located;
- A winding up application by a secured creditor had commenced prior to the appointment. The creditor remained concerned with the administration and applications to extend the convening period and the impact this may have on their security; and
- Landlords and suppliers with significant pre-appointment debt were in some instances not supportive of continued occupation or supply.

## OUR ROLE

### GOALS OF THE APPOINTMENT

Upon appointment, it was evident a deed of company arrangement would not be proposed. The best prospect for the business to continue in existence, and to maximise returns to creditors, was by way of a going-concern sale of the gyms either in-one-line or separately. This would enable the continued employment of 45 staff at the time of the administrators' appointment.

The alternate option, selling the plant and equipment separately, would have provided minimal return and resulted in a loss of employment and cost ongoing trade with landlords and other suppliers.

Some of the landlords had considerable pre-appointment debt and wished for the company to vacate the premises. It was therefore imperative the company remained in voluntary administration to ensure landlords could not evict the company and jeopardise its sale, which would benefit creditors more so than an immediate winding up. As a result, an application was made to court to extend the convening period on several occasions to maintain the moratorium afforded to voluntary administrators while sale negotiations progressed.

All these issues, and more, needed to be carefully managed to ensure the ongoing operation of the gyms during the voluntary administration. It was necessary to continue trading while seeking a buyer for the business or otherwise risk losing the client base and franchises.

### OBTAINING REQUISITE COURT ORDERS

As a result of the amendments to the trust deed, the administrators made an application to court and were appointed receivers and managers of the trust's assets on 5 June 2018. This meant the sale of the gyms could be initiated without the need to unwind the various trustee appointments and amendments to the trust deed.

## OUR IMPACT

**As receivers, we traded the gyms from March to July 2019 to preserve the value of assets and enable a going concern sale. Following several expressions of interest and holding discussions with a number of interested parties, we were successful in negotiating a sale of all gyms. This resulted in:**



All staff, save for the director and former director, keeping their jobs.



Thousands of members maintaining access to fitness facilities provided by these gyms.



A return to the major secured lender substantially exceeding that potentially available from the separate sale of plant and equipment.



#### KELLY TRENFIELD

Senior Managing Director  
+61 409 630 469  
kelly.trenfield@fticonsulting.com



#### RENEE LOBB

Managing Director  
+61 408 811 969  
renee.lobb@fticonsulting.com