

Tulsa Puts Together \$85M Loan

By Tulsa Business Staff - 9/17/2007

A Tulsa investment banker credits his experience in the shaky financial environment in Oklahoma in the '80s and early '90s with giving him the skills to help finance a California distribution company's venture into the manufacturing arena. Daniel L. Flick, managing director of Tulsa-based DSJ Consulting LLC, has just completed an \$85 million corporate financing package that will allow the company to protect its leadership in the digital photo frame market.

The package, consisting of a \$75 million working capital line of credit with PNC Financial Services Group and a \$10 million junior loan through a private investor, is allowing Sourcing Network Sales LLC dba Pandigital to supply its more than 9,000 retail storefront clients with product for the holiday season with 2007 revenues expected to exceed \$200 million, Flick said.

John M. Gilreath, CFO for Pandigital, based in Dublin, Calif., said the financing was critical for the firm to maintain its market position.

"If we had not gotten this financing, frankly, we would not have been able to retain, let alone capture initially, our No. 1 market share," Gilreath said. Pandigital introduced its newly designed, simplified, LCD-based digital frame in time for the holiday season in 2006 and sold more than 500,000 units in six months and now holds 40 percent of the marketshare for digital photo frames.

The original financing package called for a \$90 million primary line of credit, which was originally closed July 10. But, since the \$10 million junior loan was not completed until this month, PNC reduced the final amount as a result of the tightening credit market.

"Our rate is substantially below what other leveraged financings are going for right now," Gilreath said. "We feel very fortunate closing when we did. If we hadn't gotten closed when we did, we would have a much different deal.

Flick was a little less eloquent in his assessment of the final package: "Our loan was for \$90 million. We closed and signed a note and paid fees on \$90 million, but because the syndication market went to hell in a hand basket, the lender reduced our loan to \$75 million because they could not complete their syndication," he said. "Although we wanted and could have used the \$90 million, we will still complete most of our deliveries. We were fortunate to complete this transaction when we did.

Flick credits his experience with the demise of his father's Tulsa-based People's Savings & Investment in the early '80s and the loss of his Tulsa-based Inland Mortgage Co. in 1991 with giving him the knowledge to represent family-owned businesses in their financial dealings.

With the formation of DSJ Consulting in the late-90s, he has concentrated on corporate financing and mergers and acquisitions.

"I finally found my professional niche in life in working with these privately and closely held and family owned businesses because I was raised in one," he said.

Flick met Dean Finnegan, CEO of Pandigital, through a referral in 2003. He helped Finnegan finance his consumer electronics distribution firm beginning with a line of credit he cobbled together to introduce the Wowwee Ltd. Robosapien robot toy in 2004.

"It was such a success that the next year, Dean needed a \$10 million line, but he needed a real asset-based line, so I took it back to the market with his new financials and his earnings – he made over a \$1 million off the robot – and we got him a \$10 million line with LaSalle Business Credit, LLC in Chicago," Flick said. "He thought he was in hog heaven – 'I have a real loan now, and I have a real asset-based loan.' Little did he know that Wowwee was coming with a new product called the Roboraptor, which was a dinosaur."

The Roboraptor, which made the cover of *Sharper Image* and won several toy of the year awards for 2005, was "a huge hit," Flick said, leading to Sourcing Network Sales venture into the manufacturing market, and the need for additional millions in credit.

Flick took the Pandigital financial package to market in March and received competitive responses from PNC, Wells Fargo, GE, Comerica Bank and KeyBank. He said he placed the proposals in matrices to evaluate, and "then we compared each proposal and negotiate with each lender until we had one suitable to the client."

"That best deal sometimes isn't just the rate and fees. Sometimes it is the restrictive covenants and the personal guarantee," Flick said. "And on this, the \$75 million – zero personal guarantee."

Flick said that is an example of the kinds of things he learned from his early career mistakes.

"When the wheels come off, where do you need to be positioned? Man, I am an expert at wheels coming off," Flick said.

"And I would say that is true for a lot of people in Oklahoma – we are experts at the wheels coming off." «