Client Case Study

• • • INDUSTRIAL BUILDING • • •

Energizer Corporation

Maryville, MO - 486,000 Sq. Ft. on 96 acres

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WELFONT.COM/FAQ
OR CALL (813) 226-2099

About Welfont

Welfont is a commercial real estate brokerage company specializing in the acquisition and disposition of performing, underutilized, and distressed real estate. We represent cash buyers from the private sector, and nonprofits capable of competing successfully with other buyers in the value add market space.

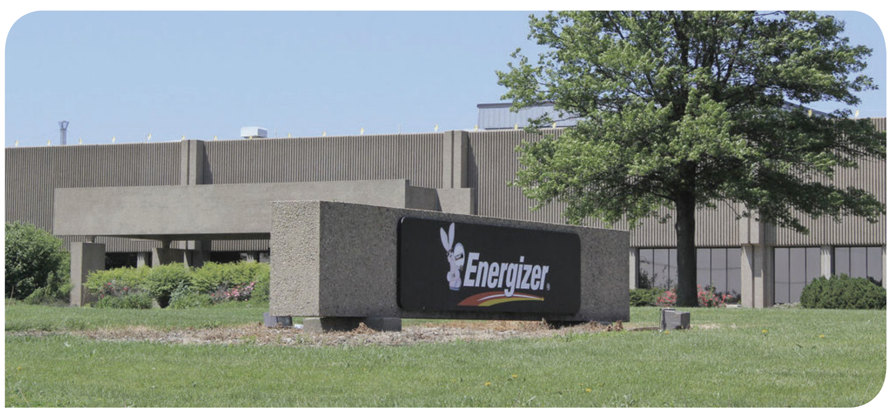
With the IRS Section 170 Bargain Sale tax strategy, Welfont has helped Corporate America quickly and profitably divest itself of over 10 million square feet of commercial and industrial space.

The Challenge

On November 14, 2014, the Energizer plant in Maryville, MO ceased production after 42 years of operation. As early as 2012, the writing was on the wall as Energizer began outsourcing aspects of its manufacturing **because it found it less expensive to buy new battery jackets than to make them in-house** on 40-year-old equipment in need of maintenance.

In the following months, Energizer let go of nearly 300 employees, which had a large impact in that small town. **Naturally, Energizer wanted to sell the building**, which was originally built in 1971 and had seen much use, first as a GM assembly plant before being acquired by Energizer Holdings in 1976.

There were some interested parties for the building, even an offer, which later fell apart, **but nothing came to fruition**. The combination of bad press for the plant shut down and the desire to do something good for the community, the Energizer Corporation was eager to be divested of the property in a way that hopefully would change the sentiment in the community and make a positive contribution.



The Solution

Welfont contacted the listing broker, Colliers International, with a proposal that was not familiar to them. It was the IRS Section 170 Bargain Sale, **which is a combination of cash at closing, combined with significant cash in the form of Federal and State tax deductions**.

When this offer was originally made, the list price for the property was $5,900,000. However, **an independent MAI-designated appraiser was brought in and the true and full, fair market value was established at $8,300,000**.

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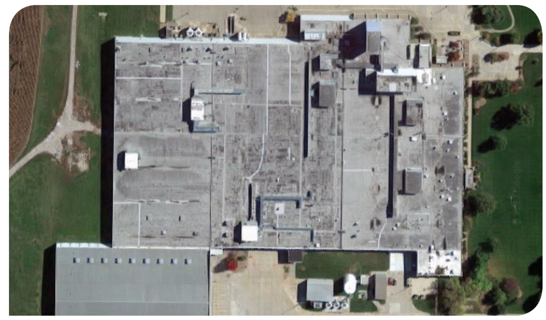
Energizer vetted the offer thoroughly, confirmed the IRS rules with tax counsel and were fully satisfied with the appraisal because it fully complied with IRS Section 170 guidelines. In the end, **due to high carrying costs and other factors, the cash amount agreed to at closing was $200,000**, resulting in an $8,100,000 tax deduction for Energizer Corporation.



The Result

- The **tax deduction was sizable but immediately usable** and netted the Energizer Corporation in after-tax dollars, a cash amount equivalent to what they would receive after-tax from a full price offer.
- Because the **building went to a nonprofit, the nonprofit had a much lower basis enabling it to reposition the asset** to a new user for much less than Energizer would have.
- The **new user will be positioned to breathe life into the community with new jobs**, thus leaving a legacy of goodwill in the wake of the Energizer sale, instead of one of disappointment.