

# GROWERTALKS

## GT in Brief

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## Hines Leasing to Color Spot, Out of Chapter 11

*Chris Beytes*

Color Spot has signed a letter of intent to lease two Hines Growers (formerly Hines Nurseries LLC) facilities in Chino Valley, Arizona, and Houston, Texas. The deal is expected to close in June, and is for an undisclosed length of time—"long-term" is what they said.

Color Spot president Jerry Halamuda said they chose to lease the two existing facilities as an alternative to making capital investment in new construction.

"In our Western Division and our Southwestern Division, we're at capacity," Jerry says. "We have business to grow and expand, and we needed facilities and land to do it. It's cheaper to lease it than it is to build it." But to get that lease from Hines, Color Spot had to agree to buy the equipment, product and raw materials that were on the sites. In addition, they also agreed to buy that same list of assets from Hines' Fresno, California, operation. However, they don't plan to operate that location, as they currently have enough capacity at their California locations.

Jerry made one thing clear: "This isn't an acquisition with Hines, it isn't a merger with Hines. ... It's very simply: We're at capacity, we're continuing to build greenhouses and grade land, but this is an opportunity for us to pick up a first-class greenhouse facility in Arizona and in Texas." Jerry said the goal is to use the leased locations to expand business in those two markets, while meeting existing customer needs.

Hines CEO Steve Thigpen pointed out that the company is out of Chapter 11. "We've got a stronger balance sheet, we've got the money we need to operate, and we're getting ourselves back together."

That happened when, at a court-conducted asset sale auction, in spite of plenty of growers showing interest, nobody wanted to bid on the whole operation, or at a high-enough price. "There were no really legitimate solutions for the whole company," Steve says. Ultimately, Black Diamond Capital did what's called a credit bid. During bankruptcy, another entity of Black Diamond loaned Hines some "debtor-in-possession" money, and Black Diamond agreed to buy the company for the value of that loan, basically giving Hines a clean slate and a fresh start.

“We’re just focusing back on the core business itself, and on those things with which we’ve always done well, which is nursery goods, perennials, specialty products and patio products,” Steve says. “This puts cash back in our hands to really drive the remaining businesses. And it gives us a future revenue stream as well, with the leases. Good luck to Color Spot with those sites; I think they’ll do well. And I think we’re doing the right thing for us.”

That leaves Hines with three locations: Fallbrook, California (260 acres); Winters, California (550 acres that are developed, and more than 500 acres additional capacity); and Forest Grove, Oregon (about 1,000 acres). Steve says they’ve redefined their mix at Fallbrook to be impulse- and California-oriented, Winters will be northern California- and cold climate-oriented, plus East Coast specialties. They’re beginning work on reorganizing Oregon.

“I believe we are a strong western regional nursery, and we intend to continue to rebuild our penetration in the Midwest and eastern markets,” he replied. “We’re still trying to take this thing forward and bring it back, which I believe we can now. I mean, we’ve got a good, fighting chance. We’ve just got to get to work and keep these distractions on the sideline and get going.” **GT**