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Gene Melnyk Money II

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July 3, 2013, 3:59 PM ET [63 Comments]

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Travis Yost

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Eugene Melnyk's finances have entered public crosshairs over the past couple of months. The Ottawa Senators' inability to sign Daniel Alfredsson prior to the opening of unrestricted free agency negotiations is only fanning the flames. Boston's already placed a few timely phone calls, and could make a formal offer to the Swedish winger in just two days.

I wrote [a couple of days ago](#) about Eugene Melnyk's rapid change in business practice. Melnyk, just two years ago, emphatically argued that to win in the National Hockey League, teams need to spend at or near the salary cap. Melnyk's rapidly walked a lot of that back of late, preferring to regularly note that his team:

- (a) plays in a small market;
- (b) cannot out-spend many teams in the open market;
- (c) can only sign external options on said market on the premise that they (i) want to play in Ottawa; and then (ii) presumably take a payout; and
- (d) is struggling to break-even during the regular season, relying only on deep playoff runs to avoid the red.

It appears rather obvious that something along the lines has changed with respect to the team's financial health, and Eugene Melnyk tightening the purse strings plays a large role in that. Again, no one encourages reckless player expenditures, but there are fundamental differences between spending, spending to win, and spending a hair above the cap floor on internal budgets to save some cash.

What I find interesting is how little we have heard about Eugene Melnyk's \$150MM refinancing with CIT Financial Ltd., administrative agent to a syndicate of lenders.

The first newswire bit came on February 27, 2013, where Melnyk disclosed in an early warning report that he was in late stage discussions to refinance certain loans that are secured by Melnyk's common shares of Trimel.

About two months later, Melnyk confirmed that the refinancing was complete. Via [MarketWired](#):

Mr. Eugene Melnyk today announced that he has completed the refinancing of the loans that were secured by a pledge of the 53,478,965 common shares of Trimel Pharmaceuticals Corporation (TSX:TRL) beneficially owned by him (which represent approximately 58.9% of the outstanding common shares of Trimel). As a result of this refinancing, these shares were released from this pledge and the right to vote and sell these shares has reverted to Mr. Melnyk. Mr. Melnyk has pledged a portion of these shares as security for new loans incurred in the

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refinancing which also involves the release of such shares based on a price formula.

As previously announced by Trimel, Mr. Melnyk is not proceeding with the secondary offering described in Trimel's preliminary prospectus dated March 20, 2013. Depending on market conditions and other factors, Mr. Melnyk may from time to time acquire or dispose of additional securities of Trimel in the open market, by private agreement or otherwise.

That's a massive refinancing, with Melnyk's stake reducing from approximately 58.9% to 38% before exercise of the over-allotment option. [UPDATE: Melnyk sold 12 million common shares again on April 30, 2013, dropping that number to just 29.5%.] Naturally, it makes me curious as to Trimel Pharmaceutical's performance in the marketplace.

Well, that's some kind of collapse.

And, remember, this comes on the heels of other potentially significant financial negatives, including a contentious divorce and the Biovail litigation settlements that may or may not yet be resolved.

Funny thing about the Biovail stuff: they were fighting up until April '12 concerning the Trusts and jurisdiction in that matter, at least as far as I'm aware. In one particular instance, a matter raised concerning jurisdiction / trusts in New York as opposed to the Cayman Islands was made public record courtesy Lexis:

Trusts made unsecured loans to Melnyk of \$ 88 million USD and \$ 4 million CDN. These loans were on terms favorable to Melnyk. In December 2003, the outstanding amounts owed by Melnyk on these loans were \$ 100.2 million USD and \$ 5.2 million CDN.

One wonders the window in which these particular loans need to be paid back.

There's a lot of smoke here. If only there was a newspaper publication in the city that could investigate further. Maybe ask a question or two.

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