



Welcome...

In this business, you never know when you're going to get "the call." You just know the news is seldom good. This month we take a look at the types of topics business owners and their advisors and creditors should discuss with consultants during the interview process.



Also included this month are some summaries of engagements that we've recently completed. We hope these items give you a better understanding of how experienced turnaround consultants can restore businesses to good financial health.

For additional information on us, visit www.beaneassociates.com

On behalf of everyone at Beane Associates, Inc., I want to thank you once again for your support of our firm.

Sincerely,
Tom Beane, *President CMC CIRA*



Tip Sheet

If your business is in trouble, and you're seeking help from a turnaround consultant, here are a few key questions to ask.

- 1 What's your turnaround philosophy?** Why do you think it might work for my company?
- 2 How do you work?** As a consultant, as a temporary employee? Do you work solo or with a team.
- 3 Tell me about some of the turnaround work you've done for others.** Explain how you approached the problems, and how you resolved them.
- 4 What other types of professionals should be part of my turnaround team?** How do you work with them?
- 5 Who handles the negotiations with our creditors?** If we've got tax issues, who deals with the IRS?
- 6 Please provide a list of references.** Look for a variety of contacts, including management, advisors and other professionals.

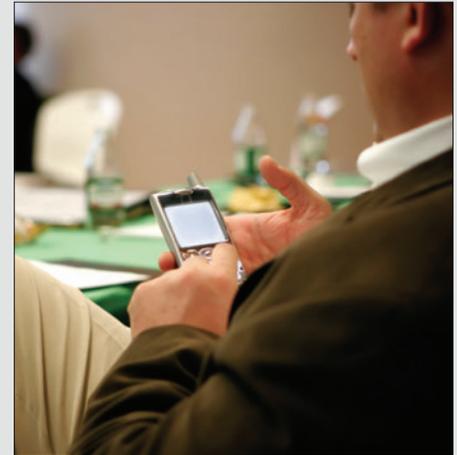
Answering the Call By Tom Beane

For turnaround managers, the best-case scenario is when the owner or CEO of a troubled company recognizes that it's time for a change — and he makes the call before it's too late. Usually this realization comes about after completing a process very similar to the five stages of grief — Denial, Anger, Bargaining, Depression and Acceptance. He's gotten past blaming everybody else — his bank, his creditors, his employees — and now realizes that it's up to him or her — and no one else — to find a way to fix the business NOW!

Of course it rarely happens this way. Usually, management — and its advisors and creditors — are all at different stages in the process with little or no agreement on the next course of action. There are significant differences of opinion among the parties as to the severity of the situation. In an attempt to resolve these differences, a creditor or advisor often presents management with a list of consultants and strongly suggests that a turnaround firm be retained. It's understandable that the executive is reluctant to go down this path, but he knows he has to make the call. He wants to know how I can help. Here's what I tell him.

We work for you. The lender or your attorney gave you a list of consultants to call. You want to know who I'm working for: am I working to help them or to help you? A reference by a lender or other trusted advisor usually indicates previous experience with the group and positive results. When your business is in a troubled situation, the ability to quickly regain credibility with your creditors (secured and unsecured) is one of the keys to success. Working with an experienced, known firm can sometimes facilitate a positive outcome. Regardless of who recommends us for an assignment — your attorney, CPA, banker or other professional — we work for you. You want to make your business profitable again. It's our job to help make that happen.

You are right — we don't know your business. Though we have experience in hundreds of industries and potentially have a good understanding of yours, our experience has shown that, in a distressed situation, specific industry knowledge or experience is not as important when choosing a turnaround professional as is the firm's experience in dealing with crisis situations. Specific knowledge of creditor relations, out-of-court workouts, and bankruptcy proceedings are the skill sets required. We will never know your particular industry as well as you do, but we know how to put a troubled company back on the path to profitability.



We are not a Swiss-army-knife consulting firm. Our practice concentrates solely on financially and operationally challenged businesses, regardless of industry. Working with troubled companies is the only thing we do, allowing us to provide a level of expertise that other multi-practice or industry-specific firms cannot match.

We know when to go home. Our job is to perform to the best of our ability and in the most expeditious manner to return your company to financial and operational health. We understand the term "time is of the essence" and our analysis is focused, with clearly defined objectives allowing a quick resolution. We know when to leave!

If you need help later, we'll show you how to get it. When your turnaround advisor completes an engagement, that doesn't guarantee clear sailing for your company. It is often wise to assemble a new team of advisors to help guide your business in the right direction. We can help you set up an advisory board of experts who can assist you in the areas where your business needs the most support.

Marc Kramer, a faculty member at the Wharton School of Management, has written an interesting article on the value of turnaround consultants. Read it at <http://www.thestreet.com/newsanalysis/sbmanagement/10367548.html>

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Production, Design and Management Firm



Situation: A full-service production, design and management firm, with annual sales of \$15 million from planning, staging and providing entertainment and equipment for corporate events, concerts, conventions and conferences, ran up excessive debt and faced a severe liquidity crisis. The industry had been in decline post 9/11. Seeking to compensate for that decline, management entered into business endeavors outside its core competencies; the deals didn't work out, and the losses compounded an already bad situation.

Result: The company hired Beane Associates to return the company to profitability and restructure its debt. After a full operational analysis, the non-profitable divisions were closed. The combination of cost reductions and daily management of cash yielded a positive EBITDA and profitability. The return to profitability and improved cash flow enabled management to service its new debt structure.

Engineering and Custom Fabrication Company

Situation: Poorly bid contracts, labor inefficiencies and a declining sales pipeline led to significant losses for a \$10 million engineering and custom fabrication firm. The secured lender lost confidence in the company's management team.

Result: The company hired Beane Associates as its crisis manager to lead the turnaround. We implemented cost reductions, assisted in revamping the bid process, and altered the sales qualification process. Cash flow was restored and profits improved dramatically.



Textile Manufacturer



Situation: A manufacturer of blankets and linens, with annual sales of \$25 million, faced significant hurdles to remaining a viable company, thanks to pressure from foreign competition and general pricing pressure within the industry.

Result: The manufacturer's secured lender engaged Beane Associates to review the company's business plan and strategy. Our viability analysis determined that an orderly wind-down would be the best course of action. We led an orderly liquidation of the company's assets. When the sale was complete, the lender recovered the remaining loan balance. The company's shareholders approved the wind-down and all of their individual guaranties were protected.

Transportation Services

Situation: Poor cash controls and poorly bid contracts led to significant losses for a \$50 million transportation services company. Lack of communication between management and lender led to a breach of trust and ultimately lender fatigue.

Result: The lender hired Beane Associates to review operations and provide a viability analysis report. After determining that the company was not viable, we led the liquidation of the assets. The aggregate proceeds from the sale exceeded the lender's expectations.



About Beane Associates, Inc.



Founded in 1984, Beane Associates, Inc. continues to build an impressive track record in helping private and publicly owned companies improve operational effectiveness and profitability during a time of financial challenge. The company has offices in Wilmington, DE, Charlotte, NC, and Atlanta, GA.