The Distressed Investment Summit

April 23, 2015
Distressed Investment Summit Agenda

7:30 AM – 8:15 AM  **Networking Breakfast**

8:15 AM – 9:15 AM  **Outlook for Distressed Investing and Lending Panel**


10:15 AM – 11:00 AM  **How to Sell a Distressed Company and Achieve the Best Possible Outcome for the Stakeholders**

11:00 AM – 12:00 PM  **Is the Turnaround Industry Ready for a Turnaround?**
Outlook for Distressed Investing

8:15 AM – 9:15 AM

Panelists:
Chris O’Brien  Managing Director, Wynnchurch Capital
Ted Koenig  President and CEO, Monroe Capital
Eric Kaup  Executive Vice President and General Counsel, Hilco Global
Suzanne S. Yoon  Managing Director, Versa Capital Management
Rahul Sawhney  Senior Managing Director, Z Capital Partners

Moderator:
Tom Goldblatt  President, Ravinia Capital
Outlook for Distressed Investing – Panelists

Chris O’Brien- Managing Director, Wynnchurch
Chris O’Brien is a Managing Director with Wynnchurch Capital, an operationally focused private investment firm founded in 1999 with over $2 billion of equity capital under management and offices in Chicago, Detroit and Toronto. Mr. O’Brien joined Wynnchurch shortly after its founding in 2000 having previously spent four years in consulting. He has extensive experience in complex situations involving management-led buyouts, carve-outs, turnarounds and restructurings. In addition, he is responsible for all facets of the investment process including sourcing and evaluating opportunities, negotiating and executing transactions and managing portfolio companies. Mr. O’Brien also serves on the board of directors of several Wynnchurch portfolio investments. His industry focus areas include, automotive and transportation, building products and materials, capital goods and diversified industrials. In 2013, he was part of the Wynnchurch team recognized by the TMA for their work on U.S. Pipe as a recipient of the Large Turnaround of the Year. Mr. O’Brien received his undergraduate degree, with honors, from the University of Notre Dame, his MBA, with honors, from The University of Chicago Booth School of Business and is a Chartered Financial Analyst. Mr. O’Brien resides in Glenview, IL with his wife and three children.

Ted Koenig - President and CEO - Monroe Capital
Theodore L. Koenig, is the President, CEO and founder of Monroe Capital LLC, and has over 31 years of experience in structuring and investing in debt and equity transactions. Monroe Capital is a leading provider of senior and junior debt and equity co-investments to middle market companies. Prior to founding Monroe Capital in 2004, Mr. Koenig was President and CEO of Hilco Capital LP. Prior to that, Mr. Koenig spent 13 years at Holleb & Coff as a Partner and Co-Chairman of its Corporate Law, Mergers and Acquisitions, and Business Finance Groups where he supervised and was responsible for structuring, negotiating and documenting acquisitions and sales of middle market companies as well as representing H &C’s bank, financial institution, and commercial finance clients in asset based financing transactions for buyout, recapitalization and restructuring transactions. Before joining Holleb & Coff, Mr. Koenig spent three years in the Mergers/Acquisitions and Corporate Finance practice group of Winston & Strawn. Mr. Koenig is a graduate of the Kelley School of Business at Indiana University (B.S.) in accounting with high honors and Chicago-Kent College of Law (J.D.) with honors. Mr. Koenig is a frequent lecturer to various business and financial organizations on topics such as the current environment for senior and junior secured debt, unitranche and mezzanine debt, structuring successful leveraged loan transactions and acquiring trouble companies. Mr. Koenig has published numerous articles in these areas.
Outlook for Distressed Investing – Panelists (cont.)

Eric Kaup - Executive Vice President and General Counsel, Hilco Global
Mr. Kaup joined Hilco in 2004. A seasoned transactional attorney, he specializes in structuring and executing distressed asset acquisition and disposition transactions. During his tenure with Hilco, Eric has documented and closed hundreds of transactions. Eric began his Hilco career as Assistant General Counsel and Vice President. In 2007, he was named General Counsel and Executive Vice President, and appointed to the Board of Directors of Hilco Trading. In 2010, he also served as interim CEO of Hilco Consumer Capital. While at Hilco, Eric has led Hilco deal teams in negotiating and structuring transactions to acquire and dispose of assets in each of the asset classes in which Hilco transacts, including retail inventories, real estate, industrial assets, receivables, and intellectual property. Eric is a graduate of Yale University and The Ohio State University Moritz School of Law.

Suzanne S. Yoon - Managing Director, Versa Capital Management
Ms. Yoon has over 16 years of experience in special situations corporate finance, capital markets and restructuring. Prior to joining Versa, Ms. Yoon was a Senior Vice President of CIT Group, co-founded LaSalle Bank/ABNAMRO’s Corporate Restructuring Group and held positions in distressed loan portfolio management and turnaround advisory at LaSalle Bank and Ernst and Young’s Restructuring Advisory Group, respectively. Ms. Yoon is currently a steering committee member of Private Equity’s Women Investor Network (PE WIN) and of the Women’s Association of Venture & Equity (WAVE) and maintains active involvement with Turnaround Management Association, where she was Board Trustee, and American Bankruptcy Institute, where she formerly co-chaired its Finance Committee. In addition, she is Board Trustee for the National Philanthropic Trust and is active in Chicago community activities, including her service on the Board of Directors for HFS Chicago Scholars, a not for profit that serves economically disadvantaged Chicago inner-city high school students. She holds a BBA in Economics from University of Iowa.
Outlook for Distressed Investing – Panelists (cont.)

Rahul Sawhney - Senior Managing Director, Z Capital Partners
Mr. Sawhney is a Senior Managing Director of Z Capital and is a member of the Investment Team. Mr. Sawhney has had substantial experience in value-oriented private equity and mergers & acquisitions. Mr. Sawhney is currently a member of the Board of Directors of and/or was actively involved in the restructurings of Focus Products Group, LLC, Thomas Nelson, Inc., Neways Holdings, Ltd, and MSDP Group, LLC. Mr. Sawhney has led the acquisition of portfolio companies, recruited executive management teams to such portfolio companies, instituted appropriate governance and reporting structures, established and approved strategic plans with company management, overseen the execution of value creation initiatives with the assistance of Z Capital’s operating partners and established or executed on exit strategies. Prior to joining Z Capital, Mr. Sawhney was a member of the investment team at BDCM, where he made and managed investments in companies across a number of industries including automotive, consumer products, containers & packaging, metals & mining and technology.

Tom Goldblatt - Founder & President, Ravinia Capital LLC
Mr. Goldblatt runs Ravinia Capital and is widely recognized as an expert on structuring, negotiating and all aspects of selling companies. Tom was recently recognized by M&A Advisor as the Distressed Dealmaker of the year for the United States. Tom previously worked in private equity at Monomoy Capital Partners and Pfingsten Partners, and was a turnaround consultant at High Ridge Partners. More importantly, Tom has over 15 years of operating experience working inside manufacturing companies in every role from CEO to salesman, gaining valuable insights into the ups and downs of the real business world. Tom holds a law degree from University of Chicago, MBA from Northwestern University’s Kellogg School of Management and is both a CPA and a Certified Turnaround Professional (CTP). Tom is a regular conference speaker on alternative capital raises in challenging situations, distressed investing and business development and networking and how best to sell companies.
Default Rates Remain Well Below the Long-Term Average

Source: Moody's "Monthly Default Report—November 2014," December 2014. The cumulative default rate calculation methodology used by Moody's is a discrete-time approximation of the nonparametric continuous-time hazard rate approach. A pool of issuers, called a cohort, is formed on the basis of the rating held on a given calendar date (or set of dates), and the default/survival status of the members of the cohort is tracked over some stated time horizon, which in this instance is 12 months. Default rates only include bonds rated by Moody's.
Quarterly Delinquency Rates by Loan Type

- Residential
- Consumer
- Commercial and Industrial

Market Realist

Source: Federal Reserve
Junk Bond Yield at Lowest Level in History
Total Credit Market Debt

![Graph showing the increase in total credit market debt from 1970 to 2010. The graph indicates a significant spike around the year 2008, labeled as the "tiny 2008 crisis dip in outstanding credit market debt." ]
LBO Leverage Trends

LBO leverage trends down so far in 2015

- Institutional MM
- Large Corp.

LBO Leverage

- 3.5x
- 4.0x
- 4.5x
- 5.0x
- 5.5x
- 6.0x
- 6.5x
- 7.0x
- 7.5x

Covenant Lite Loan Volume

Covenant lite loan volume at record levels
Deal Value $ (m)

Source: Dealogic
Outlook for Distressed Investing

Panel Discussion
8:15 AM – 9:15 AM
Outlook for Distressed Investing

Closing Remarks
ABI Bankruptcy Reform Commission’s Reform Principles Affecting Small and Medium Business Enterprises, Estate Neutrals, Asset Sales, Financing and Venue

9:15 AM – 10:15 AM

Panelists:
- James Sprayregen, Partner, Kirkland & Ellis LLP
- Bill Brandt, CEO, Development Specialists, Inc.
- Melissa Kibler Knoll, Senior Managing Director, Mesirow Financial Consulting
- George Mesires, Partner, Faegre Baker Daniels LLP
- Felicia Gerber Perlman, Partner, Skadden, Arps, Slate, Meagher & Flom LLP

Moderator:
- Jack Butler, Executive Vice President, Hilco Global
James H.M. Sprayregen, P.C. - Partner, Kirkland & Ellis LLP

Mr. Sprayregen is a Restructuring partner in the Chicago and New York offices of Kirkland & Ellis LLP and serves on Kirkland’s worldwide management committee. Mr. Sprayregen is recognized as one of the outstanding restructuring lawyers in the United States and around the world and has led some of the most complex Chapter 11 filings in recent history. Mr. Sprayregen has extensive experience representing major U.S. and international companies in restructurings out of court and in court around the world. He has handled matters for clients in industries as varied as manufacturing, technology, transportation, energy, media, and real estate. He has extensive experience advising boards of directors, and generally representing debtors and creditors in complex workout, insolvency, restructuring, and bankruptcy planning matters worldwide.

Bill Brandt - CEO, Development Specialists, Inc.

Mr. Brandt has been in the business of workout, turnaround and insolvency consulting for more than thirty years and is widely recognized as one of the foremost practitioners in the field. He is President and CEO of Development Specialists, Inc. (“DSI”), a firm specializing in the provision of management, consulting and turnaround assistance to troubled or reorganizing enterprises. Mr. Brandt and his firm continue to be involved with some of the more celebrated financial restructuring cases in the nation’s history, including Mercury Finance Company, Southeast Banking Corporation, Malden Mills, the Keck, Mahin & Cate law firm, the Coudert Brothers law firm, the Ohio “Coin Fund” scandal, and the Bernie Ebbers Settlement Trust. The firm maintains offices in Chicago, New York, Philadelphia, Los Angeles, London, Miami, San Francisco, Cleveland, and Columbus.
Melissa Kibler Knoll - Senior Managing Director, Mesirow Financial Consulting

Mrs. Knoll provides financial advisory services to companies, unsecured creditors, secured lenders and other parties in restructurings and turnarounds. Mrs. Knoll has extensive experience in addressing a variety of financial, accounting, liquidity and leverage issues for companies in industries including aviation, automotive, energy, financial services, healthcare, manufacturing and distribution, media and entertainment, natural resources, real estate/construction, retail, steel, and telecommunications. Past engagements include Kmart, Bethlehem Steel, Warnaco, Singer, Iridium, Engineered Plastic Products, Havens Steel and various others. Mrs. Knoll delivers a wide variety of litigation support services in matters including breach of contract, intellectual property, lender liability and other commercial litigation, and provides expert testimony. Mrs. Knoll has experience in operating and managing companies in receiverships and trusteeships. Past engagements include Providence Trust Company, Trust Company of America, WKP/SPR International, and West Campus Square, as well as serving as the financial advisor to the Receiver of Capital Consultants in one of the country’s largest investment company frauds. Mrs. Knoll previously served as a partner in the U.S. corporate recovery practice of KPMG LLP, is a CPA, CIRA, CFF and CTP.

George Mesires - Partner, Faegre Baker Daniels LLP

George Mesires is a member of the finance and restructuring group and leads the Chicago team, concentrating his practice on finance, corporate restructuring, bankruptcy, distressed mergers and acquisitions, and general corporate matters. George’s experience also includes advising directors and officers on corporate governance, fiduciary duties and strategic matters. He has represented private equity firms, lenders, debtors, receivers, trade creditors and landlords in a variety of insolvency and distressed situations. George has significant experience in the senior housing industry, representing both for-profit and not-for-profit operators in a variety of engagements, including affiliations, acquisitions, financings, governance matters, restructurings and bankruptcy. Before joining Faegre Baker Daniels, George was co-chair of the finance and restructuring practice at Ungaretti & Harris in Chicago. Prior to private practice, he was general counsel for a startup telecommunications company and led the distressed sale process of substantially all of the company’s assets to a regional telecommunications company. Before serving as in-house counsel, George was an assistant attorney general in the New York state attorney general’s office.
Felicia Gerber Perlman - Partner, Skadden, Arps, Slate, Meagher & Flom LLP
Felicia Gerber Perlman represents clients in a variety of complex business reorganizations, debt restructurings and insolvency matters. Ms. Perlman has advised debtors, creditors, lenders, investors, sellers, purchasers and other parties-in-interest in all stages of restructuring transactions from Chapter 11 reorganizations to out-of-court negotiations, workouts and acquisitions. She is a frequent speaker on bankruptcy topics. In addition, she has been recognized in Turnarounds & Workouts as one of the nation’s “Outstanding Young Bankruptcy Lawyers” and repeatedly has been selected for inclusion in Chambers USA: America’s Leading Lawyers for Business and The Best Lawyers in America. Ms. Perlman has represented creditors and other parties in interest in troubled situations. She has represented Credit Suisse, First Boston, JPMorgan Chase and other lenders as agents in Chapter 11 cases both as DIP lenders and as prepetition lenders.

Jack Butler - Executive Vice President, Hilco Global
Jack Butler works with healthy and distressed companies, their boards, management, owners, creditors and investors on a broad range of asset valuation, monetization and strategic solutions and transactions for which Hilco Global acts as advisor, agent, co-investor and/or as a principal. One of the most well-known and highly regarded dealmakers and thought leaders in the restructuring, corporate reorganization and M&A community, prior to joining Hilco Global, Jack was a founder and leader of a major international law firm’s corporate restructuring practice where he advised on restructuring solutions for such companies as Delphi Corporation, Kmart Corporation and Xerox Corporation and on behalf of creditors including most recently in American Airlines’ reorganization and merger with US Airways Group, Inc. The American-US Airways transaction was cited for its innovation, collaboration and creativity by the Financial Times, which separately profiled Jack for developing “creative solutions” during the credit crisis.
ABI Bankruptcy Reform Commission’s Reform Principles Affecting Small and Medium Business Enterprises, Estate Neutrals, Asset Sales, Financing and Venue

Panel Discussion
Why Reform? Why Now?

• An effective and predictable business bankruptcy scheme rebuilds companies, preserves jobs, and fosters economic growth

• Distressed companies are not using chapter 11, or are waiting too long to use it, undercutting its utility for all stakeholders
  › Perception is chapter 11 does not work for many distressed debtors
Approach to Reform

• Who: 18 voting and four *ex officio* Commissioners supported by more than 130 others academics, judges, investors, lenders and restructuring professionals who served on 13 topical advisory committees

• Objective study of chapter 11: *What is working and what is not working as well as it could?*
Approach to Reform

• How: Commissioners held 17 field hearings around the country to gather testimony, while considering hundreds of other written submissions, and evaluating empirical data

• Process included perspectives and significant input from representatives of all major stakeholders in chapter 11 cases
• There were no pre-determined principles, agendas, or outcomes

• Commission studied and considered all potentially competing interests in working to strike balanced approach under proposed principles
Key Themes of Recommendations

- Reduce barriers to entry
- Facilitate certainty and more timely resolution of disputed matters
- Enhance exit strategies for debtors
- Create an effective alternative restructuring scheme for small and medium-sized firms
Today’s Roundtable – Four Reform Principles and One “No Change”

• Commencing the Case – Estate Neutrals

• Commencing the Case – Financing

• Exiting the Case – Section 363x Asset Sales

• Small and Medium-Sized Enterprise (SME) Cases

• Venue
Key Principles: Estate Neutral

- Appointed by U.S. Trustee
- Never mandatory
- Would replace examiners
- Flexibility, with some limitations, is the key
  - Role is defined by parties and court’s order, and
  - Tailored to particular case

(Report, at 32)
Financing Chapter 11 Cases – Adequate Protection

• Do the Code’s provisions governing adequate protection and allocation of value still work in today’s economic environment?

• If not, what has changed?
[T]he Commission’s decision to use foreclosure value is an integral part of the delicate balance the Commission struck between the rights of secured creditors, on the one hand, and the reorganizational objectives of the estate, on the other hand.

The Commission agreed that the foreclosure value of an interest should be used early in the case when determining adequate protection issues, but that the secured creditor should be entitled to receive the reorganization value of its interest in the debtor’s property through the claims allowance and distribution process later in the case.
Financing Chapter 11 Cases – Adequate Protection

• [T]he term ‘foreclosure value’ means “the net value that a secured creditor would realize upon a hypothetical, commercially reasonable foreclosure sale of the secured creditor’s collateral under applicable nonbankruptcy law”

• The amount of adequate protection required under section 361 of the Bankruptcy Code to protect a secured creditor’s interest in a debtor’s property should be determined based on the foreclosure value of the secured creditor’s collateral
Financing Chapter 11 Cases – Adequate Protection

• Secured creditor could challenge adequate protection determination if circumstances or valuations change

• Even though based on foreclosure value, the secured creditor’s distributions would be based on reorganization value (essentially an enterprise value concept)

• If adequate protection fails, secured creditor has right to request that collateral be sold under section 363 of Code and its section 507(b) rights, including to proceeds of avoidance actions, are preserved
The term ‘reorganization value’ means (i) if the debtor is reorganizing under the plan, the enterprise value attributable to the reorganized business entity, plus the net realizable value of its assets that are not included in determining the enterprise value and are subject to subsequent disposition as provided in the confirmed plan; or (ii) if the debtor is selling all or substantially all of its assets under section 363x or a chapter 11 plan, the net sale price for the enterprise plus the net realizable value of its assets that are not included in such sale and are subject to subsequent disposition as provided in the confirmed plan or as contemplated at the time of the section 363x sale.”
Key Principles: Financing – Redemption Option Value

- In general, “redemption option value” (ROV), if any, is value available to the class of creditors immediately junior to the fulcrum security based on a valuation formula that considers, among other things, the recovery by the senior (i.e., fulcrum) class and the value of the debtor during the redemption period (i.e., three years from the petition date).

- In calculating ROV, the senior class must receive the full face amount of its claims, including any unsecured deficiency claim, plus any interest at the non-default contract rate plus allowable fees and expenses unpaid by the debtor.

- Basic concept is to account for value fluctuations based solely on the timing of the valuation-realization event in the case.
Key Principles: Financing – Limitations

• No prepetition roll-ups or DIP repayment of prepetition loans unless provided by new lenders or repays the prepetition facility in cash, extends substantial new credit and provides more financing on better terms than alternative proposals.

• No liens available on avoidance actions or proceeds.

• Intercreditor prohibitions against junior lenders providing DIP financing unenforceable (but no priming and seniors can match).

• Extraordinary financing provisions (i.e., milestones, benchmarks and similar provisions, permissible roll-ups and validity and extend of lien representations) are expressed authorized

• Such provisions may not be included in interim financing orders and may not require the debtor to perform tasks or satisfy certain conditions within the first 60 days of the case

(Report, at 67-82)
Key Principles: Section 363x Sale

• New procedures for sales of substantially all of a debtor’s assets

• Not permitted during first 60 days of case, absent extraordinary circumstances proven by clear and convincing evidence

• Must satisfy certain conditions customary in plan process and provide sufficient notice

• Section 363(f) expanded to include claims in context of section 363x sales (or smaller sales meeting similar conditions)

(Report, at 83, 201, 141-142)
Small and Medium Business Enterprises

- Does one-size-fit-all in chapter 11?
- Is chapter 11 working for smaller and middle market companies?
Have you recommended that a client use ABC or receivership instead of bankruptcy in the past five years?

<table>
<thead>
<tr>
<th>Size of Debtor's Assets in Average Case</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$5m</td>
<td>No</td>
</tr>
<tr>
<td>$5-10m</td>
<td>No</td>
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<tr>
<td>$10-25m</td>
<td>No</td>
</tr>
<tr>
<td>$25-100m</td>
<td>Yes</td>
</tr>
<tr>
<td>&gt;$101m</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Key Principles: SME

• For purposes of these principles, the term “small or medium-sized enterprise” ("SME") means a business debtor with—
  
  i. No publicly traded securities in its capital structure or in the capital structure of any affiliated debtors whose cases are jointly administered with the debtor’s case; and
  
  ii. Less than $10 million in assets or liabilities on a consolidated basis with any debtor or nondebtor affiliates as of the petition date

• Single asset real estate cases (SAREs) are excluded from SME principles

(Report, at 279)
Key Principles: SME

• No mandatory creditors’ committee; may appoint estate neutral to help with business and plan

• No mandatory deadlines, but SME must propose, and court will approve, timeline tailored to particular case

• Prepetition equity holders may retain their interests, subject to certain conditions
  › These conditions include satisfying section 1129(b) for secured creditors
  › Granting unsecured creditors 85% of economic ownership interests in reorganized company with limited voting rights

(Report, at 291, 294, 297)
Commission’s Venue Deliberations

• The Commission engaged in extensive deliberations concerning the existing venue statute, the merits of the venue debate, and the potential advantages and disadvantages to reforming the statute

• Under current law, the primary venue options for a business debtor are the debtor’s domicile (i.e., place of incorporation), principal place of business, location of principal assets, and place of an affiliate’s filing (which permits bankruptcy cases of multiple affiliated debtors to be prosecuted in the same courthouse)
Commission’s Venue Deliberations

• The two reforms frequently proposed by critics are the elimination of venue based on place of incorporation and on the affiliate-filing rule

• Venue reform advocates argue that venue choices should be severely limited to be consistent with what they assert are accepted venue restrictions in other kinds of judicial proceedings and to resolve concerns regarding venue choices impairing judicial legitimacy, promoting the “injustice” of law or forum shopping, and being inadequately policed by current venue transfer procedures
Commission’s Venue Deliberations

• Supporters of the current law argue each of the locations authorized under existing law may be a viable venue option for the mega-case filer that create choices and opportunities for jointly administered, cost efficient filings

• They believe it is appropriate for state law fiduciaries of a distressed business to exercise their business judgment about what filing location may tend to maximize business enterprise value or reduce execution risk associated with the company’s reorganization case or both
Commission’s Venue Deliberations

• Empirical data reveals that venue motions which are pursued are granted by the transferor bankruptcy court more often than not (without even considering cases that are transferred at the suggestion or direction of bankruptcy courts without the filing of formal venue motions)

• Commission did not reach a consensus on whether reform was necessary or what reform would serve the diverse interests in a chapter 11 case

(Report, at 310-314)
ABI Bankruptcy Reform Commission’s Reform Principles Affecting Small and Medium Business Enterprises, Estate Neutrals, Asset Sales, Financing and Venue

Panel Discussion
ABI Bankruptcy Reform Commission’s Reform Principles Affecting Small and Medium Business Enterprises, Estate Neutrals, Asset Sales, Financing and Venue

Closing Remarks
How to sell a distressed company and achieve the best possible outcome for the stakeholders

10:15 AM – 11:00 AM

**Presenters:**
Tom Goldblatt  
Founder and President, Ravinia Capital  
Eric Welchko  
Director, Ravinia Capital

**Moderator:**
James B. Shein  
Clinical Professor of Strategy, Kellogg School of Management
Selling Distressed Companies - Presenters

**Tom Goldblatt - Founder & President, Ravinia Capital LLC**
Mr. Goldblatt runs Ravinia Capital and is widely recognized as an expert on structuring, negotiating and all aspects of selling companies. Tom was recently recognized by M&A Advisor as the Distressed Dealmaker of the year for the United States. Tom previously worked in private equity at Monomoy Capital Partners and Pfingsten Partners, and was a turnaround consultant at High Ridge Partners. More importantly, Tom has over 15 years of operating experience working inside manufacturing companies in every role from CEO to salesman, gaining valuable insights into the ups and downs of the real business world. Tom holds a law degree from University of Chicago, MBA from Northwestern University’s Kellogg School of Management and is both a CPA and a Certified Turnaround Professional (CTP). Tom is a regular conference speaker on alternative capital raises in challenging situations, distressed investing and business development and networking and how best to sell companies.

**Eric Welchko - Director, Ravinia Capital LLC**
Eric leads Ravinia Capital’s front office and deal team execution. Mr. Welchko’s background includes valuation, corporate strategy, capital market solutions, and M&A advisory with both growth and distressed companies, their owners, management, boards, investors, and creditors. Eric has developed a reputation as a trusted corporate advisor to middle market companies and their stakeholders. As a vital component of the past and continuing growth of Ravinia Capital, Eric is highly regarded in the Chicago transaction advisory market, known for his steadfast dedication to his clients and his efficacy as a leader. Eric comes from AccuVal Associates where corporate service assignments included; enterprise valuation, lender services, equity minority interest, stock purchase agreements, and financial reporting. Eric graduated from Illinois State University with a Bachelor of Science in Finance and Economics.
James B. Shein - Clinical Professor of Strategy, Kellogg School of Management

Professor James B. Shein is Clinical Professor of Management & Strategy at the Kellogg School of Management at Northwestern University. He is the academic director of the Kellogg executive program Successful Corporate Renewal, and teaches Managing Turnarounds and Global Corporate Governance.

Professor Shein was previously counsel at McDermott, Will & Emery with practice in corporate governance, restructurings, acquisitions and fiduciary duties of officers and directors. Prior to that, he spent four years as the President and Chief Executive Officer of R.C. Manufacturing and ten years prior to that as President and Chief Executive Officer of Northbrook Corporation, a multi-unit company in manufacturing, leasing transportation businesses. He has decades of experience as a CEO running, advising, purchasing and reviving underperforming companies in a wide variety of industries. He also serves on the boards of directors of several public and private companies, chairing audit and governance committees.


His work with corporate directors led to his article, “Trying to Match SOX: Dealing with New Challenges and Risks Facing Directors,” published in The Journal of Private Equity. He has published fifteen cases on restructuring and global governance for use in MBA programs. He is also active in the International Corporate Governance Network, on the International Ethics Committee. Professor Shein has a BS in Engineering as well as an MBA, PhD, and JD, and has testified as an expert witness on governance in state and federal courts.
What is the difference between healthy and distressed sales?

Need a firm understanding of Liquidity

How much time is available and what is the cost of taking longer?

What are the potential outcomes and how do they fall within the capital structure?
  What is the going concern value?
  What is the liquidation value?

Will a form of legal restructuring be required?

For an optimum outcome you can not just sell based on existing information, you need to focus on:
  Minimizing fear from the distress – risk reduction
  Communicating the potential value going forward AFTER DISTRESS
What are the critical steps of a distressed sale?

**Assess and Strategize**
- Create Cash Flows and Revised Financial Statements
- Ensure Stability and Negotiate with Senior Lender
- Communicating with and Understanding Position of all Stakeholders

**Marketing Process**
- Plan Swift Sale Process
- Research Large Pool of Potential Buyers
- Third Party Sell-Side Due Diligence
- Market Sale to All Qualified Potential Buyers
- Provide Clarity of Value to Potential Buyers

**Closing**
- Reduce Delay with Drop-Dead Close Date
- Potential Cleansing Process through 363, ABC, etc.
- Focus Negotiations on Going Forward Value
- Complete Transaction at a Going Concern
The Incremental Value to Time Tradeoff

- Value Added and Improvements
- Cost and Impairment
- Net Value to Stakeholders

Transaction Time:
1 2 3 4 5 6 7

$ Value

Equity
Unsecured
Secured
How to sell a distressed company and achieve the best possible outcome for the stakeholders

Presentation
How to sell a distressed company and achieve the best possible outcome for the stakeholders

Closing Remarks
Is the Turnaround Industry Ready for a Turnaround?

11:00 AM – 12:00 PM

**Panelists:**
- Dan Wickel, Managing Director, Huron Consulting
- Tom Hill, Managing Director, Alvarez and Marsal
- Dan Dooley, Principal and CEO, MorrisAnderson
- Paul Melville, Principal, Grant Thornton
- Michael Sharkey, President, MB Business Capital

**Moderator:**
- James B. Shein, Clinical Professor of Strategy, Kellogg School of Management
Ready for a Turnaround - Panelists

Dan Wikel - Managing Director, Huron Consulting
Mr. Wikel has more than 25 years of business and industry experience and is a founding member of Huron Consulting Group. His operational expertise encompasses the areas of strategic planning, investment analysis, operational process improvement, and cost improvement identification. Mr. Wikel has served as a chief restructuring officer and as an advisor and his experience relates to executing engagements in corporate turnarounds, lender workouts, bankruptcy situations, and raising debt & equity funding for companies across a number of industries. He has a strong base knowledge of the U.S. Bankruptcy Code and general turnaround process through extensive work with many companies near or in bankruptcy and often offers expert advice and testimony on these topics and has written a number of articles for the turnaround industry.

Tom Hill - Managing Director, Alvarez & Marsal
Mr. Hill specializes in analyzing, developing and implementing business plans to assist financially challenged companies. With more than 25 years of financial restructuring and business experience, Mr. Hill has advised management teams, boards of directors, secured lenders and other creditor groups, ranging from financial adviser to interim management in several industry sectors. Mr. Hill was the Chief Restructuring Officer (“CRO”) of School Specialty, in 2013 and CRO of Green Field Energy Services in 2014. Mr. Hill also served locally as CRO and a member of the board of directors of SourceLink, Inc., a project for which he received the Turnaround of the Year Award from the Chicago Chapter of the TMA. Prior to opening A&M’s Chicago office in 2002, he spent more than 19 years with Big Five public accounting firms. As a public accounting partner, he assisted audit teams on many engagements, including Tenneco, USG, Montgomery Ward and Motor Coach Industries.
Dan Dooley - Principal and CEO, MorrisAnderson
Mr. Dooley is Principal and CEO at MorrisAnderson as well as an accomplished operational, financial and transactional specialist. Mr. Dooley has negotiated many transactions involving sales, refinancing and recapitalization of companies, assumed interim management positions as CRO, CEO, COO and CFO for publicly and privately owned companies nationwide. Mr. Dooley excels in the development and implementation of cost reduction and restructuring plans as well as lender and key supplier restructuring negotiations. In 2011, Mr. Dooley was honored with the Turnaround Management Association "Turnaround of the Year - Small Company" award for Analytics, Inc., an independent research laboratory in St. Louis, MO.

Paul Melville - Principal, Grant Thornton
Mr. Melville provides cross-border corporate restructuring services and advises stakeholders - including bank groups, customers, suppliers and shareholders - on company viability, reconstruction and debt restructuring, strategic options, and formal insolvency. He started his career with Grant Thornton UK LLP, where he was a partner in the Corporate Recovery and Restructuring group. Mr. Melville assisted in the development of the international capability of the United States-based Corporate Advisory & Restructuring Services (CARS) group and serves as the liaison between the Restructuring & Recovery practice of Grant Thornton International Ltd and the U.S. CARS organization. He works primarily with companies that operate in Canada, China, India and the UK. He has addressed complex issues and matters, including those associated with regulatory requirements and the application of bankruptcy laws in a variety of countries.
Michael D. Sharkey - President, MB Business Capital

Michael D. Sharkey is responsible for the bank’s asset based lending group. With over 35 years of experience in financial services, he oversees a nationwide market with regional offices in Atlanta, Baltimore, Chicago, Dallas, Kansas City, Los Angeles, Memphis, Milwaukee, Minneapolis, New York, San Francisco, Seattle and Hartford. From July 2008 until the merger with MB in 2014, Sharkey was president of Cole Taylor Business Capital and executive vice president, asset based lending. Prior to that, he was president and CEO of LaSalle Business Credit, where he helped build the group into the fifth largest asset based lending company in the United States. During his tenure at LaSalle, he also served as executive vice president for LaSalle Bank and ABN Amro. Sharkey began his career in financial services with GE Capital as a field examiner and loan officer, and moved on to Manufacturers Hanover Commercial Corporation where he served as senior loan officer. From there, he joined and within four years became president of StanChart Business Credit, which was ultimately acquired by LaSalle Bank.
James B. Shein - Clinical Professor of Strategy, Kellogg School of Management

Professor James B. Shein is Clinical Professor of Management & Strategy at the Kellogg School of Management at Northwestern University. He is the academic director of the Kellogg executive program Successful Corporate Renewal, and teaches Managing Turnarounds and Global Corporate Governance.

Professor Shein was previously counsel at McDermott, Will & Emery with practice in corporate governance, restructurings, acquisitions and fiduciary duties of officers and directors. Prior to that, he spent four years as the President and Chief Executive Officer of R.C. Manufacturing and ten years prior to that as President and Chief Executive Officer of Northbrook Corporation, a multi-unit company in manufacturing, leasing transportation businesses. He has decades of experience as a CEO running, advising, purchasing and reviving underperforming companies in a wide variety of industries. He also serves on the boards of directors of several public and private companies, chairing audit and governance committees.


His work with corporate directors led to his article, “Trying to Match SOX: Dealing with New Challenges and Risks Facing Directors,” published in The Journal of Private Equity. He has published fifteen cases on restructuring and global governance for use in MBA programs. He is also active in the International Corporate Governance Network, on the International Ethics Committee. Professor Shein has a BS in Engineering as well as an MBA, PhD, and JD, and has testified as an expert witness on governance in state and federal courts.
We came through the “Great” Recession

- Cap rates on quality residential and commercial real estate in good markets are at mid-2008 pre-crisis levels
- Corporate bond defaults have dropped significantly, and continue to drop
- Residential real estate prices appear to have stabilized in most US markets (with exceptions of Florida, Arizona, and parts of California)
- Companies are flush with cash
- Consumer confidence is better and improving

Then, why we don’t we feel secure?
• Jobless recovery: unemployment hovers at 9%
• State and municipal debt crisis is a freight train in the distance
• Foreclosed residential real estate inventory overhang
• European bank problems and recent tsunami in Japan
• Consumers continue to de-lever amid insecure job market
• Interest rates potentially on the rise

The fundamentals are improving but the outlook is uncertain
Industry appears to have bottomed out in late 2012 and now is slowly expanding

Bank lenders have now been actively lending money for 18 months so the universe of potential distressed loans is finally expanding

Interest rates remain artificially low and will remain low for at least 1 to 2 more years

High yield market and distressed investors are providing refinancing options for distressed borrowers

Price pressure on distressed Consultants appears to have abated, perhaps because large consulting firms with higher prices have been active in the middle market for 3 to 4 years now

Recent deal flow mix appears somewhat different with interim management and longer term projects starting to reappear

Deal flow volume is very choppy and not consistent
Is the Turnaround Industry Ready for a Turnaround?

Panel Discussion
11:00 AM – 12:00 PM
Is the Turnaround Industry Ready for a Turnaround?

Closing Remarks
Thank you for Joining Us!