

The Journal of **PRIVATE EQUITY**

Strategies and Techniques for Venture Investing

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Welcome to our special issue of the journal devoted to the constantly changing world of corporate turnarounds. In the past year, we have seen a continuing stream of buy-out deals, in some ways similar to other periods and in many ways with different twists. The new bankruptcy act is one powerful change, as are the continuing participation of hedge funds and other private investors. A further aspect is the continuing evolution of professionally managed buy-out advisors, who in the past have been mostly scattered experts but are now far better organized and ready for action at a moment's notice.

Our issue is divided into three broad areas: the first concentrates on strategy and personnel issues, the second catalogs articles about various tactical issues, and the third, a group of case studies. If there is a unifying theme throughout, it is the subtle changes that are rippling through the business as a result of the influx of large pools of private equity money flowing into large-scale turnarounds. These articles will help you gauge yourself on how well you are keeping up and allow you to stretch a bit into a few new areas and the latest ideas.

Our lead-off piece is by Jack McCarthy and Nick Alvarez on the general topic of private equity firms and their size, scope, and role in high-profile turnaround investments. Jay Krasoff and John O'Neill take us another step further into the data with a close look at distressed investing and hedge funds and their role in middle-market companies. Dr. James Smith provides us with a look at the overall economic environment we can expect in 2006-2007, and how this may affect turnarounds. Our general section is capped off with a significant review of large-scale turnarounds over a multi-year time frame, presented by William Hass, Shepherd Pryor IV, and Vern Broders.

Publisher's Note:

In appreciation for being a Journal of Private Equity subscriber or a valued member of The Turnaround Management Association, please enjoy this special turnaround issue of The Journal of Private Equity. I am confident that you will find this issue to be a valuable reference tool within your library. The articles are timely and informative, written by authoritative specialists in turnaround management and corporate restructuring. Please also refer to The Corporate Resource Directory, providing you with an overview of industry experts and professionals who can assist you in achieving your corporate goals and objectives.

I would also like to thank The Turnaround Management Association and our Sponsors for their continued support of the educational products published by Institutional Investor. For more information please visit www.ijpe.com or www.turnaround.org.

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Our tactics section in this issue is split into decision making, employee benefits, finance, and law articles. Ken Naglewski leads off with a primer on strategies for effective decision making in times of crisis. Henry Wolfe offers a series of ideas about restructuring the board for better decisions. Praveen Gupta tackles the tough topic of institutionalizing innovation.

Our second tactical topic presents a host of legal issues, headed up by Michael Paulsen's article concerning property, casualty, and employee benefit insurance. What about the new bankruptcy laws and the issue of traditional executive retention plans? Sylvia Mayer and Katherine Caplan take us through the latest ideas and law. The law of preferences is central to the concept of bankruptcy, and important changes are noted by W. Steven Bryant.

Our third tactical topic is finance, led by Stephen Karbelk, Edward Durnil, and Bobby Guy, who tackle Commercial Mortgage Backed Securities when used in a loan-workout environment. Gail Bernstein discusses the idea of lenders viewing assets more expansively than has been traditional, using intangible, rather than just tangible collateral. How about something exciting for a change?

Kenneth Yager and Andrew Connor take us into the world of unrated debt investing.

Our fourth tactical area concerns business outside of the United States. First we go to Europe with Alan Tilley, and then to Canada with Steven Weisz and Karen Park.

Our final section presents four case studies, the first by Tim Belton reviewing the Venture Industries story, and the second by Robert Katz and Christopher O'Callaghan that tells the tale of a Maryland-based plastic injection molding company. Robert Patterson and Kurt Knipp discuss the turnaround of an 80-year-old wholesale distributor of electrical products; Clyde Hamstreet takes us on a tour of the turnaround of the Southern States Cooperative, an agricultural business.

In all, a cook's tour of the fascinating world of corporate turnarounds that we hope will bring you up to date on the changes in this fast-paced field.

James E. Schrager
Chicago, Illinois
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