The exact sequence of materials assigned for discussion (and paper due dates) may change—depending on availability of guest speakers. Always consult CANVAS for the updated sequence of due dates.

CASSETES: Customized book of cases and readings is available. Please consult CANVAS for location of assigned readings if they are not in your case book.

ADDITIONAL TEXTS: Donald B. Bibeault (1998) Corporate Turnaround: How Managers Turn Losers into Winners

WRITE-UPS DUE: FIVE write-ups plus a project are due. 50% of Final Grade calculation is based on write-ups of as many as eight cases. The write-ups due for Sessions 1, 2, and 5 are mandatory (solo or teams); You must choose to write up ONE of the “Exchange Offer” cases (from Sessions 6 or 7). You are also expected to write up ONE of the other cases discussed in one of these: Session 4, 6, 7 or 8. “High-achievers” will write up additional cases for extra credit. (See section of point distribution for details.) The Final Project is mandatory (solo or teams). [CANVAS offers more explanations about expectations for write-ups. Read instructions beforehand.]

SURVEYS: Individual responses are mandatory for surveys associated with each class session. The surveys correspond to cases that everybody reads, but only a select few will write up and present in class. Typically members of a team answer the quantitative questions similarly, but some team members lose points by not doing their survey questions at all. Points received for completing the CANVAS surveys are a part of the 30% of individual contribution points used to calculate your Final Grade.

COURSE DESCRIPTION
Turnaround Management is about restructuring distressed companies. The course examines turnaround business situations, i.e., established firms experiencing operational, financial and managerial difficulties. It emphasizes the operating manager’s perspective and considers strategy issues as well as financial ones. (In some sessions the creditor’s viewpoint is of critical importance as it affects managerial autonomy.)
Turnaround Management integrates the functional disciplines of the core curriculum: a basic understanding of accounting and corporate finance is mandatory to do the class exercises that use cash flows and ongoing concern projections, debt restructuring and liquidation analysis. Experience in negotiations (to forge creditor relationships) is helpful. The Final Project requires the general manager’s perspective to suggest operating changes as well as use of qualitative and quantitative tools to effect solutions.

COURSE CONTENT

Turnaround Management addresses all aspects of managing a corporation in trouble and (with some luck, in the turnaround process). Students will learn to distinguish between “troubled” firms (that can be repaired) and “crisis” companies that are unlikely to survive. The course looks at restructuring operations, assets and liabilities, capital structures, organizational issues and strategy. Bankruptcy is discussed as an alternative. The primary objectives of the course are:

- To help EMBA candidates recognize symptoms (and early warning signals) associated with distressed divisions, subsidiaries, or diversified companies (or those on the way to trouble).
- To help EMBA candidates diagnose the root causes of business trouble
- To help them prescribe effective corrective action appropriate to the resources available, in light of competitive intensity, general economic conditions, and other exogenous opportunities and constraints, e.g., technological, regulatory, social, demographic, political, et cetera.

METHOD OF INSTRUCTION

Course Materials
The pedagogical portfolio consists of a case packet, web site material, group exercises, written submissions, and guest speakers. Additional written materials may be distributed in class or via the CANVAS courseware. References will be made to recent corporate troubles, so keep current on turnarounds and bankruptcies. You will find firms appropriate for the Final Project’s requirements at websites like [http://www.distressedcompanyalert.com].

Join the Turnaround Management Association [http://www.turnaround.org] or Columbia Business School’s Private Equity/ Venture Capital Club for additional information about turnaround management: [http:\www0.gsb.columbia.edu/students/organizations/pevc/].

Attendance
Class participation is evaluated for each class session and comprises part of the 25% of your final grade. Since it is impossible to participate in absentia, your attendance is expected and unexcused absences will adversely affect your course grade. Excused absences are those officially sanctioned by the School’s academic regulations. In all cas-
es of absence, professional conduct and courtesy dictate that the Professor be informed prior to class – whether the absence is an excused one (or not). Hint: You can improve class participation by volunteering to present a few PowerPoint slides on your team’s analysis on the day that your write-up is discussed. You can also gain extra credit participation points by offering the class a supplemental presentation on topics related to course materials. Look at the session titles and readings to get ideas on supplemental presentations (for extra participation points). Send the professor an email to reserve a case (or supplemental topic) for presenting.

**THESE BASIC PROPORTIONS ARE USED TO CALCULATE THE FINAL GRADE:**

Write-ups of FIVE cases = 50%. (These cases are spelled out herein -- with extra credit points available for write-ups of the optional cases.)

Individual contributions to class = 25% -- which includes the CANVAS surveys.

Final Projects = 25%

In practice, passing course grades will be calculated using a 1,100-point accumulation; there will be a maximum of 400 points of extra credit available for case write-ups (from submitting additional papers) for calculating high pass and honors grades.

- **300 points** for Final Project (Analysis, Recommendations, Presentation).
- **300 points** for daily, individual class contributions (including 200 points for individually completing CANVAS surveys pertaining to cases and evaluating the course materials and 100 points for routine, daily individual contributions to class). Your individual accumulation of these class contribution points can be augmented by making presentations similar to the extra credit examples posted in sessions 6 and 9 (and by getting your team to present its write-ups in class). Schedule any such extra-credit presentations with Professor Harrigan ASAP;

  That’s 600 points so far …..

  **Plus another 300 points for these required cases:**

  - **50 points** for Nadir Publishing *(required)*. Evaluation equally based on analytics as well as insightful discussions supported by analytics of the case;
  - **200 points** for Bonne Chance (A and B) *(required)*. Evaluation equally based on analytics as well as insightful discussions supported by analytics of the case;
  - **50 points** for Bonne Chance 2006 *(required)*. Although analytics are required, evaluation is skewed towards insightful discussion/recommendations suggested by a 16-month cash-flow forecast for Bonne Chance 2006;

  (subtotal is up to 900 points now)

  PLUS

  - **100 points** for Allegheny International *(Choice A)*. Evaluation based on analytics as well as insightful discussion of the exchange offers supported by analytics of Allegheny International -- OR -- **100 points** for Foamex *(Choice B)*. Evaluation based on analytics as well as insightful discussion of the exchange offers supported by analytics of Foamex;
PLUS 100 Points for write-up of an optional case:¹
100 points for Lyric Dinner Theater (OPTIONAL) – or -- 100 points for the Arch Wireless “Fairness Opinion” (OPTIONAL) – or -- 100 points for PRG-Schultz International (A) (OPTIONAL). Evaluation equally based on analytics as well as insightful discussion of issues supported by analytics of case.

There are 1,400 points available.
70% of the basic 1,100 points are needed for a “P” (That’s 770 points)

Preparation and Class Participation
Write-ups, projects, assigned cases and readings for this course constitute a heavy preparation load. The expectation is that these materials will be fully prepared for each session and that all team members have worked on the assignments due. Each team should volunteer to come to class ready to open the day’s discussion with a few PowerPoint slides in hand. There is Extra Credit to be earned by volunteering to make a special presentation on the day’s topic – which can include critiquing all related reading materials – accompanied by a PowerPoint presentation (with handouts provided to members of class) or other innovative topics. Schedule these presentations with Professor. Every day the Professor must assess your contributions – individually and in your teams. EMBAs receive one point per day for attending class and saying nothing (that includes asking no questions). Presentations receive the maximum daily grade, but contributions based on thorough analysis leading the case discussion in important new directions -- including specific examples as well as great underlying analysis – receive almost as many daily points. “Ringers” (professionals who work daily on restructuring firms) that share their knowledge daily receive lots of discussion points too. Contributions which are based on students’ own experience from situations outside the case will be welcomed when they enrich the case discussion.

The assignments are done individually or in groups. These assignments involve a balanced mix of quantitative and conceptual analysis -- as well as a high degree of cooperation among team members. Each team should be composed of no more than six members. If you have no team affiliation, you will turn in papers alone.

Deliverables
Written analyses are assigned during the course with all inclusive page limits. Please note that “all inclusive” means that all pages of text and pages of spreadsheets or charts count towards the limit.² All written submission must be prepared using 10-point Arial font for all alpha and numeric characters. Use of legal size paper for financial presenta-

¹ A good write-up of a second optional case is worth 100 potential extra credit points. A good write-up of a third optional case is worth another 100 potential extra credit points. A good write-up of a fourth optional case is worth another 100 potential extra credit points, et cetera. If everybody does the extra credit assignments, the grading curve must be adjusted accordingly to satisfy the Vice Dean/ Faculty grading curve guidelines.

² Cover sheets, Tables of Contents, and Executive Summaries are not counted in the page limit. EMBAs may also submit their EXCEL files (in case clarification is needed) and any PowerPoint files prepared to illuminate daily class discussions. The submitted documents should be self-sufficient. The Professor will read supplementary materials that are offered to clarify confusing analyses or recommendations.
tions is fine. The Professor will read and evaluate each one. In CANVAS, click on the assignment for each respective write-up to read the instructions associated with that particular case. Submit a PDF or WORD document -- plus your XLSX file, and/or your PPTX slides for each assignment before each respective class begins. Remember also that each member of the team should be familiar enough with the solution submitted to answer the online survey individually by 7:30 AM on the day when the case will be discussed.

Final Project
It is due at NOON on the date of the Saturday reserved for Final Exams. With a total and all-inclusive page limit of 30 (PDF pages), EMBArs will be expected to describe a situation and recommend (with supporting evidence for) the turnaround strategy advocated. If the students' conclusion is that the entity should sell out, outsource or file for Chapter 11, the implications of this action for managers, shareholders, bankers, creditors, customers, et cetera, should be discussed thoroughly, and this course of action must be carefully supported through insightful analytic reasoning and financial analysis. See the CANVAS for additional write-up details concerning this assignment. The best Final Project(s) will be submitted to the Turnaround Management Association's annual "Best Paper" Competition. Go to the TMA website to see past prize-winning projects. EMBA projects usually win the local competition – sometimes the Nationals too.

Suggestions
Form a team of at least three competent members as soon as you enroll.

Give team a memorable name to help the Professor remember your contributions.

Volunteer to present in-class your team’s analysis of one of the early write-ups.

Always submit your XLSX spreadsheets as a supplement to other documents comprising the write-up but include key excerpts in the main document – especially if you submit a PDF file. The Professor offers feedback on XLSX files, where possible.

Every case discussed has a corresponding survey. Always submit the survey individually by 7:30 AM to give the Professor ample time to update teaching notes. Each and every member of a particular team must do each and every survey by 7:30 AM on the day when class meets. The surveys are part of the “class contributions” grade and you should always submit them in a timely fashion.
COURSE OUTLINE AND MATERIALS LIST FOR SUMMER 2015
B7511 Turnaround Management

Here is the “planned” session sequence. Parts of it may be re-arranged to accommodate the schedule changes of guest speakers. For each session, always check with CANVAS for any updates to keep up with changes in the readings and assignments. Always answer the survey questions by 7:30 AM on the day when class meets.

Part I: Sink or Swim
B7511 Session 1: Distressed Companies – Cash Flow Is King!

Assignments Due for Session #1 (Remember to check CANVAS for updates):
Answer Case-Related Questions on CANVAS by 7:30 AM

Cases Due:
“Nadir Publishing” *(posted on CANVAS and in casebook)* [Put your analysis in CANVAS’s Session 1/ Nadir Publishing drop box. Read the CANVAS assignment for further instructions about this REQUIRED write-up]

“Bonne Chance (A) and (B)” *Introduction only* (posted on CANVAS and in casebook) Your Bonne Chance write-up will be due for Session 2. Come to class with questions.

Required Reading Assignments Due:


Optional Reading Assignments Due:

Collard (2006), “Mining Value from Distressed Companies,” Turnaround Management Association, November, pp. 4-6. (posted on CANVAS only)

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* Columbia Business School case
** Columbia Business School faculty

**Topics from Core Courses:** Change management; product line selection; releasing cash from assets; ratio analysis; pro forma analyses

**Comments concerning the write-up of Nadir Publishing due in Session 1:**
Make recommendations for Nadir Publishing that will make it more solvent (and keep it away from bankruptcy). Suggest ways of improving cash flow. Make a recommendation about the opportunity to distribute the new line of titles (include your persuasive evidence). Recommend how to handle future relationships with creditors. You could provide annotated ratio analysis (if it provides insights), a calculation of Nadir’s “burn rate,” an estimate of break-even levels of activity, some comparison with industry norms, projections of cash flows (at least one week hence), pro forma financial statements and analyses, and a candid assessment of Nadir’s liquidation value (if it were not a going concern). See the Session 1: Nadir Publishing assignment for additional instructions.

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**B7511 Session 2: Managing the Turnaround Process**

**Assignments Due for Session #2 (Remember to check CANVAS for updates):**

**Answer Case-Related Questions on CANVAS by 7:30 AM**

**Cases Due:**

- **“Bonne Chance” (A) and (B)** (posted on CANVAS and in casebook) [Submit your analysis in CANVAS’s Session 2/ Bonne Chance (A) and (B) drop box. Read the CANVAS assignment for further instructions] This is a REQUIRED write-up.

- **“Elan Corporation Turnaround,”** [KEL 507] [posted on CANVAS and in casebook]

**Required Reading Assignments Due:**


**Optional Reading Assignments Due:**

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* Columbia Business School cases
Bossi (2006), “Are CROs More Powerful Than Turnaround Consultants?” Turnaround Management Association, pp. 4-8 (posted on CANVAS only)

**Topics from Core Courses:** Forecasting weekly cash flows from operations; timing of payables; profitability of product lines; situation assessment; strategy implementation

**Comments concerning the write-up of Bonne Chance (A) and (B) due in Session 2:** According to the Bonne Chance (B) case, you should submit (and clearly label) (a) the 4th Quarter Bonne Chance Base Case Cash Projection (NO Swatch, NO Rolex trade-in sales promotions, NO Rolex inventory balancing, NO other merchandise off-price sale, and NO expense reductions); (b) all three of the Financial Statements of the firm -- the Bonne Chance P&L, Balance Sheet, and a Summary Sources and Uses Statement for the period October 1 through December 31; and (c) Impact of Swatch on Bonne Chance -- the Cash Projections and P&L with Swatch included (plus the other assumptions delineated in the (B) case). **Here are some additional instructions:**

1. **To demonstrate the impact of the Swatch initiative, you should project the cash flows of the Base Case forward ONE FULL YEAR.** (Subsequent Bonne Chance write-ups will be easier if you build the FULL YEAR of cash flow forecasting (ending December 31, 2006) in this iteration. Further instructions are contained on the Bonne Chance drop box. NO Swatch, NO Rolex trade-in sales promotions, NO Rolex inventory balancing, NO other merchandise off-price sale, and NO expense reductions


Read the Session 2: *Bonne Chance* assignment in CANVAS for additional instructions.

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**B7511 Session 3: Legal and Economic Aspects of Capital Markets**

**Assignments due for Session #3 (Remember to check CANVAS for updates):**

Answer Case-Related Questions on CANVAS by 7:30 AM

Cases: “SunGard 8K Filing” [posted on CANVAS and in casebook]

“SunGard Credit Agreement” [posted on CANVAS and in casebook]

“SunGard Indenture” [posted on CANVAS and in casebook]

**Required Reading Assignments Due:**


“Fulcrum Security and Private Equity” (2005), Investing in Distressed Companies, McGuire Woods LLP, March, p. 1 [posted on CANVAS and in casebook]


Optional Reading Assignments Due:
Moody’s B3 Negative and Lower Corporate Ratings [EXCEL file posted on CANVAS only]

2013 Comment on Moody’s B3 Negative and Lower Corporate Ratings [posted on CANVAS only]

2014 Comment on Moody’s B3 Negative and Lower Corporate Ratings [posted on CANVAS only]

Term Sheet (Redacted) [posted on CANVAS only]

S. Biswas (2004), “The Creditor’s Cudgel,” The Deal, October 18th. [posted on CANVAS only]

Emergence of Default Swap Index Products [F-268] [posted on CANVAS only]

T. Sasso (2005), “Make It New,” The Deal, May 16th. [posted on CANVAS only]


Topics from Core Courses: Balance sheet analysis, capital structure, ratings agencies and borrowing costs; subordinated debt; institutional/ legal background of restructuring

Comment: There are some very heavy readings scheduled early in the semester in order to apply their concepts in the subsequent write-ups. Session 3 is a repository for supplemental readings such as:
Archive of articles about legal and economic aspects of capital markets as they pertain to turnaround management (Includes readings about credit default swaps, distressed debt, and debt restructuring) [posted on CANVAS] See Table of Contents contained in sub-folder for more details on which articles are in archive

Archive of articles about Debtor-in-Possession financing [posted on CANVAS] See Table of Contents contained in sub-folder for more details on which articles are in archive

Archive of articles about bankruptcy [posted on CANVAS] See Table of Contents contained in sub-folder for more details on which articles are in archive

**Comment concerning Sungard case series. No write-up is due:**

Today we will discuss the intricate provisions of SunGard's financing. The agreement is a “template” used in subsequent financing deals like it. You must read every word of these three documents very carefully in order to describe in class the creditor seniority, covenants and other salient aspects of this case. Draw the structure of obligations as a test of whether you understand these documents. (Learn to become a very careful reader of these types of filings if you want to work with distressed companies. It's the most fun you can have without being a lawyer! Private equity firms rely upon the careful reading of these types of documents as part of their due diligence.)

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**B7511 Session 4: Turnaround Managers (Distressed Firms Everywhere)**

*Assignments due for Session #4 (Remember to check CANVAS for updates):*

- Answer Case-Related Questions on CANVAS by 7:30 AM

- **Cases:**
  - “Lyric Dinner Theater” [9-386-056] [posted on CANVAS and in casebook] [Optional Write-up: Submit your optional analysis in CANVAS’s Session 4/ Lyric Dinner Theater drop box. Read the CANVAS assignment for further instructions]

- **Required Reading Assignments Due:**
  - D. Bibeault (1985), “Feed the Winners, … Starve the Losers,” Boardroom Reports, August 1, 1985. [posted on CANVAS and in casebook]

- **Optional Reading Assignments Due:**

** Columbia Business School-trained Ph.D.
*** Columbia Business School faculty


Archive of articles about corporate renewal industry [posted on CANVAS] See Table of Contents contained in sub-folder for more details on which articles are in archive

**Topics from Core Courses:** Management of operations; profitability analysis; management of organizational change; demand analysis; negotiation with organized labor

Comment concerning *Lyric Dinner Theater* optional assignment due in Session 4: Make some pragmatic suggestions for improvement that are backed by analysis. Prepare financial statements to demonstrate impact of your recommendations. Read the Session 4 CANVAS assignment for additional instructions. *This is an optional write-up*

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**B7511 Session 5: Feed the Winners, Starve the Losers**

**Assignments due for Session #5 (Remember to check CANVAS for updates):**

- **Answer Case-Related Questions on CANVAS by 7:30 AM**

**Cases Due:**
- **Bonne Chance 2006** [posted on CANVAS and in casebook] [Submit your analysis in CANVAS’s Session 5/ Bonne Chance drop box. Read the CANVAS assignment for further instructions regarding this REQUIRED write-up]

**Required Reading Assignments Due:**


Optional Reading Assignments Due:


Kulla (2006), “Employees Can Make or Break Reorganizations,” Turnaround Management Association, pp. 8-10 [posted on CANVAS only]

Archive of articles about distressed companies [posted on CANVAS] See Table of Contents contained in sub-folder for more details on which articles are in archive

Topics from Core Courses: Forecasting weekly cash flows from operations; timing of payables; profitability of product lines; situation assessment; strategy implementation; leading transformations; downsizing; clearance sales, discounting and pricing strategy

Comment concerning full Bonne Chance 2006 series assignment:
Build on your analysis of Bonne Chance (A) and (B) as you project cash flows for fifteen months into the future. Use any of the solutions reserved for Bonne Chance 2006 -- e.g., (a) Inventory Balancing, (b) Rolex Trade-in Sales, (c) 40%-Off-Price Sale of Other Merchandise, (d) Factoring, or (e) any other solution needed to meet 2005 End of Year goals. Submit both full-year pro formas, 2005 and 2006 Profit & Loss, Balance Sheet, and Sources & Uses. Comment on the impact of “extraordinary fixes.”

Also submit report on the impact of adding a Swatch dealership. Be sure to include the impact of Rolex’s required purchases policy in your analyses and recommendations. (Read the CANVAS assignment for further instructions regarding this REQUIRED write-up.)

Part II: Restructuring Basics

B7511 Session 6: Bankruptcy and Corporate Restructuring

Assignments due for Session #6 (Remember to check CANVAS for updates):

Answer Case-Related Questions on CANVAS by 7:30 AM

Required Case Materials:
“Allegheny International (A) and (B)” [posted on CANVAS and in casebook] Read the CANVAS assignment for write-up instructions if you are doing this CHOICE A case write-up. This is a simple debt-for-equity swap proposal.
“Cleveland Twist Drill (A) and (B)” [9-384-083 and 9-384-163] [posted on CANVAS and in casebook]
Required Reading Assignments Due:
“A Strategic Perspective on Bankruptcy,” [9-407-035] [posted on CANVAS and in casebook]

Note that the American Bankruptcy Institute studied bankruptcy reform again in 2012. Associated materials are posted in CANVAS. Articles in casebook are from first reform of 2005.


D. Shefter, “Note Regarding Preparation of Case: Allegheny International (AI),” prepared for B7511 – Turnaround Management course [posted on CANVAS and in casebook]

Optional Reading Assignments Due:
Harris, JW. 2010. “Preparation of the Liquidation Analysis” [posted on CANVAS only]

Judges’ series (1998) Reorganization under the Bankruptcy Code--Chapter 11 [posted on CANVAS only]

“Investment Banking: Complexity Muddies Restructuring Process” (2003), The Banker, May, pp. 59-62. [posted on CANVAS only]


ABI Commission Report to Study Reform of Chapter 11 (2012-2014) [posted on CANVAS only]

Transcript (2012) of ABI Hearing to Reform Chapter 11 Bankruptcy [posted on CANVAS only]

Topics from Core Courses: Corporate governance, divestiture, financial restructuring; debt-for-debt swaps, debt-for-equity swaps; shareholder dilution; role of investment bankers in turnarounds and restructurings; valuing an ongoing firm
Comment concerning optional Allegheny International CHOICE A exchange offer assignment: There are rival factions that want Allegheny International’s capital structure to be restructured in a way that favors their situation. You must make a recommendation among rival exchange offers with supporting analysis and a memo detailing your conclusions concerning how Allegheny International should be restructured.

B7511 Session 7: Restructuring Distressed Companies
Assignments due for Session #7 (Remember to check CANVAS for updates):
Answer Case-Related Questions on CANVAS by 7:30 AM

Required Cases due:
“Foamex International Inc. Operating Performance Case Study”
“Foamex International Inc. Capital Structure Case Study” [both posted on CANVAS and in casebook] [CHOICE B case write-up: Submit your optional analysis in CANVAS’s Session 7 Foamex International drop box. Read the CANVAS assignment for further instructions concerning this CHOICE B write-up.]
“GT Advanced Technologies” – Columbia Caseworks [Beta version]

Required Reading Assignments Due:


Optional Reading Assignments Due:

Economist (2007), “Vultures Take Wing,” March 31, pp.77-79 [posted on CANVAS only]


Master’s Novelty [UVA-F-0956] [posted in casebook and on CANVAS]

Topics from Core Courses: Corporate governance, divestiture, financial restructuring; debt-for-debt swaps, debt-for-equity swaps; shareholder dilution; price-cost squeezes; role of investment bankers in turnarounds and restructurings; valuing an ongoing firm

* Columbia Law School faculty
Comment concerning Foamex International CHOICE B exchange offer assignment due in Session 7): Like the Allegheny International case, there are rival factions that want Foamex to be restructured in a way that favors their situation. You must make a recommendation among rival reorganization plans and exchange offers with supporting analysis and a memo detailing your conclusions concerning how Foamex should emerge from bankruptcy. (See the CANVAS assignment for further instructions concerning this CHOICE B write-up.)

B7511 Session 8: Serial Corporate Restructuring
Assignments due for Session #8 (Remember to check CANVAS for updates):

Required Case Materials:
- “Arch Wireless, Inc.,” [9-205-024] [posted on CANVAS and in casebook] [OPTIONAL case write-up: Submit your optional analysis in CANVAS’s Session 7 Arch Wireless drop box. Read the CANVAS assignment for further instructions]
- “A Tale of Two Turnarounds at EDS: The Jordan Rules” [KEL425] [posted on CANVAS and in casebook]
- History of Johns-Manville Corporation [posted on CANVAS and in casebook]

Required Reading Assignments Due:

Optional Reading Assignments Due:

Optional Case Information Concerning Bankruptcy (and Recovery) of Johns-Manville, a serial restructurer [posted on CANVAS only]
- 1980 Financial Statements for Johns-Manville Corporation [posted on CANVAS only]
- Articles concerning the bankruptcy of Johns-Manville Corporation [posted on CANVAS only]

Topics from Core Courses: Creditor priority; pre-emptive filing of bankruptcy; strategic inaction and competitive response; leading organizations through bankruptcy
Comment concerning optional Arch Wireless assignment due in Session 8:
In the paper submitted, you should opine whether the prepackaged bankruptcy plan submitted by Arch Wireless seems reasonable (i.e., Arch Wireless is more valuable as a going concern than if it is liquidated). Reasonableness is a relative matter, depending upon whose viewpoint you assume. Please render your assessment from the sometimes-conflicting, diverse points of view of the several creditors who will be involved in any restructuring agreement. Use appropriate tests and make recommendations if you reject Arch Wireless' proposal. *(See the CANVAS assignment for further instructions.)*

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**B7511 Session 9: Repercussions of Restructuring**

*Assignments due for Session #9 (Remember to check CANVAS for updates):*

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<th>Required Case Materials:</th>
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<tr>
<td>“Solo Cup in 2007” [KEL505] [posted on CANVAS and in casebook]</td>
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<td>“Parmalat USA Turnaround” [KEL356] [posted on CANVAS and in casebook]</td>
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<th>Required Reading Assignments Due:</th>
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<th>Optional Reading Assignments Due:</th>
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<td>Motorola: Internal Turnaround slides (2005). [posted on CANVAS only]</td>
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<td>Deloitte, 2012, Corporate restructuring and the role of the Chief Restructuring Officer (CRO) slides. [posted on CANVAS only]</td>
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<th>Topics from Core Courses:</th>
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<tr>
<td>Integrating acquisitions; rationalizing product lines; role of consulting firms in turnarounds; recovering from fraud, extortion, illegality</td>
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**Part III: Saving Distressed Companies – CEOs and Investors**

**B7511 Session 10: Restructuring Out of Bankruptcy**

*Assignments Due for Session #10 (Remember to check CANVAS for updates):*

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<th>Case Assignments Due:</th>
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<tr>
<td>“PRG-Schultz International (A)” [9-807-126] [posted on CANVAS and in casebook]</td>
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[OPTIONAL CASE: Submit your analysis in CANVAS’s Session 7/ PRG-Schultz International drop box. Read the CANVAS assignment for further instructions]

“International Steel Group [9-803-162]” [posted on CANVAS and in casebook]

Required Reading Assignments Due:

Rosenberg (2006), “Understanding Pension Benefit Guaranty Corporation’s (PBGC’s) Role in Bankruptcy,” Turnaround Management Association, August, pp. 30-35 [posted on CANVAS and in casebook]

Optional Reading Assignments Due:
Akin, Gump (2011) “Pathology of Section 363 Transactions” [posted on CANVAS only]

Portfolio Media (2008) “Free and Clear Issue in Section 363 Transactions” [posted on CANVAS only]


Topics from Core Courses: Compensation schemes, competitive benchmarking; financial restructuring; declining demand businesses; introducing new product lines; valuing an ongoing firm

Comment about optional PRG-Schultz International write-up:
Vultures are encircling PRG-Schultz International and the firm has just engaged Rothschild to evaluate financing alternatives for it (including bankruptcy). Please figure out how PRG-Schultz International can service its debt by paying the interest due to bondholders in November 2005. How can PRG-Schultz International pay off the bonds completely in November 2006? Should PRG-Schultz International seek the protection of Chapter 11 of the Bankruptcy Code? Is this company worth saving? If your analysis indicates that it is worth saving, please explain how you would save it. (Read the CANVAS assignment for further instructions.)

B7511 Session 11: Noteworthy Turnaround Managers I
Assignments Due for Session #11 (Remember to check CANVAS for updates):

Answer Case-Related Questions on CANVAS by 7:30 AM

Case Assignments Due:
“Al Dunlap at Sunbeam,” [9-899-218] [posted on CANVAS and in casebook]
“Sharp Electronics in 2013” [Caseworks] [posted on CANVAS and in casebook]

Optional Reading Assignments Due:
Scott Paper Company (9-296-048) [posted on CANVAS only]


Topics from Core Courses: Leading change; motivating organizations; performance measures; turnaround managers; organizational change; managing operations

B7511 Session 12: Noteworthy Turnaround Managers II
Assignments Due for Session #12 (Remember to check CANVAS for updates):

Case Assignments
Due: “Kmart, Sears, and ESL: How a Hedge Fund Became One of the World’s Largest Retailers,” [KEL133] [posted on CANVAS and in casebook]

“Jamie Dimon and Bank One (A)” [9-804-107] [in casebook]
“Jamie Dimon and Bank One (B)” [9-804-108] [in casebook]

Optional Reading Assignments Due:
1998 Bank One Letter to Shareholders [posted on CANVAS only]
1999 Bank One Letter to Shareholders [posted on CANVAS only]
2003 Bank One Letter to Shareholders [posted on CANVAS only]


Topics from Core Courses: Symbolic leadership; motivating organizations; performance measures; turnaround managers; organizational change; managing operations
HERE IS THE CASE FOR SESSION 1 WRITE-UP: NADIR PUBLISHING

Make recommendations for Nadir Publishing that will make it more solvent (and keep it away from bankruptcy). Suggest ways of improving cash flow. Make a recommendation about the opportunity to distribute the new line of titles (include your persuasive evidence). Recommend how to handle future relationships with creditors. You could provide annotated ratio analysis (if it provides insights), a calculation of Nadir’s “burn rate,” an estimate of break-even levels of activity, some comparison with industry norms, projections of cash flows (at least one week hence), pro forma financial statements and analyses, and a candid assessment of Nadir’s liquidation value (if it were not a going concern). See CANVAS Session 1: Nadir Publishing assignment for additional instructions:

NADIR PUBLISHING

At 9:00 AM, you are appointed President of Nadir Publishing. Seven days from now you must present a plan of action that will convince your bank to extend the $4 million note that was due today.

For your information, Nadir has 3,000,000 shares authorized and 1,000,000 shares issued and outstanding. Current market price is 2–2.20. The stock is widely held. Trading volume is small and sporadic. Half the sales for the year just ended are from book titles it publishes. The other half is from book titles distributed for an overseas “packager.”

Bookstores as well as their on line competitors — together they comprise more than 80% of Nadir’s business — normally pay within 45 days of invoice. Invoices are usually sent within 15 days of shipment, and therefore, average A/R DSO is 60 days. Both brick and mortar bookstores as well as online companies that maintain inventories have the right to return unsold books for credit. Book sales vary widely from month to month, but for purposes of this analysis, assume that sales are evenly spread through the year.

At 4:00 pm, your marketing director came in with a proposed solution to last year’s revenue and income declines. He has found a packager with an exciting new line of book titles that should add $5 million to annual sales. With a 50% gross margin, the contribution of $2.5 million, less commissions of $500 thousands, will bring Nadir back to break even. Furthermore, he has negotiated favorable terms: 1/3 in each of 30, 60, and 90 days after date of delivery.

Some industry norms are:
· 3 – 5 times inventory turns
· 30 – 40% COGS for published book titles
· 50 – 60% COGS for distributed book titles
· 20% SG&A expense/sales
· 8% sales representatives’ commissions
NADIR PUBLISHING
CONDENSED INCOME STATEMENT
FOR 12 MONTH PERIOD ENDING TODAY ($000)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross sales</td>
<td>$54,000</td>
</tr>
<tr>
<td>Less returns and allowances</td>
<td>4,000</td>
</tr>
<tr>
<td>Net Sales</td>
<td>50,000</td>
</tr>
<tr>
<td>Less cost of goods sold</td>
<td>27,500</td>
</tr>
<tr>
<td>Gross profit</td>
<td>22,500</td>
</tr>
</tbody>
</table>

Operating Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissions</td>
<td>5,000</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>14,500</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Sub total: 22,500

Operating Profit: 0

Interest: 2,000

Income (Loss) before taxes: (2,000)

NADIR PUBLISHING
BALANCE SHEET – TODAY ($000)

Current Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$250</td>
</tr>
<tr>
<td>Accounts Receivable, net of reserves</td>
<td>14,000</td>
</tr>
<tr>
<td>Inventories, net of reserves</td>
<td>20,000</td>
</tr>
<tr>
<td>Subtotal current assets</td>
<td>34,250</td>
</tr>
<tr>
<td>Plant, property &amp; equipment</td>
<td>4,000</td>
</tr>
<tr>
<td>Total Assets</td>
<td>38,250</td>
</tr>
</tbody>
</table>

Liabilities and Shareholders’ Equity

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes payable</td>
<td>$4,000</td>
</tr>
<tr>
<td>Current maturities of long term debt</td>
<td>1,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>15,000</td>
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<tr>
<td>Other current</td>
<td>2,000</td>
</tr>
<tr>
<td>Subtotal current liabilities</td>
<td>22,000</td>
</tr>
<tr>
<td>Long term debt</td>
<td>10,000</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>6,250</td>
</tr>
<tr>
<td>Total Liabilities and Shareholders’ Equity</td>
<td>38,250</td>
</tr>
</tbody>
</table>

*Outstanding $3,000 Letter of Credit not shown on balance sheet