An “R” by any other name...

by Gordon Johnson

Would smell as sweet.” You say "to-may-to,” I say “to-mah-to!” However you pronounce it, most analysts have now resolutely embraced the “R” word—Recession. The main point of debate is how long and how deep.

It is not official yet, because a recession is marked by two consecutive quarters of economic decline. Still, given declines in economic performance and GDP, decreasing sales, declining market caps and dollar values, increasing unemployment, widespread mortgage problems, and financial losses approaching USD 200 billion with more to come, it seems almost self-evident that the United States is in a recession.

Some pundits are now boldly forecasting the “D” word—Depression. By nearly all accounts, we are in for a bigger market correction than most expected. This seems to be underscored by recent events.

While many of us enjoyed an otherwise tranquil mid-March weekend, Bear Stearns, the investment bank that often came to the rescue of others, was sold in a fire sale to JP Morgan Chase for a mere $2 USD per share or total 236 million USD (est. GBP 116 million/Euro 151 million) and assumption of liabilities.

The U. S. Federal Reserve facilitated the sale by extending liquidity funding of $20 billion USD to JP Morgan to alleviate concerns over the ability to meet Bear’s obligations. A year ago, Bear’s stock market value was $20 billion USD, dwindling to $3.5 billion as of March 14, triggering a crisis of confidence that ultimately led to its demise and midnight fire sale to avoid bankruptcy.

Acknowledging a U. S. recession, what does all this mean for the rest of the world? One thing it means is that when I go skiing in Canada, as I did several weeks ago at Whistler, I get less money back for my dollar, and I suspiciously eye the coins in my hand as if I’ve been
shortchanged by my honorable neighbors to the north. It also means that prices in foreign countries seem unusually inflated. Then again, perhaps they were inflated to assist our friendly neighbors in covering their costs for the 2010 winter Olympics.

These small grievances aside, since our last report, the value of the dollar has reached new record lows against foreign currencies, while the price of oil has risen to new record highs at $110/barrel. This inverse relationship is understandable, given the use of dollars to transact oil sales.

U. S. stock indices are also down and declining, and rising and declining; despite last week’s largest single-day rally in five years, the gains were almost immediately erased. These undulations in the market have pushed the market volatility index to new peaks in recent weeks, an oft-recognized harbinger of recession. And for the monetary types among us, the “I” word—Inflation—is becoming more fashionable, as each new shaving of the interest rates further weakens the dollar.

Some consider our weaker currency a good thing, spurring exports and stifling imports. But this is overly simplistic, as the world of finance, investment and trade is much more inter-related these days and a weakening dollar affects the price of oil, the financial position of countries holding large sums of dollars, and a multitude of currency hedge devices in international contracts.

Whether a recession or just a rollercoaster of volatility for the foreseeable future, the state of the U. S. market and declines in European markets are bound to impact the rest of the world, including emerging markets that depend on demand for low-cost exports and services. Some experts are increasingly concerned about a deepening global financial crisis, especially among those in the financial community.

Is your business ready; how will you take advantage of the reshaping of the global market place? This and other questions will be the subjects of discussion at TMA’s upcoming Spring Conference in Orlando, Florida, (March 27–29), featuring panels on (1) the looming global financial crisis, distressed opportunities and sovereign wealth funds, (2) global business investment risks and emerging market opportunities, and (3) cross-border preparedness.

As discussed in the article that follows, TMA will be addressing the state of the European markets in its inaugural regional conference to take place in Paris on April 10–11. We welcome your participation in both of these events and look forward to visiting with you, should you have the opportunity to attend.

As always, we encourage our members to provide newsworthy articles or briefings on leading developments and events for this newsletter. If you have news items or ideas for appropriate articles, please contact Managing Editor Donna Steigerwald at dsteigerwald@turnaround.org.

We also welcome your thoughts and feedback on any ideas for strengthening TMA’s international network. Please direct those to me at gjohnson@emadvisors.net.

Gordon Johnson is President of EM Advisors LLC, a firm concentrating on emerging markets. He formerly headed the World Bank’s global insolvency and creditor rights practice group with projects in more than 50 emerging market countries.

TMA International News is an electronic publication of Turnaround Management Association, 150 S. Wacker Drive, Chicago, Illinois 60606. Published quarterly, it serves TMA’s non-U.S. members and focuses on topics of major interest to the international community of corporate renewal professionals. © 2008 Turnaround Management Association

**Editorial Advisory Board**

Gordon W. Johnson – VP TMA International Relations
William Skelly – TMA Chairman
Arthur Perkins – TMA President
Linda M. Delgadillo – TMA Executive Director
Donna Steigerwald – Managing Editor

**Editorial Committee**

Sandra Abitan – Montreal
Michael Fingland – Australia
Philippe Grabli – France
David Hole – United Kingdom
Eiten Inamura – Japan
Jan van der Walt – Southern Africa

©2008 Turnaround Management Association
2008 TMA European Conference Scheduled for April in Paris

by Alan Tilley, Huron Consulting Group, Past President TMA-UK

TMA will hold its inaugural TMA Europe regional conference in Paris on Friday, April 11, 2008.

The conference will be preceded by a dinner on the evening before that will feature a keynote address by Jean Chrétien P.C., Q.C., former Prime Minister of Canada, and will close with a champagne reception.

The venue for the event will be the magnificent Westin Hotel in Rue Castiglione, known for its Parisian charm and just a stone's throw from the Louvre and Place de la Concorde.

“European Restructuring—Towards a Level Playing Field” is the theme of the conference, which will examine important issues arising from recent experiences of jurisdictional forum shopping, cross-border distressed investing and opportunities for professionals and stakeholders as the effects of the credit crisis unfolds in 2008. Breakout sessions will deal with Eastern Europe and corporate governance issues.

Jacques Gounon, CEO of Eurotunnel, will speak on his experiences with this recent landmark European restructuring.

With TMA chapters in UK, France, Germany, and Finland and chapters in formation in Holland, Spain, Czech Republic and Italy, plus significant interest in other Eastern Europe countries, TMA's international and European growth has reached the point that members can now benefit from regional networking and cross-border issue educational opportunities.

A meeting of TMA Europe Chapter Presidents scheduled for Thursday, April 10, will explore greater regional cooperation in key areas, such as professional accreditation, administration support and regional funding.

The full agenda, sponsors and speakers list is available on the TMA (UK) website, www.tma-uk.org, along with registration and payment details. There is a link from TMA International's website.

Payment is online and can be made by credit card or check. Rooms at reduced conference rates will be available through the Westin, if booked before March 24. A link to other hotels in the area is also on the website.

TMA thanks the sponsors who are supporting this conference and the members of the conference steering committee who have given generously of their time to ensure a first-class program.
TMA Australia reviews successful 2007, plans for active new year

by Michael Fingland, Vantage Performance

TMA Australia held its 4th National Conference in Sydney on November 15-16, 2007. In addition to a variety of top-quality speakers, the conference featured the Gala Dinner, an event that has become the chapter’s primary social event of the year.

Turnout for the conference and dinner, which continues to build every year, was close to 140.

Membership Update

TMA Australia’s membership received a significant boost in 2007, increasing by 52% to 217 members. The chapter’s board of directors recently approved a budget based on achieving 300 members for the 2008 calendar year.

2008 Board of Directors

Chairman
Schon Condon (Condon Associates)

President
Ian Johnson (Helmsman Funds Management)

Vice President
Jason Mares (ANZ Banking Group Ltd)

Director
Michael Humphris (BDO Kendalls)

Director
Greg Charlwood (Bibby Financial Services)

Director
Terry van der Velde (SV Partners)

Director
Ian Hyman (Hymans Asset Management)

Director
Geoff Sutherland (Deacons)

Director
Michael Fingland (Vantage Performance)

Outlook for Turnaround Industry in Australia for 2008

This year is shaping up as a very busy one for turnaround practitioners in Australia, which has already experienced some high profile insolvencies and significant established businesses in financial distress.

The following key issues are the main reasons behind an increase in loan defaults and general “financial stress” across a number of industries in Australia.

Credit crisis

The housing and credit crisis in the United States has greatly impacted world credit markets, causing a dramatic reduction in liquidity. Australia is now seeing higher pricing of risk across the board and a re-rating of risk by the major credit agencies. The net result is that debt is becoming harder to source and more expensive for existing and prospective borrowers.

Oil price

Oil has increased by approximately 50% in terms of U. S. dollars over the past year to a high of US$100. This upward pressure is due to a number of factors, including the continuing unrest in the Middle East, increasing demand from China and India, a weak U. S. dollar and an all-time low in excess production capacity. The relative strength of the Australian dollar has partially offset this movement.

High cost of labor

The Australian economy is experiencing the lowest unemployment levels in 33 years, which, together with rising oil prices and inflation, has led to a significant increase in the cost of labor.

Interest rate rises

The Reserve Bank of Australia’s inflation band policy of 2%–3% per annum has been tested in recent times, leading to a series of interest rate increases. The effects of a buoyant economy, low unemployment, growth in real wages, increased food prices (because of drought) and increased fuel prices all led to the need for the Reserve Bank to raise interest rates further to keep the lid on an overheating economy.
High Australian Dollar
Over the past two years, the strong Australian economy and interest rate differentials between Australia and its major trading partners have placed upward pressure on the currency, which is having a significant impact on nonmining related exporters.

TMA Australia foresees continued growth in the volume and size of turnaround engagements for 2008 and most likely into 2009.

TMA Australia National Conference 2007

Marina Yastreboff, Brand Director, ONMARQ, was among the panelists discussing leveraging innovation for competitive advantage.

Peter Hocking of John Hewson Group, Michael Fingland of Vantage Performance, Ian Johnson of Helmsman Funds, and Kevin Chin of Arowana Capital discussed how to attract private equity involvement in turnarounds.

A well-attended Gala Dinner concluded the Conference’s first-day activities.

Dr. Tomislav Matic, Former CEO, Powerlan (and CEO, Gravity) talked about overcoming adversity through determination, discipline and teamwork.

TMA Australia’s Conference included work sessions for delegates to exercise their skills on a hypothetical situation involving a stakeholder crisis during a turnaround.
TMA’s Spring Conference to feature top-notch speakers, educational panel experts

TMA’s 2008 Spring Conference, entitled “The Reckoning—Corporate Renewal Opportunities in Times of Global Uncertainty,” will be held March 27-29, at the Ritz Carlton Grande Lakes in Orlando, Florida.

TMA corporate governance meetings will be held on March 26 and March 27.

Keynote speakers for the event will be: Andrew H. Card Jr., White House Chief of Staff (2000-2006); Dr. David E. Altig, Senior Vice President and Director of Research, Federal Reserve Bank of Atlanta; Pat Williams, Senior Vice President, Orlando Magic.

Andrew H. Card, Jr. was the second-longest serving White House chief of staff. From 1992 until 1993, Card served as the 11th U.S. Secretary of Transportation under President George Bush. From 1988 to 1992, Card served in President Bush’s Administration as Assistant to the President and Deputy Chief of Staff. He managed the daily operations of the White House staff and participated in the full range of economic, foreign, and domestic policy development.

Card served in President Reagan’s Administration as Special Assistant to the President for Intergovernmental Affairs and subsequently as Deputy Assistant to the President and Director of Intergovernmental Affairs. Previously, Card was General Motors’ Vice President of Government Relations.

From 1993 to 1998, Card was President and CEO of the American Automobile Manufacturers Association (AAMA). Currently, Card is a senior counselor at the global public relations firm Fleishman-Hillard, serving on the international advisory board.

Dr. David E. Altig is senior vice president and director of research at the Federal Reserve Bank of Atlanta. In addition to advising the Bank president on monetary policy and related matters, Altig oversees the Bank’s research and public affairs departments and serves as a member of the Bank’s management and discount committees.

Altig is also an adjunct professor of economics in the graduate school of business at the University of Chicago and the Chinese Executive MBA program sponsored by the University of Minnesota and Lingnan College of Sun Yat-Sen University.

Prior to joining the Atlanta Fed, Altig served as vice president and associate director of research at the Federal Reserve Bank of Cleveland. Before joining the Cleveland Fed, Altig was a faculty member in the department of business economics and public policy at Indiana University.

Altig’s research is widely published and primarily focused on monetary and fiscal policy issues. He has also served as editor for several conference volumes on a wide range of macroeconomic and monetary-economic topics.

After serving seven years in the United States Army, Pat Williams spent seven years in the Philadelphia Phillies organization, two as a mi-
TMA International News

1st Quarter 2008

©2008 Turnaround Management Association

News from TMA Headquarters

nor league catcher and five in the front office. He also spent three years in the Minnesota Twins organization. Since 1968, he has been affiliated with teams in Chicago, Atlanta, and Philadelphia, including the 1983 World Champion 76ers, and now the Orlando Magic, which he co-founded in 1987 and helped lead to the NBA finals in 1995. Twenty-three of his teams have gone to the NBA playoffs and five have made the NBA finals.

In 1996, Williams was named as one of the 50 most influential people in NBA history by a national publication. In the last 12 years, Williams has completed 44 marathons, including the Boston Marathon 11 times, and climbed Mt. Rainier. He is a weightlifter, Civil War buff and serious baseball fan.

Panel sessions

Consistent with TMA’s mission to provide timely and relevant education to its members, the Reckoning will feature expert panelists from North America and around the world discussing the forces driving the new economic reality—residential homebuilding, mortgage lending, offshore hedge funds and Chapter 15s, private equity sponsors and health care providers, as well as potential new matters such as structured investment vehicles, CLOs, CDOs, sovereign investment funds and municipal bankruptcies. The Advanced Educational Session, “An Entrepreneur’s Ride Through the American Bicycle Industry,” offers an interactive discussion of the turnaround of Pacific Cycle, Inc.

Recreational Activities

The Spring Conference features a golf tournament, tennis tournament and Professional Women’s Networking Group Luncheon on Thursday, March 27.

TMA Accepting Nominations for Industry Hall of Fame

In honor of its 20th anniversary as the premier professional community dedicated to corporate renewal and turnaround management, the Turnaround Management Association has established the Turnaround, Restructuring and Distressed Investing Industry Hall of Fame. The Hall of Fame honors and preserves the names of those whose outstanding individual contributions have increased the stature and respect of our industry.

Criteria

To be eligible for the Hall of Fame, a nominee:

- Must have a minimum of 15 years continuous full-time involvement in the industry.
- May be living or deceased.
- Does not have to be a TMA member.
- May be from any professional discipline, including academia.

Nominations procedure

Those who wish to nominate an outstanding professional for the Industry Hall of Fame should submit a nominating letter of no more than two pages by April 10, 2008. Additional

(continued on next page)
Hall of Fame (continued)

letters of recommendation supporting the nomination may also be included.

Send nominations by e-mail in a PDF attachment AND also send by regular mail to:

John Rizzardi, Chairman
Industry Hall of Fame Committee
Cairncross & Hempelmann, P.S.
524 2nd Avenue, Suite 500
Seattle, WA 98104-2323
E-Mail: jrizzardi@cairncross.com

Please put in e-mail’s subject line: Hall of Fame Nomination

Selection

The Hall of Fame inductees will be chosen by a committee of past TMA chairmen selected by the chairman of TMA. Persons serving on the Hall of Fame Selection Committee have agreed to be ineligible to receive the award in the year they serve.

Attributes to consider addressing when writing a nomination letter:

• A recognized leader in the business community
• Mastery of the concepts and practical applications of preserving corporate value
• Significant contributions made in the awareness, stature and growth of the industry
• Involvement in creating innovations and/or identified theories to bring improvements to the restructuring industry that have a lasting impact beyond the recipient’s career
• A thought leader in speaking and/or writing about the industry
• Has given back to the industry through support of professional affiliations and sharing of knowledge and experience with others

Those selected will be notified no later than June 10, 2008.

Induction

TMA will induct the inaugural class of honorees at an industry celebratory dinner to be held on October 28, 2008, at its 20th Annual Convention in New Orleans, Louisiana. Future inductions will occur at five-year intervals.

Questions?

Please contact Linda Delgadillo, CAE, Executive Director, Turnaround Management Association, 150 S. Wacker Drive, Suite 900, Chicago IL 60606. Phone: 312-242-6028; ldelgadillo@turnaround.org.

2008 Turnaround and Transaction Awards Entries Due May 5

Entries are now being accepted in the following categories for TMA’s 2008 Annual Awards program, one of the most prestigious award programs in the industry.

Turnaround of the Year (one each: Large, Mid-size, Small, International, Pro Bono)

Transaction of the Year (one each: Large, Mid-size, Small)

Mega awards may also be given at the discretion of the Awards Committee and only in years when such an award is appropriate. Mega award winners are chosen from entries in the Large Company category.

For complete details and the entry package, visit the TMA Web site at www.turnaround.org. Click on “About TMA,” then chose “Awards Programs.”

Award recipients will be recognized at TMA’s 2008 Annual Convention, October 27-29, at the New Orleans Marriott in New Orleans, Louisiana. ©2008 Turnaround Management Association