



TMA International NEWS

First Quarter 2009

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A message from TMA's VP of International Relations



TMA's international expansion brings new opportunities for its members worldwide

by Steven J. Weisz

Spring is a time of renewal and hope. For those involved in the turnaround profession, opportunities to show the world what can be done to help the global economy recover abound. These opportunities can be furthered through international cooperation and the continued exchange of ideas and best methods.

While cultures and laws may be different in each of the five continents of the world, when TMA members open a dialogue over seas and mountains, we all find that we have more in common in our similarities than differences in our day-to-day business and professional activities.

TMA continues to grow on an international basis, and I am proud to be part of such a first-rate professional organization that at an early stage realized that assisting companies in trouble was not just a North American experience, but one of global dimension. As a result, TMA has paved the way and

bridged the gaps between the far corners of the world and combined under one banner to help promote corporate revitalization and renewal.

This year, the ability of TMA and its members to assist local, national and international business operating in the global economic environment is unprecedented. I look forward to working with each of you and our fellow members in continuing to provide educational and networking opportunities on an international basis to promote our common goals.

New international affiliates

I am pleased to advise that at the recent board meeting at the Distressed Investing Conference in Las Vegas, TMA-Brazil was recognized as a new international affiliate of TMA. I understand that the founding members of TMA-Brazil will be coordinating with INSOL at an upcoming international INSOL meeting in Brazil.

TMA's international expansion -continued

In addition, the founding members of TMA Netherlands are finalizing the requirements to become an international affiliate and have been instrumental in organizing the second TMA European Conference that is scheduled to be held from June 18-19 in Amsterdam.

International conferences

I would like to pass on a special thank you to all of the members of the organizing committee for the European Conference who have been working extremely hard to bring together members from all corners of Europe to develop an excellent and entertaining program. I invite and encourage all of you to join us in Amsterdam in June, a particularly wonderful time of year to experience the sights and warm hospitality of the Netherlands.

TMA-Taiwan is once again holding its annual symposium in April entitled "The Financial Tsunami and Corporate Restructuring." This event has been a spectacular success over the years, and we look forward to receiving a report on that symposium in the next issue.

Our Japan and Australia affiliates continue to organize excellent events at interesting venues, and we will be reporting on their developments in upcoming issues as well.

I am also delighted to report that interest in TMA continues to grow in Hong Kong, Singapore and China, and we are hopeful that we will be able to welcome international

affiliates in those regions into TMA in the near future.

I hope you enjoy reading *TMA International News*. There are informative and thought-provoking articles in this issue. I encourage each and every one of you to become more involved in TMA on an international basis.

We invite you to submit articles on specific issues in your region for publication in this newsletter. Subjects can include turnaround experiences of note, or general interest articles on your home town, your country or specific regions that TMA members may be interested in visiting—whether on business or for pleasure. If you have an idea for an article, please contact Managing Editor Donna Steigerwald at dsteigerwald@turnaround.org.

I wish you all a very productive spring and look forward to meeting as many of you as possible over my term as Chair of the International Committee. If you ever have the opportunity to visit Toronto, please look me up. We are truly a multi-cultural city, and I would be delighted to share with you some of the great experiences of Toronto and good old Canadian hospitality. 🌐

Steven J. Weisz is a partner and the practice group co-ordinator of the Restructuring & Insolvency Group of Blake, Cassels & Graydon LLP. He is past president of the TMA-Toronto Chapter and has been a director of TMA International since 2002. He has served as TMA Vice-President Finance, of University Relations and of International Relations.

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The new Latin American restructuring landscape

by Steven Kargman

With the global credit crisis in full swing and the global economy slowing down, it may only be a matter of time before a new round of corporate defaults and restructurings hits Latin America. This new round of restructurings may differ from earlier workout cycles due to three new sets of dynamics at play: new creditor dynamics; the use of new financial instruments; and the changed cross-border restructuring and insolvency landscape.

New creditor dynamics

Achieving effective creditor coordination is rarely easy or straightforward, but it may become even more daunting in the next round of restructurings. When forming steering committees in the past, the major players were often recognised financial institutions, such as bank lenders or more recently bondholders. Bank lenders in particular may have been competitors in the origination of loans, but they often found a way to work together in restructuring situations where they had common exposure.

By contrast, today's creditors are a much more varied lot, and hedge funds have entered the picture in a major way. In the last round of restructurings in the late 1990s-early 2000s, hedge funds might have been waiting in the wings, even for a period of a few years, to buy distressed debt at a deep discount from the original lenders. The original lenders might have lost patience with the way a given restructuring was progressing and sought a way out, and hedge funds provided an exit strategy for these lenders. However, now, in many cases, hedge funds may have stepped in early on as lenders in their own right.

Thus, in certain cases arising in the new round of restructurings, hedge funds may take on

certain characteristics of par lenders where they were original lenders to the borrower. In other situations, hedge funds may continue to act as distressed investors where they have purchased the company's debt at a discount in the secondary market.

Depending on which of these roles hedge funds play in a particular restructuring—and at times there may be overlapping roles—there may be a critical impact on the recovery expectations of hedge funds and thus how they approach the overall restructuring. The behaviour of hedge funds may also be affected by situations in which they hold positions in several layers of the debtor's capital structure, such as second lien loans.

It is not unlikely that hedge funds will find it more difficult to coordinate among themselves than did commercial banks in earlier rounds of restructuring. Will hedge funds be able to form (or be able to work with others in forming) steering committees or other similar coordinating mechanisms that exhibit some form of cohesiveness and whose members can work together and pursue a common agenda? Will hedge funds be able to work well on steering committees with other types of institutions that have been some of the more traditional lenders in the emerging markets, such as banks, export credit agencies, multilateral institutions, and host government development institutions?

Another complicating factor is that, in the current credit crisis, certain hedge funds may be facing their own liquidity and funding constraints due to declining asset values for their portfolios, margin calls and the need to post additional collateral, or the need to deal with redemption calls from investors. Also, certain hedge funds may, at a minimum, simply be in a preservation-of-capital mode.

Today's creditors are a much more varied lot, and hedge funds have entered the picture in a major way.

For this next round of restructurings, creditors and other stakeholders will need to understand not just the terms of traditional debt instruments, but also complex derivatives.

All of this could affect how hedge funds position themselves in the next round of LatAm restructurings. Specifically, it might impact the ability or willingness of hedge funds to provide additional capital to a troubled company, as well as the ability of hedge funds to take a longer term view of the debtor and its prospects. (Obviously, in light of the impact of the financial crisis, many major international banks will enter the next round of LatAm restructurings with their own serious financial constraints.)

A further major development on the creditor side has involved the agent bank dynamic as to syndicated loans. In the past, agent banks could be expected to play a major leadership role on steering committees, particularly in coordinating the interests and views of the members of their syndicate. But in recent years, agent banks may have sold off a good deal of exposure over the course of a restructuring, and thus may have a somewhat limited financial stake in the outcome of a given restructuring.

Moreover, another important creditor dynamic to bear in mind has been the use of credit derivatives whereby original creditors to a company attempt to lay off some of their economic risk on a credit derivative counterparty. As has been noted in the bankruptcy literature, there remains the possibility that in a default situation a creditor sitting on a creditors or steering committee may act contrary to its putative self-interest in order to trigger a “credit event” under a credit default swap. If this were to happen, it could potentially undermine the transparency or even the effectiveness of the restructuring process.

Derivatives complexities

For this next round of restructurings, creditors and other stakeholders will need to understand not just the terms of traditional debt instruments such as loan agreements, bond indentures and other familiar lending instruments, but also complex derivatives. Specifically, several major corporations in both Brazil and Mexico have recently reported

serious financial losses due to their exposure to complex foreign currency derivatives. These losses were apparently triggered when the local currencies such as the Mexican *peso* and the Brazilian *real* depreciated sharply against a strengthened U.S. dollar and thereby fell below a preset level set forth in the derivatives contracts.

In light of the complex financial instruments now being used by LatAm corporations, it will be critically important for those involved in the next round of restructurings to have a thorough and complete understanding of these financial instruments. This will require a full review and due diligence investigation of any derivatives transactions that may have been entered into by the debtor, including any off-balance sheet transactions, as well as a comprehensive and detailed review and analysis of the relevant derivatives documentation itself and the specific terms and structure of the individual derivatives transactions.

Among other issues, creditors and other parties to a restructuring will need to examine issues such as the following: Who is the precise counterparty? If the derivative was terminated, would the debtor owe money to the counterparty (*i.e.*, be ‘out of the money’) or would the debtor be owed money by the counterparty (*i.e.*, be ‘in the money’)? What are the applicable termination events for the derivative? Is there any possibility for early termination of the derivative, and if so, will the debtor be “in the money” or “out of the money” on early termination? What are the conditions for posting of collateral—what type of collateral needs to be posted, how much collateral, and what are the specific triggers for its posting? What rights of setoff and netting do the parties have on termination of the derivatives contracts between them?

Furthermore, on the legal front, the parties may also wish to explore how derivatives are treated for purposes of insolvency under the laws of the specific LatAm jurisdiction in question, including whether such laws would or would not prevent the exercise

of various contractual rights of the non-debtor counterparty.

Cross-border dimension

In today's global economy where companies increasingly operate across borders, it is becoming more common to see situations involving cross-border insolvencies and restructurings. In the future, this cross-border phenomenon may also manifest itself more often with respect to LatAm restructurings and insolvencies as LatAm companies continue to expand their business operations internationally and as they continue to tap the international capital and credit markets. These developments could increase the need for cross-border insolvency proceedings held outside of the debtor's home jurisdiction, apart from any insolvency proceedings that are brought in the debtor's home jurisdiction.

The cross-border nature of future LatAm restructurings and insolvencies may arise in cases involving Mexico, given that its economy has such close links to the U.S. economy and that a number of companies operate both in Mexico and the U.S. Also, U.S. creditors and other foreign creditors are obviously very deeply involved in lending to Mexican corporations. But this cross-border restructuring phenomenon may also become apparent with respect to other LatAm jurisdictions as well.

A few years ago, Satmex was a high-profile example of this cross-border phenomenon and involved an interplay of both Mexican and U.S. insolvency proceedings beginning with an involuntary Chapter 11 filing in the U.S. by Satmex noteholders followed shortly thereafter by a *concurso mercantil* filing in Mexico by Satmex itself. Most recently, Corporacion Durango filed a *concurso mercantil* proceeding in Mexico, which it then followed with a Chapter 15-related preliminary injunction filing in the U.S. bankruptcy court in New York.

Moreover, in recent years, there have been cross-border cases from other LatAm countries as well. There have been several cases in which the U.S. bankruptcy courts have granted

recognition to foreign proceedings in LatAm under the former Section 304 of the U.S. bankruptcy code (such as in the Multicanal and Telecom Argentina cases from Argentina and Varig from Brazil) as well as a case in which the U.S. bankruptcy court allowed a plenary Chapter 11 proceeding for a foreign debtor to go forward in the U.S. (the Avianca case from Colombia).

In the past, prior to the enactment of the 2005 amendments to the U.S. Bankruptcy Code, the vehicle for foreign insolvency proceedings to obtain recognition in the U.S. was through Section 304 of the U.S. Bankruptcy Code. However, the 2005 amendments introduced a new Chapter 15 to the U.S. Bankruptcy Code which replaced Section 304 and which provides a more streamlined process for the U.S. bankruptcy courts to grant recognition to foreign proceedings. Based on the UNCITRAL Model Law on Cross-Border Insolvency, Chapter 15 is fundamentally designed to facilitate cooperation and communication between the U.S. and foreign jurisdictions in connection with cross-border insolvency cases.

Since its enactment in 2005, there have been many Chapter 15 filings by foreign representatives located in Canada, Europe and Asia, but very few so far from Latin America, possibly due to the lack of major LatAm defaults in recent years. However, perhaps this will change in the next round of LatAm restructurings.

In addition, there may also be greater judicial cooperation between the courts of one LatAm country and courts elsewhere, including courts in the U.S., such as happened in Varig where the respective Brazilian and U.S. bankruptcy judges for the separate Brazilian and U.S. proceedings held a joint hearing in September 2005 in the U.S. bankruptcy court in New York. As the use of protocols between courts of different jurisdictions gains greater worldwide acceptance, it will be interesting to observe whether there is a greater use of such protocols by courts in one LatAm jurisdiction and courts in other LatAm jurisdictions or elsewhere.

In the future, there may be greater judicial cooperation between the courts of one LatAm country and courts elsewhere, including those in the United States.

Parties to LatAm restructurings should also bear in mind one other interesting cross-border twist. To date, while it has been adopted by at least fifteen or so countries around the globe, only two LatAm countries according to UNCITRAL's tally have adopted the UNCITRAL Model Law, namely Mexico and Colombia. Thus, cross-border insolvencies in Mexico and Colombia may not only have an outbound dimension via Chapter 15 in the U.S. or similar statutes in other countries, but cross-border insolvencies in these two countries may also potentially have an inbound dimension via the local version of the UNCITRAL Model Law adopted in Mexico and Colombia, respectively.

For example, if a U.S. company has operations or assets in Mexico or Colombia, the U.S. company might consider the possibility of looking to the Mexican or Colombian courts for assistance on matters that could help effectuate a U.S. reorganisation. Of course, before foreign parties resort to local courts in the emerging markets in situations such as this, they should most definitely exercise an appropriate degree of caution and planning, including consulting closely with local counsel in the relevant jurisdiction.

Conclusion

In sum, the next round of LatAm corporate restructurings will present stakeholders with a new set of challenges and opportunities as described above. Parties to these restructurings will also have to factor in the changing insolvency landscape in several countries throughout the region, such as the new insolvency laws that have been enacted in recent years in Argentina, Brazil, and Mexico, as well as any amendments that are subsequently made to these new laws.

Another key variable in past LatAm restructurings has been the critical role played by controlling shareholders of debtor companies, particularly in family-controlled or owned companies. In certain cases in the past, the controlling shareholders were a major impediment to achieving a successful and timely

restructuring. Time will tell whether controlling shareholders in future LatAm restructurings continue to exercise the same degree of control over the restructurings as certain controlling shareholders have exercised previously or whether changes in local insolvency laws and corporate governance laws and practice will blunt their ability to do so. 🌐

Steven T. Kargman is president of Kargman Associates.

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Financier Worldwide presents the 2009 Americas Restructuring & Insolvency Special Report. TMA is pleased to have worked with *Financier Worldwide* magazine on the publication of its 2009 Americas Restructuring & Insolvency Special Report. Distributed as part of the January 2009 issue of *Financier Worldwide* magazine, this report tackles some of the most pressing issues affecting restructurings and bankruptcies in the Americas. TMA Immediate Past Chairman William E.J. Skelly wrote one of the lead articles for the report, looking at the impact of tightening credit markets on traditional turnarounds. Other key articles include:

- the battle to restore confidence in companies
- the new LatAm restructuring landscape
- maximising the value of intangible assets in insolvency and liquidations
- fraud in bankruptcy and non-bankruptcy companies

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Market watch for South Africa points to more turnaround work

Turnaround in the private sector

The South African private sector turnaround market has been relatively quiet after the busy days of the late nineties. However, signs are pointing to a moderating economy and more work for the turnaround industry in 2009.

Robust economy... but moderating

South Africa had been experiencing unprecedented growth until 2007, with interest rates the lowest in 24 years. They began to rise in June 2006, following measures taken to curb inflation. Since late 2008, increased interest rates and international credit have indicated lower growth for South Africa. Some market observers expect a recession.

The downturn in the global economy is starting to have a more concrete effect in South Africa, as international trade is becoming more seriously implicated.

Business confidence has declined from its highs in 2004 through 2007, due in part to a number of developments in South Africa in 2008. Problems with electricity supply in early 2008 dented business confidence at the outset of the year.

The normal downturn in the local economy continued and was aggravated by international developments surrounding the sub-prime crisis, which later developed into an international systemic financial crisis that culminated in October 2008.

The ripple effects of this crisis on the world economy are now being felt. Political develop-

ments in 2008 in South Africa added to an already sensitive business climate.

Business Confidence Index

The RMB/BER (Bureau for Economic Research) business confidence index fell by one index point—from 81 in the first quarter to 80 in the second. The last time the index was that low was in early 1981.

Since the previous survey, global financial market turmoil increased sharply. Equity markets plunged, currencies were volatile, international credit markets seized up, and commodity prices tumbled.

Governments intervened on an unprecedented scale to save banks and prevent financial markets from grinding to a halt. What initially started as a banking crisis in the United States quickly developed into a global credit crunch affecting Europe, Japan and eventually emerging markets as well.

Financial market turmoil has also begun hurting the real economy, with most developed countries either already in recession or heading there, and growth in almost all emerging markets slowing down.

South Africa has not been unharmed. The JSE All Share Index slumped by 30% from the beginning of September 2008 to reach a level of 19,000 by mid-November. Over the same period, the rand depreciated by some 30%, falling to R10.50 against the U.S. dollar.

Besides such extreme volatility, and in contrast to developed (and some other developing)

The downturn in the global economy is starting to have a more concrete effect in South Africa, as international trade is becoming more seriously implicated.

Market watch for South Africa -continued

countries, banks and financial markets in South Africa continued to function properly without government intervention.

The global slowdown is coinciding with (and exacerbating) the domestic downswing. The impact of earlier interest rate hikes and higher inflation on the real economy is increasingly being felt, and results from the fourth quarter survey show that the rate of contraction in retail sales, manufacturing volumes and building activity either accelerated or remained at the same high rate as in the previous quarter.

Liquidations on the rise

Annual company liquidations leveled off in 2008, but monthly liquidations have been rising steadily since early 2008. Liquidations are expected to continue the upward trend begun in 2004—the result of tougher business conditions in the form of higher interest rates and lack of credit. Exporting commodity companies will be hardest hit by the recession-ary economic state of industrialized companies overseas.

New business rescue legislation

The turnaround industry is expected to pick up in 2009 as a result of these deteriorating economic conditions. Draft business rescue legislation, as contained in Chapter 6 of the Companies Bill, 2008, was approved by both houses of Parliament in November 2008. It is expected that this will provide a substantial boost to the turnaround industry, as it has in other countries where modern business rescue legislation has been introduced. New business rescue legislation in South Africa, however, is

not expected to become operational before the middle of 2010.

Turnaround in the public sector

In contrast to the private sector, turnaround in the public sector is buoyant. Turnaround and transformation programs are driven by government efforts to increase service delivery and financial performance.

Initiatives are underway at the local government level to place municipalities on a sound financial footing. Sponsored by National Treasury, a program for municipal management has been launched at Wits Business School.

The Turnaround Management Association-Southern Africa (TMA-SA) is intent on working with government agencies to promote closer cooperation between government and the private sector.

During November 2006, TMA-SA had fruitful discussions with the Department of Trade and Industry and the National Treasury on a wide range of topics, including turnaround industry driving forces and constraints, and how government can help. Also, in March 2007, TMA-SA made a submission to the Department of Trade and Industry on draft business rescue legislation, as contained in Chapter 6 of the Companies Bill, 2007.

Source: *CRS Turnaround Management, the turnaround and business rescue service of Corporate Renewal Solutions, a black economic empowered management consulting firm based in Johannesburg, South Africa.*

Certified Turnaround Professionals in Japan now number 85

by Eiten Inamura, TMA-Japan

Immediately after TMA's Japan affiliate was founded in April 2004, its board of directors decided that the implementation of a Certified Turnaround Professional (CTP) credential system in Japan was the affiliate's most important task.

Through the initiative of TMA-Japan President Yoshinobu Konomi, Professor of the Graduate School of Business Administration, Keio University, a special certification committee was formed with Eiten Inamura as its chairperson.

It took TMA-Japan one year to develop the Body of Knowledge, which was initially drafted by the committee members and carefully reviewed by the faculty, including Professor Kenji Shiba, Graduate School of Accounting at Kansai University, and Professor Tsutomu Shiozaki, Graduate School of Law at Hosei University.

The Association of Certified Turnaround Professionals in Japan (ACTPJ) was founded in September 2005. Nine directors were selected for the ACTPJ board of directors, which appointed members of the Standards Committee and the faculty.

Though similar to TMA's CTP program in the United States, the structure of TMA-Japan's



certification program also includes an Associate Turnaround Professional (ATP) credential. As is the custom for many other professional qualifications in Japan, TMA-Japan developed the ATP credential for entry-level turnaround professionals or those in training.

Because turnaround professionals are quite new to Japan, the intention of the ATP certification is to encourage beginners who aspire to become turnaround professionals in the near future. It will also signify to clients of turnaround consultants that an ATP has a basic knowledge of the turnaround profession.

Standards Committee member Tadashi Mizushima (*left*) toasts all the new CTPs and ACTPJ Board members who attended a recent certification ceremony.



In separate speeches during certification ceremonies for new CTPs, Eiten Inamura (*left*) briefs the group on ACTPJ rules and code of ethics, and TMA Japan President Konomi congratulates the newly certified turnaround professionals.

Figure 1
ATP Examination Results

Figure 1 shows the number of applicants and the number who passed the ATP examination and have been approved by the ACTPJ board of directors.

	2006 Autumn	2007 Spring	2007 Autumn	2008 Spring	2008 Autumn
No. of applicants	191	173	165	145	158
No. of successes by subject:					
Management	137	113	143	127	135
Accounting/Finance	118	122	122	114	123
Law	96	136	104	88	109
No. of applicants passing three subjects	60	64	82	81	89

Figure 2
CTP Examination Results

Figure 2 shows the results of the CTP examinations for the past three years.

	2006	2007	2008
No. of applicants	78	75	67
No. of successes by subject:			
Management	40	40	44
Accounting/Finance	52	32	49
Law	55	34	43
No. of applicants passing 3 subjects	31	29	25

Figure 3
CTP Member Classification – 2008

At present, 85 CTPs are classified into various occupations, as shown in **Figure 3**.

Consultant/Practitioner	28
Financial Institution	15
Certified Accountant	35
Attorney	3
Other	4
Total	85

In order to apply for the ATP examination, an individual is required to have completed 20 hours of class lessons for each subject—management, law and accounting/finance—at an educational institution authorized by ACTPJ. Currently, there are four such institutions in Japan.

CTP examinations are held once a year, while ATP examinations are held twice yearly as a convenience to applicants. **Figure 1** shows the number of applicants and the number who passed the ATP examination and have been approved by the ACTPJ board of directors.

Figure 2 shows the results of the CTP examinations for the past three years. At present, 85 CTPs are classified into various occupations, as shown in **Figure 3**.

TMA-Japan's board of directors continues to increase publicity of the CTP program and invites more applicants from the legal profession and financial institutions.

As a result of the recent global financial crisis, small and medium-sized companies throughout Japan have experienced a sharp decline in production and consumption. According to TDB Research (www.teikoku.com), the

number of bankruptcies for 2008 was 12,681 (+15.7% over 2007) and the amount of debt for 2008 was 11,911 billion yen (+116.9% over 2007). The largest bankruptcy of the year was Lehman Brothers Japan at 3,431 billion yen—the second largest since World War II.

Under Japan's government safety net programs, each prefecture has a Council of Revitalization of Small and Medium-sized Enterprises. Financial/turnaround advisors in these programs are counseling presidents or management—and often majority shareholders—of distressed companies.



One of the newest of TMA-Japan's 85 CTPs expresses his thanks to the ACTPJ board of directors.

Some CTP members report that they were appointed as advisors for such centers in local cities. TMA-Japan members and CTPs are willing to contribute to the recovery of the economy and business in Japan, as well as other countries around the globe. 🌐

Latin America: Another step in TMA's growth

by Eduardo Lemos, Perform Management & Consulting

TMA-Brazil is preparing to become our association's newest international affiliate in March. At their January meeting, TMA International's Board of Directors approved the group as a provisional chapter in formation. Eduardo Lemos of Perform Management and Consulting in São Paulo will serve as TMA-Brazil President in 2009. Here he shares his personal insights into the current restructuring and corporate renewal environment in Brazil.

Brazil's corporate renewal environment

Brazil's new bankruptcy law (No. 11,101, February 9, 2005) has brought important and long overdue changes to the country's insolvency framework. The law provides two forms for reorganization of financially distressed companies: in-court and out-of-court "pre-packaged" restructuring, slightly shifting the center of gravity from overprotected debtors to

focus more on going-in concerns and creditor interests.

Along with Brazil's increased socio-political stability and robust enterprise governance and financial markets, the new insolvency law, (locally referred to as the "law of enterprise recovery") has been promoting the reduction of the cost of debt. The basic rate is currently at 12.75%—less than half of what it was in the 1990's—and the Brazilian credit market has



TMA-Brazil founding members (from left): Sergio Duque Estrada, Luiz Cláudio Galeazzi, Thomas Felsberg (chairman of the board), Renato Carvalho, Anneliese Moritz, Luiz Fernando Paiva and Eduardo Lemos (president). All but Ms. Moritz are the appointed members of the affiliate's board of directors.

increased from 30% to 41% of GDP (currently 1.4 trillion USD) in recent years. But 8 billion U.S. dollars in equity and revenues are lost each year in the state of São Paulo alone, with bankrupted companies incapable of turning around or recovering appropriate value.

The biggest challenge now is a cultural one. Educating managers, lawyers, bankers, and judges on turnaround management is critical, as many of these professional bodies are yet to be freed from old degenerative corporate habits and to be acquainted with best corporate renewal practices.

Some corporate stakeholders (financial institutions, investors, suppliers, clients, and shareholders) have exaggerated prejudices toward ailing companies. Banks and factorings, in particular, have often buffered themselves with strangling interest rates. Many are not yet acquainted with the how-to's in a turnaround situation—be it in court or out of court—especially in a DIP scenario.

Court-appointed, or judiciary administrators, most of whom have law experience and usually are partisans of the old bankruptcy culture, are not well qualified or prepared to effectively undertake the corporate renewal challenge.

In many cases, it can be argued that they have been the cause of the execution of flawed business recovery plans, which are biased toward liquidation.


Many turnaround practitioners in Brazil are self-proclaimed “general managers” and “turnaround” one-man-shops. Some do not have the necessary management education, methodology, experience, leadership or integrity to be true corporate renewal professionals. Of the few companies involved with turnaround and

interim management in Brazil, most do not own their own resources. These firms build engagement teams as jobs are sold.

TMA-Brazil

TMA-Brazil's first constitutional general assembly is scheduled for March 9 in São Paulo with a list of 72 confirmed founding members. Its founding Board members recognize that respected professionals working in the corporate renewal industry enhance their reputations through their association with a third-sector organization whose mission is to reduce enterprise mortality.

TMA-Brazil is innovating by allowing corporations to pay directly for multiple employee memberships. This approach has significantly leveraged top-down networking, whereby membership recruiting is partially delegated to top managers of better-known companies willing to pay multiple membership fees and promote the membership benefit to its professionals.

We look forward to providing future updates in TMA International News to apprise you of our continued progress. 



Eduardo Lemos is managing partner of Perform Management & Consulting. He has been involved with early turnaround, market and operational performance improvement interim management and consulting assignments in Europe, South

America and the Middle East. He is a member of the Brazilian Institute of Corporate Governance and is the appointed president of TMA-Brazil.

News from TMA Headquarters

Three keynoters to speak at TMA's Spring Conference



Steven D. Levitt



Paul L. Kasriel

TMA's 2009 Spring Conference will be held April 28-30, at the Hotel InterContinental in Chicago.

Keynote speakers for the event will be:

Steven D. Levitt, Author, *Freakonomics*

Steven D. Levitt is the best-selling author of *Freakonomics*, which spent more than two years on *The New York Times* best-seller list and sold more than three million copies worldwide.

When mild-mannered Levitt published a paper linking a rise in abortion to a drop in crime, it set off a fire storm of controversy and had both the conservatives and liberals up in arms. But Levitt has no political agenda and is the last person to be called a moralist. He is a brilliant but uncomplicated man who uses simple questions to reach startling conclusions.

The Wall Street Journal has said, "If Indiana Jones were an economist, he'd be Steven Levitt." A full professor in the University of Chicago's economics department (he received tenure after only two years) and recipient of the American Economic Association's prestigious John Bates Clark Medal (given to the country's best economist under 40), what interests Levitt most are the subjects of cheating, corruption and crime.

Levitt and Stephen Dubner, his *Freakonomics* coauthor, have appeared widely on television and maintain the popular *Freakonomics* blog, which can be found on *The New York Times* website.

Levitt and Dubner are currently working on another book, tentatively titled *SuperFreakonomics*.

Through forceful storytelling and wry insight, Levitt shows how economics is, at root, the study of incentives—that is, how people get what they want, or need, especially when other people want or need the same thing. *Freakonomics* shows that the modern world, despite a great deal of complexity and downright deceit, is not impenetrable, is not unknowable, and—if the right questions are asked—is even more intriguing than we think. All it takes is a new way of thinking.

Paul L. Kasriel, Senior Vice President and Director of Economic Research, The Northern Trust Company

Paul Kasriel joined the economic research unit of The Northern Trust Company in 1986, as vice president and economist. In 2000, he was named to his current position of senior vice president and director of economic research.

Kasriel's economic and interest rate forecasts are used both internally and by clients. The accuracy of his department's forecasts has consistently been highly-ranked in the Blue Chip survey of approximately 50 forecasters. He received the 2006 Lawrence R. Klein Award for having the most accurate economic forecast among the Blue Chip survey participants from 2002 through 2005.

A January, 2008, *Wall Street Journal* piece featured Kasriel as one of "The Doomsayers Who Got It Right." *The Wall Street Journal*

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has also listed Northern Trust's economic website as one of the top ten most interesting.

Kasriel began his career as a research economist at the Federal Reserve Bank of Chicago. He currently is a lecturer at the DePaul University Kellstadt Graduate School of Business and has been a lecturer in finance at the Northwestern University Kellogg School of Management.

Dan Hampton, Legendary Chicago Bears Defensive Lineman

Dan Hampton was a first-round draft pick of the Chicago Bears in 1979 following an All-American season at the University of Arkansas. An outstanding and versatile defensive lineman, Hampton went on to play 12 seasons with the Bears. Six times he earned first- or second-team All-Pro honors as either a defensive tackle or defensive end.

Nicknamed "Danimal" for his ferocious style of play, Hampton persevered through ten knee surgeries and numerous other injuries, as he became recognized as one of the game's most dedicated players.

Hampton was an impact player even as a rookie. In his first season, he was credited with 70 tackles, 48 of which were solo efforts, as well as two fumble recoveries, three passes defensed and two sacks. In 1980, he led the team in sacks with 11.5 and his 73 tackles were the most by a Bears lineman. His play earned him the first of his four Pro Bowl invitations.

It's for the 1985 season, however, that Dan and the Bears' defense is best remembered. That year, the Chicago defense allowed just 198 points and shut out both opponents in the NFC playoffs. The Bears went on to destroy the New England Patriots 46-10 in Super Bowl XX, allowing just 123 total yards and sacking Patriot quarterbacks seven times.

For his part, Hampton spent the first half of the 1985 season playing right tackle before moving over to the left defensive end spot for the remainder of the season. While 1985 was a high point in his career, Hampton continued to play at a high level until retiring in 1990, becoming just the second Bear to play in three different decades.

For more details and to register for the conference, please visit www.turnaround.org. 



Dan Hampton

TMA 2009 Spring Conference general sessions

"Good Enough for Government Work? Trends in Restructuring Municipalities"

"Houses of Paper: Financial Institution Restructurings"

"Turnaround or Turn Around and Run! Real Problems with Real Estate"

"Secrets of the Trade: Insider's Guide to Maximum Cash for Unusual Assets"

"Don't Call Us, We'll Call You: Financing in Today's Marketplace"

"Strategic Alternatives for Distressed Businesses"

"How Rainmakers Make it Pour"

"A Clear Voice in a Crowded Room: Communicating and Differentiating Your Value to Win Engagements"

News from TMA Headquarters

Online resources for education now available

Consistent with the initiatives outlined in TMA's three-year Education Strategic Plan, approved by the Board of Directors in October, 2008, the following online education opportunities are available now.

Webinar archives

Webinar archives allow you to learn from industry experts from the convenience of your home or office—any time of day or night. Webinar archives include the audio recording of the speakers synchronized to the PowerPoint slides. Recent programs include:

- ▶ **“Retail 2009: Is There Light at the End of the Tunnel?”**
(February 2008)
- ▶ **“M&A in Times of Turmoil: Charting a Course in 2009”**
(December 2008)

For a full list of archive offerings and details about purchasing archives, visit www.turnaround.org (Career Development/Distance Learning).


Conference session recordings

Audio recordings of the educational sessions presented at TMA's national conferences are available for sale. Starting in 2009, if PowerPoint slides were used during the session, the audio recording is available synchronized with the slides.

For a list of the available conferences and details about purchasing session recordings, visit www.turnaround.org (Career Development/Educational Materials).

Troubled Loan Workouts Guide

Troubled Loan Workouts: A Reference Guide teaches ways to better recognize a potential crisis before it is full-blown; to become more aware of the options and process available to rehabilitate an ailing business and preserve a loan or an investment; and to learn more about the availability, variety and impact of qualified turnaround advisory resources.


For further details and purchasing information, please visit www.turnaround.org (Career Development/Educational Materials). 

2009 Turnaround and Transaction Awards entries due May 4

Entries are now being accepted in the following categories for TMA's 2009 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, please visit www.turnaround.org. Click on “About TMA,” then chose “Awards Programs.” 

2009 Calendar

MARCH

- 3 – **United Kingdom**–Midlands–Chapter meeting–6:00 P.M.
- 5 – **Southern Africa**–Executive Committee meeting–4:00 P.M.
- 10 – **Germany**–Rhein/Ruhr–“The curse and blessing of certification”–
Stephan Kurz, STP Consulting GmbH–6:30 P.M.
- 11 – **United Kingdom**–London–Chapter meeting–6:00 P.M.
- 18 – **Southern Africa**–Breakfast lecture–7.30 A.M. (TBC)
- 19-20 – **Australia**–Perth–Mastering Turnaround Management:
Practical Interactive Group Workshops Program–
“Restoring stakeholder value to the troubled enterprise” and
“Repositioning the business for profitable growth.”
- 25 – **United Kingdom** –Thames Valley–Chapter meeting–6:00 P.M.
- 28 – **Japan**–Keio Plaza Hotel, Tokyo–**2009 Annual Conference**–
13:30-17:00 (Networking party from 6:00 P.M.) Contact: Yukako
Makino at info@tmajapan.org. Phone: 03-3344-0111

APRIL

- 1 – **United Kingdom**–London–Chapter meeting–6:00 P.M.
- 2 – **Southern Africa**–Executive Committee meeting–4:00 P.M.
- 7 – **Taiwan**–**2009 International Conference**
- 14 – **Germany**–Berlin– Chapter meeting–6:30 P.M.
- 22 – **Southern Africa**–Breakfast lecture–7.30 A.M. (TBC)
- 27 – **United Kingdom**–North West–Chapter meeting–12:00 P.M.

MAY

- 6 – **United Kingdom**–London–Chapter meeting–6:00 P.M.
- 7 – **Southern Africa** – Executive Committee meeting - 4:00 P.M.
- 12 – **Germany**–Hamburg– Chapter meeting–6:30 P.M.
- 13 – **United Kingdom**–Golf Day
- 14 – **United Kingdom** –Wales & South West–Chapter meeting–
6:00 P.M.
- 20 – **Southern Africa** – Breakfast lecture 7.30 A.M. (TBC)
- 20 – **United Kingdom** –Thames Valley –Chapter meeting–6:00 P.M.
- 21 – **Southern Africa** – Board meeting -4:00 P.M.

To place information on the calendar regarding events in your area,
please contact Donna Steigerwald at dsteigerwald@turnaround.org.