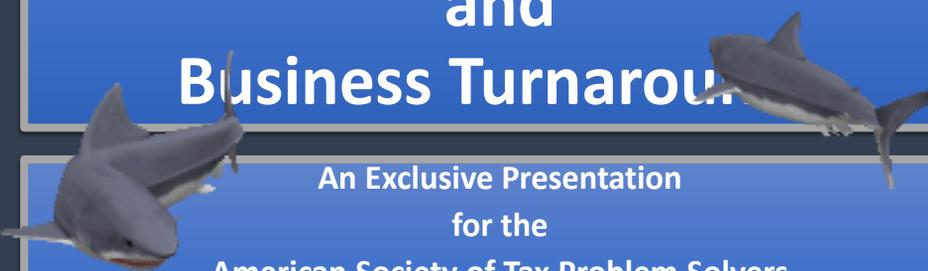


# Out-Swimming the Sharks and Business Turnarounds



An Exclusive Presentation  
for the  
American Society of Tax Problem Solvers  
Presented By  
Michael Brummer, Business Development Consultant

1

## Michael Brummer

Michael is an independent business owner and business development consultant. He consistently shows a consultative leadership style, demonstrated vision, innovation and the ability to analyze situations to successfully drive growth within his own company and for client companies.

For 21 years prior to forming Michael Brummer & Associates, Michael was owner and CEO of Niagara Paper Company; as well as serving as a trade advisor to the U.S. Department of Commerce for the past 30 years. During his service at the U.S. Department of Commerce Michael has held both Vice Chairman and Chairman Positions on the Pulp and Paper Advisory Committee. Serving as Vice President of Strategic Planning, Executive Vice President, COO, and CEO he has been responsible for the successful completion of numerous corporate reengineering projects. He has extensive senior level leadership experience in international trade, policy and business development, strategic planning, and operations. In addition he has worked in the area of finance, and corporate mergers and acquisitions. Over his years of business involvement Michael has been successful across a broad scope of industries with particular experience in manufacturing, distribution and transportation as both an owner and a consultant.

2

## **Introduction: What We Will Cover Today**

**Early Warning Signs of Distress**  
**What Doesn't Kill You...**  
**Key Elements of Strength, Leadership, and Vision**  
**Positive, Constructive Attitude**  
**Mission Critical Financial Information**  
**Importance of Prevention**  
**Candid Communications**

3

## **Initial Steps**

**Coherently and concisely articulate answers**  
**Triage for crisis companies:**  
**Stop the Bleeding!**  
**Save the Patient First!**  
**Apprise the Banker**

4

## Organizational Focus

- 🐟 Organization's Life Blood is Cash Flow
  - 🐟 Credible Cash and Accounts Receivable
- 🐟 Organizational Focus
  - 🐟 Collective commitment
- 🐟 Operational Efficiencies
  - 🐟 Know the real costs
  - 🐟 Develop metrics
  - 🐟 Visible Accountability



5

## The Story

- 🐟 How did we get here?
- 🐟 Is there a strategic entity?
  - 🐟 Market Niche
  - 🐟 Cash Flow Business
- 🐟 EBITDA & Asset Appraisals.
  - 🐟 Need to base line values
- 🐟 Ego!
  - 🐟 Is the business an extension of the owners personality?
- 🐟 Value the business realistically!
  - 🐟 What is the number that the facts support and why?



6

## The Facts

- Factual basis
  - Support conclusion reached
- Strategic Entity?
- Ownership Ego
- Realistic Value



7

## Operational Actions and Situational Awareness

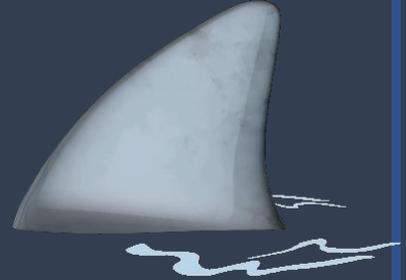
- Always operate like you are trying to sell it!
- Three types of capital
  - Long-term fixed assets
  - Short-term working capital
  - Intellectual capital
- Performance measurements
- Alignment of interests
- Organizational chart
- Corporate assets
- Sustainable management team



8

## Key Issues for Professionals

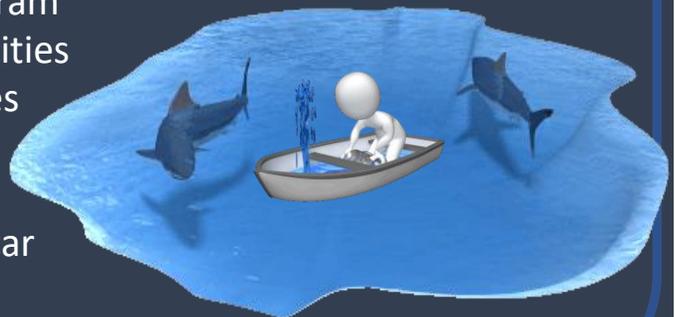
- “Bank speak”
- Compliance with covenants
- Reserve
- Managed Asset Group
- Terms to know
  - Debt to Tangible Net Worth Ratio
  - Reserves, recourse, non-recourse
  - Rolling cash flow, capital infusion, dilution
  - Forbearance, forced or orderly liquidation,
  - FEES!



9

## Warning Signals

- Consistent weakness in cash flow
- How much dead weight?
- Physical inventory program
- Evaluation of vulnerabilities
- Fiduciary responsibilities
- The Enron Effect
- A/R currency
- The shiny black luxury car



10

## Conclusion

- 🐟 You are part:
  - 🐟 Technician,
  - 🐟 Financial analyst
  - 🐟 Psychologist, and
  - 🐟 Alchemist
- 🐟 The truth will set you free!
- 🐟 Clients cannot pay you enough to lie to them.

