Case Study 1105

Manufacturing Company — Bankruptcy

A manufacturing company that had struggled to operate in Chapter 11 Bankruptcy turned to NorthStar professionals for advice and guidance. The company had deteriorated significantly since it began the Bankruptcy process. NorthStar launched its efforts focused on two objectives. First, the cash burn had to be dramatically and quickly improved if the company were to survive the next few months. Secondly, the company needed a viable long term business plan that would enable it to prosper going forward and that would merit support from current lenders or possible new lenders. There was a significant level of lender fatigue at this point in the process.

NorthStar immediately began evaluations with its Strategic Overhead Reduction Tools (SORT) to identify immediate opportunities for cash flow and hopefully, profit improvement. Simultaneous with the SORT effort, NorthStar analyzed contribution margin for each product, evaluated manufacturing processes, and assessed the company's current distribution channels.

The result of this effort was to reduce overhead, rationalize product lines, streamline manufacturing processes, and rework distribution channels. A business plan was developed that would lead to a smaller company that was much more profitable and required less operating capital. Several potential new lenders embraced the plan and submitted funding proposals contingent upon specified levels of new capital.

NorthStar identified nine potential industry buyers for the company and developed several alternative business plans demonstrating the possible synergy available for each through the purchase. After due diligence and some refining of the plans, four of these companies submitted proposals. One private equity firm submitted a proposal.

> ***The company not only had an opportunity to survive, it now had the very real prospect of thriving, as it never had previously.***