2011 Chicago/Midwest Turnaround and Transaction of the Year Awards

Large Company Turnaround of the Year
Smurfit-Stone Container Corp.

Large Company Turnaround of the Year recipients included (L-R): Keith Kaiser, Matthew Clemente, Dennis Twomey and Joe Miller with Chapter President Carl Lane.

Headquartered in the Midwest, Smurfit-Stone Container Corp. is one of the leading integrated manufacturers of paper-based packaging in North America and one of the world's largest paper recyclers. The company sells a broad range of paper-based packaging products that includes a complete line of graphics capabilities. Additionally, the company owned approximately one million acres of timberland and employed over 21,000 employees as of the petition date. On January 26, 2009, the company filed for protection under chapter 11 of the Bankruptcy Code as well as the Companies' Creditors Arrangement Act in Canada. As of the petition date, the company held approximately 18 percent of the North American containerboard market capacity.

Prior to filing, Smurfit-Stone had sales in excess of $7 billion. However, due to numerous acquisitions during the several years leading up to the filing, the company was highly leveraged. Additionally, economic conditions proved troublesome. While the cost of raw materials dramatically increased, the competitive nature of the market prohibited the company from passing along the full extent of these price increases. Frozen credit markets and a sluggish economy proved unmanageable.

In its hour of greatest need, Smurfit-Stone called upon a turnaround team that included key members of management along with advisors from Chicago offices of three prominent restructuring advisory firms. The team included: Lazard Frères & Co. LLC as financial advisors and investment bankers to the cebtors; PriceWaterhouseCoopers LLP, who contributed to the team as financial advisors and tax consultants; and, Sidley Austin LLP, who served as legal counsel to the cebtors.

Collectively, the restructuring team advised Smurfit-Stone through troubled waters that included: securing a $750 million cross-border DIP financing facility during the peak of the credit crisis; establishing a vendor communication plan that resulted in $400 million in post-petition working capital; and, selling various non-operating or underperforming assets. Additionally, under the team's leadership, the company repaid the entire DIP facility approximately ten months after filing and resolved over $3 billion of unsecured claims. After negotiating an exit credit facility in the amount of $1.85 billion, the company emerged from bankruptcy less than 18 months after the petition date. Thanks to the restructuring team's efforts, Smurfit-Stone was able to maintain is market-share while reducing debt by $2.9 billion.

Award Winning Team Players: Joe Miller, Lazard Freres & Co. LLC; Dan Aronson, Lazard Freres & Co. LLC; David Kurtz, Lazard Freres & Co. LLC; Matthew Clemente, Sidley Austin LLP; Dennis Twomey, Sidley Austin LLP; Keith Kaiser, PricewaterhouseCoopers LLC; and Cyrus Pardiwala, PricewaterhouseCoopers LLC.

Large Company Transaction of the Year
National Envelope Corp.

Chapter President Carl Lane with Large Company Transaction of the Year Award winners, including (L-R): Carlin Adrianopoli, Thomas Davenport, Mark Brady, Geoffrey Richards, Josef Athanas, Richard Meller and David Woodward.

National Envelope Corp., the largest envelope producer in the U.S. with approximately 3,400 employees and 14 manufacturing facilities, produces 37 billion envelopes each year. The company, which is headquartered in Uniondale, NY, has been family-owned since its founding in 1952. Since that time, National Envelope expanded through 11 acquisitions. In 2009, National Envelope generated $675 million in revenue. Unfortunately, with email's march to ubiquity throughout the 1990s, the demand for envelopes significantly declined. This downturn accelerated drastically as a result of the 2007 global recession.

In its capacity as financial advisor to National Envelope, William Blair & Company explored multiple debt, equity and additional deleveraging alternatives in conjunction with its efforts to market the company's assets, beginning in January 2010. However, after exhausting all viable out-of-court solutions, on June 10, 2010, National Envelope filed for bankruptcy protection, listing its assets and liabilities as high as $500 million each. The Gores Group, a

Los Angeles-based private-equity firm with $2.9 billion of capital under management, was selected as the stalking horse bidder. To ensure National Envelope's ability to maintain operations throughout the bankruptcy and auction process, William Blair assisted the Company in obtaining $130 million in debtor-in-possession financing. In early July 2010, Gores executed a stalking horse purchase agreement valued at $155 million. After the court approved bid procedures on July 22, 2010, William Blair secured three qualified bids by the bid deadline. The three qualified bidders, including Gores as the stalking horse, participated in a 15 hour auction on August 20, 2010.

William Blair devised innovative and creative strategies to facilitate a significant increase in the value of the bids. Gores' winning bid of $214 million exceeded their initial stalking horse bid by nearly 40 percent. The transaction was consummated within 90 days of the petition date and resulted in the senior secured lenders receiving a 100 percent recovery and the term B lenders receiving payment-in-full via a secured and guaranteed note. National Envelope's largest supplier additionally received payment in full on its $45 million claim.

Award Winning Team Players: Geoffrey A. Richards, William Blair & Company, L.L.C.; Mark Brady, William Blair & Company, L.L.C.; Paul Hindsley, William Blair & Company, L.L.C.; Michael Siska, William Blair & Company, L.L.C.; Thomas L. Davenport II, William Blair & Company, L.L.C.; Phil Reitz, William Blair & Company, L.L.C.; Aaron Van Osdol, William Blair & Company, L.L.C.; Jack T. Lowey, William Blair & Company, L.L.C.; David S. Heller, Latham & Watkins LLP; Josef S. Athanas, Latham & Watkins LLP; Richard S. Meller, Latham & Watkins LLP; Carlin E. Adrianopoli, FTI Consulting, Inc.; and David J. Woodward, FTI Consulting, Inc.

Mid-Size Company Turnaround of the Year
Franciscan Sisters of Chicago

Mid-Size Company Turnaround of the Year honorees include (L-R): Krysten Thomas, Allison Reinke and Brian Oleniczak with Chapter President Carl Lane.

Franciscan Sisters of Chicago Service Corporation (FSCSC) is a non-for-profit organization headquartered in Homewood. FSCSC owns and operates various continuing care retirement communities, assisted living and rehabilitation facilities. Prior to its reorganization, FSCSC had approximately $680 million in assets. During the years leading up to the reorganization, FSCSC experienced significant losses due to national economic factors, challenges with recently opened senior living communities and underperforming operating locations. Additionally, FSCSC experienced a substantial decrease in cash and investments due to both losses and market value declines. In light of these financial difficulties, two senior living communities were experiencing difficulty in maintaining compliance with their master trust indentures and letter of credit agreements.

In July 2008, FSCSC's Board of Directors hired Mesirow Financial Interim Management, LLC (Mesirow) to lead the turnaround efforts, naming Thomas J. Allison as President and CEO. The team implemented numerous initiatives, including: realigning the corporate organization and lines of reporting; improving cash flow management; reducing overhead through elimination of staffing inefficiencies; improving the accounts receivable collection process; negotiating agreements with lenders; and establishing strategic direction to achieve future successes.

In response to the restructuring team's efforts, FSCSC's financial outlook improved dramatically. In February 2009, FSCSC sold five of its facilities for approximately $34.2 million, thereby reducing debt and increasing cash reserves. In June 2010, FSCSC sold a senior living community in Texas through a chapter 11, §363 process to further reduce debt and improve cash flow. Additionally, FSCSC significantly improved internal reporting of financial and operating data within the organization, thus assisting to provide management better and more timely information to manage the business and financial matters. As a result of the restructuring and turnaround plan, FSCSC on a consolidated basis improved its operating margin by approximately $24 million.

Award Winning Team Players: Thomas J. Allison, Mesirow Financial Interim Management, LLC; James E. Nugent, Mesirow Financial Interim Management, LLC; Krysten Thomas, Mesirow Financial Interim Management, LLC; Brian Oleniczak, Mesirow Financial Interim Management, LLC; Allison Reinke, Mesirow Financial Interim Management, LLC; and Franciscan Sisters of Chicago Service Corporation.

Small Company Turnaround of the Year
Core Systems LLC

Core Systems LLC is a fully integrated injection molder with an emphasis on "A" surface parts. Core was founded over 40 years ago and ships almost 250,000 parts per day. Core has two plants located in Ohio. The main facility outside of Cleveland is staffed by non-union workforce. The second facility in Mt. Gilead is organized by the United Auto Workers. In April 2007, when Core first engaged Horizon Advisors LLC, the company was losing money at a rate in excess of $3 million per year on sales of $64 million per year. The balance sheet was highly leveraged from a buyout several years earlier, and the trade payables were approaching over 100 days with numerous vendors withholding shipments for lack of payment. Core's principal customers had begun transferring work away from the company. Additionally,

Small Company Turnaround of the Year award winners include (L-R): Eric Whitfield, Lou Harrison, Howard Siegel and Bill Loebbaka with Chapter President Carl Lane.

Core's products were not meeting the quality requirements of its customers, in large part due to the company's over-reliance on temporary employees operating equipment at the Cleveland facility. Core's operational problems resulted in the loss of tens of thousands of dollars per day as well as the reduction of availability on the credit line from the senior secured lender.

In response to Core's systemic challenges, Horizon developed a plan that addressed the company's operational issues while additionally focusing on short term cash generation and long term viability improvement. Core's turnaround was additionally a credit to JPM Mezzanine Capital, LLC, Squire, Sanders & Dempsey L.L.P., Wells Fargo Capital Finance and Harrison & Held LLP. Together, the team's first major action involved the elimination of temporary labor at the Cleveland facility by hiring the best temporary workers as full time employees. Next, Horizon negotiated a substantial increase in pricing with one of Core's largest customers. Finally, in light of damage to many of Core's key customer relationships, Horizon and Core devoted time meeting with clientele to address longstanding concerns.

Following the implementation of Horizon's initiatives, Core enjoyed near-immediate improvement. The Cleveland workforce, which had previously been comprised of temporary employees, increased productivity after stabilizing their employment. The Mt. Gilead union agreed to major wage concessions in return for a promise that the plant would not close for one year. Moreover, the quality of Core's products improved dramatically following the changes, during which time the company secured new business from their largest customers. Accordingly, despite a tumultuous economic foreground, Core won over 65 new assignments and saved over 300 manufacturing jobs. The company also received long term funding from the state to expand and is now a model for future loans by the state.

Award Winning Team Players: Osborne Mills Jr., Squire, Sanders & Dempsey L.L.P.; Olof Bergqvist, JPM Mezzanline Capital, LLC; Eric Whitfield, Wells Fargo Capital Finance; Louis S. Harrison, Harrison & Held LLP; William Loebbaka, Horizon Advisors, LLC; and Howard A. Siegel, Horizon Advisors, LLC

Small Company Transaction Of The Year
Addison McKee Holdings LLC

Small Company Transaction of the Year honorees are (L-R): Tom Pearson, Charlie Gonzalez and Bob Deprez with Chapter President Carl Lane.

Addison McKee Holdings is the leading global manufacturer of proprietary tube bending capital equipment and tooling. It was formed in 1995 through the merger of Addison Ltd and McKee Tooling Inc. In 2005, following a leveraged buyout, Addison McKee adopted an aggressive growth strategy that increased sales to $61.9 million in 2007 from $48 million in revenue in 2005. However, the growth sacrificed profitability.

Beginning in the fourth quarter of 2008, a dramatic downtown in orders resulted in annual year-over-year sales declining by 69 percent. Globally, the company endured significant cutbacks causing the closure of its Chinese and UK operations. Total employment decreased to 135 from 325. In mid-2009, the company's faced liquidity issues which resulted in Addison McKee's equity sponsors and sub-debt holders infusing $1.4 million. This included a $500,000 bridge loan from Albion Investors LLC with warrants convertible into a majority of the equity in the event of default. However during the first quarter of 2010 it became apparent that Addison McKee would need a recapitalization plan with fresh equity in order for the company to stave off bankruptcy.

In late February 2010, Albion retained Pentwater Partners LLC to conduct an on-site overall assessment of the company's financial position and operations. Albion and Pentwater evaluated the restructuring options, concluding that an out of court restructuring was the best option.

On March 23, 2010, Albion exercised its warrants taking a control position in the Ccompany and appointed Robert Deprez as interim CEO. Cohen, Todd, Kite & Stanford LLC was retained to support the transaction as outside counsel. Together, the restructuring team designed a parallel operational turnaround and restructuring transaction which included a structural and financial overhaul of the company's operations. The out of court restructuring hinged on successfully settling with $4.84 million of unsecured creditors and refinancing the senior bank facility.

On May 1, 2010, suppliers and unsecured creditors were notified of the restructuring. These parties were offered 30 percent payment of outstanding claims. Negotiations were also held with minority sub-debt holders, and efforts were undertaken to adequately modify the in-place senior lending facility or secure a new facility. At completion of the restructuring, the company enjoyed, among other things, an infusion of $3.5 million in new equity, voluntary settlements with an over 92 percent of the unsecured creditors, settlement with the minority sub-debt holders and a refinanced senior credit facility.

Addison McKee's successful recapitalization and restructuring allowed it to maintain its competitive market position while saving approximately 150 jobs. It also provided the capital to restart manufacturing operations abroad. In 2011 Addison McKee is enjoying revenue growth in excess of 30 percent and increased operating margins.

Award Winning Team Players: Mark Arnold, Albion Investors LLC; Charlie Gonzalez, Albion Investors LLC; Alastair Tedford, Albion Investors LLC; Don Rafferty, Cohen Todd Kite LLC; Robert Deprez, Deprez Leadership Inc.; and Tom Pearson, Pentwater Partners LLC.

INDIVIDUAL MERIT AWARDS

Aaron L. Hammer, Esq. & Mark E. Leipold, Esq.

Individual Merit Award winners Aaron Hammer (L) and Mark Leipold (R) with Chapter President Carl Lane (Center).

Throughout their service to the TMA this past year, Hammer and Leipold have demonstrated dedication, selflessness and ingenuity to our organization. As an association that survives on the efforts of our member-volunteers, the TMA's continued growth in quality and in membership can be directly attributed to the contributions of these two individuals. Accordingly, both Hammer and Leipold are very deserving of this year's award.

Aaron L. Hammer, Esq.

Chair, Bankruptcy, Restructuring & Creditor's Rights Practice Group, Freeborn & Peters LLP

From his memorable introduction of Prime Minister Tony Blair during the 2010 Executive Speaker Forum to his behind the scenes efforts planning the TMA MidAmerica Regional Conference, Aaron Hammer's work on behalf of the restructuring community during 2010 was outstanding. As Co-chair of the Special Programs Committee, Aaron's energetic approach proved invaluable to the chapter's successes last year. His determination to take the reigns from his predecessors and provide the TMA with a high-profile and thoroughly entertaining Executive Speaker Forum was a significant undertaking. These efforts included securing Mr. Blair as speaker, obtaining Freeborn & Peters' financial commitment as lead sponsor, and soliciting and gaining participation from program sponsors at the highest level, several of them new to the TMA. Aaron also was responsible for programs at the 2010 TMA MidAmerica Regional Conference, which was moved from Chicago to Detroit for the first time and enjoyed record attendance. He continues his leadership and commitment to the TMA, having just begun a three-year term as a Director this January.

Mark E. Leipold, Esq.

Partner, Gould & Ratner LLP

Throughout his entire career, Mark Leipold has exemplified the best qualities of restructuring professionals in the Turnaround Management Association. Accordingly, Mark has deservingly been honored by his peers for his outstanding service to the TMA for contributions to the chapter this past year. Specifically, Mark spearheaded the chapter's efforts to re-develop and implement a fully functional and interactive website for our chapter. From the onset, Mark oversaw every step of this labor-intensive project. This included selecting a web designer, coordinating with numerous communities to address their needs, and overseeing design development. Because the development company was located abroad, Mark worked many late nights and weekends to juggle time zone differences. This substantial undertaking came at great cost of time and energy, and the entire chapter will assuredly appreciate the final product.