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SERVICE: Financial Restructuring
INDUSTRY Juvenile and Home Furnishing Textiles

The Company. \$300 million designer, manufacturer and marketer of textile home furnishings, accessories and juvenile products. Office facilities in Atlanta and New York; manufacturing facilities in Georgia, North Carolina, Louisiana, Kentucky and Mexico. Approximately 1,800 employees.

The Problem. The Company had excessive short-term debt as a result of acquiring ten businesses in the prior three years and increased capital spending to support the expanded business, including over \$20 million on a failed information system installation. Attempts to keep the business afloat by shedding assets were not successful because of the decline in market value for textile companies: two transactions were terminated by the purchasers shortly before closing and a third was completed only after difficult negotiations. Overhead reductions could not keep pace with deteriorating operating performance. The Company was constrained by short-term amendments to its credit agreement and was out of compliance with its licensing agreements with Disney and Calvin Klein.

The Engagement. A Masson & Company professional was retained to develop and negotiate a long-term restructuring plan that would: (a) reduce and restructure the outstanding bank debt; (b) retain and solidify the license relationships with Calvin Klein and Disney; and, (c) separate the Adult Bedding business from the Juvenile Products business.

The Results.

- Restructured approximately \$90 million of debt held by three financial institutions: \$30 million was canceled, \$15 million was paid from asset sale proceeds (including proceeds from the sale of the Adult Bedding business to management) and \$45 million was restructured into new senior debt (including a new revolving credit facility). The three financial institutions also received warrants for 65% of the Company's new equity.
- Obtained approval of restructuring plan from Calvin Klein and Disney and continued license arrangement with both surviving entities of the Company.
- Negotiated the spin-off of the Adult Bedding business, including substantial contingent liabilities; resolved contentious shared services agreement.
- Preserved the Juvenile Products business as the surviving public company.
- Preserved a substantial NOL carryforward, notwithstanding the distribution of equity warrants to creditors.