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SERVICE: Interim and Crisis Management; Assessment and Consulting

INDUSTRY: Telecommunications Towers

The Company. \$75 million designer, manufacturer and distributor of antenna towers used for cellular communications with executive offices and two manufacturing facilities located in Texas. Approximately 350 employees.

The Problem. A private equity group acquired the Company from its founders, intending to significantly expand its existing operations and broaden its scope to include related telecommunications infrastructure products. As part of the acquisition, the new owners recruited new management with experience in infrastructure products to effect this strategy. Soon after new management was in place, however, the Company began falling materially short of its business plan. The Company breached covenants in its revolving credit facility, vendors then began putting the Company on restricted terms and the Company's \$110 million of public debentures began to trade down in value. As performance worsened, the new owner lost confidence in management and terminated the CEO.

Our Engagement. Masson & Company was asked to assume the role of acting CEO. In this capacity we were asked to (a) stabilize a growing crisis; (b) implement cash controls; and, (c) provide the private equity sponsor with a frank assessment of prospects and alternatives.

The Results.

- We arrived at the Company's offices the day after the CEO had been terminated. We found his office cleaned and his files gone. The COO and Head of Sales had similarly departed and the CFO was on a skiing vacation and was "not sure he would return." Accordingly, we immediately took control of the Company's bank account and employee withholding accounts.
- We assembled all intermediate-level managers and, after 72 hours, produced a credible cash budget covering the next 180 days. The budget demonstrated the Company was significantly over-manned so, on the fourth day of our assignment, we laid off more than half the workforce.
- We negotiated a stand-still with the bank that allowed us to recycle cash collateral and we assisted the debenture-holders' advisors with due diligence. We met with all major vendors and customers to explain the situation and seek their support.
- We prepared a longer-term forecast for the business to guide us in further restructuring efforts and to serve as a foundation for our assessment of prospects and alternatives. The forecast showed the need for further expense reductions (in all we were eventually able to cut operating expenses a total of 61%). The forecast also showed the Company could no longer afford to fund growth of one of its new infrastructure businesses. We negotiated contract terminations with all customers of that business and sold it to its employees.
- After approximately 60 days as interim CEO, we advised: (a) the private equity sponsor that there was no prospect of resurrecting the business absent significant further investment, and that there was some risk of litigation; (b) the debenture holders that they had minimal recovery prospects absent capable senior management; and, (c) the founders that they had significant fraudulent conveyance exposure. We advised all parties to reach a settlement whereby the private equity sponsor sold the business for nominal consideration; the founders repurchased the business and agreed to reinvest and manage it; and, the debenture holders issued releases and obtained enhanced (though delayed) recovery.