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SERVICE: Assessment and Consulting  
INDUSTRY: Recycling

The Company. Approximately \$50 million collector and recycler of a particular post-consumer commodity. Recycled products are utilized in a variety of industrial and consumer applications. The Company operates multiple collection and processing plants throughout U.S. and Canada.

The Problem: The Company was acquired by a private equity sponsor with the intent to develop a national, integrated recycling business for this particular commodity, combining collection, processing and marketing capabilities. While assets were being acquired, the Company struggled to both integrate acquired facilities and produce timely operating and financial performance reports. Management consistently missed operating and financial projections and, unable to attract a working capital lender, the sponsor was forced to fund operating losses far in excess of expectations.

The Engagement. Masson & Company was retained by the sponsor to: (a) provide a review of organizational structure (including an assessment of management), operating procedures and controls with related recommendations; (b) assist the regional manager of one of the Company's largest processing facilities in executing his financial plan; (c) access, make improvements to or design analytical models and reports to enhance management's ability to create and present monthly and annual operating and financial forecasts, both internally and externally; and, (d) assist management in formulating and reviewing action plans to address negative variances, ensure accountability, instill a "culture of urgency" and disseminate information across functional areas.

#### The Results.

- Though we had planned an initial term of three months to complete our assessment, we determined within the first six weeks of the engagement that senior management deficiencies, together with operating and reporting system problems, were far more acute than the sponsor recognized. As a result, a more aggressive action plan was warranted.
- We developed balance sheet and cash flow data which, together with a comprehensive inventory and production plan, showed that continued cash losses and negative production variances could be expected for some time to come. This directly contradicted management's previous reports to the sponsor.
- We prepared comprehensive reports outlining significant deficiencies across the sales management, production planning, manufacturing and information system functions. The gravity of these problems, together with executive recalcitrance, prompted us to conclude that the entire senior management team needed to be supplemented or replaced in short order. In our view, the sponsor's investment recovery – whether through refinancing or sale – depended upon a reconstituted management team and organizational structure.
- Although the sponsor strongly encouraged us to assemble a team of interim managers to support or replace management, we concluded that the client would be better served to retain a larger crisis management firm to ensure the availability of a considerable number of professionals should the need ultimately arise.
- We recommended appropriate firms to consider and assisted the client in interviewing and selection.