

SPG STRATEGIC PARTNERS GROUP

Turnaround

Portfolio Company of a Private Equity Firm

Contracted Chief Executive Officer assignment for failing portfolio company of national private equity firm based in Los Angeles. Private equity firm had purchased Seattle and Tacoma, Washington based manufacturers and providers of doors and millwork to tract home builders and custom home builders in the Pacific Northwest. With over 100,000 sq ft of manufacturing facilities in Tacoma and Vancouver, Washington, the Company experienced significant, yet unprofitable growth during the strong housing market from 2002 and into 2006 throughout the Seattle/Tacoma and Portland, Oregon areas.

Turnaround Situation – At time of the private equity firm’s purchase, Company was incurring large monthly cash flow losses in the range of 10-15% of sales, with losses increasing throughout 2006 and into early 2007 as the housing market began to significantly slow down, with the market about to approach its worst levels in the last 10-15 years, beginning in the fall of 2007.

SPG Action and Results

Replacing previously hired consultant and engaged by the private equity firm in an attempt to rebuild an already dramatically underperforming company about to encounter its most severe industry slowdown, Thomas Kirkpatrick/SPG began twelve-month assignment and executed the following:

- With the Company and private equity firm lacking an operating plan and the company culture reflecting a disorganized and weak management team and organizational structure and an operating environment deficient in sound business practices and lacking internal systems and financial controls throughout, Kirkpatrick/SPG took over the leadership of the company in an attempt to salvage the investment for the private equity firm and immediately developed and implemented a strategic organizational, marketing, sales, operational and financial execution plan.
- Achieved definitive results as follows:
 - Reorganized and restructured all business areas to reduce cost structures, improve manufacturing capabilities and make business model changes to drastically reduce monthly losses.
 - Developed lean/core operating teams and process controls in every department.
 - Developed automated manufacturing scheduling and capacity system.
 - Upgraded inventory and purchasing systems to significantly increase inventory turnover rates and real-time purchasing methods and overcome close to a seven figure inventory overstatement loss from prior years that would severely impact working capital lender borrowing availability.
 - Completely replaced finance department with high performers and upgraded low performance and antiquated information system software.
 - Reduced monthly breakeven point in sales by 75%.
 - Developed total company-wide quality system that reduced returns from averaging \$ 25,000 a month to averaging \$ 4,000 a month.
 - Worked with outside strategic vendors to partner with IDM in turnaround attempt and worked with struggling, major customers in an attempt to rescue the business.

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- Began diversification efforts into commercial and retail markets for 2008 to counteract new home residential sales contraction that began in 2006, worsened in 2007 with continued declines projected in 2008 and beyond.

In early 2008, Kirkpatrick/SPG's and the private equity firms' very weak macro-economic industry forecast for 2008-2009 and in combination with Kirkpatrick/SPG's projected financial results needing to be achieved by the restructured and reorganized company during the upcoming 2008-2012 period in order to meet desired minimum levels of return on investment, a decision was made by private equity firm to discontinue investment, close the business and to proceed with an orderly sale and liquidation of assets.

Upon closure in February and March 2008, Kirkpatrick/SPG was engaged by the working capital lender to develop and implement an orderly sale and liquidation of its secured assets. As a result of the various asset recovery strategies employed, the lender will achieve close to a 100% recovery.