Chapter 128 Receiverships

Chapter 128 of Wisconsin state law provides for a less expensive and more efficient sale process alternative to a Section 363 sale in a Chapter 11 or a sale of assets in a Chapter 7.

Chapter 128 provides for a court-supervised, appointment of a “receiver” or “assignee” who then conducts an orderly sale of the business, either as a going concern or through the sale of the individual assets of the business. The relative success of the Chapter 128 proceeding or “assignment for the benefit of creditors” is often dependent on the sale process that is conducted by the receiver.

In many instances, a company’s operations have to be stabilized before a sale can be successful for the stakeholders of the company, including the lender, the vendors and the employees. It is critical that the Chapter 128 receiver be able to prioritize the myriad of competing considerations in deciding the best process for the orderly sale of the business. As a Chapter 128 receiver, John Stark has more than two decades of experience, financing, buying and selling distressed companies and he understands what is required to run a successful sale process.

The best way to maximize the value for the company’s assets is to run a competitive sale process. Although every company is different, we include the following in nearly every process.

1. Due Diligence and Pre-Marketing
   a. Fact finding and collection of information from management;
   b. Organization and publication of information in the Virtual Data Room (“VDR”);
   c. Preparation of the “Teaser,” NDA, and “Management Presentation;” and
   d. Review and selection of names from our “buyers list.”

2. Marketing
   a. Distribution of Teaser, NDA, and schedule to the Buyers List;
   b. Publication of the Management Presentation and Webinar to the VDR;
   c. Open “Level 1” access to the VDR to those who have executed the NDA; and
   d. Collect initial bids / proposals.

3. Qualification of Bidders / Auction Participants
   a. Evaluation of Bids / Financing from prospective purchasers;
   b. Open “Level 2” access to the VDR to the “Qualified Bidders;”
   c. Negotiation of Asset Purchase Agreement —to which, all bids must conform; and
   d. Selection of the “Stalking Horse” bidder;

4. Auction / Selection of Purchaser
   a. Qualification of bidders / auction participants;
   b. Review of the auction rules;
   c. Selection of the winning bidder at the auction; and
   d. Closing.

Founded in 1995, Corporate Financial Advisors, LLC is a nationally recognized, middle market investment bank with a distinguished record of helping its clients buy or sell their middle market companies, raise capital, achieve liquidity solutions and optimize their capital structures.
Schutt Sports, Inc. Case Study: 363 Bankruptcy Sale

### Financial Advisor to Schutt Sports

Schutt Sports, Inc.’s football product line is anchored by its helmet offering; the most critical and visible item of protective equipment. Schutt Sports also has leading market positions in softball and baseball equipment and collectible products. Schutt Sports, Inc. filed Chapter 11 on September 6, 2010, after a competitor, Riddell / Easton Bell won a $29 million patent infringement lawsuit against Schutt. The terms of the DIP financing mandated that the company be sold by year-end.

John led the team that identified and contacted 145 potential purchasers; reviewed more than a dozen bids; and selected Platinum Equity as the stalking horse bidder, with a $25 million bid. Platinum next had to participate in a highly competitive, 20+ hour auction on December 15, 2010, before emerging as the winning bidder with a $33.1 million purchase price.

The result of the Schutt Sports sale process was that:

- **The company was sold as a going concern;**
- **All of its employees were guaranteed their jobs for at least the next twelve months;**
- **The secured lender was paid in full; and**
- **The unsecured creditors / vendors collected >85% of their claims.**

### Selected Prior Debtor and Committee Representations

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Financial Advisor Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEI Film</td>
<td>Manufacturer of OPP film</td>
<td>Financial advisor to the creditors in the DE Chapter 11; Board Member, post reorganization</td>
</tr>
<tr>
<td>COMDISCO</td>
<td>Technology services and leasing company</td>
<td>Financial advisor to official equity committee in the IL Chapter 11</td>
</tr>
<tr>
<td>EXIDE Technologies</td>
<td>Manufacturer of automotive batteries</td>
<td>Financial advisor to SWIB and eventually the official equity committee in the DE Chapter 11</td>
</tr>
<tr>
<td>FINOVA Financial Innovators</td>
<td>Commercial finance and leasing company</td>
<td>Financial advisor to official equity committee in the DE Chapter 11</td>
</tr>
<tr>
<td>Hawkeye</td>
<td>$1 Billion Ethanol Producer in IA</td>
<td>Financial Advisor to the 2nd Lien Noteholders in the DE Chapter 11</td>
</tr>
<tr>
<td>Remee</td>
<td>Manufacturer of wire and cable products</td>
<td>Financial Advisor to official creditors committee in the NY Chapter 11</td>
</tr>
<tr>
<td>Schutt Sports</td>
<td>Manufacturer of sports equipment</td>
<td>Financial Advisor to the company in the DE Chapter 11; 363 sale to a financial buyer</td>
</tr>
<tr>
<td>SpanSion</td>
<td>Manufacturer of NOR flash memory</td>
<td>Financial advisor to the ad hoc equity committee in the DE Chapter 11</td>
</tr>
</tbody>
</table>

### Mr. Stark has also:

- Managed and served as the litigation trustee in high profile litigations against Marriott; GPA; Phar Mor; Texas New Mexico Power; and Radnor Holdings;
- Served on dozens of Creditors’ committees, including the Bucyrus Erie OCC;
- Managed a $1.2 Billion workout portfolio and >$900 million in 3 distressed debt funds; and
- Testified as an expert witness in bankruptcy proceedings on numerous occasions.