



## AT A GLANCE

### TATUM RESTRUCTURING, FINANCIAL REPORTING

Gloucester Engineering was in bankruptcy. Tatum provided a comprehensive assessment and rebuilding of finance processes to facilitate a successful restructuring under Chapter 11 with a Plan of Reorganization accepted in six months.

### TATUM FINANCIAL IMPROVEMENT, EXECUTIVE SEARCH

Gloucester Engineering regained industry confidence and generated millions in profitable orders under new VP of Finance, staff and processes provided by Tatum.

### TATUM SYSTEM SELECTION & IMPLEMENTATION

Antiquated, fragmented accounting systems and processes no longer supported Gloucester Engineering's needs. Tatum recommended an ERP system to support renewed strategy and processes.

## Equipment manufacturer achieves major turnaround.

### Brief Overview

Founded in 1961, Massachusetts-based Gloucester Engineering Co., Inc., evolved into a leading global manufacturer of extrusion equipment used to produce plastic film and sheeting for packaging and other purposes. Its operations grew to include a joint-venture company in Damman, India and a European arm.

In 2007 after GEC's German conglomerate owners sold the company to a small group of investors, the burdens of declining sales resulting from a decade of mismanagement, an uncontrollable cost structure and a lack of focus sent the company into a free fall. The company suspended payments to vendors in December 2009; and, in March 2010 three creditors brought an involuntary Chapter 7 bankruptcy suit against GEC.

### Situation

Blue Wolf Capital Partners LLC, a private equity firm, saw GEC as a good fit for its portfolio of companies that are fundamentally sound but facing complex situations. Approaching GEC in May 2010 while it was facing liquidation, Blue Wolf made an initial investment as a secured lender then committed a \$6 million debtor-in-possession line of credit to permit GEC to continue operations.

Blue Wolf's primary goal was aggressive: Get GEC out of bankruptcy by the beginning of 2011. And the task would not be easy. Including virtually the entire Finance function, GEC had laid off most of its staff leaving remaining staff overwhelmed, leaderless and functioning in silos. The books hadn't been closed in months. Once-trusted vendors were reluctant to do business even on a cash-in-advance basis. And everyone who knew how to use the company's hybrid MRP, general ledger and Excel-based reporting systems had either retired or left the company.

Blue Wolf's first move was to bring in Bob Sharp, now an operating partner with Blue Wolf, as Chief Restructuring Officer. Sharp moved quickly to remove dysfunctional senior officers and promote a new cadre of managers from within. When it came to finance according to Sharp, "We realized we didn't have the staff to take care of the situation – and hiring people wouldn't be enough. We decided to interview some firms that could give us some help."

*"It's terribly satisfying to work with a group of people, and give them some assistance and support capital, and together rebound successfully. We would absolutely use Tatum again."*

– Bob Sharp, Blue Wolf Capital Partners



## Why Tatum

Blue Wolf had looked to Tatum on two previous occasions for interim CFO services. “We were confident they could assemble a team and get resources on the ground quickly,” said Michael Ranson, partner at Blue Wolf.

The Tatum team arrived at GEC on June 15. By June 25, the bankruptcy case was converted to Chapter 11 reorganization from Chapter 7 liquidation. The court appointed Tatum as GEC’s financial advisor for the bankruptcy process.

Tatum was integrally involved with Blue Wolf, Bob Sharp and GEC’s management team in designing and implementing the company’s post-bankruptcy structure and worked closely with Blue Wolf to model their financing requirements. Tatum led a daily dialogue with Blue Wolf on financing and operational issues and emerged as a trusted advisor to the GEC management team as well as to Blue Wolf.

Tatum participated in decisions on how to reduce GEC’s fixed cost base, a fundamental structural issue that contributed significantly to the company’s collapse. Then Tatum and the management team set their sights on emergence from bankruptcy and a return to profitability.

“They were able to come in and become like our own employees, as opposed to being outside consultants,” Sharp said. “They really melded with the team – not simply doing tasks but pinpointing what needed to be done.”

Tatum professionals were on the scene each day, seeing firsthand the struggles and challenges of a company working its way back. With their proven expertise, said Sharp, they were accepted unequivocally by management and by workers alike.

“Perhaps most important,” he said, “was Tatum’s ability to strategically align its recommendations and goals to those of GEC and Blue Wolf. They don’t come from outside, make recommendations, and leave. They quickly analyze what is needed and where a company wants to go and get on board to drive success in the chosen direction.”

“I could have gotten pretty good finance and accounting help from any number of sources but we needed more than that,” said Sharp. “Tatum worked strategically, as an integrated part of the management team. That ability to merge is important to what we accomplished.”

## Results

Tatum worked with GEC to build routine processes and systems as well as the daily, weekly and monthly reporting required by Blue Wolf and the bankruptcy process. Tatum also delivered the breadth of service offerings and expertise required to address GEC’s hiring and technology needs. This included assisting Sharp and Blue Wolf in identifying and screening several strong candidates for the new position of Vice President of Finance and recommending and assisting with an ERP implementation to support the financial transformation.

“The key is adding value for customers,” Sharp said. “The most important way to do that is to be on the leading edge of technology.”

As 2011 opened, GEC emerged from bankruptcy and was in line for cash break-even with more than a dozen major new orders totaling \$12 million from customers in Taiwan, Spain, Russia, Mexico, Germany, Malaysia and Canada, in addition to the United States. The company’s turnaround, and especially its reduced fixed-cost base, permitted it to be more selective in the business it chose to accept resulting in significant margin improvement.

*“Tatum positioned the company to pass the baton to the new leaders establishing the basic building blocks of business function needed to grow. We trust Tatum to make recommendations and act as if it were their own company and their own investments at stake.”*

- Michael Ranson, Blue Wolf Capital Partners

Under new management, GEC was able to regrow its workforce by nearly 40%, resume its research and development activities and rejuvenate its joint venture in India. Moreover, its burgeoning success attracted a significant outside equity investor. 

## About Tatum

Companies turn to Tatum when critical business challenges arise because we immediately deliver C-level financial and technology operational expertise via solutions tailored to the Office of the CFO. We understand the urgency of NOW and our VELOCI-T solutions were designed to help business leaders accelerate results to *create more value™*.