

Press Release

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CABINETRY MANUFACTURER RESCUED FROM BANKRUPTCY

Global Turnarounds has just completed another successful turnaround, reviving an Ontario manufacturing company from recent bankruptcy and enabling the company to be successfully sold. The turnaround led by Kobus van der Zel, CTP, was done in the short period of nine months.

When the CFO of an Ontario investment group placed the call to Global Turnarounds in January 2007 he did not have many options. The group president had left under a cloud only a few months before after one holding company went bankrupt and most of the other recently acquired businesses were veiled in red ink. The president of the largest division containing four cabinet manufacturing companies had also tendered his resignation the day before and further bankruptcies in this division seemed unavoidable.

During a two day assessment, Global Turnarounds calculated that the cabinetry business bleeding the most red ink was commercially viable and that it could be turned around from being bankrupt in 2005 and recording a loss of more than \$2m in 2006 to become profitable towards the end of 2007. The assessment formed the basis of the turnaround plan and budget including our success based fees.

The turnaround plan involved consolidating the retail showroom customer base by having the same representative for all cabinetry product lines in each geographic area and by differentiating products on features, quality and price. The plan further called for a closure of some plants and integrating the machinery into one self contained plant for each company.

The turnaround started in February with Van der Zel as interim cabinetry president. By March the market consolidation was complete including a new cabinetry brand name, stepped commissions for representatives for all product lines and reallocation of the company sales managers to territory sales managers. The closure of one plant was also on schedule and machinery from this and other plants were moved and commissioned for full production into the main Kitchener plant by mid April without any disruption to existing customer orders. It allowed for a personnel reduction of 30% in April for the troubled Kitchener plant, while increasing plant capacity by 50%.

With regular celebrity customers such as Jennifer Capriati and Oprah Winfrey the key operational need of the retail showroom market was to have kitchen cabinetry delivered on time and complete in an industry where many competing manufacturers were severely underperforming. Through focusing on lean techniques the on time complete performance of the Kitchener plant was increased from below 20% to consistently above 95% by reducing work in progress from 22 days to less than 7 days (67% reduction). Quality was

also improved to the point where the largest long time customer wrote a letter to the plant congratulating the team on “the best product quality ever” for this company.

The above operational performance was leveraged into increased sales with an extensive market offer guaranteeing delivery and quality to retail showrooms. This resulted in sales order volumes returning to breakeven levels which allowed the owners to sell this company to a Cambridge investment group specializing in manufacturing in mid September 2007.

This turnaround experience and the precise processes used by Global Turnarounds caused this client to come to the realization that they do not have the knowledge or background to add value to manufacturing companies and that their skills are best applied in service related companies and acquisitions.

About Global Turnarounds

Global Turnarounds does company turnarounds for owners or lenders of distressed and fast growing companies. President, Kobus van der Zel has over 15 years manufacturing management experience including business improvement and turnaround engagements where 100% of the monthly fees were tied to achieving bottom line results. He graduated from the University of Stellenbosch, South Africa in 1989 with a mechanical engineering degree and in 1995 with an MBA. He was certified by the Turnaround Management Association as a Certified Turnaround Professional (CTP) in 2005.

Contact details:

Kobus van der Zel, CTP

Phone: (416) 359-9395

Email: Kobus@globalturnarounds.com