

# ***PRESS RELEASE***

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**For Immediate Release**

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**SMP becomes special adviser to and co-manager of \$80 million turnaround management investment and privatization fund**

**Annapolis, Maryland — Ljubljana, Slovenia** - Strategic Management Partners is pleased to announce its alliance with the Hiram L. Pettyjohn Company to form Euro Enterprise Management, LLP. The team will provide services in the Central European Market, in addition to activities in the U.S. The purpose of this venture is to advise investors on transactions; raise funds to provide capital to invest in turnaround situations; provide board level direction and turnaround management expertise to troubled or nonprivatized companies; and to advise governments, their agencies, company leaders and fund managers on privatization, successful turnaround activities, and technology reinvestment.

The partnership has won the Slovene Special Restructuring Programme (SRP). This program was designed to manage a Restructuring Investment and Asset Management Fund totaling 60 million ECU (about \$80 million U.S. dollars), invest in and manage enterprises that have not been successful in their privatization and turnaround efforts to date. This program is sponsored by the Slovene Government, the banks in Slovenia with troubled portfolios, and the European Bank for Reconstruction and Development. The EBRD is providing 30 million ECU in capital (cash) in return for preferred equity shares and the bank(s) or government will provide at least 30 million ECU in assets in return for common equity shares. The fund can possibly grow to 50 million capital plus 50 million assets, based on need. The structure of the fund is modeled after the venture capital investing concept popular in the US. The partnership [in essence an industrial holding company] will invest in selected companies, serve as board members and advisors to management, provide strategic focus and market positioning expertise, and sell or privatize companies at a point in the future.

John M. Collard, Chairman of Strategic Management Partners, sees this move as a first of perhaps many that will advise investors both in the US and overseas on the successful entry into new markets. "Turnaround Management is a popular phenomenon around the world, and there is a formula to success. When you provide a quality management team; a viable product with market definition to meet a customer need and a penetration strategy that makes sense, the investment will come," said Collard. "When these elements all come together the transition process begins, and is normally successful."

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The goal of the SRP is to maximize the value of investments by injecting capital, management, marketing and strategic expertise into the enterprise, and generating the return of principal plus capital gains to the Slovene Government, banks, investors, EBRD, the equity holders and stakeholders upon the sale of these enterprises. Additional resources will be provided to conduct due diligence, specific operations and other expertise through a technical assistance contract with European PHARE totaling 6 million ECU over the five year contract life.

The process of selection was elongated (from 30 firms interested worldwide, to 15 firms qualified, then 7 short-listed, then 3 invited to in-person in-country team presentations and interviews) to finally choose this team as the asset, fund and turnaround manager. Negotiations are complete, Contract is signed, first tranch is in the bank, the project has started, and the investment screening process is underway. The first investment is expected this summer.

Several key strengths and abilities lead to this win. This team of professionals are leading experts in the fields of 1) hands-on turnaround management (the Certified Turnaround Professional (CTP) designation held by both principals was unquestionably a plus); 2) management of troubled investment portfolios that eventually returned multiples of 3x in distressed situations; 3) acquisition and divestiture experience (totaling 80 transactions, \$1.2 Billion value, and recovering \$200 Million in Assets); [SMP has been involved in the negotiation of over 40 transactions, including 26 acquisitions, 4 start-ups via purchase and 10 divestitures worth over \$730M in Sales Revenue or Leased Asset Valuation, and over \$500M in transaction value at the time of transaction, and recovered over \$80M for the owners of troubled assets]; 4) unique experience with successful transition and conversion of US contractors who have been providing services and products to the US government and wanted to convert to commercial and international markets.

“While not obvious at first glance, this conversion expertise is very similar to privatization activities. Both processes require that new strategies be implemented to enter new markets; management of the company must change to implement a customer driven strategy; the company must undergo fundamental changes in the way it does business; and the culture of the company [employees, management, all stakeholders] must change to become competitive in world economic terms,” said Collard. Many companies in Central Europe were once defense-based enterprises that now need to convert away from demand economies and into global peacetime markets.

The selection committee found that this transition expertise could be of unique value in the required turnaround and privatization of portfolio companies. Uros Korze, Managing Director, SKLAD Development Fund of the Republic of Slovenia, said, "It was key to provide qualified personnel at short notice and supply resources in country for extended periods. We were very impressed with the team's ability to identify, qualify and commit resources to the project." SKLAD is the agency responsible for dealing with state owned enterprises that are having trouble in their privatization attempts. The agency initially received 100 companies for disposition. Some have been sold, while others have been added to the pool. These companies are the focus of the SRP programme.

The team of advisors and in-country experts dedicated to the project is highly qualified. The selection committee found added value in the professional knowledge and ability of this team to identify and provide competent turnaround, restructuring and enterprise management resources of significant depth and diversity to help the effort to win. Korze said, "the most important element is to locate investments with the potential for revitalization, and then manage the resources to achieve successful turnarounds. We believe that this team can do just that, while accomplishing our goals to both privatize enterprises and maximize return on investment."

Slovenia is part of the former Yugoslavia. It is the Northern most Republic and shares borders with Austria (North), Hungary (East), Italy (West), The Adriatic Sea (Southwest), and Croatia (South). The Republic [prior to the Yugoslav break-up] had approximately 8% of the population, yet enjoyed approximately 30% of the GNP (actual statistics are available). The point is, even before the fall of the 'Berlin Wall', Slovenia was allowed to export to the 'West' and now enjoys an advantage in this regard. The region in general has excellent technical expertise and production capacity. However, it needs marketing and management expertise to compete in an emerging global economy. The country is well along into its privatization process, more so than many countries in the region.

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