

# WORK GROUP SESSION 3 HANDOUT PACK

## 1. BASIC QUESTIONS ASKED BY THE TMA

### 1.1 OVERALL POPULATION OF SOUTH AFRICA AND THE POPULATION OF THE 3 LARGEST METRO AREAS

The overall population of South Africa at the last census (2001) was 44.8 million people.

The three largest provinces are; Kwa Zulu Natal (9.4 million), Gauteng (8.8 million people), Eastern Cape (6.4 million).

The three largest metros are; Johannesburg (3.2 million people), Durban (3.1 million), and Cape Town (2.9 million).

### 1.2 SHORT OVERVIEW OF THE CURRENT BUSINESS CLIMATE

#### **Domestic Prospects: South African Economy as at end January 2004.**

The local economy performed relatively poorly in 2003. The real gdp figures were revised downwards late last year, showing that the economy expanded by only 0,9% and 0,5% in the first and second quarters respectively before improving marginally to 1,1% on a seasonally adjusted annualised basis in the third quarter. These adjustments brought the growth rate for the first three quarters of 2003 to a modest 2% y-o-y, down from the 3,5% recorded over the same period the year before.

The loss of economic momentum was mainly due to a sharp deterioration in the country's external balance, as exports weakened under the pressure created by a strong Rand and a patchy global economy, while imports surged in response to buoyant domestic demand. Domestic spending was initially led by strong growth in capital formation and government spending, while households lagged behind, showing relatively unimpressive, albeit steady, growth in the first half of the year. However, consumer demand picked up strongly in the third quarter, as confidence surged in response to rising property prices, continuous improvements in real disposable income due to falling inflation and the sharp drop in interest rates since June.

Recent economic indicators suggest that the economy improved further in the final quarter of last year.

On the production side, underlying conditions remained weak, but tentative signs of recovery started to emerge towards year-end.

While manufacturing production was still down on a year-on-year basis in late 2003, output rose by a seasonally adjusted annualised 1,7% over the three months to November. The pickup over the quarter mainly reflected the positive impact of a recovering global economy and surging international commodity prices on export-orientated industries, but the strong Rand and the sharp rise in imports continued to place pressure on import-replacement industries.

On the demand side retail sales rose sharply from July and anecdotal evidence suggests that most retailers enjoyed bumper Christmas sales. Retail sales surged by a further 7,7% in October after climbing by 8,2% in September and 4,5% in August.

Consumers focused their spending on durable and semi-durable goods, taking advantage of both the lower cost of credit and falling prices on certain imported goods. Even new vehicle sales, which generally drop fairly sharply in the final quarter of each year as consumers and businesses tend to delay purchases until the new year, fared better than expected and managed to show healthy increases on a year-on-year basis. Despite the improvement in activity levels in the final quarter of last year, the weakness in the first three quarters is expected to have contained gdp growth at just under 2% in 2003 as a whole. However, the gradual recovery is likely to gain some momentum during the course of this year, with gdp forecast to grow by around 2,9% in 2004. The

economy will mainly be driven by strong growth in domestic spending, boosted by rising personal disposable incomes, falling inflation and lower interest rates.

While most exporters will remain under some pressure in the short term, the prospects for the second half of the year look more encouraging.

Exports should increase as the global recovery gathers momentum, international commodity prices continue to rise and the Rand starts to ease later in the year. The main threats to our economic outlook remain an uncertain global environment and a volatile Rand.

There was also good news on inflation. All measures of inflation eased further, helped mainly by a strong Rand and the high base established the year before. Softer local food prices and a relatively subdued global economy also contributed to the rosier picture.

The key CPIX measure dipped below the upper 6% limit of the Reserve Bank's target range in September before ending the year at 4% from a peak of 11,3% in October 2002. The Reserve Bank responded to inflation's continued descent by cutting official interest rates by a further 200 basis points in the final quarter, bringing the drop for the year to a generous 550 basis points and leaving the prime rate at 11,5% at year-end. Despite the continued easing in monetary policy, some hesitancy and caution started to creep into the Reserve Bank's statements and decisions towards the end of the year. While the Bank remained confident about inflation's short-term future, some concern was expressed over the medium term.

These sentiments were probably justified as CPIX should remain within the Reserve Bank's target range throughout 2004, but then succumb to upward pressures that will have started building during the course of the year. This will follow from the impact of the anticipated surge in credit-driven domestic spending, coupled with the expected increase in the costs of production brought about by a softer Rand, rising international oil and other commodity prices, higher local food prices and high wage settlements relative to productivity gains.

CPIX is therefore forecast to remain well below 5% during the early part of 2004, before edging higher and ending the year close to the 6% upper limit.

The outlook for next year is even less encouraging and the Reserve Bank's running target range may come under a more serious and consistent threat in 2005. Given this, we believe that the downward cycle is coming to an end and that the scope for substantial cuts in interest rates are disappearing. While a steady Rand may convince the Reserve Bank to cut by another 50 basis points in February, a more conservative policy stance can be expected in the second half of the year.

Prime is therefore forecast to ease to 11% in February, before edging back up to 11,50% early in the second half of the year.

Financial markets were generally firmer in 2003. Money market rates across the range of maturities moved sharply lower to reflect the rapid slide in official interest rates.

The bond market rallied as the yields on both the short-dated R150 2005 and the longer-dated R153 2010 dropped to lows of 7,13% and 8,75% respectively in early December from 11,05% and 10,78% at the start of 2003.

Although rates declined sharply over 2003, the yield curve continued to normalise as the year progressed and some correction started to emerge in late December. This mild upward movement continued in early 2004, reflecting the more uncertain inflation outlook and growing expectations of higher interest rates later in the year.

The equity market was also stronger in 2003, finding support from the strong rebound in global equities and the anticipated acceleration in domestic spending on the back of rising incomes and low interest rates. However, the strong Rand kept the All Share Index's advance in check, limiting gains to a relatively modest 12% in 2003 as a whole.

Industrials showed the strongest gains, followed by financials and then resources. While the strong Rand initially depressed resources, the surge in commodity prices -

especially that of precious metals - encouraged investors to return to the resource counters, helping the index to end the year around 6% higher.

Equities have remained relatively firm in early 2004 and the prospects for healthy growth are good. The recovery in the world economy should ensure equities return to favour globally, at least in the short term, while stronger domestic growth and relatively attractive valuations should support local valuations.

The Rand gained further ground against most major currencies in 2003, but signs of vulnerability started to emerge early this year. The local unit fell to just over R7 to the US dollar in mid-January and has continued to trade around this level or higher. While renewed short-term strength is still possible on the back of a weaker US dollar, the Rand is more likely to depreciate further against the trade-weighted basket.

### **1.3 NUMBER OF LARGE FIRMS INVOLVED IN THE TURNAROUND INDUSTRY**

Firms with 3 or more staff members actively involved in turnaround (in alphabetical order):

- Business Sculptors
- Corporate Renewal Partners
- Credit Management Solutions
- Daly Incorporated
- Deloitte
- FRM Strategies
- KPMG
- Maximus Business Turnaround
- Strategy Partners

### **1.4 ANY LEGAL ISSUES THAT MAY IMPACT ON THE DEVELOPMENT AND GROWTH OF A CHAPTER**

There are no known legal issues which could inhibit the development and growth of a Chapter of TMA in SA.

The TMA requires the following: "Provide a written opinion of counsel qualified to practice law in the chapter's locale who attests there are no laws or regulations that would prohibit the Association or affect its power to grant the proposed charter, or that would impose any burden on the Association relating to such affiliation or granting the charter, including licenses, taxes or reports."

# WORK GROUP SESSION 3 HANDOUT PACK

## TURNAROUND PRACTITIONER ACCREDITATION – DRAFT 3

### 1. PURPOSE OF THIS DOCUMENT

This proposal was drafted by the Membership Sub-Committee of the Work Group of the Launch Steering Group, the latter which is tasked with forming the SA Chapter of the Turnaround Management Association.

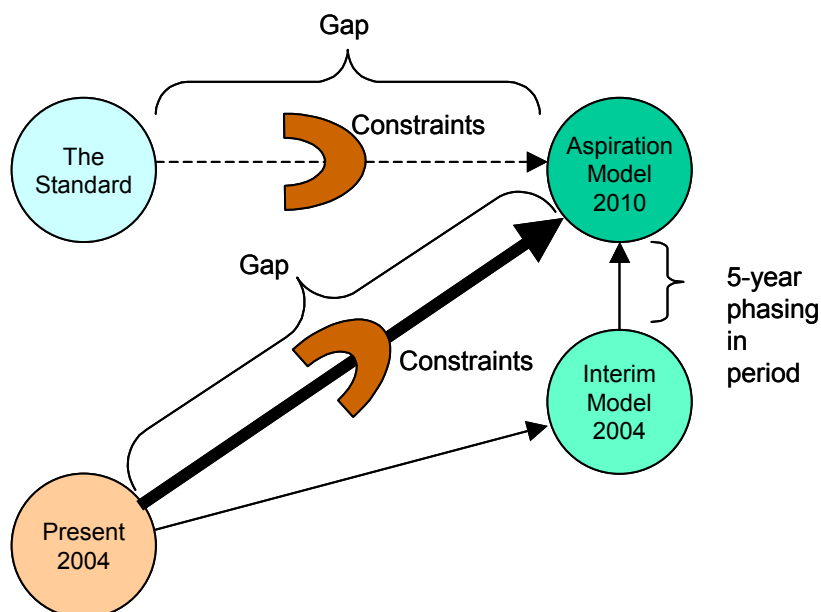
This document proposes a turnaround practitioner certification process and structure, to be administered by a proposed Association of Certified Turnaround Practitioners (South Africa), a sister organisation of the Turnaround Management Association (South Africa):

- For voluntarily use and interpretation by the private sector when appointing turnaround practitioners to informal turnarounds, and
- For use by the formal sector when appointing turnaround practitioners to the Turnaround Panel in terms of the proposed New Business Rescue Model for SA.

### 2. WHY CERTIFICATION?

- Provides assurances and eliminates question marks as to experience, quality, knowledge and skills with regard to turnaround;
- Demonstrates to prospective clients a commitment to the turnaround industry;
- Counters the dilution of the term “professional” as it relates to turnaround;
- Ensures high standards and ongoing education;
- Standardises on modern approaches and best practice, and
- For the same reasons that some institutions recently had their MBA accreditation approved/revoked.

### 3. CONCEPT



## **4. THE STANDARD – THE TMA’S CERTIFIED TURNAROUND PRACTITIONER QUALIFICATION – ADMINISTERED BY THE ASSOCIATION OF CERTIFIED TURNAROUND PRACTITIONERS (ACTP)**

### **4.1 REQUIREMENTS**

- Completing at least five years in consulting with a minimum of three years focused on corporate renewal;
- Providing three client case studies and names of individuals who can verify authenticity;
- Submitting to a careful background check conducted by the ACTP Standards Committee;
- Passing a challenging examination which covers ACTP’s three-pronged, comprehensive Body of Knowledge: relevant theory and practice regarding financial and managerial accounting and tax, turnaround and crisis management, and bankruptcy and UCC law;
- Posting names of applicants for 60 days in order to solicit any objections;
- Each person who completes the requirements is expected to serve his or her clients in an independent, competent, and professional manner and to exercise unprejudiced and unbiased judgment on each client’s behalf, and
- Each person who achieves certification is required to remain active as a professional, to abide by the association’s Code of Ethics and to complete at least 125 hours of continuing professional education during each five-year period.

For more information, please refer to Appendix A.

### **4.2 CONSTRAINTS TO USING THE STANDARD AS A MODEL**

- Unpractical to sit for the exam in the USA, and
- The tax and law in the USA exam are irrelevant to SA.

## **5. THE ASPIRATION MODEL**

### **5.1 OVERCOMING THE CONSTRAINTS OF THE STANDARD AS A MODEL**

Clearly, what is required to overcome the constraints of the TMA’s certification process are:

- A South Africanised Body of Knowledge;
- Converting the TMA’s exam questions into similar questions within the South African context, and
- Sitting for exams in South Africa.

The TMA has informed the SA Chapter Launch Steering Group that it has no objection to the customisation of the certification program for South African purposes. The only stipulation is that a sound program be presented to the ACTP Board of Directors.

According to the TMA, this is already happening in the UK and New Zealand.

Also, there is already a separate Canadian and Mexican Body of Knowledge.

## **5.2 THE POTENTIAL ROLE OF FACULTY MEMBERS**

Professor David Burdette of the University of Pretoria, is already planning a turnaround course based on a South Africanized version of the three legs of the CTP Body of Knowledge.

Professor Neil Harvey, with 14 successful turnarounds behind him, and presently at Rhodes University, could also advise on a South Africanised Body of Knowledge. Neil is a member of the Advisory Group, and turnaround forms a section of his Strategic Management Course at Rhodes

Neil has close ties with Wits Business School, where a 5-day Turnaround Management Course will be held in October this year. Neil has advised the Work Group that he wishes to introduce a faculty member of Wits Business School to the Advisory Group, and WBS could therefore possibly be brought into the fold as well.

The Stellenbosch Business School could be approached too to play a role in the turnaround certification and education process.

The CTP exam is tough!

While South African academic institutions can play a valuable role in both offering educational courses and customising the TMA's CTP exams, such courses should not be required to sit for the CTP exam (if the American example is followed). In the USA, a number of universities offer courses to assist CTP candidates, but most candidates pass the ACTP's exam by studying the Body of Knowledge on their own.

## **6. CONSTRAINTS TO ACHIEVING THE ASPIRATION MODEL**

Immediate implementation of the Aspiration Model suffers from a number of practical constraints that relate to 1) experience and 2) implementation of a South Africanised TCP exam.

### **6.1 EXPERIENTIAL CONSTRAINTS**

Immediate implementation of the requirement of at least five years' consulting experience with a minimum of three years focused on corporate renewal will:

- Disqualify a large proportion of those that recently started in turnaround or that have an interest in doing so;
- Discriminate against Historically Disadvantaged Individuals who had not had the opportunity to participate in the turnaround industry before, and
- Present a barrier to the successful implementation of the New Business Rescue Model for SA.

### **6.2 EXAMINATION CONSTRAINTS**

- It is understood that nobody in SA has sat for the TMA'S CTP exam yet;
- If a South African turnaround practitioner has indeed sat for this exam, or plans to do so, the tax and legal aspects of the exam will not be relevant to the SA situation, and
- It will take at least until 2005 for a South African Body of Knowledge to be developed, and for structures to be established to South Africanise the ACTP's exam questions.

## **7. THE INTERIM TURNAROUND MODEL FOR THE INFORMAL SECTOR**

### **7.1 CRITERIA FOR AN INTERIM TURNAROUND MODEL (INFORMAL SECTOR)**

- Allow for phased implementation of the Aspiration Model;

- No discrimination against Historically Disadvantaged Individuals with regard to experience.
- Encourage use of Certified Turnaround Professionals for turnaround work in the informal sector and for formal/legislative turnarounds;
- Encourage turnaround practitioners to become certified;
- Attract new professionals to the turnaround industry, and
- Simple to understand and administer.

## 7.2 FOUR ACCREDITATION CATEGORIES IN THE INFORMAL SECTOR

It is proposed that TMA (SA) recognises 4 categories of Turnaround Practitioners, viz.

### a. Certified Turnaround Practitioner - CTP (SA)

The Certified Turnaround Practitioner (SA) will have accreditation on par with the TMA's CTP as per the Aspiration Model.

By implication, a turnaround practitioner can only become a South African CTP once the local examination process has been implemented, which is unlikely to happen before 2005.

### b. Experienced Turnaround Practitioner - ETP (SA)

The Experienced Turnaround Practitioner has the same experience as required for the CTP, but still needs to sit for the CTP exam. All other CTP requirements apply, except for the requirement that at least 125 hours of continuing professional education must be completed during each five-year period.

The Experienced Turnaround Practitioner accreditation provides recognition to the turnaround practitioners of long standing in SA.

### c. Associate Turnaround Practitioner - ATP (SA)

The Associate Turnaround Practitioner has less experience than the Experienced Turnaround Practitioner. The accreditation provides recognition for those active in the turnaround industry.

### d. Candidate Turnaround Practitioner - CanTP (SA)

Anyone can register as a Candidate Turnaround Practitioner. The Candidate Turnaround Practitioner accreditation provides recognition to those embarking on a career in turnaround management and signals intent to become at least an Associate Turnaround Practitioner over time.

The differences between the four categories are summarised below:

INFORMAL SECTOR ACCREDITATION				
	Experience	Case Studies	Exam	Other
<b>Certified Turnaround Practitioner</b>	At least <b>five</b> years consulting experience with a minimum of <b>three</b> years focused on corporate renewal	<b>Three</b> client case studies and names of individuals who can verify authenticity	SA CTP exam: Passing a challenging examination which covers ACTP's three-pronged, comprehensive Body of Knowledge: relevant theory and practice	<ul style="list-style-type: none"> <li>• Submitting to a careful background check conducted by the SA version of the ACTP Standards Committee</li> <li>• Posting names of applicants for 60 days in order to solicit any objections;</li> <li>• Each person who completes the requirements</li> </ul>

			regarding financial and managerial accounting and tax, turnaround and crisis management, and bankruptcy law	is expected to serve his or her clients in an independent, competent, and professional manner and to exercise unprejudiced and unbiased judgment on each client's behalf; and <ul style="list-style-type: none"> <li>Each person who achieves certification is required to remain active as a professional, to abide by the association's Code of Ethics and to complete at least 125 hours of continuing professional education during each five-year period.</li> </ul>
<b>Experienced Turnaround Practitioner</b>	At least <b>five</b> years consulting experience with a minimum of <b>three</b> years focused on corporate renewal	<b>Three</b> client case studies and names of individuals who can verify authenticity	-	Each person who achieves certification is required to remain active as a professional, and to abide by the association's Code of Ethics
<b>Associate Turnaround Practitioner</b>	At least <b>two</b> years consulting experience with a minimum of one year focused on corporate renewal	<b>One</b> client case study and names of individuals who can verify authenticity	-	Each person who achieves certification is required to remain active as a professional, and to abide by the association's Code of Ethics
<b>Candidate Turnaround Practitioner</b>	-	-	-	-

The progressive accreditation categories are **skills-based** rather than profession-based.

It is proposed that required experience be defined as both:

- Experience of turnaround viability assessment; and
- Experience in managing a turnaround, including most of the following elements:
  - Managing the distressed business or project management of the turnaround process;
  - Formal stakeholder management;
  - Funding the distressed business, and
  - Fixing the distressed business in strategic, organisational and operational terms.

### 7.3 EXAM FOR VERY EXPERIENCED TURNAROUND PRACTITIONERS NOT TO BE WAIVED

There are a number of turnaround practitioners with long success records that may feel that the exam may be superfluous for them to be recognised as Certified Turnaround Practitioners.

It is, however, proposed that the exam remain a standard requirement to ensure standardisation of turnaround practice in SA regarding modern approaches and best practice contained in the Body of Knowledge. "Old dogs" can still learn new tricks, and these tricks are necessary to be on par with the best overseas.

Moreover, waiving the examination requirement in SA is unlikely to be accepted by the TMA.

## **8. THE INTERIM TURNAROUND MODEL FOR THE FORMAL SECTOR**

### **8.1 UNDERSTANDING HOW A MEMBER OF THE TURNAROUND PANEL IS APPOINTED AS THE BUSINESS ADMINISTRATOR IN A FORMAL TURNAROUND**

- Turnaround experts are admitted to the Turnaround Panel based on a number of criteria (criteria follows below).
- The party applying for a provisional liquidation order nominates a turnaround expert from the Panel.
- Judge recommends turnaround expert as Provisional Liquidator/Business Administrator
- Master of the Court appoints Business Administrator
- Creditors can accept/reject the Master's appointment after 7 days and appoint their own choice of turnaround expert if they wish to do so.

The final appointment therefore lies with the creditors, as long as the turnaround expert is on the Turnaround Panel.

### **8.2 INTERMEDIATE TURNAROUND PRACTITIONER – ITP (SA) IN THE FORMAL SECTOR**

It is proposed that a parallel certification be used for the formal sector, with criteria as follows:

#### **e. Attorney**

- Minimum admitted 5 years; and
- Practiced for own account/as partner/director for minimum 3 years, and
- Practicing attorney/Member of Law Society.

#### **f. Accountant**

- Minimum admitted as auditor 5 years; and
- Practiced for own account/as partner/director for minimum 3 years, and
- Member of Institute of Chartered Accountants.

#### **g. Liquidator**

- Minimum 8 years' experience; and
- Accepted appointments for 8 years; and
- Member in good standing with AIPSA, ABIB OR IPSSA.

#### **h. General**

- Undergraduate degree or equivalent business qualification with a professional body; and
- Practiced for own account/as partner/director for minimum 3 years, or been in control of a division of a large accounting, management consulting, bank or financial institution for a minimum of 3 years.

### 8.3 PROPOSED USE OF THE INTERIM MODEL BY GOVERNMENT

It is proposed that government, in terms of the New Business Rescue Model, make appointment of individuals to the Turnaround Panels conditional to:

- **2004 - 2006:**
  - Formal sector's Intermediate Turnaround Practitioner accreditation, and
  - Membership of TMA (SA) in any one of the informal sector's four accreditation categories.

This will allow for Historically Disadvantaged Individuals embarking on a turnaround management career to be admitted without any disadvantage as long as they have an undergraduate degree and at least 3 years' experience in consulting.

- **2007 – 2008:**
  - Formal sector's Intermediate Turnaround Practitioner accreditation, and
  - Membership of TMA (SA) and accredited as an Associate, Experienced or Certified Turnaround Practitioner.
  - Note that the Candidate Turnaround Practitioner accreditation does not qualify any more.
- **2010 onwards:**
  - Membership of TMA (SA) and Certified Turnaround Practitioner accreditation
  - Note that the formal sector's Intermediate Turnaround Practitioner accreditation does not qualify any more.
  - Note that the informal sector's Candidate, Associate and Experienced Turnaround Practitioner accreditation does not qualify any more).

This scheme will allow for Historically Disadvantaged starting out in corporate renewal in 2004 and 2005 to qualify on equal terms.

It also allows for a phase-in of the informal sector's certification requirements in the formal sector over a period of 6 years.

Daly, Patrick

Van der Walt, Jan

Winer, Paul

## 9. APPENDIXES

**Appendix 1:** The Association for Certified Turnaround Practitioners

**Appendix 2:** Article: Certification Helps Eliminate 'Question Mark'

**Appendix 3:** Article: Word is Out - 2002 Brings Barrage of Interest in Certification

**Appendix 4:** Article: CTP Growth is Accelerating

**Appendix 5:** Article: Why I Became a CTP: The Benefits of Earning the Certified Turnaround Professional Designation

## **Appendix 1: The Standard - Certified Turnaround Practitioner as per the Association for Certified Turnaround Practitioners**

The Association of Certified Turnaround Professionals (ACTP) is the sole international organization dedicated to developing, monitoring, and maintaining a program of certification for professionals engaged in the turnaround, crisis management, restructuring and renewal of troubled businesses, organizations and associations. ACTP's certification program is designed to encourage professional excellence and to provide an objective measure and recognition of expertise. ACTP is a non-profit corporation and maintains its administrative headquarters in Chicago, IL.

To become a Certified Turnaround Professional (CTP), practitioners must meet stringent standards of education, experience and professional conduct which have been developed and are administered by the ACTP Standards Committee in conjunction with the ACTP Faculty. The requirements include

- Completing at least five years in consulting with a minimum of three years focused on corporate renewal
- Providing three client case studies and names of individuals who can verify authenticity
- Submitting to a careful background check conducted by the ACTP Standards Committee
- Passing a challenging examination which covers ACTP's three-pronged, comprehensive Body of Knowledge: relevant theory and practice regarding financial and managerial accounting and tax, turnaround and crisis management, and bankruptcy and UCC law
- Posting names of applicants for 60 days in order to solicit any objections

Each person who completes the requirements is expected to serve his or her clients in an independent, competent, and professional manner and to exercise unprejudiced and unbiased judgment on each client's behalf. In addition, each person who achieves certification is required to remain active as a professional, to abide by the association's Code of Ethics and to complete at least 125 hours of continuing professional education during each five-year period.

## **Appendix 2: Certification Helps Eliminate 'Question Mark'**

NOV 3, 2003 (TMA HQ CHICAGO) — As TMA celebrates its 15-year anniversary, its younger sister organization, the Association of Certified Turnaround Professionals (ACTP), turns 10. The "alpha class" of test-takers sat for ACTP's first exam in 1994. Randall Wright Patterson, CTP, of BBK, Ltd., was among 24 test-takers who passed the three-part exam, which included sections on law, management, and accounting.

"It was the worst (most difficult) examination of my life," Patterson said.

The test was created as one part of a rigorous evaluation of a CTP candidate's expertise in subject areas that are important in workouts, restructurings, and corporate renewal. In addition to passing all three parts of the test, a candidate must have at least five years' consulting experience, with at least three years' of that focusing on corporate renewal; subscribe to TMA's Code of Ethics; provide three recommendations for qualified professional sources and three client engagement confirmation letters; and submit case studies detailing involvement in five turnaround engagements.

Once approved by ACTP's Standards Committee, CTPs must meet established continuing education requirements to maintain their certification. Current TMA Chairman Randall S. Eisenberg, CTP, said certification demonstrates to prospective clients a commitment to the corporate renewal industry and provides assurances that the individual is experienced and knowledgeable.

"One of the things we need to recognize about our industry is that there are low barriers to entry," Eisenberg said. "Because of that, we need to be able to differentiate between individuals who have made corporate renewal and turnaround a career from those people who are transitioning in careers and have nothing better to do than be a consultant until they find a more permanent position."

Ward K. Mooney, president of Fleet Retail Group, Inc., and TMA's 2004 President, said that TMA's plans to establish a certification program for turnaround practitioners was a key element in his decision to join the organization in 1993, after having decided against signing up earlier.

"I think as a banker, as someone who hires professionals, there's always a question mark as to the quality and experience of the professionals that one engages," Mooney said. "I was intrigued that there was an organization that was trying to develop a standard and a body of knowledge that needed to be assimilated to distinguish the people who were doing it part-time until they got another job from those who were in it for the longer term."

Gary Brooks, CTP, chairman of Allomet Partners Ltd. and one of TMA's founders, was appointed by then-Chairman Thomas Allison, CTP, in 1993 to get the program up and running. Brooks said he had been a vocal proponent of certification for practitioners because of what he called "the dilution of the term 'professional'" as it related to corporate renewal. Brooks was sensitive to the practitioner's position in TMA and believed that the term "professional" had been unduly broadened to include "anybody who was willing to pay the dues" to belong to the organization.

Allison said he made establishing the certification program a major goal for his term as chairman because he believed the program would help validate the young association. ACTP was incorporated in August 1993, and the association hired Professor Harlan Platt as its first faculty dean and located the program at Northeastern University in Boston. Professor James Seward of the University of Wisconsin–Madison took over as faculty dean for the program this year.

Since the initial group of test-takers, which included four TMA chairmen — Allison, John M. Collard, William J. Hass, and Thomas D. Hays III — the program has grown steadily over the last nine years. As of September 1, 245 individuals hold the CTP designation, with dozens more having passed the certification test and completing other requirements for certification.

Peter L. Tourtellot, CTP, TMA's immediate past chairman and current ACTP president, said he believes certification will become increasingly important to clients as one way of differentiating turnaround practitioners.

"I think as we look forward in the next 15 years, that certification is going to become more and more important to anybody who really wants to enter this business and be a professional," he said. " I think it gives somebody comfort when they're hiring you that you do, in fact, possess the necessary skills to perform the task that you say you're going to do."

**Eddy McNeil**  
Managing Editor  
TMA

### **Appendix 3: Word is Out - 2002 Brings Barrage of Interest in Certification**

OCT 19, 2002 (TMA HQ CHICAGO) – The Association of Certified Turnaround Professionals (ACTP) has been inundated with record numbers of application requests, test-takers, and newly minted CTPs during the past 12 months.

While maintaining its strong commitment to the highest standards for certifying turnaround professionals, ACTP has experienced remarkable growth during the past year. The word is out, thanks in part to an aggressive program that began last year and was designed to create awareness of the value of the CTP designation. We received more than 400 application and information requests, and the number of test-takers doubled, to 120, over the previous year. In addition, the Standards Committee has awarded 30 new CTP designations.

An active ACTP board of directors and the continued support of TMA have fostered impressive growth in the program. With a primary responsibility of ensuring that material for administering the certification function is relevant and comprehensive, ACTP undertook an extensive review of the Body of Knowledge this year and is scheduled to publish revisions to the materials in November. The organization has also worked hard during the past year to improve the administration of the Body of Knowledge, testing, and certification through Northeastern University.

More than 200 individuals now hold the CTP designation, which requires them to meet strict standards to attain and maintain their -certification. Not only must candidates pass a challenging comprehensive examination on financial and managerial accounting and tax, turnaround and crisis management, and bankruptcy and UCC law to earn their certification initially but, once certified, they also must meet demanding continuing education requirements to keep their accreditation active.

Those who have met those challenges are featured in the second edition of the CTP Listing, a removable insert that you'll find in this issue of *The Journal of Corporate Renewal*. It provides contact information for those who have earned CTP designations and will be mailed to more than 15,000 corporate renewal professionals.

Like the inaugural issue published last year, the 2002 CTP Listing also explains how turnaround professionals earn the certification and the benefits of hiring CTPs. It is one of the ongoing projects designed to raise awareness of those who have earned the designation.

In addition, the design of a new ACTP Web site featuring upgraded and improved functionality has been underway for some time. The results will be unveiled officially at TMA's 2002 Annual Conference in Colorado Springs, October 23 to 26. The redesign process identified ACTP stakeholders – CTPs, potential referral sources, and applicants – and incorporated important features to serve each group better. The smart, professional design is focused on making access to more information faster and easier.

Much has been done in the past year to elevate the stature of and participation in the CTP program, and I am proud of these positive results. We must thank a wide group of dedicated individuals in both TMA and ACTP for this outstanding year.

Thomas D. Hays III, CTP, is the 2002 President of ACTP

## **Appendix 4: CTP Growth is Accelerating**

MAY 1, 2002 (TMA HQ CHICAGO) — A major initiative that began last year to raise the visibility of the Certified Turnaround Professional (CTP) designation is beginning to pay big dividends.

Undertaken by TMA and the Association of Certified Turnaround Professionals (ACTP), the initiative provided new funding for activities designed to create awareness of the value of the CTP designation and to improve the certification process. As part of this effort, ACTP embarked upon a major marketing campaign with the theme "Expertise, Integrity, Knowledge and Experience" to help to build interest in the certification program.

This campaign has helped to generate some impressive numbers for the CTP program: there were 66 test-takers last year, and 83 people have already passed the test and are waiting for reference checks and other requirements to be completed to finalize the process.

More than 200 individuals now hold the CTP designation, which requires them to meet strict standards to keep their certification active. The program began in 1993, and the first 52 individuals passed the test on topics from ACTP's Body of Knowledge in 1994.

Although any change requires a team effort, special thanks must go to fellow CTPs Peter Tourtellot, who committed to funding the initiative as president of TMA; Randall Wright Patterson, TMA's vice president of ACTP relations; Dennis Ladd, past ACTP president; and Kyle Storjohann, who provided day-to-day staff support at TMA.

### **Areas of Responsibility**

In general, TMA is responsible for marketing and supporting the ACTP program through activities such as this column and other aggressive promotional procedures. TMA has provided direct funding of more than \$250,000 to ACTP to support its activities over the years, as well as a full-time staff member to provide day-to-day support for the program.

In addition, TMA educational opportunities, such as ACTP advanced education workshops and the mini-review program held twice each year at the Spring Meeting and the Annual Conference in the fall, expose those who are considering undergoing the certification process or taking part in the training to the program.

At the Spring Meeting in Tucson in March, ACTP's advanced education offering, "Alternatives to Bankruptcy," drew an impressive 65 attendees. A panel that included U.S. Bankruptcy Judge Robert D. Martin; Alex D. Moglia, president of Alex D. Moglia & Associates, Inc.; Randall Wright Patterson, CTP, a principal of BBK, Ltd.; Edward I. Shifman Jr., executive vice president of Congress Financial Corporation; and George G. Voorhees III, CTP, a senior associate of Glass & Associates, Inc., drew enthusiastic responses from attendees.

"I think that this was one of the very best panels I have ever seen—anywhere, any time, any subject. Congratulations," one attendee wrote in his evaluation of the program.

ACTP, a sister organization of TMA, is primarily responsible for ensuring that the Body of Knowledge is relevant and comprehensive and for administering the certification function through Northeastern University. We have been actively revitalizing the relationship with Northeastern, reviewing the certification process, and undertaking review of the Body of Knowledge, which should be completed by this fall. We have also initiated a request-for-proposal process for a possible new academic advisor, and we are contacting the premier educational institutions that have a major presence in the corporate renewal industry.

The purpose of all of these activities is to develop professionals who have demonstrated the requisite background, knowledge, and ethical standards to an objective third party to help build confidence among referral sources and those in troubled companies who need our services. The CTP distinction has become a recognized standard of excellence in the industry.

### **CTP Requirements**

Candidates must successfully pass the three-part CTP examination, which covers management, bankruptcy law, and accounting/tax topics. In addition, they must have a minimum of a bachelor's degree from an accredited college or university and a minimum of five years of consulting experience, with at least three of

those years focused on corporate renewal. Non-degreed professionals who have at least 10 years of consulting experience can also apply for consideration.

The ACTP Standards Committee, whose members include senior practitioners, attorneys, accountants, and lenders, conducts background reference checks of three professional and three client references that candidates are required to provide. To be certified, candidates also must submit five case studies and agree to support and adhere to TMA's Code of Ethics.

Once a professional has earned certification, he or she must complete 125 hours of continuing education every five years to maintain the designation.

I would encourage any serious turnaround manager thinking of becoming a CTP to start the process. We are attaining critical mass and becoming a recognized standard worldwide.

### **Chicago Workshops**

The Chicago Chapter is conducting a series of three interactive education workshops this year that will address different topics from the ACTP Body of Knowledge. The program, "Everything You Wanted to Know About Turnarounds," includes sessions on law, accounting and finance, and management that are scheduled for July 12, August 9, and September 13, respectively. Advance reading material will be distributed on June 14.

Practitioners planning to take the CTP examination could sit for the test in three parts, each held the day after the workshops. For more information, contact Bill Hass, CTP, co-chair of the Chicago Chapter's Continuing Education Committee, at (847) 564-5575, or Richard Lafond, CTP, chairman of the chapter's Summer Series, at (206) 954-7231.

## **Appendix 5: Why I Became a CTP: The Benefits of Earning the Certified Turnaround Professional Designation**

JUN 1, 2001 (TMA HQ CHICAGO) — In 1995, the Turnaround Management Association and Northeastern University established the Association of Certified Turnaround Professionals (ACTP), which was charged with creating a certification process for professionals in the turnaround and crisis management industry. As a result, TMA launched the Certified Turnaround Professional (CTP) program. TMA asked Bob Deprez, a turnaround practitioner who recently earned the CTP designation, to share why he became a Certified Turnaround Professional.

There is no question that in today's market turnaround managers must be on the cutting edge to thrive in the corporate renewal industry. In years past, when the economy has taken a downturn many individuals have flooded the industry claiming to be turnaround professionals. However, turning around distressed or under-performing companies requires a unique set of skills that are not often taught in traditional business and management programs.

With that in mind, TMA created the Certified Turnaround Professional (CTP) program to provide a standard of competence and excellence in the industry. The CTP program offers a set of objective standards by which turnaround professionals can be evaluated, assessed and certified with the designation.

So what are the benefits of becoming a CTP? First, by becoming a CTP, a turnaround professional establishes him- or herself as one of the top experts in the field. Currently, fewer than 10 percent of turnaround professionals have earned CTP status. Achieving the certification requires proven management experience, a minimum of three letters of recommendation and successful completion of an eight-hour examination. When studying the ACTP Body of Knowledge in preparation for the exam, turnaround professionals are exposed to more than 2,500 pages of material on the legal, accounting and management aspects of the turnaround and bankruptcy processes. Every individual who successfully completes this rigorous process emerges with an improved knowledge base and expanded skills.

Another benefit of the designation may soon be realized in the proposed changes to the U.S. Bankruptcy Code, which currently includes language that may allow professionals with certain certifications to earn more for their services. These types of proposed changes offer direct evidence of the increased level of professionalism and competency displayed by individuals who have completed the certification process.

Finally, by becoming CTPs, turnaround practitioners increase the overall level of professionalism of the industry. In the long run, everyone involved in the industry, including attorneys, accountants, consultants, lenders, auctioneers and many others, will benefit from the continuous strengthening and refining of the Certified Turnaround Professional program.

Interested in learning more about the CTP designation? Visit [www.actp.org](http://www.actp.org) or contact Kyle Storjohann, manager of ACTP relations,

## WORK GROUP SESSION 3 HANDOUT PACK

### TMA Mission Statement

To create and develop a transparent environment in which our members irrespective of colour, creed or gender;

- have a forum for the exchange of industry information and knowledge,
- raise the visibility of the TMA and professionals involved in the rescue of distressed business, and
- can practice their profession in accordance with the Constitution of the Republic of South Africa, so as to provide an effective and professional service to all stakeholders as independent practitioners with the highest integrity.

Terms from various mission statements not used:

To promote high standards of practice

Being mindful of: community interests, the constitutional rights of individuals, a sustainable economy.

### Version 2

To create:

- a forum in which the members irrespective of colour, creed or gender:
  - have a forum for the exchange of industry information and knowledge,
  - raise the visibility of the TMA and professionals involved in the rescue of distressed business.
  - Develop education programme to ensure highest standards
  - develop educational materials with a view to achieving the highest performance standards of its members, with particular focus on developing previously disadvantaged individuals.
- a representative body:
  - which can provide collective voice for its members to lobby government and communicate with other bodies;
  - under which its members can practice their profession in accordance with the Constitution of the Republic of South Africa, so as to provide an effective and professional service to all stakeholders as independent practitioners with the highest integrity being mindful of: community interests, the constitutional rights of individuals, a sustainable economy.

**WORK GROUP SESSION 3 HANDOUT PACK  
ARTICLES OF ASSOCIATION**

Separate documents.