

# FORMATION OF THE SOUTH AFRICAN CHAPTER OF THE TURNAROUND MANAGEMENT ASSOCIATION

## 1. INTRODUCTION

### 1.1 WHY HAVE AN ASSOCIATION?

The turnaround industry needs an association for all the normal reasons that industries form industry associations. There are, however, three additional compelling reasons within the SA context for forming an association:

- The imperative of BEE in the turnaround industry.
- The imperative of job preservation in a turnaround application.
- Allowing the turnaround industry to make a meaningful contribution towards the promulgation of new business rescue legislation, and the practical execution of the new business rescue model for SA.

### 1.2 WHY A LOCAL CHAPTER OF THE TMA?

The Turnaround Management Association is the pre-eminent international turnaround association.

Rather than re-invent the wheel, the SA turnaround industry can get off to a quick start, work within well-proven structures, and share in the knowledge and experience of the international fraternity of turnaround professionals.

Already, members of the SA turnaround practitioner and banking communities are attending TMA conferences overseas.

The local chapter is a 100% SA initiative and not the result of a TMA marketing drive. The local chapter will be owned and controlled by the SA turnaround industry.

## 2. ABOUT THE TMA



"TMA is the premier professional community dedicated to corporate renewal and turnaround management."

"Turnaround Management Association is the only international non-profit association dedicated to corporate renewal and turnaround management. With international headquarters in Chicago, TMA's 6,500 members in 32 regional chapters comprise a professional community of turnaround practitioners, attorneys, accountants, investors,

lenders, venture capitalists, accountants, appraisers, liquidators, executive recruiters and consultants. Members adhere to a Code of Ethics specifying high standards of professionalism, integrity and competence. Its Certified Turnaround Professional (CTP) program recognizes professional excellence and provides an objective measure of expertise related to workouts, restructurings and corporate renewal."

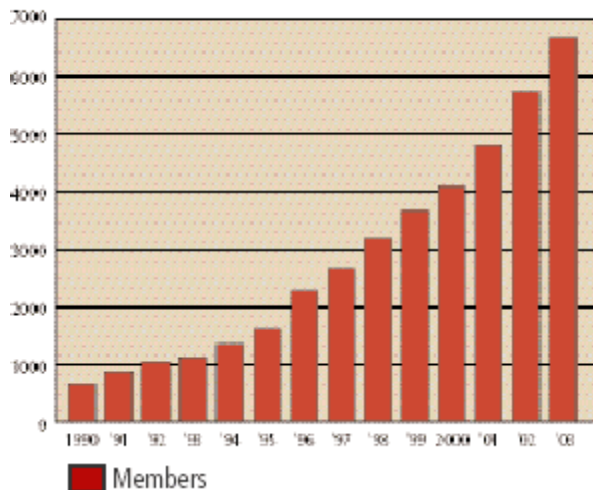
### 2.1 STATEMENT OF THE PURPOSES FOR WHICH THE TMA IS ORGANISED

- To cultivate and promote the corporate renewal and change management profession;
- To encourage, foster and promote the interests of those having a common interest in the commerce, business, trade, or profession of turnaround management;
- To eliminate and reform abuses in such areas;

- To obtain and distribute reliable information as to the reputation and standing of the professionals practicing in such areas;
- To stimulate, encourage and promote cooperation and friendly exchange among its members and others;
- To establish an environment and create opportunities for corporate managers, turnaround consultants and managers, accountants, appraisers, attorneys, lenders, financial advisors, other service providers and representatives from government and academic institutions to associate for educational, networking and business meetings focused on the corporate renewal and change management profession;
- To acquaint and inform the business community and the general public as to its objectives; to act as research counsellors and consultants particularly to those engaged in corporate renewal and change management, all of the same to be done without profit to the Association and for the mutual benefit of its members;
- To promote higher standards and better methods in corporate renewal and change management;
- To promote the interests of the business community by educating the public about the corporate renewal and change management profession; to promote integrity within the turnaround management industry;
- To publish and distribute trade publications for the benefit of the industry and the general business community;
- To encourage the use of the services of turnaround management within the general business community; to encourage the fostering of academic research and development of the field; to provide such civic, commercial, industrial and social features as will promote these purposes;
- To sponsor a specialist certification program to further these purposes that shall establish objective standards for the certification of turnaround professionals.

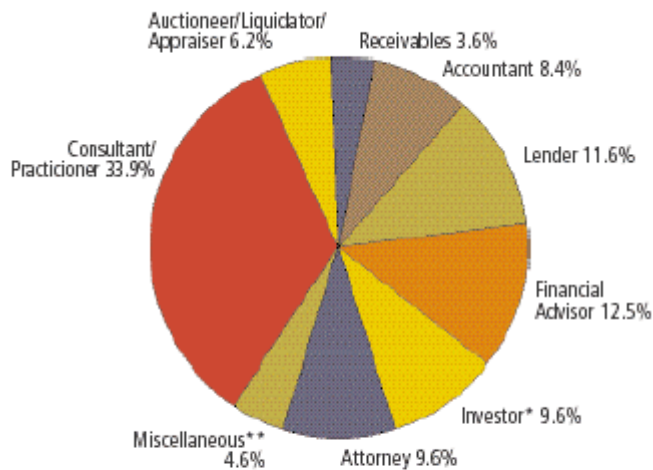
## 2.2 MEMBERSHIP

TMA Growth



*TMA membership growth has been exponential, from less than 1 000 in 1990 to almost 7 000 in 2003.*

## TMA Members



\*Includes equity investors, venture capitalists, and investment bankers

\*\* Includes receivables collection/management, appraisers, trustees, auctioneers/liquidators, academic/student, government/judicial

*Membership includes professionals from a wide variety of disciplines, as per the membership pie chart profile.*

*The TMA presently has 874 members in 29 countries outside the USA.*

*It has chapters in Montreal, Toronto, New Zealand, United Kingdom, Australia and France.*

*Discussions are underway for chapters in Italy, Germany, Mexico, Japan, Taiwan, and Finland - and as a result of a South African initiative - in South Africa.*

*Annual membership fees are \$275 for members, \$115 for academic/government, and \$65 for full-time students.*

### 2.3 BENEFITS OF MEMBERSHIP

Members have the opportunity to learn the latest industry news and trends at international and regional education programs and conferences, and participate in networking opportunities with fellow colleagues and new business contacts in the industry.

Membership in TMA is enhanced through affinity programs. Affinity programs in the USA include audio and Web conferencing, business news, car rental, INSOL Special Interest Section (International Federation of Insolvency Professionals), office solutions and business support services, professional liability insurance with specific requirements for TMA members, next day delivery services, relocation services, travel and lodging. The SA chapter will negotiate similar programs in South Africa.

Members are entitled to a monthly subscription to *The Journal of Corporate Renewal* - the leading publication for professionals in the corporate renewal industry. And, each fall [*that is 3<sup>rd</sup> quarter for us South Africans*] members receive the annual *TMA Directory of Members and Services* - the most comprehensive directory of turnaround professionals available.

### 2.4 FURTHER INFORMATION ON THE TMA

The TMA has a comprehensive web site at [www.turnaround.org](http://www.turnaround.org) Please spend some time working through its very informative content.

A must-see is the 2003 annual report. This report is unfortunately not available from the TMA web site, but you can download it from Turnaround Management SA ([www.corprenewal.co.za/Turnaround Management SA/Formation of a SA chapter of the Turnaround Management Association/About the TMA/About the TMA.asp](http://www.corprenewal.co.za/Turnaround%20Management%20SA/Formation%20of%20a%20SA%20chapter%20of%20the%20Turnaround%20Management%20Association/About%20the%20TMA/About%20the%20TMA.asp))

The Chapter Leadership Manual provides valuable guidelines for the management of a chapter. You can download this at the same Turnaround Management SA link above, or from the TMA web site.

## **2.5 ASSOCIATION OF CERTIFIED TURNAROUND PROFESSIONALS (ACTP)**

Web site: [www.actp.org](http://www.actp.org)

The ACTP is the sole international organisation dedicated to developing, monitoring, and maintaining a program of certification for professionals engaged in the turnaround, crisis management, restructuring and renewal of troubled businesses, organisations and associations.

The ACTP is sponsored by the Turnaround Management Association (TMA).

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.
- The local Chapter intends to pursue a South African certification program under the auspices of the ACTP. Already, a (hopefully correspondence) course in turnaround management is being planned at the University of Pretoria, based on the three legs of management, accounting and law, which will be beneficial for candidates preparing for the certification exam.

## **3. STATUS OF FORMING THE LOCAL CHAPTER**

### **3.1 PURPOSE OF THE LAUNCH STEERING GROUP**

The Launch Steering Group will lay the groundwork, in consultation with the rest of the industry, to obtain approval from the TMA to launch the local chapter.

### **3.2 HOW THE LAUNCH STEERING GROUP IS STRUCTURED**

The Launch Steering Group wishes to act like turnaround practitioners - acting swiftly and decisively, but on a transparent basis, and with full stakeholder involvement and approval.

To this end, a provisional launch steering group has been formed under the Chairpersonship of Themba September, consisting of representatives from turnaround practitioners, lenders' restructuring executives, legal experts and academics, etc. that are associated with the industry.

The Launch Steering Group consists of three structures, whose members are all eligible for membership of the local branch:

#### **a. Work Group:**

- Tasked with processing the requirements of the TMA, distribution of proceedings to the Advisory Group and Informed Group, processing of feedback received, recruiting members, determining a mechanism for the election of the board by members, appointment of executives by the board, determining a mechanism to

obtain industry approval of the final submission to the TMA, and finally, to get TMA approval.

- The Work Group essentially consists of volunteers who (1) have been in dialogue about the initiative before, (2) who have already done work towards this goal, (3) who are based in Johannesburg (simply a practical matter to facilitate meetings and quick processing), (4) who have made themselves available, (5) who represent a variety of stakeholders, and (6) who have committed themselves to do the required work in their own time and without compensation.
- Any member of the Advisory Group or Informed Group may request to join the Work Group. Please note, that notwithstanding the group's wish not to exclude anyone, membership of the group is already oversubscribed.
- To view the provisional list of Work Group members, please refer to the attached excel spreadsheet TMA Launch Steering Group.

**b. Advisory Group:**

- Members who agreed to serve in the Advisory Group will receive copies of all proceedings of the Work Group. Members may provide feedback on material received (either through written replies or, if they wish, by making presentation at a Work Group session), but are not compelled to do so.
- By agreeing to be in the Advisory Group, however, a member commits him/herself to be available for discussions with work group members about opinions, etc. and to react to requests for information.
- Names of members of the Advisory Group will be published as such.
- To view the provisional list of Advisory Group members, please refer to the attached Excel spreadsheet TMA Launch Steering Group.

**c. Informed Group:**

- The Informed Group is similar to the Advisory Group, but with two differences. Firstly, a member of this group is not compelled to be available for discussions or to react to requests for information. Secondly, names of members will not be published.
- Members of the Informed Group are free to request that their names be removed from the distribution list
- Conversely, members of the Informed Group are also free to request that they be automatically switched to the Advisory Group category.
- Members on the distribution list are those perceived by the Work Group to be stakeholders in the industry, or interested parties. If you are not already a member of the Work Group or Advisory Group, and you wish to be on the distribution list, please email me.

### **3.3 What the TMA Requires**

**a. Basic Information Required:**

- Overall population of South Africa and the population of the 3 largest metro areas;
- Short overview of the current business climate;
- Number of large firms involved in the turnaround industry;
- Any legal issues that may impact the development and growth of a chapter.

**b. Formal Information Required for Chapter Status:**

“To receive charter status as an organization of TMA, the organizing committee must:

- Have a formal board of directors who are members in good standing with the Turnaround Management Association, and provide a list of members of the Board of Directors or organizing board (minimum of nine directors) to TMA International.
- Adopt by-laws for the chapter organization based on the model by-laws and conforming to the laws of the chapter’s locale as a non-profit business where the chapter organization is formed.  
[For model by-laws please refer to the attached leadership manual. The local chapter will probably take the form of a Chapter 21 company.]
- Provide a report to TMA International in Chicago, Illinois, concerning the goals of the organization and its projected membership [for 2004 and 2005].
- Provide a list of programs planned for the next 12-month period.
- Provide an annual budget setting forth the expected fiscal results for the initial 12 months.
- Provide a list of the initial officers and committee chairs in place at the time of submission. Recommended committees include Sponsorship, Membership — Programs, Web site
- Include a timetable for development, projected members and, where appropriate, specific cities in which satellites will be formed.
- 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.
- A chapter president becomes a provisional member of the international Board of Directors during its first year of formation. If the chapter remains in good standing with more than 25 members, the Vice President of Chapter Relations requests the TMA International Board at one of its regularly scheduled meetings to change the chapter from provisional to full.
- As an international Board member, the chairman or president is required to attend two of the three international Board meetings held each year. The Board meetings coincide with spring, fall and winter conferences.”

**4. FURTHER SA TURNAROUND INDUSTRY INFORMATION**

[www.corprenewal.co.za/Turnaround Management SA/Turnaround Management SA.asp](http://www.corprenewal.co.za/Turnaround%20Management%20SA/Turnaround%20Management%20SA.asp)

**5. STATUS AND TIMETABLE**

- This document and the provisional TMA Launch Steering Group Membership List were emailed to members of the Work and Advisory Groups on Monday 3rd May 2004.
- I will be in contact with members of the Work Group this week to schedule the first Work Group meeting.
- The first meeting of the Work Group is provisionally scheduled for Monday 10th May at 16h00 in Sandton, or a week later on Monday 17<sup>th</sup> May 2004.

## **6. INCLUSIVITY**

This initial mailing list may be and/or is – of necessity – incomplete. However, it is the firm intention of the launch steering group to end up with as inclusive an Association as possible. Therefore, if we have not included in our initial distribution list individuals and organizations/companies active in or having a stakeholder interest in this initiative, I apologise for the oversight, but also request for the recipients to forward contact details of such an individual/organization/company for follow-up. There are also public bodies that need to be approached to canvass their positions in this regard. Obvious examples include NEDLAC, DTI, Justice, etc. We shall be attending to this aspect as we make progress. As turnaround practitioners, you will appreciate the pragmatism involved and the benefits of decisive action in the absence of “full information” – an ideal, albeit never attainable in the real world.

Thank you for participating in this important venture.

With kind regards

**Themba September    0823 325 9575    [crp@corprenewal.co.za](mailto:crp@corprenewal.co.za)**

3 May 2003.

## APPENDIX A: BALANCE SHEET

### Statement of Financial Position December 31, 2003

#### Assets

##### Current Assets

Cash and cash equivalents	\$1,625,725
Accounts receivable and other current assets	148,276
Total current assets	<u>1,774,001</u>

##### Assets Held for Board-Designated Cornerstone Fund

Cash and cash equivalents	422,000
Pledge receivables	448,000
Total assets held for board-designated Cornerstone Fund	<u>.870,000</u>

Furniture, Equipment and Capitalized Software Costs, Net	.81,348
Other Assets	164,551

**Total Assets** \$2,889,900

#### Liabilities and Net Assets

##### Current Liabilities

Accounts payable and accrued expenses	\$328,975
Deferred membership dues	499,059
Other deferred revenue	28,720
Total current liabilities	<u>.856,754</u>

Other Liabilities 190,238

##### Net Assets - Unrestricted

Designated for Cornerstone Fund	570,000
Undesignated	1,272,908
Total net assets - unrestricted	<u>1,842,908</u>

**Total Liabilities and Net Assets** \$2,889,900

## APPENDIX B: INCOME STATEMENT

Revenue for the year ended December 31, 2003, totals \$4,767,000.  
A breakdown of the financial activity follows:

