  &#65533; M&A Transition & Restructuring $40m USA ISV (2004).   &#65533; In 2004, Minneapolis based independent software company Jasc Inc was purchased by Corel Corporation in a VC backed acquisition. <span style="font-size: 10.0pt; font-family: "Tahoma","sans-serif"; mso-fareast-font-family: "Times New Roman"; color: white; mso-themecolor: background1; mso-ansi-language: EN-GB; mso-fareast-language: EN-GB; mso-bidi-language: AR-SA;">-   Stuart was asked to step in to conduct preliminary due diligence on their manufacturing and international operations, and then to handle post-acquisition integration activities for both. Jasc&#65533;s international operations had all been sub-contracted to around 18 Master Representatives who manufactured and distributed product under licence. It was quickly identified that all were on very extended payment terms and, having recently launched a major new product, there was a massive risk of acquiring bad-debt. It would be obvious to these MRs that they would lose their business to Corel once the acquisition was announced. As a result, approximately $1.5m of incremental bad debt reserve was built into the acquisition price.   - <p class="MsoNormal" style="margin:

0cm 0cm 0pt;">   Prior to the acquisition being finalised, the manufacturing manager left Jasc without notice. It was a few weeks away from a major new product launch in Japan, Jasc&#65533;s major market outside the USA. Stuart was asked to step in to work with Jasc sales and product managers to resolve the situation incognito. It transpired that the manufacturing manager has sourced low cost materials from Korea which were sub-standard and not suitable for sale in Japan. New arrangements had to be made at very short notice for localisation correction and alternate manufacturing with the Japanese MR to meet the launch dates, and special pricing agreed to share the cost of the rework. The new product launched on time to meet critical local market deadlines after 3 weeks of huge effort, most of which was overnight.   -   Post acquisition Stuart was tasked with terminating all of the MR contracts and transitioning product supply to Corel&#65533;s infrastructure. This project took 6 months to complete for Europe, and longer for Japan. It included very difficult negotiations with many of the agents, using combination of &#65533;carrot and stick&#65533; to gain agreements to transfer inventories at cost price, hand over artwork and other IP, and especially to get security of payment against receivables. In Europe incentives and termination costs were agreed using only $200k of the reserves in place to gather $3m of debt.

 -     All countries experienced seamless product supply during the transition, and all net receivables were collected, except for Sweden where the MR declared bankruptcy costing Jasc/Corel ?170k. In Japan, product supply continuity was successful, but the debt was not recovered and a lengthy international legal dispute eventually resulted in Corel walking away from trying to pursue the payment. The loss was well under 50% of the remaining allocated reserve leaving the rest to be reported as a gain.   -   Transition of MR customer support services was transferred to Corel?s staff globally with very few issues, and most of the CSS staff in Minneapolis were retained to cover the US market and global escalations. Transfer of sales and marketing activities of the MRs, and their associated relationships with customers and partners, was successfully coordinated in difficult circumstances.   <span style="font-size: 10pt; font-family: Tahoma, sans-serif; color:

white;">-   Jasc&#65533;s local product supply solutions for the US market were transitioned seamlessly into Corel&#65533;s supply chain for retail channel and e-store business with no third party termination costs apart from minor agreed scrapping charges, and again no disruption to supply continuity.   -   This case study demonstrated abilities to negotiate through extremely sensitive and difficult termination and transition plans with international partners across the world as regional agencies were closed and the business brought in-house.   -   Please close this window to return to the main case studies page of the Opptic web

site.</p>