EVB will be at oversight

Oversight Committee Mtg.
March23, 1993
Item #4

RECOLL MANAGEMENT CORPORATION
EXECUTIVE SUMMARY
LOAN RECOVERY TRANSACTIONS

get legal to Bill Jameson

From: Brian R. Shelton
Division and Cost Center: Loan Recovery/63153
To: SAC   To: Oversight
Date: 03/11/93   Date: 03/18/93

alt-analysis sale--?

to close WED 3/31

Sensitive Issue: Yes___ No X

Proposal: (Check one)
___ Final Disposition (FD)
___ ~~Settlement~~ (SETT)
X Renewal/Restructure (RES)
___ Additional Advances (PA)
___ Partial Coll. Release (CREL)
___ Foreclosure Bid (BID)
___ Bulk Asset Sale (BAS)
___ OTHER (OT)

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1. KEY TRANSACTION DATA

Obligor Name: Bain & Company
Obligor Address: Two Copley Place
Boston, MA 02117-0897

Business: Strategic Consulting
SIC Code: 8742

Obligor #: 0553264300
Obligation #: 182,190,208

(b)(4) Legal Principal Balance: Total: [redacted]   RECOLL: 30,654,868

(b)(4) Aggregate Relationship Legal Principal Balance: Total: [redacted]   RECOLL: 30,654,868

*Represent total senior debt that is only related by a common loan agreement

(b)(4) Agent: [redacted]

Guarantors: None (applicable to RECOLL)   Guarantor Type: N/A

Principals: Mit Romney   Ownership/Subsidiary: Corporation

Related Obligor Name(s): None

Legal Counsel: Outside:
RECOLL: David Aisenberg

Deadline: 03/31/93   Reason: The company is reserving its right to terminate the transaction after its fiscal year end (i.e. 3/31/93).

Proposal: That authority be granted to:

1) To tender $15.327MM of debt for payment of $4.598MM (30 cents on dollar).
2) Modify $12.361MM of debt for payment pursuant to the amortization schedule attached hereto as Exhibit C.1 (Page 17). This debt will bear interest at 6.5% and will continue to be paid current on a quarterly basis.
3) Modify $2.965MM of debt to "Revenue Performance Notes" which shall be repaid to the extent revenue performance permits, as described more fully in the salient facts section. The revenue notes not repaid by March 31, 2001, will be forgiven.
4) Immediately write down $10.729MM of the legal balance which represents the difference between the amount of debt tendered and the tender payment.
5) Bain will have no further obligation to provide consulting services as an offset to debts.

(b)(4)

RECOLL's treatment will be consistent with that of [(b)(4)] will receive slightly different treatment as discussed in the negotiation section.

(b)(4) (b)(4)

Negotiations:

Bain & Company is an international strategic consultant who provides a variety of consulting services to a formidable client base around the world. The former bank was one of four banks that lent money to Bain pursuant to [(b)(4)] and the former bank also provided a $31MM unsecured working capital line to Bain. [(b)(4)]

(b)(4)

(b)(4)

(b)(4) The former bank provided working capital and letters of credit to Bain as part of a $31MM line of credit.

The company went into default on its line of credit and [(b)(4)] at the end of 1990. Subsequent negotiations took place resulting in a general restructuring of all debt obligations into four (4) Tranches of debt governed by a single Loan Agreement. This restructuring took place on June 14, 1991. During the course of the restructuring the former banks position was paid down by $7.512MM leaving the bank with its existing legal balance of $30.654MM. Please see Exhibit C (Page 16), for the participant banks, positions and for a breakdown of debt that each respective lender had upon restructuring.

(b)(4)

The restructuring contemplated that Bain would be able to achieve operating revenues for FYE 1992 of [(b)(4)] and for continued growth of revenues thereafter [(b)(4)] per annum. This revenue level is necessary for the company to be able to operate normally, compensate its professionals competitively and to amortize debt. The company realized early on that it would be unable to hit its revenue goals or manage the debt structure.

The company came to the bank group on 3/30/92 to present a proposal which offered to pay the bank group [(b)(4)] in cash and an additional [(b)(4)] over two years in full satisfaction of the bank groups [(b)(4)] in debt. This proposal equated to approximately 35 cents on the dollar for each bank. The thesis for the proposal was that the company had recast its numbers based on its current revenue level which indicated the company would be insolvent as early as FYE 1995 under the existing structure and that [(b)(4)]

(b)(4)

The bank group in negotiating this offer sought a 10%-20% piece of Bain's equity in addition to the cash and debt offered. The company was absolutely unwilling to consider conveyance of common stock due to the constituencies who would be involved (i.e. (b)(4) Former partners, officers who hold stock), the tax ramifications of conveyance of stock, dilution of the stock, etc. The bank group decided to take the stock out of play because of the company's steadfast position and due to the fact that the stock is and will be virtually worthless until some point well into the future. Both (b)(4) and (b)(4) were adamant that (b)(4) pursuit of stock was fruitless and counter productive, therefore the bank group abandoned pursuit of stock. Given that all five lenders are necessary, along with the company, to make any decision, RECOLL opted to refocus on creating a structure designed to meet the bank group's concern and the company's needs.

At the time of the proposal (b)(4) and RECOLL were in favor of the proposal due the company's condition (see salient facts analysis), (b)(4) and (b)(4) were not in favor of the proposal due to the magnitude of debt forgiveness. (b)(4) subsequently countered the company's proposal with a program that called for payment of (b)(4) and term debt of (b)(4) under a structured amortization program. The company rejected this proposal due to the program taking all of its existing cash and leaving it with debt it could not amortize and still manage its business.

At this point it is worthwhile to point out some of the key issues relative to any workout of this debt:

- RECOLL is virtually unsecured on its $30MM of debt due to the questionable value of its lien on the foreign A/R and the negligible value of FF & E.
- The primary assets of the company are its consultants (b)(4)
- No lender can sell its debt position to any entity other than a financial institution without prior consent of all bank's
- The company can incur or pay operating expenses up to 90% of revenue.
- The company cannot make distributions (e.g. buy note positions) without forcing the recipient bank to share said proceeds ratably with all participant banks.
- The Tranche D debt obligations are only payable out of net cash flow. To the extent Tranche D is not retired by 2001 the debt is forgiven.
- The account officer received an indication from Asset Marketing that they would have a difficult time selling this note due to the company's condition and the lack of collateral. Notwithstanding the foregoing, RECOLL may not be able to sell its debt except to a financial institution which severely limits or eliminates the note sale opportunity. (See Exhibit I page 90).

Attached as Exhibit J (Page 96) is a legal memorandum addressing all documentation issues.

The net effect of the prior conditions is that RECOLL is restricted as to who it can sell its debt to, RECOLL cannot negotiate a stand alone transaction on its debt with the company and the company can deplete its cash balances by making officer bonus payments and still be in compliance with the loan documents thereby depleting the company's present liquidity. (b)(4)

(b)(4)

Based on the loan sale restrictions, the less than forecasted operating results, the company's ability to deplete its liquidity and RECOLL's effectively unsecured position, the account officer attempted to revive a global note purchase program with the company to provide the FDIC, as receiver of the New Bank of New England (NBNE), with an opportunity to tender its debt at an amount sufficient to satisfy the book balance it acquired upon the former bank.

It became clear that the only viable program acceptable to all participant banks would be a competitive bidding process. Six months of negotiating resulted in a proposal which contemplated the following:

1. The banks would consent to a waiver which will allow the company to utilize (b)(4) cash balances to retire debt tendered by the individual banks.
2. The tender offers would be presented through sealed bids at a price not to exceed 30 cents on the dollar. To the extent the tender was fully subscribed the companies would be obligated to accept the bids and distribute the (b)(4)
3. The bids would be accepted evenly across all Tranches of debt (i.e. if RECOLL were to bid $10MM of $30MM outstanding the reduction would be taken proportionally across all of its Tranches).
4. The company would accept bids starting at the lowest bid continuing upward until fully subscribed.

5. The company's required debt amortization for all remaining debt would be proportionatel decreased in following years consistent with the lessened participated interest of each ban which has tendered its debt.

The account officer obtained approval of the waiver of covenants to allow $12MM to be utilized fo the debt tender, but did not obtain requisite approval to bid any of the debt. The debt tende took place on or about January 7, 1993. The only two tender participants were (b)(4) (b)(4) and (b)(4) The amount of debt subscribed wa insufficient to better the long term prospects of Bain. The company indicated that it would hono the tender and (b)(4) It's the company's expectation that they wil have (b)(4) remaining in cash balances on 03/31/93 after payment of the foregoing sums plu other obligations. The company currently has more than adequate cash on hand to accomplish th foregoing (the company currently has (b)(4) in cash balances).

The company expects to make the $2.118MM payment due to the bank group on 03/31/93. (b)(4)

(b)(4)

The bank group re-entered negotiations with the company shortly after the tender closed. The ban group felt that the debt structure needed to be totally modified or the group as a whole would b severely damaged in a liquidation. The negotiations led to a hybrid of the tender concept a follows:

1) The company will purchase (b)(4) of debt ratably across the four tranches of debt at 3 cents on the dollar. All banks except for (b)(4) will participate in the repurchase.
2) All of the banks will participate in (b)(4) of senior term notes bearing interest at 6.5% Each bank's position and their debt amortization schedule are attached as Exhibit C.3 (Pag 18A).
3) The banks will also participate in (b)(4) of Revenue Performance Notes as set forth in Exhibi C.3 (Page 18A). These notes will be paid out of 10% of any revenues which exceed the company' forecasted business plan which is attached as Exhibit H (Page 88). The payment of thes excess revenues will be further sub-divided by paying 95% of any payments to the tenderin banks and 5% to (b)(4) After the tendering banks revenue notes are repaid, then (b)(4) will receiv the full 10% of excess revenues over plan until the fiscal year ending 2001 when the debt wil be forgiven.

(b)(4) (b)(4)

The disproportionate amount of Revenue Performance Notes held by [redacted] is necessary to compensat the tendering banks for the fact that [redacted] is being paid [redacted] of its claim at close. (b)(4) [redacted] required this payment as a requirement of its participation despite the fact that [redacted] is no providing current debt forgiveness. [redacted] is "subordinating" [redacted] of its claim by taking disproportionate amount of the Revenue Performance Notes and agreeing to the 95/5 split unti the tendering banks have recovered their revenue performance notes. This provision means tha until such time as the company exceeds plan by [redacted] will only be paid 5% (b)(4) excess revenues distributed to the bank group. The result of the preceding is that [redacted] will be pai 15% of its claim in cash which is consistent with the rest of the bank group's treatment an is effectively forgiving a like same amount of debt by its treatment in the Revenue Performanc Notes.

(b)(4) (b)(4) (b)(4)

Benefits & Weaknesses:

- RECOLL will receive $5.09MM at close representing the tender payment and RECOLL's portion c the principal amortization ($493M).
- The proposal eliminates a substantial amount of uncertainty of payment from this company b the bank group providing debt relief and an amortization schedule the company can achieve.
- RECOLL is requiring that the debt sale restrictive language be changed to allow sale of th debt to any entity subject only to the approval of the agent and the company. Said consen will not be unreasonably withheld.
- The weakness of the proposal is that the proposal provides debt forgiveness. The accour officer believes that the company has proven its instability over the last two years, therefor the company's recovery and stabilization going forward is in doubt. When the risks of futur performance absent restructure are weighed against the likelihood of success under the existir structure, the account believes the cost of debt forgiveness is mitigated. Additionally, al banks, except [redacted] (b)(4), are providing debt forgiveness proportionately to facilitate the transactic based on their shared concern relative to the company's viability.

2. Facilities: (000's)

Obligation #	Obligation Type	Legal Commitment	Unfunded Balance Available	Legal Principal Balance	Legal Accrued Interest	Fees/ Expenses	Total Legal Balanc
182		10,383	0	10,383	0	0	10,38
190		14,339	0	14,339	0	0	14,3:
208		5,931	0	5,931	0	0	5,9:
	Total:	30,654	0	30,654	0	0	30,6!
	Other Related:	0					
	Total Aggregate Related:	30,654					

Oblign #	Interest Rate	Days Past Due	Maturity Date	Guarantors	Guarantor Financial Summary: Date	Supporting NW	Cont. Liabilities
182	LIBOR +1%	0	3/31/97	None			
190	5%	0	3/31/99	None			
208	0%	0	N/A	None			

Fleet Banking Relationship: None

Participants:

Participants agree with proposal: __X__ Yes _____ No

Name	% of Obligation	$ Amount of Obligation
See Exhibit C, Page ___		
Total:		

(b)(4)

3. Collateral: (000's)

Obligation #	Collateral Type	Lien Position	Total Appraised Value*	RECOLL Collateral Share $	Appraisal Date	Prior Liens	Unpaid Taxes	LTV	DSC
182,190,208	Domestic A/R's	2nd		0	N/A		0	(b)(4)	
	Foreign A/R's	1st			N/A	0	0	(b)(4)	
	F.F. & E	1st	N/A	N/A	N/A	0	0		
	TOTALS:								

Cross-Collateralized Obligations: All
Appraiser Names/Titles: N/A

Collateral Description:
RECOLL's collateral consists of a shared first lien on the company's foreign A/R's and on the company's furniture, fixtures and equipment (FF & E). RECOLL also has a shared 2nd lien on the domestic A/R's, this lien is subordinate to the first lien of (b)(4) and (b)(4) (b)(4)

The foreign A/R's aggregate (b)(4) RECOLL has a shared first lien on these assets (b)(4) for its 30% interest in the 4 Tranches of debt. These receivables do not provide RECOLL with any liquidation value in that a lien on foreign A/R's cannot be perfected, hence collection is a problem, and due to the fact that in a bankruptcy it's likely that most, if not all, of the account parties would claim offsets for discontinued consulting services.

A list of FF & E is attached in Exhibit F, (Page 73). The bulk of the value is in leasehold improvements and computer equipment. The leasehold improvements have no tangible value in a liquidation. The computer systems already have aged between 6-8 years, hence would not bring a lot of value in a liquidation. In any case, RECOLL's portion of any liquidation proceeds would be negligible.

4. Salient Facts [including financial summary of obligor(s) and guarantor(s)]:
Bain & Company is an international strategic consulting firm. The company has offices in virtually every continent in the world. The company was very profitable historically. The entity was a partnership held by 8 individuals until July 22, 1985 when Bain was incorporated in Massachusetts and in New Jersey. (b)(4) the former bank provided Bain with a (b)(4) working capital line. The background of the working capital line is more fully set forth in Exhibit E (Page 66).

During the later half of the 1980's competition in strategic consulting increased dramatically. (b)(4) Bain went from a company earning revenues of (b)(4) in FYE 1988 to a company generating revenues of (b)(4) FYE 1992. (b)(4) The company defaulted on its debt obligations and an overall restructuring of the company's debt took place. The end result of the work out, consummated in June, 1991, was that senior debt was paid down to (b)(4) (see Exhibit C, Page 16) and (b)(4) of subordinate debt and subrogated claims were forgiven by the 8 former owners of Bain. (b)(4)

The four Tranches of debt and their repayment are governed by a single loan agreement. Attached as Exhibit C.2 (Page 18) is a outline of each banks security or guarantees for the debt. It is important to reemphasize that Tranche D is a cash flow debt that is forgiven to the extent not paid by 2001, therefore when the account officer refers to required debt amortization he is referring only to Tranches A, B & C.

(b)(4) (b)(4) (b)(4)

When the 1991 restructuring was enacted Bain and the banks assumed that the company would operate at (b)(4) of base revenues with a growth rate of (b)(4) thereafter. Unfortunately the company has not been able to manage revenues much in excess of (b)(4) on a 12 month trailing basis hence the company is well below its forecast and is now forecasting a (b)(4) shortfall over the life of the existing debt structure based on today's operating levels.

(b)(4)

Given that people are the primary asset of a service business, (b)(4)

The company has taken the position that it will not be able to keep its officer corp intact or survive beyond 1995 absent substantial relief. The company therefore, began to pursue avenues of obtaining relief from the bank group as discussed previously. (b)(4) on behalf of the bank group, hired Coopers & Lybrand to conduct a study to confirm or deny assertions made by the company as to their position. This study is attached hereto as Exhibit D (Page 19). The study reports that absent an auction, and assuming the FY 1993 base year revenues through the first four months (i.e. current run rate), the company will experience a peak cumulative shortfall of (b)(4) in the fifth year of the current debt structure. The report further indicates that based on the company's base case projection a total of (b)(4) of debt (including, Tranche D) would have to be retired before all debt could be serviced. This means the company could have shortfalls ranging from (b)(4) to (b)(4) if it doesn't retire (b)(4) of debt or grow revenues dramatically going forward.

Coopers has performed a sensitivity analysis which indicates that the company would have to grow base revenues at (b)(4) annually for 10 years to service debt under the existing structure.

This conclusion would require growth at an initial rate of (b)(4) per annum. These growth numbers would continue to compound thereby increasing the real dollar revenue growth requirement each year for the company to meet its debt service and amortization requirements. Given that the company is struggling to maintain its present revenue level it appears unlikely that the company will be able to achieve the growth necessary to meet its obligations.

(b)(4)

The workout structure is designed to provide necessary relief to the company thereby providing the banks with a substantive recovery on the debt over the proposed term. The structure is also designed to provide the banks with relatively equal treatment. Lastly, absent relief all members of the bank group believe this company will dissolve during 1993 thereby realizing a very poor result for all constituencies.

5. Alternatives:
RECOLL basically has one alternative to the proposal and that is to do nothing. This alternative would be catastrophic. The bank group as a whole believes that the company will fail if the debt is not modified. The senior officers of this company are prepared to pursue other opportunities if something doesn't change this fiscal year. Moreover, the company indicates that it expects to pay out maximum bonus distributions absent movement by the bank group. Once bonus' are paid dissolution of the company becomes a very likely scenario. Attached as Exhibit B (Page 14) is an NPV of a "do nothing" scenario which assumes that dissolution occurs after the first of the Bain fiscal year, the assets securing RECOLL's debt are liquidated and proceeds are ratably allocated to RECOLL. The NPV of this alternative is $3.563MM.

The dissolution scenario is the only alternative given the prior decision not to tender. The proposal provides an NPV of $13.997MM and immediate payment in excess of the alternative. Therefore, even if Bain is unable to service the modified debt structure, RECOLL will not be damaged in that it is receiving $1.5MM in excess of the liquidation NPV at close.

6. Conclusion:
Bain & Co. is a service company whose primary assets drive home each night. There is a tremendous amount of uncertainty relative to the stability of its officer corps and its ability to service debt as structured. Given that RECOLL's position is virtually unsecured the account officer is recommending the proposal as the most viable alternative to recover as much of this claim in cash today and to institute a debt structure that should provide substantial additional recovery of the debt.

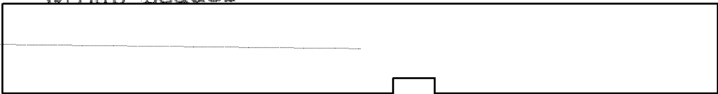
Obligor Name: Bain & Company

(b)(6)

	Account Officer	Group Leader	Section Manager
Signature :			
Printed Name:	Brian R. Shelton	Brian R. Shelton	Je[redacted]ey M. Diggins
Phone number:	573-2919	573-2919	573-2655
Mail code :	MABOR12D	MABOR12D	MABOR12D
Date:		3/16/93	3/16/93

(b)(4),(b)(6)

(b)(6)



Spec[redacted]ets Committee — Date:

[redacted]ight Committee — [Da]te:

The undersigned RECOLL Legal Division attorney has reviewed this standard transaction package, including the legal opinion(s) contained herein, which satisfactorily address(es) the issues raised herein.

Date:

RECOLL MANAGEMENT CORPORATION

MEMORANDUM

To: Brian R. Shelton
Vice President

From: David C. Aisenberg
Senior Counsel

Re: Bain & Company -- Obligor No. 0553264300 -- Legal Opinion

Date: December 31, 1992

This memorandum will address various legal issues which arise in connection with your standard transaction package seeking the following approval:

1. to provide a waiver to Bain & Company which will allow the company to utilize $12,000,000 of its cash balances to accept debt tenders up to 30 cents on the dollar;

2. for the FDIC as Receiver to tender its $30.654 Million in debt at 29 cents for a total payment of $8.889 Million; and

3. to write down the remaining legal balance of $22.071 Million.

The obligations of Bain & Company were restructured by documents executed June 1991. Some of the opinions below are based directly on the terms of those restructuring documents.

I. <u>Is a waiver of the terms of the Restructured Loan Agreement required to allow any tender to take place, regardless of whether the FDIC as Receiver participates in the tender?</u>

The Restructured Loan Agreement is a fully integrated document (see Section 9.09). The answer to this question is contained in Section 9.05 of the Restructured Loan Agreement. In short, that section requires that all of the lenders must sign any amendment or waiver to change the payment terms under the Loan Agreement. Since the tender requested is a change in the payment terms, it is a waiver and must be signed by all of the lenders to accomplish the tender, regardless of whether the FDIC as Receiver participates.

II. <u>Have the original principals of Bain & Company been unconditionally released from obligations existing prior to the Restructured Loan Agreement?</u>

The answer is yes and it is documented in a Release and Assignment Agreement. That agreement, however, specifically excepts from the release of prior existing obligations any obligations detailed in individual Original Director Guarantee and Subordination Agreements executed by each of the eight so-called original principals at the time of the Restructured Loan Agreement. The total amount of these obligations is limited to (b)(4) and the only beneficiaries of these guarantees are (b)(4) Therefore, the FDIC as Receiver, for all intents and purposes has fully released the original principals from all obligations existing prior to the Restructured Loan Agreement.

III. Whether the Tranche D debt obligations are only payable out of net cash flow and whether the Tranche D debt obligation is forgiven if not retired by the year 2001?

The answer to both questions is yes and they are set forth in Sections 3.04 through 3.06 of the Restructured Loan Agreement. Those sections support the conclusion that the Tranche D Debt Obligations are only payable out of net cash flow and that the Tranche D Debt Obligations will be forgiven if not retired by the year 2001.

IV. Whether Bain & Company can make distributions without forcing the recipient banks to share said proceeds ratably with all participant banks?

The answer is no and it is set forth in Section 9.04. That section expressly obligates each lender to share any extraordinary payment it receives with the other lenders in an amount pro rata to the amount the other lenders would be entitled had the payment been made properly. Section 3.04 also provides throughout that the company must make any distributions ratably to all participant banks in proportion to the outstanding principal amount of the loans of the several lenders.

V. Whether any lender can sell its debt position to any entity other than a financial institution without prior consent of all lenders?

Section 9.06 addresses this issue. It provides that each lender may assign any of its notes or certificates "to one or more banks or other institutions." The word "institutions" is not otherwise defined. However, the attorneys for the agent bank who drafted this language have taken the position that, in this context, "institutions" is limited to financial institutions. This makes sense and is a reasonable interpretation of the language.

Basically, the argument is that "banks" is a subset of the institutions referenced and that only financial institutions were

contemplated when the agreement was drafted. The success of this argument is dependent on the intent, and documentary support for that intent, particularly since a cogent argument is available that the language is ambiguous. Given the position of the drafters, and a similar opinion from our attorneys, I could not foresee a likelihood of success on a more expansive interpretation. A contrary argument that the language should be interpreted against the drafter would not likely prevail here since the evidence of intent would override.

VI. What is the likelihood of collecting on foreign account receivables?

The FDIC as Receiver has a first lien on foreign account receivables in Canada, London, Munich, Paris, Geneva, Tokyo, and Sydney. The Uniform Commercial Code does not apply to these receivables. Therefore, the collectibility of each of these account receivables is dependent on the law of the jurisdiction where the receivable is to be collected. I am not an expert on the laws of any of the above-noted jurisdictions. However, there are undoubtedly perfection hurdles in each jurisdiction. Also, as a business matter, there may very well be offsets taken by other creditors which will further diminish the value of these receivables. All of these factor militate against relying heavily on the value of collecting these receivables, particularly if the company dissolves or becomes insolvent.

BAINOPIN.MEM

CREDIT FILE COMMENT

Background
Bain & Co., Inc., provides management consulting services to the senior management of large diversified corporations on issues of corporate strategy development and policy. The company is owned by Bain & Company (a partnership) and by employees (b)(4)
(b)(4)

William W. Bain Jr. learned the strategy consulting business at Boston Consulting Group, Inc. He rose quickly there, but in 1973 left abruptly to open his own rival firm with six colleague and two major clients: (b)(4) Bain's firm developed a corporate strategy practice that was similar to Boston Consulting; however, Bain insisted on developing long-term relationships with clients whose ideas and strategies Bain and Co.'s executives would shape and implement.

(b)(4),(b)(6)
Through most of the 1980's Bain's billings often grew by (b)(4) a year.

(b)(4)
Soon after the founders sold their equity, business began to drop off.

(b)(4)

W. Mitt Romney, who joined Bain in 1977, stepped in as managing director (and later chief executive) in late 1990 and led the financial restructuring intended to get the firm back on track. The redistribution of ownership was to provide incentives to a wider group of executives to rebuild the business.
(b)(4)

Industry
The management, consulting and public relations service industry provides information and expertise to a variety of clients on a contracted basis. There are five main categories: management and administration (business and facilities management and other administrative services); public relations (including lobbyists); management consulting (marketing, personnel and administrative consulting); economic and sociological research; and other consulting services.

Receipts for management, consulting and public relations establishments with payrolls reached an estimated $65.0 billion in 1991, an increase of 6.2% from 1990. The industry is staffed primarily by such professional and technical personnel as accountants, economists, industrial engineers, designers and public relations specialists. There are approximately 65,000 establishments engaged in this industry.

Mergers and acquisitions have been prevalent in the consulting services sector in the past several years. Most occurred under positive economic conditions, but mergers and acquisitions also took place during the economic downturn of 1990-1991, when times were harder for consultants than for their clients. Most of the consolidations were prompted by a desire to possess the information-technology skills that are required to adequately satisfy client needs

In the recession of the early 1990's consultants advised clients to cut staff in order to weather the storm. In the past, consultants were outside agents; now the emphasis is on long-term client relationships. Today's generation of managers demand more sophisticated analyses of their problems as well as assistance in the implementation of proposals. Specialized consultants are now more in demand, dealing with issues ranging from personnel to marketing to information systems to environmental concerns.

The top 5 management consulting firms include: (b)(4) (annual revenues of $11.3 billion), (b)(4) ($9.3 billion), (b)(4) ($4.2 billion), (b)(4) ($2.7 billion), and (b)(4) ($2.0 billion). Bain and Co. ranks 57th in the managemen consulting industry.

The outlook for 1992 was that management, consulting and public relations services would grow at a significant pace. Receipts are expected to increase 7.8% to $70 billion. Employment in the industry is forecast to reach 715,000 or 7.5% above the 1991 level. (b)(4)

Historical Operating Performance

Through FY1989 Bain & Co., Inc., remained profitable, posting net profits of (b)(4) in 1988 and (b)(4) in 1989. In 1990, a net loss of (b)(4) incurred, as operating expenses continued to increase while revenues fell. Performance in 1989 deteriorated, however, as revenues began to slip and operating expenses climbed.

In FY 1991 (b)(4) revenue decline coupled with (b)(4) restructuring charge led to a (b)(4) operating loss and (b)(4) net loss. The restructuring charge was incurred by both domestic and international operations as part of a recapitalization plan to reduce costs improve cash flows & profitability. (b)(4) losses on fixed assets and leasehold improvement disposals related to office space abandonment and consolidation, charges relating to amendments to employee benefit plans and outside professional service costs incurred in connection with the recapitalization.

In FY 1992, revenues declined an additional (b)(4) and, despite management's efforts to control expenses, the company incurred an operating loss of (b)(4) and a net loss of (b)(4)

(b)(4)

The restructuring plan implemented in FY 1991 also resulted in the renegotiation of the terms of the company's borrowings and the granting of (b)(4) on certain shares of the company's stock by (b)(4) As part of the senior debt restructuring, lenders seized collateral plus accrued interest on the debt held in an investment account owned by the partnership. The debt was further reduced by payments made on behalf of the company by the guarantors in return for being released from certain of their personal guarantees on the original bank debt. The collateral seizures and payments made on behalf of the company resulted in subrogation claims against the company of (b)(4) in total.

During FY 92, as part of the restructuring plan, (b)(4) of subrogation claims together with accrued interest of (b)(4) held by the partners in the partnership against the company were contributed to the company. In addition, contributions of subordinated debt of the (b)(4) held by the partnership, the related accrued interest receivable of (b)(4) and cash of (b)(4) were made to the company by the partners. Through these contributions, paid in capital became (b)(4) in FY 92. In addition, the partnership contributed approximately 10,000 shares of the company's outstanding common shares to the company. The company then sold approximately 6,000 of these shares to Bain Company Partners L.P.

The balance sheet at FYE 3/31/92 showed expansion following the recapitalization. The current ratio improved from (b)(4) FYE91 to (b)(4) FYE92. Although working capital remained a deficit, at negative (b)(4) there is marked improvement from the deficit of (b)(4) at FYE 1991, primarily due to an improved cash position.

The account officer is in possession of the company's interim statements for the 9 months ending 12/31/92. The company is reporting revenues of (b)(4) of capacity company wide. The company is reporting operating income of (b)(4) net income of (b)(4) after other income/interest expense is added to the results. The company's domestic operation is doing well in that it is running at capacity and earned (b)(4) versus the non-domestic results of an (b)(4) The statements for this period are incorporated into Exhibit G (Page 77).

Collateral:

RECOLL has a shared 1st lien on foreign A/R's and on FF & E. RECOLL has a shared 2nd lien on domestic A/R's subordinate to (b)(4) debt of (b)(4)

The foreign A/R's aggregate (b)(4) The problem with this collateral is that: a) you cannot perfect an interest in foreign A/R's, b) all customers would likely claim offsets for discontinued projects and c) RECOLL would only benefit from 30% of net A/R collections. By way of example, lets assume that 50% of outstanding A/R's do not claim offsets and actually pay invoices. RECOLL would only be entitled to (b)(4) of collections or (b)(4)

The company reports (b)(4) a cost basis of FF & E. Of that total (b)(4) is leasehold improvements (b)(4) and computer equipment (b)(4) that either have no value (leasehold improvements) or minimal value (computer equipment). The computer equipment has minimal value in that it is primarily dated equipment (6-8 years old) that would cost more to remove and transport than it would bring in an auction. If you assume the remaining FF & E sold at 100% of its cost basis RECOLL's (b)(4) share would yield (b)(4) before costs to liquidate.

Guarantors:
None for RECOLL's debt.

Related Debt:
None, except to the extent that RECOLL is a "participant" to the Loan Agreement and Debt Tranches which constitute Bain's senior debt.

R E C O L L   M A N A G E M E N T   C O R P O R A T I O N

MEMORANDUM

To: Brian Shelton, Asst. Vice President - Loan Recovery

From: William B. Maag, Asst. Vice President - Asset Marketing

(b)(6)

Date: August 19, 1992

Re: Discussion of the marketability of the FDIC's interest in Bain & Company, Inc. bank debt

Per your request, Asset Marketing has prepared a market assessment of the FDIC's interest in the loans advanced to Bain & Company, Inc. in an effort to assist you in your effort to establish the appropriate level at which to tender the FDIC's interest.

As you know, there is an established secondary market for nonperforming bank debt which provides a degree of liquidity that is not available on most commercial and industrial loan assets. Marketability of a loan asset is determined by several factors including, availability of public information about the company, the overall size of the loan facility, the number of participants in the bank group and the terms in the credit agreement governing assignability. In general, the market for bank debt in a large, nationally syndicated loan facility with multiple participants, free access to information and no constraints on assignability is more liquid than that for a smaller, non-syndicated loan to a private firm.

Actual loan pricing is determined by a different set of factors. In general, investors seeking to purchase distressed bank debt will endeavor to ascertain the enterprise value of the entity supporting the loan by discounting the entity's operating cash flows using an appropriate discount rate. This discounted cash flow analysis provides the investor with an understanding of the firm's ability to service the debt. In general, investors will arrive at their bid percentage by dividing the firm's enterprise value by the total amount of the senior debt outstanding.

The rate used to discount the cash flows is equivalent to the investor's weighted average cost of capital (WACC). The WACC is a combination of the investor's cost of debt and cost of equity weighted by the percentage of the transaction financed by each. Our experience suggests that distressed bank debt buyers require returns on equity of between 30% - 40% and debt service coverage ratios of 2.00 or higher. The factors that contribute to the

overall risk profile of an asset include the following:

- o the current financial performance of the company and the ability of the debtor to generate operating income going forward;
- o the current status of the loan;
- o the creditor's security interest in the event of default by the borrower;
- o liquidation value of the collateral; and
- o the inherent liquidity of the loan asset.

In our opinion, the marketability of this loan is severely limited for the following reasons:

- o the FDIC's [(b)(4)] interest in the [(b)(4)] of senior debt outstanding to Bain is a relatively small facility;
- o the bank group is small, consisting of only five participants;
- o Bain is a private company so no public information is available to potential buyers of our interest;
- o the credit agreement governing the bank group places significant restrictions on a participant's right to assign its interest;
- o Bain is currently unable to generate sufficient cash on an operating basis to service its debt;
- o based on current financials the company is losing approximately [(b)(4)] year on an operating basis; and
- o most distressed bank debt buyers base their decisions to buy using a "going concern" scenario.

Moreover, according to our contacts at [(b)(4)] even if Bain was generating positive operating cash flow investors would be wary of committing capital because of the significant risks associated with investing in a service organization. These risks pertain to the fact that in service organizations franchise value depends upon the knowledge and expertise of the people who work there. Since Bain's employees are not contractually bound, they could just as easily leave the company at the first sign of trouble, taking Bain's value as a franchise with them. Therefore, to the typical secondary market buyer, Bain has no value as a going concern. (see Exhibit A)

However, Bain may have limited value under a liquidation scenario. According to the credit agreement our portion of the senior debt is partially secured by foreign accounts receivable and the fixed assets of the company, both of which we share on a pro-rata basis with the rest of the bank group. Our analysis shows that the present value of our portion of the secured claim against Bain's assets represents about 8% of the current legal principal outstanding. (see Exhibit B)

Therefore, it is our determination that the highest price the secondary market would be willing to pay RECOLL for the FDIC's interest in Bain is approximately 8% - 12% of the current legal principal outstanding. If you have any further questions regarding this analysis or if I can be reached at X32308. Thank you.

c.c. J. K. Greenland
W. Hill

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(b)(4)

(b)(4)

EXHIBIT J

(b)(4)

RECOLL MANAGEMENT CORPORATION

LIST OF EXHIBITS

Exhibit	PAGE	Description
______A.	13	Illustration of NPV of Current Debt Structure
______B.	14	Alternative Analysis
______C.	16	Debt Structure
______C.1	17	Required Amortization Payments
______C.2	18	Synopsis of Each Banks Collateral Position
______C.3	18A	Proposed Debt Structure and Amortization Schedule
______D.	19	Coopers and Lybrand Report
______E.	66	ESOP Background
______F.	73	List of F.F. & E
______G.	77	Bain & Company Financial Statement Synopsis
______H.	88	Company's Business Plan
______I.	90	Asset Marketing Letter
______J.	96	Legal Opinion

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EXHIBIT D

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BAIN & COMPANY, INC. AND SUBSIDIARIES

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I.	Executive Summary	1
II.	Analysis of Company Projection	5
III.	The Economy's Impact on Revenue	12
IV.	Review of VP Compensation Levels	13
V.	Summary of ESOP Transactions	14
VI.	Exhibits (See Attached)	17

EXHIBITS

Number	
1	Comparison of Actual vs. Budgeted Results for the Four Months ended July 1992
2	Balance Sheet Comparison of Actual vs. Budget as of July 31, 1992
3	Comparison of Company's Projection with Alternative Scenarios (with and without Auction)
4	Comparison of Projected FY 1993 under Various Alternative Scenarios
5	International Revenue Mix
6	World Revenue Growth 1980 to 1992
7	S&P 500 vs. North American Revenue Growth - 1982 to 1992
8	GNP vs. North American Revenue Growth - 1982 to 1992
9	Financial Times 100 vs. European Revenue Growth - 1986 to 1992
10	Employee Age Distribution as of August 1990, 1991 and 1992
11	Detail of Company's Projection through FY 2001 without Auction
12	Detail of Company's Projection through FY 2001 with Auction at 30 Cents on the Dollar

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EXHIBIT E

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(b)(4)

EXHIBIT F

RECOLL Management Corpor...ion
One Washington Mall
3rd Floor
Boston, Massachusetts 02108

Non-Real Estate Appraisal Department

(b)(6)

TO: Brian Shelton
MABOS40CLO

FROM: Robert Cormier
Senior Non-Real Estate Valuation Reviewer
Non-Real Estate Appraisal Dept.

DATE: September 29, 1992

Subject: Bain & Company, Inc.
Appraisal Request

Obligor Name Bain - CO
Obligor # 055311-1802
Obligation # ALL
Section/ Tab C U
Officer/ Ext Reed 2-9119

On September 23, 1992 you provided me with a listing of Furniture, Equipment, Software, Computers, Art, Decorations, and Leasehold Improvements that were originally acquired over a period of 10 years by Bain & Company. The total acquired cost of these items was approximately

(b)(4)

Based on this listing, you requested that the Non-Real Estate Appraisal Department engage two appraisal firms to perform "desk top" appraisals. Desk top appraisals in this particular case was recommended as the most practical approach considering the high number of items involved, the diversity of assets, and the fact that the equipment is located throughout several cities including, Boston, San Francisco, Dallas, Chicago, Moscow, and Toronto.

The purpose of this memorandum is to advise you that we have reviewed the equipment listing and have discussed the approach with several appraisers and have concluded that while the approach of a "desk top" is conceptually feasible, the information provided is inadequate to facilitate this process.

The equipment listing appears to be a company prepared general ledger report for depreciation purposes. While the description of the specific assets are adequate for referencing purposes, they are not descriptive enough for appraisal purposes. For example, asset #70 describes "HP LASERJE" with an acquired value of $102,296. This type of information has little value to an appraiser. It is unclear if the cost of $102,296 is for one or several laser jet printers; most likely several machines were purchased for a total cost of $102,269. Since a physical inspection of the items is not practical in this case, the appraisers will be unable to conduct a desk top analysis based on the information provided. At best, we would need a full description of each item, model numbers, serial numbers in some cases, name of manufacturers, date of acquisition, and original cost in order to perform a desk top analysis.

I recommend that you re-assess the need and purpose of this appraisal considering the complexities associated with this project and, that you resubmit a new listing with the information identified above. For the present time I will put this appraisal request "on hold" pending receipt of new information. Please advise.

(b)(4)

EXHIBIT G

(b)(4)

(b)(4)

(b)(4)

Bain & Company

Bain & Company, Inc.
Two Copley Place
Boston, Massachusetts 02117-0897
TEL 617-572-2000
FAX 617-572-2427

February 26, 1993

Recoll Management Corporation
MABOS38CLO
28 State Street
Boston, MA 02108
Attention: Brian Shelton
Vice President

Dear Brian:

Reference is made to the Loan Agreement dated as of June 10, 1991 as from time to time in effect (the "Loan Agreement") among Bain & Company, Inc., a New Jersey corporation (the "Company"), the lenders referred to therein and [ ] (b)(4)
(b)(4) [ ] Terms defined in the Loan Agreement and not otherwise defined herein are used herein with the meanings so defined.

1. In accordance with Section 5.01(b) of the Loan Agreement we have enclosed a consolidated balance sheet, consolidated statements of operations, changes in the shareholder's equity, and cash flows for the quarters and year to date periods ending December 31, 1992 and 1991.

We have also enclosed the following: 1) a reconciliation of the aforementioned financial statements to the basis and format of the Base Projections as required in Section 5.01(c)i, 2) the consolidating balance sheet and the consolidating statement of operations as of December 31, 1992, as required in Section 5.01(c)ii., 3) a projection for each of the next twelve months as required under Section 5.01(e).

2. Pursuant to Section 5.01(g) of the Loan Agreement, the Company hereby represents and warrants that no Default exists on the date hereof.

3. Pursuant to Sections 5.01(b) and (c) of the Loan Agreement, the Company hereby represents and warrants that the aforementioned financial statements, fairly present, in conformity with generally accepted accounting principles consistently
(b)(4) applied, subject to a) the exclusion of [ ] b) normal year end adjustments and c) the statements are prepared on a pre-tax basis; the financial position of the Company and its Consolidated Subsidiaries and their results of operations, changes in shareholder's equity and cash flows for the quarters and year to date periods ending December 31, 1992 and 1991. Attached to the financial statements is the accountant's review report from Price Waterhouse as required by Section 5.01(b).

4. Pursuant to Section 5.01(g) of the Loan Agreement, attached hereto as Exhibit A are computations of the Company demonstrating, as of December 31, 1992, compliance with those provisions of Sections 5.02 through 5.13 of the Loan Agreement that applicable to the period ended December 31, 1992.

IN WITNESS WHEREOF, this certificate has been executed pursuant to due authorization this 26th day of February.

BAIN & COMPANY, INC.

(b)(6)

By
Vice President & Treasurer

(b)(6)

By
Vice President & Co[illegible] Controller

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EXHIBIT H

(b)(4)

EXHIBIT I