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Longroad can make road to success shorter

Stamford firm raises \$183 million to invest in troubled companies

By Julie Fishman-Lapin
Staff Writer

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A company teetering on bankruptcy would scare most potential investors away, but for one Stamford private equity firm, companies in financial trouble are part of the equation for a good investment.

Longroad Asset Management LLC looks for middle-market companies that have the potential for business improvement, but are underperforming due to overleveraged balance sheets, lack of liquidity, poor cost controls or downturns in business or economic cycles, said the firm's founding partner, Paul Coughlin.

Longroad recently raised \$183 million for its newest fund and is seeking to invest that money in the distressed debt markets. The strategy is to acquire controlling positions in discounted fixed-income securities, bank debt and obligations of financially distressed companies, Coughlin said.

By taking over the debt at a discount, Longroad can forgive some of the debt so the business has a chance to grow again. In exchange, Longroad takes a controlling interest in the business, said Coughlin.

Coughlin has been involved in distressed investing for the past 15 years and has extensive experience in leading creditors' committees, negotiating



Coupons	reorganization plans and assuming control of distressed companies through debt.
News	
Local	Acquiring a large influential or controlling interest in these distressed companies enables Longroad to direct the reorganization process. The firm attempts to influence not only the timing of a reorganization, but also the ultimate structure of the issuer's reorganized balance sheet and corporate governance, Coughlin said.
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	Although it sounds similar to a turnaround firm, Longroad doesn't get involved in operational turnarounds, Coughlin said.
Opinions	
Editorial	"We are not trying to buy bad companies. We are buying good companies that have had some hard times," he said.
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Scoreboard	There are similarities between distressed debt investors and turnaround firms, but there are significant differences, said Karin Thorburn, associate professor of finance at the Tuck School of Business at Dartmouth College in Hanover, N.H.
Mets	
Yankees	
Jets	Turnaround firms go into a company and take a management position in an organization. Firms such as Longroad are different, Thornburn said.
Giants	
Tennis	
Golf	"These guys are investors. They usually get control of the company through the board of directors," said Thorburn, who is also the associate director of Tuck's Center for Corporate Governance.
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Movies	Although some critics may say distressed investors are taking advantage of others' misfortune, the investment activity of distressed investors has led to many successful cases of corporate restructuring, Thorburn said.
TV	
Restaurants	
Lottery	
Travel	Research shows that these investors generally create value for failing firms, she said.
Entertainment	
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Directions	When a company is in severe financial trouble, it often gets to a point where things can't get done. Distressed investors often bring management expertise and experience to the company, she said.
Maps	
Schools & Kids	
Seniors	"I think it is great that they are out there, they make the process more efficient," she said.
Services	
Contact Us	One successful example of distressed investing is Greenwich-based ESL Investments' control of Kmart, which the hedge fund firm gained by buying the retailers debt and guiding it out of bankruptcy.
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