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FROM THE CHAIR

Debra E. Kuptz, AlixPartners, IWIRC Chair

Ciao from Roma!

It is my pleasure to be writing this missive from beautiful Rome, where IWIRC just held two very successful events in conjunction with the International Insolvency Institute's 14th annual conference.

The first event was an Angels & Demons tour that retraced the steps of Dan Brown's novel of the same name. Educated and charming guides led groups of the 70 or so guests on a combination walking and minibus tour. The day was warm and sunny. The second event was a cocktail reception hosted for III's registered attendees and IWIRC members. Again, we had a robust turnout...and why wouldn't we? The venue was the rooftop terrace of the Grand Hotel de la Minerve, from which we had a beautiful view of the city. Our 125 guests enjoyed prosecco, prosciutto and a beautiful sunset over the Pantheon.

While in Rome, I attended the European Network's board meeting, held at the beautiful offices of Gianni Origani & Grippo. Under the leadership of Annerose Tashiro, the network has grown to fifty one members from eleven countries. They hold a variety of events through the year, moving them among the members' various cities. Currently in planning is a trip to Munich for Oktoberfest on 1 October, and a trip to the Christmas market in Zurich (date TBD).

I would like to take this moment to thank Annerose, Rita Gismondi, and Shari Bedker for all their hard work in putting together the Rome meeting and events, and thanks to Deborah Grieve and Bruce Leonard for facilitating this connection. The III event draws a wonderful crowd and that helped ensure the success of the events.

One very positive characteristic of IWIRC's brand is our ability to put on engaging networking events at interesting venues and, most importantly, to draw a diversity of well-known and respected guests and veterans of restructuring. To all our committee directors and network chairs who contribute to this important brand quality throughout the year, I say thanks!

Planning for the Leadership Summit is underway.

Every network is strongly encouraged to send a representative to Houston on July 28-30 for the 4th Annual Leadership Summit. The agenda includes formal and casual discussions about the issues we face, new initiatives and projects, network challenges and accomplishments. In addition, we do fun activities and enjoy delicious meals together. The camaraderie is amazing.

On the agenda this year will be a proposal to expand the international Board of Directors and realign our committees. Objectives of the expansion include to significantly increase representation of members, as well as to create additional leadership opportunities at both the Board and network levels.

You will receive the proposal for review and comment by early July. It will be discussed and consensus for its adoption gauged at the Leadership Summit. The Board wants every network to participate in and contribute this discussion. If it isn't possible to send someone, I would request that the Network Chair submit a brief summary of their input.

Individual members are encouraged to send comments on this or any other topic to the Board via info@iwirc.com.

The final structure of the international Board will then be circulated later in the summer and nominations for all the positions will be opened to members.

The Summer Solstice

June 21st is my favorite date. I like to get up early and enjoy the longest day of the year to its fullest. It is a particularly good day to have a party on the patio or in the garden. This year Monday had the honor of hosting the full measure of daylight, so maybe a sunrise breakfast is more in order...However you spent it, I hope you enjoyed it! I hope to see you soon.

Best to you,
Deb Kuptz



Jane Warner, Craig Powles, Michael Tibando, Franca Tibando



Lynn Hiestand, Debra Kuptz

EVENT SPOTLIGHT

“America Does It Better?” The IWIRC Great Debate 2 June 2010

The IWIRC Hong Kong Network hosted their inaugural Great Debate at HSBC headquarters on 2 June 2010. The motion, “America Does it Better” invited two teams, Team America and Team World, to present their best case, in the case of Team America, to support the view that America responded better to the recent financial crisis than the rest of the world or, in the case of Team World, to refute this stance.

Greeted with a panoramic view of the harbour, with wine and hors d'oeuvres in abundance, the room quickly filled with guests. Clarissa Ogden (consultant, Allen & Overy and co-chair of IWIRC HK), as the moderator introduced the six speakers for the two teams. On Team America, waving American flags and in patriotic top-hats, were Eddie Middleton (Partner and Head of Restructuring Services, KPMG China), Ted Osborn (Partner, PriceWaterhouseCoopers) and Marelize Coetzee (Vice President, The Bank of New York Mellon). On Team World were Susan Rice (Senior Vice President and Chief Administration Officer, Neuberger Berman Asia Limited), a former employee of Lehman Brothers, David Maund (Managing Director, Alvarez & Marsal Asia) and Ian Chapman (Senior Consultant, Mayer Brown JSM).

Each round of was a battle of wit and intellect ending on the ring of a brass bell. Sound arguments and different perspectives were offered by our speakers making the evening an insightful as well as an entertaining one. The evening concluded with the trophy being presented to the winning team, Team World, as voted by the guests.

The IWIRC Hong Kong Network Committee would like to thank the speakers and members of the restructuring and insolvency community in Hong Kong who attended the event and Alvarez & Marsal and Mayer Brown JSM for their kind sponsorship, which together helped to make the event a great success! The Network looks forward to welcoming both members and non members alike to similar events in the upcoming year and, of course, to the 2nd Great Debate next year.



The Winning Team



A packed audience!

GREAT SUCCESS IN ROME

Annerose Tashiro, Co-Chair of IWIRC European Network, atashiro@schubra.de

In connection with and having formed a form of liaison with the International Insolvency Institute (III) IWIRC Europe organized and invited members of IWIRC and attendees of the III 10th annual conference to an Angels' and Demons' Tour on the 6th of June in Rome. The tour was based on the world's famous book by Dan Brown and the movie "The Da Vinci Code" with Tom Hanks. The idea was to have a sight-seeing tour through Rome under this theme to those spots that are featured in this fascinating novel. The tour attracted over 60 professionals from the restructuring and insolvency industry. We were divided in four groups and travelled in minibuses and per pedes through Rome. Such a wonderful day found its highlight in the reception at the terrace of the Grand Hotel de la Minerva in Rome with over 100 people. Our guests could enjoy a fascinating view over Rome while chatting and exchanging ideas about how to resolve the world-wide crises, etc.

The sponsors of the IWIRC European Network made this happen. Thank you very much!



The Angels & Demons Tour at St Peters

THE BENEFITS OF INVOLVEMENT, A Q&A WITH JENNIFER MEYEROWITZ, ESQ., CHAIR, MEMBER SERVICES COMMITTEE

By Jennifer Mercer, Van Meter Consultants



Jennifer Mercer



Jennifer Meyerowitz

How did you first get involved? During my career at Alston & Bird, I was fortunate to have a mentor, Grant Stein, who understood the value of networking and professional development. He strongly "suggested" that I join IWIRC and attend an IWIRC conference. After attending my first conference, I was hooked. I loved the group and the organization, and wanted to get more involved at both the international and the local level. However, I found out that there wasn't a local Georgia network. So, in 2003, with the help of Leanne Gould and Shayna Steinfeld, we put together a great group of women practicing in the insolvency arena in Atlanta and we co-founded the Georgia Network. The transition to international leadership—sitting on the IWIRC Board of Directors—offered a way for me to help grow the group on a wider scale.

Why did you choose IWIRC? I felt very welcome within IWIRC from the very first meeting I attended. It is a special and unique group of women in an industry that traditionally has not had a lot of women. The camaraderie amongst the women in IWIRC is unparalleled. IWIRC provides a safe harbor for young and new professionals to the industry that you don't often get with other groups. IWIRC does not determine the value of its members based on the cases she has worked on or her years of experience, but rather, what she can bring to the group both personally and professionally. Diversity among members is important and encouraged.

How much has the Georgia Network grown? I feel very fortunate to be a part of the Georgia Network. I have seen it grow rapidly in the 7 years that it has been in existence. We have about 50 members now and continue to grow. Most of our network members are active, either sitting on the local Board or volunteering in some capacity whether it be on the programming committee, the community service project we have with Dress for Success, or in trying to grow the membership. Because of this, the Georgia Network has become very well known in Atlanta and is considered an important professional organization among the Atlanta legal and business communities. In fact, the annual holiday party is hosted at the home of one of our local Judges. We are very lucky to have the complete support of the local Bankruptcy Judges as well, who not only attend our events but sit on panels for us, brainstorm new ideas with us, and promote us through their positive feedback.

What have you learned during your tenure? Aside from the leadership and networking skills that I have learned from being a part of IWIRC, I was happy to find that there are so many different ways one can build a career in the restructuring industry. I feel like I am constantly meeting new people who are doing different and out-of-the box careers in the restructuring arena. Through IWIRC, I have developed a new perspective, which makes me see how large and diverse the professions and professionals in the insolvency world really are. And, I've been able to add to that diversity by increasing my professional profile—I network with more confidence, which makes me a more valuable member of my own professional team.

How has it helped you as a professional? IWIRC has provided a vehicle for me to garner greater exposure in the industry. Because more people know me, I am invited to participate on committees for conferences, to speak on panels, to take leadership positions, as well as authoring articles. In turn, this has increased my client base because my involvement lends me greater credibility and greater exposure. What has been great, however, is that IWIRC has given me a place to build my network in a relaxed and supportive atmosphere.

Why is membership beneficial to younger or newer professionals? IWIRC opens the door to opportunities and professionals you may not come in contact with otherwise. In addition, IWIRC is so warm and welcoming that younger or newer professionals do not feel left out because they didn't participate in the biggest and greatest case around. IWIRC is so inclusive and welcoming to all of its members whether they practice locally, nationally or internationally, and whether they have one year of experience or 30 years of experience. In addition, IWIRC is important for young or new professionals because it builds professional skill sets such as leadership, networking, and public speaking, among others.

What are the benefits to Board involvement at both the local and international levels? At the local level, Board involvement provides a place to build skills and expand your professional network in your local community. In turn, you stand out and have greater credibility in the industry. This is a benefit you get from international Board involvement as well, but what is unique about being involved in the international organization is that it offers a greater opportunity to build national and cross-border relationships and influence and direct the future of IWIRC.

What advice would you give someone who is shy or afraid to attend group events alone? First, I would say, that I understand. Walking into a room alone is not easy. I would suggest that anyone who wants to attend an event but is concerned should reach out to their local network chair in advance and express their interest. You can find this information on the IWIRC website [www.iwirc.com]. Also, I would encourage folks to reach out to me directly. As Chair of the Membership Services Committee, this is exactly what my committee is set up to do – welcome new members and introduce them to others. We want all of our members to feel welcome.

Do you believe that involvement has helped grow your business or client base? Absolutely. IWIRC has been a catalyst to new job opportunities, expanded contacts,

and an increased client base. Building professional relationships take time, but IWIRC's goal is to provide a forum for these relationships to grow organically.

What do you hope for IWIRC's future? I would love to see IWIRC continue to grow its membership, increase its exposure within the insolvency community, and be looked at as a prestigious top-tier organization. I want to be sure that as we work to accomplish these goals that we make certain that we maintain the close-knit, friendly, welcoming environment on which IWIRC prides itself.

Jennifer is a Vice President and Senior Consultant at Epiq Bankruptcy Solutions, LLC, a leading provider of comprehensive claims management, legal noticing, balloting, tabulation, and related advisory services in large and complex restructuring matters. She has extensive experience advising clients in all aspects of the Chapter 11 process, as well as crossborder insolvencies, and has worked large and small cases including Chrysler LLC, AbitibiBowater, Smurfit-Stone Container Corporation, The Journal Register Company, Sea Launch, Swozie's, TLC Vision, among others. She can be reached via email at jmeyerowitz@epiqsystems.com.

GUEST ARTICLE

One Type of Fraud Detection in Financial Statements

Luyan Li, CPA, Ph.D., CVA and Alan D. Lasko, CPA, CIRA, CFF
Alan D. Lasko & Associates, P.C., Chicago, IL



Luyan Li

In January 2009, Ramalinga Raju of India, Founder and Chairman of Satyam Computer Services, confessed to years of accounting fraud which inflated the Company's balance sheets and income statements. The amount of fraud was initially put at \$1.5 billion dollars and later raised to \$3.02 billion by Indian Central Bureau of Investigation. ("India's Forensic Auditors Join War on Fraud," www.atimes.com.) Ramalinga Raju is currently in a Hyderabad prison along with his brother, former board member, and the former CFO.

This case has shaken investors and auditors. How many more companies are out there that have yet detected this type of misappropriation? To detect such misappropriations earlier, one would need to pay attention to the warning signs in the financial statements and utilize various forensic accounting techniques.

When a company intends to report phantom revenue or profit, one method is to hide bookkeeping entries in the balance sheet accounts to accomplish this. Some common practices that may be undertaken include:

- **Credit Revenue, Debit Cash**
To fake revenue and increase cash.
- **Credit COGS, Debit Inventory**
To reduce cost of sales by increasing the value of ending inventory.
- **Credit Bad Debt, Debit Allowances for Uncollectible Accounts**
To reverse prior provisions for doubtful accounts without any real sign of recovering such amounts.
- **Credit Revenue, Debit Accounts Receivable**
To fake revenue and increase accounts receivable from customers or channel distributors.
- **Credit Gains, Debit Intangible Assets**
To fake gain upon the revaluation of intangible assets.
- **Credit Expenses such as Internet Expenses, Professional Fees, Payroll, etc., Debit Accounts Payable**
To reduce expenses by wiping out prior entries of accounts payable.
- **Credit Expenses, Debit Long-Term Debt**
To reduce expenses and understate long-term liabilities.
- **Credit Revenue, Debit Loan or AR/AP from/to Related Parties**
To fake revenue through related party transactions, in both directions.

The first item indicated is most likely a fraud and might be discovered by performing an audit of bank statements which could lead to the discovery of material discrepancies. Audit measures of cash accounts usually include investigating unusual time lags between actual receipt and recording; obtaining bank statements for the month following the period and performing the related tracing steps; comparing current balances to prior period cash balances and performing analytical procedures to test the reasonableness of cash balances. Some of these detailed audit procedures may however be more typical of a forensic investigation than the typical financial audit of financial statements.

The other methods of manipulation are more difficult to pinpoint. One example of these methods could be new valuation approaches for inventory suddenly being used along with the company's non-performing loans, late billing of vendors, etc. to justify this type of adjustment. A step to possibly find these warning signs is to correlate the cash flow statements of the company to the reported net income. If the company has reported continuous growth but the cash flows are declining, this could be used to indicate liquidity problems at the company and possible misappropriation.

Another method is ratio analyses. This procedure should be performed on accounts such as accounts receivable, inventory, and accounts payable. An accountant would pay attention to any abnormal ratios in comparison to historical performances and industry benchmarks.

Other analyses used to uncover issues relating to a company preparing what turned out to be false entries into its books and records are as follows:

1. The Current Ratio, calculated by dividing total assets by total current liabilities, more than doubles from 3 to 7.3, for no apparent reason.
2. The Quick Ratio, which is an indication of a company's ability to service its current obligations with the most liquid assets, increases from 1.5 to 4, also for no apparent reason.
3. Accounts Receivable Turnover, drops from 10 to 5.2; while the Average Collection Period increases from 36.5 days to 70.2 days. This deterioration of Accounts Receivable Turnover and Average Collection Period is alarming because the ratio measures how effective the company is collecting its outstanding receivables and is also an indication of the quality of its receivables.
4. Inventory Turnover decreases from 5.3 to 2.4; and Days' Inventory prolongs from 68.9 days to 152.1 days. These results could indicate excess, obsolete or undesirable inventory. When a company presents strong sales growth but has significantly worse Inventory Turnover and Days' Inventory compared to the industry, a forensic accountant ought to become suspicious and conduct more in-depth testing.
5. Other comparative ratio analyses that may reveal irregularities include Returns on Sales, Debt to Equity, EBT/Total Assets, etc. In addition to the ratio analysis, one could also scrutinize the value of intangible and non-operating assets; investigate frequent movements of large and round amounts as reflected in various accounts; correlate interest income/expense to loan balances for reasonableness; review a company's organization chart for connections among related parties and subsidiary chains; and reviewing the notes to the financial statements for contingencies, guarantees, contracts and options.

In summary, the internal controls of the company need to contain support for every non-cash entry that is reflected in the books and records of a company. These records, as well as the books themselves need to be reviewed, possibly by the outside auditors if the resultant ratio analyses results are out of the ordinary and cannot be adequately responded to by management. In addition, it might be necessary for the company and its legal advisors to consider having an accountant who is experienced in forensic work to further investigate this type of situation.

SPOTLIGHT ON - THE MEMBERSHIP SERVICES COMMITTEE

The IWIRC Membership Services Committee is dedicated to finding out what our members want and what resources IWIRC can provide to them to make each member feel a part of the organization. The Membership Services Committee is also responsible for welcoming new members and providing services and initiatives to benefit all of its existing members. In addition, the Membership Services Committee matches up volunteer opportunities on various other committees with volunteers from the membership. If you are interested in learning more or getting involved with this committee please contact Jennifer Meyerowitz, Chair (jmeyerowitz@epiqsystems.com) or Michaelene Fleming, Vice Chair.

NETWORK NEWS

MIWIRC recently co-hosted a panel with TMA on "The Role of the CRO in Bankruptcy" at the lovely Reserve in Birmingham. Upcoming events include our annual cocktail mixer at the ABI Central States conference in Traverse City, Michigan the evening of Saturday, June 19. We'd love to see you there! And if you can't make it "up north" to the conference, you'll have another chance to raise a glass with MIWIRC on Thursday, August 19 at the Rattlesnake Club in Detroit - stop by for a drink if you're in town.

MEMBER NEWS

Janelle Montgomery has joined North Highland, a global management and technology consulting firm. She said, "I chose North Highland because I like the people and I like their model - local delivery, experienced consultants and guaranteed work. I also found the global reach and depth of resources very appealing." More information at www.northhighland.com.

UPCOMING NETWORK ACTIVITIES

(there are new events being added every day, so be sure and check out the website!)

Thursday, June 24, 2010

[No. California: First Sacramento Event](#)

Tuesday, June 29, 2010

[San Diego Network MARGARET M. MANN Event](#)

Wednesday, June 30, 2010

[Chicago Network Golf Lesson Event](#)

Friday, July 9, 2010

[Chicago Network Golf Outing](#)

Tuesday, July 27

[No. California: IWIRC Wine Tasting Reception for Bankruptcy Judges](#)

Wednesday, July 28, 2010

[IWIRC Leadership Summit](#)

Tuesday, October 12, 2010

[IWIRC Annual Fall Conference](#)

IWIRC Welcomes New Members

who have joined between May 1 and May 31, 2010

Anna Ashurov

Barclays Capital
New York, NY USA

Odeli J. Bobbio

GlassRatner Advisory & Capital
Group LLC
Miami, FL USA

Cheryl L. Borland

Katz Greenberger & Norton, LLP
Cincinnati, OH USA

Rebecca L. Butcher

Landis Rath & Cobb LLP
Wilmington, DE USA

J. Helen Cook

Epiq Systems, Inc.
Wilmington, DE USA

Cassie Coppage

Paul, Hastings, Janofsky &
Walker LLP
Atlanta, GA USA

Amy Coren

Oakland, CA USA

Rebecca Fordon

Brown Rudnick
Boston, MA USA

Rebecca Fruchtmann

Schoeman Updike Kaufman &
Scharf
Chicago, IL USA

Jungmin Lee

AlixPartners, LLP
New York, NY USA

Victoria A. Lepore

Schulte Roth & Zabel
New York, NY USA

Theresa Yau Yee Ng

Ferrier Hodgson
Singapore

Maria O'Brien

Baker & McKenzie
Sydney, NSW Australia

Leigh-Anne M. Raport

Ashby & Geddes
Wilmington, DE USA

Jennifer Wu

AlixPartners
New York, NY USA

Si-Yong Yi

Tressler LLP
Chicago, IL USA

DID YOU KNOW....

Submitted by Shari Bedker, IWIRC Administrative Director



Shari Bedker

Did you know that at any time you can see which IWIRC members have been asked to be listed under your network? Go to the network's page and on the left hand side there is a link to "Network Members". The list includes all members who are affiliated with that network as a primary or secondary network-a great way to network AND a great way to encourage colleagues in your area to join who aren't listed!

IWIRC Contacts

If you would like to:

- send an article for inclusion in one of our forthcoming issues;
- introduce a new member to IWIRC;
- join IWIRC; or
- volunteer to take on a leadership role within one of our committees

Please contact our administrative assistant, Marcy Gravatt, at info@iwirc.com.

**Board of Directors • Network Chairs • New Members
Upcoming Events • How to Join IWIRC • www.iwirc.org**

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