BRIEF CASES

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Paramount Equipment, Inc.

Paramount Equipment, Inc., based in Fort Wayne, Indiana, manufactured cranes and compact construction equipment, aerial work platforms, and food-service equipment. Founded in 1987 when a manufacturer of large construction equipment a manufacturer of food-service equipment merged, it had become one of the largest construction-equipment producers worldwide by 2000. At that point, Paramount had manufacturing operations in 24 countries and distributed to more than 30 countries.

In 2009, however, Paramount reported a net loss of $209 million for its 2008 fiscal year. (See **Exhibits 1–3** for historical financial data.) It faced a severe debt load following its pre-2008 acquisition and capital investment strategy. Eric Stoll, who became Paramount's CEO in 2008, began restructuring the firm in order to generate cash flow and reduce debt. Paramount cut its workforce worldwide by as much as 20%, reduced manufacturing space by 30%, and divested significant assets.

Despite these efforts, Paramount's operating losses continued through 2009 and the first three quarters of 2010, mainly due to high material costs, price discounts on equipment, low demand in the North American market, the negative economic outlook for Europe, and the lack of alignment between its products and markets. In early 2010, the company was unable to secure a capital injection through a preferred equity offering, as some of its largest shareholders refused to take a block of preferred shares. Paramount's stock price dropped from $40 in mid-2007 to $2.63 by the end of 2010.

By late 2010, Paramount was close to defaulting on several loans. A default would trigger cross-default clauses, making much of the company's existing debt redeemable by investors. Stoll was concerned that if lenders cut off credit and accelerated loan repayments, corporate operations would come to a halt. A bankruptcy filing, plant shutdowns, and layoffs seemed unavoidable. Paramount's creditors, employees, customers, and suppliers wondered whether the company could restructure and emerge from financial distress.

Company Background

Paramount operated in three markets:

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- Cranes and compact construction equipment. This group produced a comprehensive line of lattice boom cranes, mobile telescope cranes, tower cranes, and heavy construction equipment. These products were used in many applications, from infrastructure development and high-rise residential construction to energy and utilities, mining, and industrial production.
- Aerial work platforms. This segment built telehandlers, light towers, and utility equipment. Its products were used to construct, repair, and maintain industrial, commercial, and residential buildings, utility and telecommunication lines, and other commercial operations.
- Food-service equipment. This segment manufactured primary cooking equipment, food preparation and service equipment, beverage dispensers, and food-storage equipment. Its products targeted both commercial food service and food-processing industries.

The cranes and compact construction equipment, aerial work platforms, and food-service equipment lines generated 60%, 20%, and 20% of Paramount's 2010 sales, respectively.

Paramount manufactured products in North America, Europe, and Asia, and sold them worldwide through dealers, distributors, and its own retail outlets. (**Exhibit 4** shows sales and production volumes by geographic market in 2010.) Its production facilities were concentrated in five countries: the United States, Canada, Germany, France, and China. Production in Canada helped to meet part of the demand in North America. It produced in Germany and France for the entire European market and the Middle East. Production in China was used to meet demand from the U.S., other Asian countries, and the Middle East. The concentrated location strategy allowed Paramount to achieve economies of scale and build friendly relationships with the governments of these countries.

Between 1998 and 2006, Paramount focused on global expansion, especially in developing markets such as China, India, Eastern Europe, and the Middle East. Before Eric Stoll became CEO, Paramount's long-term strategy had been to transform itself from a predominantly crane and construction equipment company to a more diversified global manufacturer of machinery and equipment products. International sales rose from 14% of total sales in 1996 to nearly 70% by 2006. Some of this growth was due to Paramount's success in dealing directly with governments and public institutions in developing economies, to secure contracts for supplying equipment to government construction projects and obtain permits for building manufacturing facilities.

In 2006, Paramount decided to refocus on the North American market. During its successful expansion in Asia and the Middle East, the development of its U.S. businesses had fallen behind. Optimistic about the housing market boom and growing demand for construction equipment, Paramount developed new products and opened new plants in the U.S. to facilitate product delivery for local markets. This foray back into North America coincided with the housing market crash and the slow recovery that followed.

Industry and Major Competitors

There were approximately 3,000 companies in the heavy machinery sector, the majority of which were small. The industry experienced almost no growth in sales from 2008 to 2010. A number of firms lost their competitive positions in the global markets because of their heightened need to service debt. Plant closures and asset divestitures followed.

T-Rex Corp., a major competitor of Paramount, was one of the world's largest manufacturers of aerial work platforms, cranes and compact construction equipment, and material handling equipment. It had a large customer base, including global mining companies, construction builders, and government contractors. Its strategy was to maintain its dominant position in North America while pursuing international expansion with a focus on the Asia-Pacific region and setting up manufacturing locally to serve regional customers. Its international acquisitions and expansion were cautious and financed primarily by internally generated cash flows and long-term debt. As a result, its debt to assets ratio increased from 30% in 1999 to only 49% in 2008. T-Rex also worked to improve its operating margins in the early 2000s by focusing on core products and rationalizing costs. It closed several manufacturing facilities and warehouses in the U.S. and eliminated a number of product lines and component parts. The company consolidated a few U.S. production facilities and downsized several in Canada in 2009, in response to the 2008 financial crisis and housing market crash. (**Exhibit 5** compares financial data for Paramount and its closest competitors, 2006–2010.)

Another competitor, McKale Food-service equipment Corp., was a global leader in manufacturing food-service equipment for large commercial and institutional restaurant clients. McKale focused on delivering high-quality food-service equipment by designing, manufacturing, and distributing its products directly to customers, and built a reputation for expertise in food-service equipment. McKale and its management team had a conservative appetite for growth and financial leverage. McKale's strategy was to reinvest in product development to stay ahead of competitors, while pursuing acquisitions only at opportunistic times. Management decided in the early 2000s to manufacture all of its major products locally within the U.S. While the company had small operations in Asia and South America, its growth was driven primarily by increasing its distribution network and growing demand by existing customers. During McKale's 2010 fiscal-year-earnings conference call, its resilient revenues caught Stoll's attention. Sales in 2010 reached an all-time high of $1.28 billion.

Paramount's Financial Difficulties

Paramount's international expansion in the early 2000s was facilitated by aggressive acquisitions of assets and operations, which were financed primarily by short-term debt. Paramount felt it was cheaper to negotiate separate agreements with many international banks, rather than pay large fees to an organized lending group syndicate or issue public bonds from the parent company in international markets. Most of its debt was in the form of loans that its country subsidiaries had borrowed from local lenders, denominated in local currencies and without guarantees from the parent company. By the end of 2008, its debt-to-asset ratio stood at 67% and its ratio of total liabilities to assets was close to 80%.

Stoll's primary concern was Paramount's crane and construction equipment business, which had faced several challenges since 2008. Given the rising competition from China and other developing countries, Paramount's global market share of sales in these business lines deteriorated from 14% in 2006 to 11% in 2008. At the same time, the demand for construction equipment in the U.S. hit record lows. Moreover, Russia and other Eastern European countries announced that they would enforce caps on imported construction equipment and that they would purchase equipment made domestically for government-sponsored construction projects.

When he was appointed CEO, Stoll knew that asset divestitures were inevitable. It had taken his predecessors more than a decade to build up the complex global supply chain before him. It would require his careful planning and execution to help the company recover. Between 2008 and 2010, he cut Paramount's workforce and manufacturing space. Paramount reduced inventories by about 20%, sold unprofitable operations, and closed numerous plants in the U.S. Its divestitures resulted in the sale of nearly $1.5 billion in assets by the beginning of 2010. Despite these efforts, the company incurred a larger than expected loss of $474 million (including before-tax unfavorable exchange adjustments of $130 million) for the fiscal year of 2009, with no sign of recovery in 2010. Stoll attributed the continuing problem to low global demand, lack of alignment between products and markets, failure to penetrate the North American market, and a heavy debt load and interest burden. In October 2010, the company announced that it had lost $251 million in the first three quarters. A debt restructuring seemed unavoidable. The company's share prices tumbled more than 20% after the announcement.

Demand for construction equipment Sales of construction equipment were cyclical, typically varying with changes to national economic output in a given country. Given the localized nature of the construction equipment industry, demand in a particular country was driven primarily by the economic environment. When corporate budgets tightened, customers often delayed the replacement of existing machines and held off until the outlook improved. Overall construction spending in the U.S. declined by 4% in 2008, and non-residential construction spending decreased by as much as 27%.[1] By 2010, the outlook for construction spending in the U.S. was still negative. Stoll viewed this decline as particularly worrisome since it was in a market on which the company had been focusing. European markets had a similarly negative outlook. Construction spending declined 7.5% from 2008 to 2009 and 3.9% from 2009 to 2010 in Western Europe, and 3.9% from 2008 to 2009 and 0.6% from 2009 to 2010 in Eastern Europe.[2] Even in Asian and Middle Eastern markets, growth in construction spending slowed down significantly. For example, in China, it declined to single digits in 2010. In the Middle East, it was expected to grow at an annual rate of only 3.3% from 2008 to 2013.[3]

Production and market alignment The lack of alignment between production and end markets meant that currency fluctuations could be problematic. For example, the Canadian dollar had strengthened rapidly against the U.S. dollar over the past decade, putting downward pressure on sales of compact construction equipment. The Mexican peso remained relatively weak against the Canadian dollar, further hurting the company's sales to Mexico. More importantly, the fast appreciation of the Chinese currency and the rise in labor costs in China affected Paramount's costs of goods sold and hurt the competitiveness of its products in the Middle East and the United States. Nevertheless, economies of scale in production made it desirable to concentrate facilities in a few countries. Paramount considered relocating some production capacity from Europe and Asia to Canada in order to place production facilities closer to the American markets. Canadian plants had established a strong distributor network and efficient processes, and were known for the quality and consistency of their products. Management also believed that the Canadian dollar would not appreciate further against the U.S. dollar.

American efforts Having concentrated marketing and product development efforts in international markets before 2006, Paramount lagged behind its competitors in increasing market share in the United States. To rectify this problem, management introduced new products and rebranded old products. Unfortunately, Paramount tried to penetrate the U.S. market at the wrong time. With deteriorating cash balances in the years before the crisis and escalating short-term debt from its expansion, Paramount was not well prepared for the U.S. downturn. Sales in the U.S. dropped by 30% between 2008 and 2010. In contrast, other large companies that dominated the U.S. markets, including T-Rex, had deeper financial resources, cheaper credit availability, and stronger dealer networks. They spent heavily on R&D and marketing early in the cycle, even as they cut prices to maintain, or increase, their market position. These initiatives put tremendous pressure on competitors, such as Paramount, that were experiencing financial constraints.

Leverage and debt repayment Paramount's debt load peaked at the end of 2008 (see **Exhibit 2**). After the crisis, financial institutions around the world were extremely cautious about opening new credit lines, as their lending practices came under scrutiny both internally and outside from regulatory

[1] Capital IQ: US Construction spending index and US Construction Residential index.

[2] IHS Global Insight: Global Construction Survey (2009).

[3] IHS Global Insight: Global Construction Survey (2009).

agencies. Given Paramount's poor financial performance in 2008 and 2009, several banks raised interest rates on the company's lines of credit. As a result, the cost of Paramount's short-term debt rose dramatically. It had interest expenses of $380 million in 2009 and $398 million in 2010 (see **Exhibit 2**).

Nonetheless, management remained optimistic about Paramount's future. In the firm's 2009 annual report, Stoll reaffirmed that the cost-cutting efforts had made Paramount viable. He believed that the company's food-service equipment division would help drive growth. With long-term drivers such as rising consumer demand for eating out, rapidly expanding overseas markets for major U.S. restaurant chains, a focus on labor and energy savings in the kitchen, and rapid menu changes with increased product offerings, the food-equipment industry was expected to grow tremendously.

In order to take advantage of this opportunity, Paramount needed to raise capital to finance its investment programs, including: (1) ongoing R&D for new product development to enhance its international competitive power; (2) maintenance and replacement of existing facilities; (3) penetration of North American markets; (4) further growth in Asia and the Middle East; and (5) reallocation of some facilities from Europe and Asia to Canada. Together, these programs would cost approximately $600 million to $800 million over the next three years.

The immediate problem was to ensure Paramount's survival. Stoll suspended major capital expenditures in the fall of 2010 in an effort to conserve cash. However, cash continued to flow out of the company, albeit at a diminished rate (see **Exhibit 3**). Its existing credit lines were nearly exhausted, and several banks had indicated they were unwilling to renew the lines when they came up for renegotiation. The company needed a major restructuring of its liabilities as soon as possible, but a refinancing plan outside of bankruptcy would need approval from essentially all of Paramount's lenders and a majority of shareholders.

By the end of fiscal year 2010, Paramount had only $433 million of cash on its balance sheet, an amount that was barely enough to service its interest payments the next year. Stoll felt a default on Paramount's existing debt was inevitable in 2011. The cross-default clauses in Paramount's debt instruments meant that local lenders could initiate legal claims on assets within the jurisdiction of their courts. The ensuing scramble when a default occurred would end cross-border shipments and stop global operations as creditors placed liens on the assets of subsidiaries in their country. Once suppliers heard about a default, they could hold up Paramount's shipments until they were paid, or demand payment prior to shipping, thus constricting cash flow further. Many of Paramount's Canadian and U.S. suppliers were already demanding that the company improve its finances as a condition for continuing shipments. Stoll needed to consider the interests of each class of debt claimants to be sure that a refinancing plan would be accepted.

The Major Players

Banks At the end of 2010, Paramount had total outstanding debt of more than $5.5 billion, of which more than $3.5 billion was in credit lines and syndicated bank loans from more than 20 banks around the world. The rest were public bonds held by insurance companies, pension funds, and other institutional investors worldwide. (**Exhibit 6** lists short-term liabilities by creditor and country at the end of 2010; **Exhibit 7** lists long-term loans, bonds, and notes outstanding at the end of 2010.) The majority of outstanding debt was due before 2013. Paramount's largest lenders were dispersed in many countries, with banks in China, Canada, Germany, and South Korea providing half of the bank lending. Most of these lenders worked independently of one another. Most of these loans had covenants attached. Paramount's ability to seek additional debt financing and to pay cash dividends to stockholders was limited.

Shareholders Paramount's common shares were widely held by institutional and retail investors. Large institutional investors, including pension funds, corporations, and professional asset managers, together held over 60% of the company's outstanding shares in early 2009. After the company suspended dividend payments in May 2009, several large institutional investors started selling off their holdings. In early 2010, a lack of interest from the existing shareholders forced Paramount to cancel the issuance of a new class of preferred stock that was intended to generate additional capital.

Ontario government In September 2010, Stoll initiated talks with the provincial government in Ontario, where the firm had large manufacturing facilities. He tried to convince provincial officials to provide funding guarantees for Paramount's borrowing from Canadian banks and for equity issuances. He warned that a production halt as a result of a default could cost more than 7,000 jobs in Ontario. The government was anxious to avoid job losses, with general elections scheduled less than a year away. However, there was resistance in Canada to bailing out a private multinational company. Talks with the government continued, but little progress had been made.

The Situation

To achieve a successful restructuring, Paramount needed consent from its lenders and shareholders on a refinancing plan. There were four things on Eric Stoll's agenda: (1) negotiating with bank lenders around the world to extend loan maturities, amend loan terms, and swap debt for equity; (2) continuing talks with the Canadian provincial government on funding guarantees; (3) approaching existing common shareholders and new investors for a new security issuance; and (4) divesting assets in compact construction equipment production and expanding the food-service equipment production to pay down debt.

In February 2011, Paramount was working closely with the government to achieve a financing plan. On February 18, the *Wall Street Journal* reported that Paramount had reached a preliminary agreement with the government and some lenders. The government was prepared to guarantee the capital risk of a portion of new equity investment in Paramount, conditional on cooperation from existing lenders and other requirements. Paramount's share price jumped more than 10% after these announcements.

On February 28, the company revealed that its fourth-quarter losses were smaller than previously projected, but net losses for the 2010 fiscal year were $300 million. In addition to interest obligations of around $350 million in the coming year, the company had about $200 million of principal payments coming due between September and December. Cash flow from operations was close to breakeven, and sales of capital equipment might net $100 million. Paramount could survive for four to six months, but would have to suspend scheduled interest payments between July and September. At that point, it would be in default on more than $5.5 billion of outstanding loans and bonds. Its future depended on whether the government, the existing lenders, and management could reach a feasible restructuring and refinancing plan quickly, and whether Paramount could improve its prospects enough to secure a capital injection from new investors. Investment analysts wondered whether Stoll could lead the company through the crisis. They also questioned Paramount's long-term ability to compete in the U.S. and global markets.

Exhibit 1 Consolidated Balance Sheet, 2001-2010 (U.S. $ millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Cash and short-term investment	632	980	984	1,776	1,727	1,565	1,098	687	624	433
Accounts receivable	239	398	423	490	496	577	682	920	1,008	885
Inventory	208	516	493	511	576	765	912	1,257	1,156	972
Prepaid expenses and other current assets	26	43	90	93	87	81	129	570	471	447
Current assets	1,105	1,937	1,990	2,870	2,886	2,988	2,821	3,434	3,259	2,737
Net PP&E	1,611	2,039	2,489	2,891	3,240	4,164	5,591	5,653	4,694	4,178
Investments and other assets	556	830	623	478	544	706	986	747	447	426
Total assets	3,272	4,806	5,102	6,239	6,670	7,858	9,398	9,834	8,400	7,341
Accounts payable	227	443	503	694	828	996	1,121	1,179	980	785
Bank borrowings	544	822	1,035	1,279	1,390	1,890	3,298	3,830	3,884	3,436
Long-term debt, current portion	101	122	120	204	209	229	230	482	193	194
Current liabilities	872	1,387	1,658	2,177	2,427	3,115	4,649	5,491	5,057	4,415
Long-term debt	445	1,340	1,350	1,970	1,965	2,288	2,268	2,241	1,920	1,902
Deferred taxes	91	54	32	35	70	130	165	53	(155)	(288)
Minority interest in subsidiaries	–	–	–	–	–	–	8	26	36	45
Total liabilities	1,408	2,781	3,040	4,182	4,462	5,533	7,090	7,811	6,858	6,074
Shareholders' equity	1,864	2,025	2,062	2,057	2,208	2,325	2,308	2,023	1,542	1,267
Total liabilities and equity	3,272	4,806	5,102	6,239	6,670	7,858	9,398	9,834	8,400	7,341
Number of common shares (millions)	183.2	194.1	196.1	196.2	201.1	201.1	198.4	198.5	200.2	206.5
Share price (end of year)	12.01	14.08	16.32	19.09	22.03	31.36	31.08	9.11	5.71	2.63
Total Debt	1,090	2,284	2,505	3,453	3,564	4,407	5,796	6,553	5,997	5,532
Market Value of Equity	2,200	2,733	3,200	3,744	4,429	6,306	6,165	1,808	1,143	542
Enterprise Value*	3,290	5,017	5,705	7,197	7,993	10,713	11,961	8,361	7,140	6,074
Debt to Total Capital (book value)	37%	53%	55%	63%	62%	65%	72%	76%	80%	81%
Debt to Enterprise Value (market value)	33%	46%	44%	48%	45%	41%	48%	78%	84%	91%
A/R % sales	12%	16%	14%	11%	11%	11%	10%	13%	17%	16%
Inventory % sales	10%	20%	16%	12%	13%	14%	14%	17%	19%	17%
Payable % COGS	15%	24%	22%	21%	25%	25%	23%	21%	21%	18%
Average collection period (days)*		46	48	39	41	36	35	41	58	62
Inventory conversion period (days)*		71	81	57	60	61	63	72	96	91
Payable deferral period (days)*		66	76	68	84	83	80	76	86	76
Cash conversion cycle (days)*		51	53	28	17	14	19	36	69	78

Enterprise Value = Total Debt + Market Value of Equity

Average Collection Period = 365*(Average of Accounts Receivable for Preceding and Current Year)/Net Sales for Current Year

Inventory Conversion Period = 365*(Average of Inventory for Preceding and Current Year)/COGS for Current Year

Payable Deferral Period = 365*(Average of Accounts Payable for Preceding and Current Year)/COGS for Current Year

Cash Conversion Cycle = Average Collection Period + Inventory Conversion Period - Payable Deferral Period

Exhibit 2 Consolidated Income Statements, 2001-2010 (U.S. $ millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net sales	2,033	2,531	3,105	4,321	4,438	5,459	6,510	7,205	6,015	5,575
COGS	1,504	1,858	2,282	3,232	3,311	4,012	4,830	5,497	4,601	4,259
Gross profit	529	673	823	1,089	1,127	1,447	1,680	1,708	1,414	1,316
SG&A expense	234	254	319	403	442	614	795	1,189	961	736
Depreciation and amortization	87	177	214	274	260	275	329	470	401	385
R&D expense	30	38	48	64	68	92	120	144	117	121
Interest expense	38	55	111	118	157	163	210	283	380	398
Exchange adjustments	–	–	–	(120)	–	–	–	180	(130)	(40)
Pretax income (loss)	140	149	131	110	200	303	226	(198)	(575)	(364)
Income taxes	49	52	46	38	70	106	79	(69)	(201)	(128)
Minority interest	–	–	–	–	–	–	–	80	100	64
Net income	91	97	85	72	130	197	147	(209)	(474)	(300)
Number of common shares (millions)	183.2	194.1	196.1	196.2	201.1	201.1	198.4	198.5	200.2	206.5
Market cap	2,200	2,733	3,200	3,744	4,429	6,306	6,165	1,808	1,143	542
Earnings per share	0.50	0.50	0.43	0.37	0.65	0.98	0.74	(1.05)	(2.37)	(1.45)
Cash dividend per share	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.1	0.0
Share price	12.01	14.08	16.32	19.09	22.03	31.36	31.08	9.11	5.71	2.63
Gross margin	26%	27%	27%	25%	25%	27%	26%	24%	24%	24%
Operating margin	9%	8%	8%	5%	8%	9%	7%	1%	-3%	1%
Net margin	4%	4%	3%	2%	3%	4%	2%	-3%	-8%	-5%
ROA	3%	2%	2%	1%	2%	3%	2%	-2%	-6%	-4%
ROE	5%	5%	4%	4%	6%	8%	6%	-10%	-31%	-24%
Revenue growth		24%	23%	39%	3%	23%	19%	11%	-17%	-7%
EBITDA growth		44%	20%	36%	-1%	20%	3%	-51%	-10%	37%
Interest coverage ratio*	4.68	3.71	2.18	1.93	2.27	2.86	2.08	0.30	-0.51	0.09

*Interest coverage = (Gross Profit - SG&A Expense - Depreciation and Amortization - R&D Expense)/Interest Expense

Exhibit 3 Consolidated Statement of Cash Flows, 2001–2010 (U.S. millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating Activities										
Net income	91	97	85	71	130	197	146	(208)	(474)	(301)
Depreciation and amortization	87	177	214	274	260	275	329	470	401	385
Less: increase (decrease) in accounts receivable	80	159	25	67	6	81	105	238	88	(123)
Less: increase (decrease) in inventory	209	308	(23)	18	65	189	147	345	(101)	(184)
Less: increase (decrease) in prepaid expenses	20	17	47	3	(6)	(6)	48	441	(99)	(24)
Add: increase (decrease) in accounts payable	140	216	60	191	134	168	125	58	(199)	(195)
Add: deferred tax liability	91	(37)	(22)	3	35	60	35	(112)	(208)	(133)
Add: increase (decrease) in minority interest	–	–	–	–	–	–	8	18	10	9
Operating activities—net cash flow	100	(31)	288	451	494	436	343	(798)	(358)	96
Investing Activities										
Less: net increase in investment	60	274	(207)	(145)	66	162	280	(239)	(300)	(21)
Less: capex (net of sale of PP&E)	831	605	664	676	609	1,199	1,756	532	(558)	(131)
Investing activities—net cash flow	(891)	(879)	(457)	(531)	(675)	(1,361)	(2,036)	(293)	858	152
Financing Activities										
Add: changes in bank borrowings	23	278	213	244	111	500	1,408	532	54	(448)
Add: changes in current debt	40	21	(2)	84	5	20	1	252	(289)	1
Add: long-term debt net issuance	148	895	10	620	(5)	323	(20)	(27)	(321)	(18)
Add: sale of common stocks	165	142	30	2	101	–	(84)	2	13	26
Less: cash dividend	73	78	78	78	80	80	79	79	20	–
Financing activities—net cash flow	303	1,258	173	872	132	763	1,226	680	(563)	(439)
Beginning cash	1,120	632	980	984	1,776	1,727	1,565	1,098	687	624
Change in cash	(488)	348	4	792	(49)	(162)	(467)	(411)	(63)	(191)
Ending cash	632	980	984	1,776	1,727	1,565	1,098	687	624	433

Exhibit 4 Geographic Segments of Paramount as of 2010 (U.S. millions)

	2010 Sales		2010 Production		
	Amount	%	Cranes and compact construction equipment	Aerial work platforms	Food-Service equipment
North America	**2,119**	**38%**	**36%**	**28%**	**26%**
United States	1,561	28%	10%	0%	18%
Canada	335	6%	26%	28%	8%
Mexico	223	4%	0%	0%	0%
Europe	**1,450**	**26%**	**32%**	**40%**	**29%**
Germany	446	8%	12%	22%	0%
France	279	5%	0%	18%	21%
U.K.	223	4%	8%	0%	0%
Italy	167	3%	0%	0%	8%
Russia	167	3%	4%	0%	0%
Others[a]	167	3%	8%	0%	0%
East and South Asia	**1,282**	**23%**	**32%**	**32%**	**45%**
China	613	11%	28%	16%	32%
India	279	5%	0%	6%	8%
South Korea	167	3%	4%	10%	0%
Others[b]	223	4%	0%	0%	5%
Middle East	**725**	**13%**	**0%**	**0%**	**0%**
Saudi Arabia	335	6%	0%	0%	0%
UAE	167	3%	0%	0%	0%
Others[c]	223	4%	0%	0%	0%
Total	5,575	100%	100%	100%	100%

[a] Other countries in Europe include Belgium, Netherlands, Luxembourg, the Czech Republic, Ukraine, Poland, Belarus, Croatia, Serbia, Slovakia, and Hungary.
[b] Other countries in Asia include Bangladesh, Pakistan, Malaysia, Indonesia, and Singapore.
[c] Other countries in Asia include Oman, Qatar, Kuwait, and Yemen.

Exhibit 5 Comparative Data on Construction Equipment and Food-Service Equipment Producers, 2006–2010 (U.S. millions)

	2006	2007	2008	2009	2010
Paramount Equipment Inc.					
Net sales	5,459	6,510	7,205	6,015	5,575
Operating profit	466	436	85	(195)	34
Net income	197	147	(209)	(474)	(300)
Assets	7,858	9,398	9,834	8,400	7,341
Short-term debt	2,119	3,528	4,312	4,077	3,630
Long-term debt	2,288	2,268	2,241	1,920	1,902
Total liabilities	5,533	7,090	7,811	6,858	6,074
Shareholders' equity	2,325	2,308	2,023	1,542	1,267
Capex (net of sale of PP&E)/assets	0.15	0.19	0.05	-0.07	-0.02
Operating margin	0.09	0.07	0.01	-0.03	0.01
Profit margin	0.04	0.02	-0.03	-0.08	-0.05
Sales/assets	0.69	0.69	0.73	0.72	0.76
STD/assets	0.27	0.38	0.44	0.49	0.49
Total debt/assets	0.56	0.62	0.67	0.71	0.75
Interest coverage	2.86	2.08	0.30	-0.51	0.09
T-Rex Limited					
Net sales	71,513	63,798	77,814	52,113	57,345
Operating profit	10,342	9,094	7,690	3,936	652
Net income	6,156	5,403	4,325	1,484	(304)
Assets	45,079	44,504	55,189	40,855	52,576
Short-term debt	230	232	2,527	1,246	1,223
Long-term debt	14,820	18,611	24,389	20,908	20,908
Total liabilities	26,648	30,422	38,281	27,190	31,430
Shareholders 'equity	18,431	14,082	16,908	13,695	21,146
Capex (net of sale of PP&E)/assets	0.05	0.05	-0.02	-0.03	0.03
Operating margin	0.14	0.14	0.10	0.08	0.01
Profit margin	0.09	0.08	0.06	0.03	-0.01
Sales/assets	1.59	1.43	1.41	1.28	1.09
STD/assets	0.01	0.01	0.05	0.03	0.02
Total debt/assets	0.33	0.42	0.49	0.54	0.42
Interest coverage	11.87	11.62	7.42	2.63	0.51
McKale Food-service equipment Corp.					
Net sales	819	911	1,081	1,083	1,282
Operating profit	166	222	246	297	300
Net income	85	114	123	144	155
Assets	2,289	2,757	3,256	3,118	3,132
Short-term debt	317	507	593	549	507
Long-term debt	618	612	605	518	514
Total liabilities	1,601	1,854	2,282	2,034	1,826
Shareholders' equity	688	903	974	1,084	1,306
Capex (net of sale of PP&E)/assets	0.10	0.13	0.03	-0.04	-0.01
Operating margin	0.20	0.24	0.23	0.27	0.23
Profit margin	0.10	0.13	0.11	0.13	0.12
Sales/assets	0.36	0.33	0.33	0.35	0.41
STD/assets	0.14	0.18	0.18	0.18	0.16
Total debt/assets	0.41	0.41	0.37	0.34	0.33
Interest coverage	4.61	4.81	4.34	4.32	4.38

Exhibit 6 Short-Term Loans by Banks as of December 31, 2010 (U.S. millions)

	North America		Europe					Asia				
List of banks	**U.S.**	**Canada**	**U.K.**	**Germany**	**France**	**Italy**	**Luxembourg**	**China**	**India**	**South Korea**	**Other**	**Total**
Bank of America	237.9											237.9
Citibank	166.3										27.8	194.1
TD Canada Trust		493.6										493.6
Royal Bank of Canada		306.1										306.1
Barclays Plc			78.4	66.0							13.0	157.4
Deutsche Bank AG				158.8		61.1					13.7	233.6
Commerzbank AG				117.0								117.0
BNP Paribas				62.1	66.4		57.6					186.1
Credit Suisse Group	86.3		25.0		13.3		24.6				31.1	180.3
ICBC								226.2				226.2
China Construction Bank								185.5				185.5
HSBC Holdings	65.4							212.0		23.9	42.0	343.3
HDFC Bank Limited									179.6			179.6
Woori Bank										171.0		171.0
Abu Dhabi Commercial Bank											19.0	19.0
Emirates NBD											10.0	10.0
Others	16.5	18.7	11.1	16.4	11.9	7.6	9.4	39.5	3.6	11.2	49.5	195.3
Total	572.4	818.4	114.5	420.3	91.6	68.7	91.6	663.2	183.2	206.1	206.1	3,436.0

Exhibit 7 Long-Term Debt Outstanding as of December 31, 2010 (U.S. millions)

Syndicated loans, bonds, notes, and debentures by seniority	**Amount**
Syndicated bank loans	
Paramount Equipment Holdings (China): bank loans (CHIBOR+3%) maturing 2011–2014	148
Paramount Equipment S.p.A. (Italy): bank loans (5.5%) maturing 2011–2013	92
Loans syndicated by several banks in London (LIBOR+2.8%) maturing 2011–2013	80
Senior secured bonds and notes	
Paramount Equipment AG (Germany): 3.8% secured bonds due 2017	320
Paramount Equipment Inc. (U.S.): 4.2% secured notes due 2022	220
Senior unsecured bonds and notes	
Paramount Equipment Inc. (U.S.): floating rate senior notes due 2019	180
Paramount Equipment Holdings (South Korea): 7.5% senior bonds due 2017	168
Paramount Equipment S.A. (France): 4.5% senior notes due 2014	147
Paramount Equipment S.A. (France): 4.1% senior bonds due 2011	129
Subordinated debentures	
Paramount Equipment Ltd. (Canada): 7.9% subordinated debentures due 2012	258
Paramount Equipment Inc. (U.S.): 7.25% subordinated notes due 2016	134
Convertible subordinated notes	
Paramount Equipment Inc. (U.S.): 6.75% convertible subordinated notes due 2016	220
Total long-term debt	2,096