DISTRESS FIRMS AND RESTRUCTURING CHOICES: THE INVESTIGATION OF ABNORMAL RETURN

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By

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ABSTRACT

Financially weak firms facing financial distress resolve its problems suitably by introducing restructuring strategy from various restructuring choices. For beyond or equal to 25 percent of managerial ownership concentration, voluntary assets sales and swaps are successful for firm value enhancing with positive abnormal return at announcement date and positive cumulative average abnormal return throughout event window, altogether the increasing in value is stable for short-term period. For lower than 25 percent of managerial ownership concentration, market perceive positively to 1) the restructuring choices of debt restructuring except the subgroup of forgiveness/deduction/suspension/extension and debt-equity swap and 2) the resignation as managerial restructuring with the stable increasing in value.

Keywords: Financial distress; corporate restructuring; ownership concentration; firm value

I. INTRODUCTION

As firm operates business in order to make profit and expand business continuously, firm might experience either internal financial factors and/or external economic factors, all of which reflect firm to have financial problems. These lead firm to operate business unsustainable and has a financial distress accordingly. Wruck (1990) argue that financial distress is a situation where a firm's operating cash flows are not sufficient to satisfy current obligations such as trade credits and interest expenses, and the firm is forced to take corrective action. The consequence of financial distress is that firm is typically going to default payment debt obligation to creditors and violate contract with outside parties. Ultimately for a drastic case and insolvency, formal bankruptcy filing and liquidation are the remedy for distress firm.

In this paper, the indicator to classify firms in financial distress is by using accounting measurement as interest coverage ratio (the "ICR") which is the ratio of EBITDA to interest expenses or the ratio of earnings before interest expenses, tax, depreciation and amortization to interest expenses (see more details in data).

Corporate restructuring is a solution to avoid financial distress and to solve financial problems. Thus, in this paper, restructuring resolutions or restructuring strategies adopted by distress firms include assets restructuring, debt restructuring, and managerial restructuring.

The assets restructuring comprises of voluntary and forced assets sales and assets swaps for both of the distress firms' core assets and non-core assets. The assets sales are also included the selling of stake, which is the equity shareholding of both tradable and non-tradable securities in association and subsidiary of diversified firm or firm within group-affiliation. The selling of stake is considered as an assets sale for an being acquired firm or target; however, the sample in this study is focused on the listed companies in the Stock Exchange of Thailand (the "SET") so that the information about the counter party have to be disclosed; hence, for the courter party or a bidding firm, this transaction is considered as a takeover accordingly. However, the transaction occurs with the intention to change the controlling shareholders in target, in the other hand the bidding firm doing assets acquisition

transaction. As a result, the takeover will be classified as merger and acquisition (the "M&A") category accordingly.

The debt restructuring is the changing of debt structure of loan principal and outstanding, interest expenses and accrued interest expenses includes the changing of terms and conditions of loan agreement and will be classified into 5 categories in this paper. 1) the increasing of firm's leverage, 2) the debt renewal/rollover/refinance 3) the debt forgiveness/deduction/extension/suspension, 4) the debt-equity swap for debt reducing offer, and 5) the renegotiation with creditors.

The managerial restructuring of senior management and board members comprises of 1) new appointment, 2) termination/reshuffle/replacing, and 3) resignation.

For publicly traded companies in the SET, the managerial ownership concentration has a significant role to drive the distress firms to survive in financial distress and economic crisis as it is considered as a crucial determinant for relevant parties to consider the capability of surviving firms i.e. for creditors to approve loan and for the strategic partner to consider the business opportunity.

Distress firms with different financial problems and managerial ownership structure resolve their problems suitably by properly introducing the best corporate restructuring strategy as they strongly believe that the adopting strategy will come up with the possibility of success to help resolving financial distress. In Thailand, there exists the evidence that managerial ownership concentration for publicly traded companies are wildly adopted as most of them are the family business, business group and affiliations, of which the controlling power is concentrated in those hands of a few wealthy families or managers within firms. La Porta, Lopez-de-Silanes, Shleifer, & Vishny, (2002) argue that managers internalize most of the value effects to their decisions through their retained ownership, it provides a guarantee that they will make corporate decisions with intend to increase value to all shareholders instead of pursuing private benefits.

Morck et al. (1998) found the empirical evidence in the United States that firm value increases until management ownership reaches 5 percent, and declines until management

ownership reaches 25 percent, then the firm value increases again beyond the 25 percent of ownership level or we can say that the managerial ownership entrenchment range is in between 5 percent to 25 percent. For the empirical evidence in the United Kingdom, Keasey (1999) found the turning point of managerial ownership is in between the range of 16 percent to 42 percent. However, for emerging market in Thailand, Kim et al. (2004) found the managerial ownership entrenchment range is in between 31 percent to 71 percent. Claessens et al. argues that large Thai shareholders have significant cash flow and voting rights as compared to other shareholders from around the world.

However, this paper considers the turning point at 25 percent, both direct holding and indirect holding of management shareholders, since the relevant laws and regulations justified this level of ownership concentration to have control on firm with the following reasons 1) the controlling shareholders can nullify any corporate decision, 2) the controlling shareholders can conduct board member and inspect the financial conditions and business operation on firm, 3) the controlling shareholders can hold the Extra Ordinary General Meeting (the "EGM") at any time to vote for passing the resolution to privately manage firm on their favor and 4) in case that there are the severe losses from business operation, the controlling shareholders can demand on court for dissolution.

Likewise, this paper studies the immediate announcement effect of distress firms from the market participants; hence, the objectives of this study is to investigates the market reaction on firm value at the restructuring announcement date for the announcement before entering restructuring transaction and the announcement during restructuring transaction of publicly traded companies in Thailand. However, in this paper, we classified the sample with the managerial ownership concentration beyond or equal to 25 percent and the managerial ownership concentration less than 25 percent in order to show the results of abnormal return at and around the announcement date and cumulative average abnormal return for different holding periods. The results are different and obvious for those 2 subgroups with firm value enhancing and a firm value destroying when distress firms announce their corporate restructuring strategy.

According to the objective of the study mentioned above, this paper will provide the extended analysis of market reaction through the observations of distress firms, which are the publicly traded companies in the SET during the period of February 1, 1998 to December 31, 2003, see more details in data.

Regarding the Stock Exchange Commission's (the "SEC") and the Stock Exchange of Thailand's (the "SET") relevant rules and regulations, required the listed companies to quarterly declare the financial status to public (and if required from the SEC in case that its operating performance has changed substantially over 20 percent compared to the previous specific point of time or compare to the company's performance forecasting declaration) and requires the distress firms to resolve its financial conditions in order to maintain the listing status in the SET otherwise delisting is introduced to the distress firms.

As a result, if the restructuring resolution is properly adopted onto the distress firms, the market participants or the outside investors will perceive positively to the successfulness of restructuring strategies.

Nevertheless, recent studies have focused on the several different types of corporate restructuring strategies so that this paper will extend the scope of study by focusing the restructuring resolutions with responding to the distress firms in Thailand during 1998 - 2003. Hence, the contributions of this study are to gain and to understand the effectiveness and successfulness of restructuring resolution adopted by distress firms in Thailand.

II. LITERATURE REVIEW

Assets restructuring

Firms in financial distress have insufficient cash flow for its operations; as a result, to avoid bankruptcy, selling of its non-core assets is a solution of distress firms to generate sufficient cash flow for paying debt obligation, Lasfer et al. (1996). The forced assets sales are applied for firms with high financial leverage in order to serve its debt obligation, Gilson (1990), Ofex (1993), and Lasfer, Sudarsanam, and Taffler (1996). However, a substantial discount of the selling of assets might lead assets sales unattractive, especially during a downturn market; the empirical evidence from Pulvino (1998) studied the airline companies of

the United States and this evidence are also consistent to Shleifer and Vishny (1992). Nevertheless, to retain its stake, in some case, major shareholders of distress firms might undertake such assets sales with discount to satisfy the pressure from creditors.

The decreasing of firm's leverage causes a stock price to be increased at the announcement date of assets sales. Also, firms have enough cash to operate business, John and Ofek (1995); in addition, this argument is consistent with Lang, Poulsen, and Stulz (1995) and Lasfer, Sudarsanam, and Taffler (1996) that share price reacts positively to the assets sales announcement which intend to use proceeds to improve remaining assets in order to get a better performance and resolve financial problems.

The significant determinants of firms adopting assets sales are liquidity problem, high leverage problem and the need of re-focusing on its core business due to the poor operating performance of the investment in subsidiaries and affiliates, Denis, Denis, and Sarin (1997) and Lins and Servaes (1999), unlike Asquith et al (1994) shows the evidence that for distress firms which operate in highly leverage industries seems not to sell its assets, but firms are likely to sell assets if firms operate in highly growth perspective industries. In addition, the assets divestitures are always a choice for diversified firms to divest poor performing business unit as it is a monitoring role of corporate control for management, Weisbach (1995), Berger and Ofex (1999), Denis and Shome (2005), and Hillier et al. (2007).

Statman and Sepe (1989) and Weisbach (1995) argue that managers hesitate to take a disposal of non-core assets regarding of firms' poorly performing because it signal a low managerial quality of previous investment. However, distress firms are always the target for a merger and acquisition of vulture investors as theses assets sales are the win-win negotiable resolution for both buyer and seller because buyer gains the controlling of the target and seller avoids insolvency and bankruptcy.

Debt restructuring

Previous studies mainly focus on the corporate restructuring after the economic-wide crisis and the most significant problem after the economic-wide crisis for corporate is the non-performing loan or "NPL". NPL is a good indicator for banks to indicate the corporations with

inability to pay debt obligation. Consequently, this problem leads corporate debt to be a bad debt loan going to be bad debt losses, in worst case, the write off is obliged. These problems pursue the coming of economic recession as a result. The empirical evidence in Japan, after the bubble economic crisis in the 1990s, banks want to avoid the bad debt losses so that the properly resolving strategy which is the out-of-court debt restructuring program is introduced. The objective of this program is to extend the terms and restructure the conditions of debt.

In addition, there exists a positive abnormal return of non-bank-led to the out-of-court debt restructuring program to those distress firms, Peek and Rosengren 2005. However, even banks can avoid bad debt losses and such a restructuring program can be done out of court, the positive stock return of creditors were small, the evidence from the United States, Gilson et al. (1990) and Gilson (1997). Nevertheless, in long term perspective, the out-of-court restructuring leads firms to experience further financial distress due to the highly increasing leverage accordingly.

To further investigate whether the out of court restructuring program enhance firm value, the analysis of private settlements is applied in order to value the market value of equity of distress firms (earlier studies focus on the market value of banks and creditors). The empirical evidence from the United States shows that at the initial announcement of a debt restructuring appears a negative average cumulative abnormal return; however, it consequently become positive at the time the negotiation were concluded, Gilson et al. (1990). Gilson et al. also found that default companies with out-of-court restructuring have higher cumulative abnormal returns at the announcement of starting debt restructuring negotiation. This implies that the market participants predict the outcome of the negotiation correctly. The empirical evidence from Gilson et al. is consistent to the analysis of debt-relief request of Uchida and Goto (2002) reported the significant abnormal return within three days of announcement.

The possibility of success of the out-of-court restructuring is different between the empirical evidence from the United States and Japan, the empirical evidence from the United States found the difficulty of the out-of-court debt restructuring as there are many impediments such as the conflict of interest between the holdout problem, free-rider problem

and relevant parties, Gilson et al (1990). While the empirical evidence from Japan found it easily negotiated and efficient due to the fact that the relationship between distress firms and banks and banks affiliates is the significant determinant for the successfulness of the out-of-court restructuring program as banks and banks affiliates are the shareholder of the distress firms, Sheard (1994).

A financial distress response to restructuring as a bail out is introduced due to the advantage of conglomeration, Kim (2004). However, the credit problems occur because the empirical evidence in Japan are lack of monitoring, Morck and Nakamura (1999), Kang and Stulz (2000) and Peek and Rosengren (2005). The lack of transparency and monitoring of out-of-court restructuring program in Japan leads to the reputation damage of banks and the insufficiency of capital adequacy ratio. This situation can be clarified as banks cannot identify whether the cash settlement from its receivables comes solely from the company itself or comes from its affiliates.

Managerial restructuring

Financial distress leads to a replacement of senior management and board members as a resolution for distress firms which are going to be a target for takeover and merger and acquisition, Scharfstein (1988). In addition, the changing in the proportion of shareholding among existing shareholders is a significant determinant for management turnover.

Shleifer and Vishny (1986) shows the empirical evidence that during financial distress, firms with high ownership concentration level has a high rate of management turnover as a monitoring tool employed by major shareholder in order to prevent insolvency. The monitoring roles of creditors are also the great determinant to force distress firms to comply with the disciplinary terms and conditions of restructuring plan, which is also the acceleration of management turnover, Gilson (1989).

In previous studies, there exists the controversial for the action of distress firms which undertake the dismissal of management or forced turnover as a punishment due to the poor performance of firm's operation. As a result, market perceive both positively (Denis and Denis (1995)) and negatively (Warner et al. (1988)) to such a resolution.

In financial distress, the management turnover is relatively low due to the fact that distress firms with high director shareholdings reduce management turnover which is consistent to the empirical evidence of Brown, James and Mooradian (1994) argue that managers decide to sell assets in order to avoid bankruptcy and to repay debt obligation as they don't want to lose their jobs. In contrast, firms with high private investor shareholdings increase management turnover but in positive effect since they directly monitor the incentives on firms, Demsetz and Villalonga (2001).

As mentioned earlier, managerial restructuring is a sensitive resolution, and most of the cases involved with the ownership concentration and the various types of shareholder such as private shareholders, institutional shareholders and management shareholders. Furthermore, in insolvency case, strategic partner as a shareholder shall be invited together with the powerful voting rights on board and controlling power on firms, all of which result to the replacement of board members or top management as strategic partner had negotiated for the number of seats on board before coming as shareholder. The reason is that distress firms or the target have less power to negotiate for the better position as it needs funds to subsidize firm and the forced turnover is applied eventually.

Managerial ownership concentration and agency problem

Agency problem is the conflicts of interest between managers/management shareholders and outside investors through the ownership proportion and control mechanisms, (Mello & Parsons, 1998; Pagano & Roell, 1998). These conflicts may affect the firm value by either increasing or decreasing the firm's market value of equity.

In Thailand, managers of privately owned firms are likely to manage firms in their personal benefits; however, for publicly traded firms or listed companies, there are disciplinary rules and regulations required listed companies to comply with in order to ensure that managers will manage firms to have a good performance and increase the wealth to outside shareholders, as a result firm value increases.

In financial distress, there is the empirical evidence that managers are likely to lessen their entrenchment by selling their portion to vulture investors and institutional shareholders. This

situation leads firm to have the managerial restructuring and merger and acquisition, Hotchkiss and Mooradian (1997), due to the fact that distress firms provide a takeover opportunity and investment opportunity to the buyer, James (1995) and James (1996).

The over 25 percent entrenchment is considered to have a control on firms as these shareholders can have a representative on board with a voting right. The empirical evince form Morck et al. (1998) find that in the United States, the beyond 25 percent of ownership level increases firm value. However, to have a full control on firms needs the over 50 percent entrenchment which appears rarely to distress firms.

In conclusion, ownership concentration and distress firms' restructuring resolution have a relation to and impact on firm value. The introducing restructuring resolution adopted by distress firms is based on various kinds of financial situations and the decisions making by management and shareholders, all of which lead firms to have value enhancing or destroying.

This paper, therefore intend to study the empirical evidence in the Stock Exchange of Thailand based on the hypotheses that market participants will perceive positively to the firms of which the restructuring strategy is appropriate, see more details in the theoretical framework.

III. THEORETICAL FRAMEWORK

Typically, the corporate restructuring strategies of firms in financial distress are mainly classified into 2 groups, which are the group of assets restructuring and debt restructuring. However, this paper classifies the restructuring strategies of distress firms into 3 main categories, which are the assets restructuring, the debt restructuring and the managerial restructuring. Furthermore, all of those categories are further divided into 2 subgroups of managerial ownership which are the managerial ownership concentration beyond or equal to 25 percent firms and the managerial ownership concentration less than 25 percent firms.

The distress firms adopted restructuring resolution in order to resolve its financial distress and to comply with the disciplinary rules and regulations of the relevant authorities in order that firms can maintain its listing status. As a result, firms study and workout and then announce the properly restructuring resolution to the public. Consequently, market

participants immediately react and perceive in either positive way or negative way to such an announcement.

To evaluate a firm value of distress firms at the announcement date, we employ an event study analysis to investigate the abnormal return at the announcement date (the "AAR") and to investigate the cumulative average abnormal return (the "CAAR") for different holding periods throughout the event window (see more details in methodology). Then we determine whether the restructuring resolution adopted by the firms in financial distress with managerial ownership concentration beyond or equal to 25 percent or managerial ownership concentration less than 25 percent has a firm value enhancing or firm value destroying.

The hypotheses of this study are stated as following:

H1a : Market participants react positively to the announcement of mergers and acquisitions

We expect the merger and acquisition (the "M&A") as an effective assets development strategy and will enhance firm value to distress firms because the M&A typically generates the diversification and synergy to being acquired firms.

H1b : Market participants not to react positively to the announcement of forced assets sales and swaps but reacts positively to the announcement of voluntary assets sales and swaps.

We expect the voluntary assets sales and swaps to be the successful restructuring strategy as most of the case are the selling of non-core assets in order to 1) refocus on its core business, 2) to generate cash for improving firm's liquidity, 3) to generate cash for paying short-term debt obligation 4) to use pledged assets as the settlement for long-term debt obligation. In contrast, the forced assets sales and swaps occur when firms cannot meet debt due and enter into the event of default; thus, usually, assets will be sold with discount and to be captured as a settlement.

H2a : Market reacts positively to the announcement of debt restructuring

We expect that the debt restructuring is the good news for distress firms as financially weak firms have to resolve their financial problems by work out with creditors. Altogether, the

creditors and firms have to jointly consider, agree, and approve the restructuring plan before the adoption of such a restructuring strategy.

H2b : Market reacts more favorably to the debt restructuring announcement of the firm with managerial ownership beyond or equal to 25%

For firms with managerial ownership beyond or equal to 25%, we expect that market will perceive more favorably to the possibility of success through the restructuring announcement as debt play disciplinary role for management (Jensen 1996; Wruck, 1990)

H3a : Market reacts negatively to the announcement of managerial restructuring.

We expect the managerial restructuring of senior management and board member to be negatively perceived by the market participants with the reason that they are not able to perform effectively during financial distress, especially for independent directors.

IV. METHODOLOGY

The methodology used to investigate market reaction on firm value of the distress firms' restructuring announcement in this paper is an event study analysis. We define the announcement as an event of which the abnormal return is attributed to the impact of event either positively or negatively.

The event date (t=0) is defined as the day when distress firm announces its restructuring strategy. Typically, for restructuring firms, there is the leakage of information before the announcement or the drift following related events of restructuring strategies. We follow Lasfer et al. (1996) in order to fully capture the information content of the restructuring announcements, as a result we introduce the event window of 81 days (t=-40,…, 0,…, +40). Also, we employ daily log returns to calculate continuously compound return and the estimation period of 200 days (t=-240 to -41) to calculate market model's parameters.

The ordinary least squares regression equation over the estimation period to calculate market model parameters is given by:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \quad (1)$$

Where R_{it} is the continuous compounded return of security i on day t;

α_i and β_i are estimated parameters of the market model of security i;

R_{mt} is the continuously compounded market return on day t; and

ε_{it} is the random disturbance term of security i on day t

Market model parameters in estimation period are further used to calculate the expected return in event window as following equation:

$$E(R_{it}) = \alpha_i + \beta_i E(R_{mt}) \quad (2)$$

Where $E(R_{it})$ is the expected return of security i on day t over the event window:

α_i and β_i are estimated parameters obtained from (1); and

R_{mt} is the continuously compounded market return on day t over the event window.

The abnormal return of each security i on day t over the event window are the difference of expected return calculated from (2) and the actual return given by:

$$AR_{it} = R_{it} - (\hat{\alpha}_i + \hat{\beta}_i R_{mt}) \quad (3)$$

The cumulative abnormal return of security i over the event window given by:

$$CAR_i = \sum_{-40}^{+40} AR_{it} \quad (4)$$

The cross-sectional average abnormal return (AAR) for all companies within group and subgroup is given by:

$$AAR_t = \frac{1}{N} \sum_{i=1}^{N} \varepsilon_{it} \text{ , } t = (-40, -39, \ldots, +40) \quad (5)$$

Where N is the number of companies; and

ε_{it} is the abnormal return for security i on day t.

The cumulative cross-sectional average abnormal return (CAAR) for all companies within group and subgroup is given by:

$$CAAR = \sum_{t=-40}^{+40} AAR_t \quad (6)$$

To reduce event-induced variance change experienced by samples, the parametric t-test of Boehmer et al. (1991) is used to examine whether abnormal return is statistically significantly different from zero.

The Boehmer parametric t-test is given by:

$$t(SAR) = \left(\sum_{t=1}^{n} SAR_{it} \right) \frac{1}{\sqrt{N}} \quad (7)$$

$$t(SCAR) = \left(\sum_{t=1}^{n} SCAR_{it} \right) \frac{1}{\sqrt{N}} \quad (8)$$

Where SAR_{it} is the standardized abnormal returns;

$SCAR_{it}$ is the standardized cumulative abnormal returns; and

N is the number of companies.

The nonparametric sign test is applied to mitigate the possible non-normal distribution of abnormal return for small sample properties.

V. DATA

The data using in this paper consists of 1) restructuring announcement of distress firms (during the period of February 1, 1998 – December 31, 2003), 2) accounting data of each firm used to define firms in financial distress, 3) share price of each firm during the event window and the estimation period and 4) the managerial ownership concentration of each distress firm.

The data of restructuring announcement of listed companies in the Stock Exchange of Thailand (the "SET") are manually collected from the available source on the Asia Pacific News Achieves of the Troubled Company Reporter (the "TCR"), which is the publicly available of news items and firms' announcement on the website of the Internet Bankruptcy Library (the "IBL[1]."). The database reports information related to financial distress for the publicly traded companies worldwide and the database captures the information from regulatory filings, court pleadings, judicial rulings and press reports. The sample data are starting from February 1, 1998 (the date TCR start covering distress) to December 31, 2003.

[2]http://www.bankrupt.com/TCRAP_Public/index.html

The restructuring strategies to be announced of distress firms are classified into 3 main categories which are the assets restructuring, the debt restructuring and the managerial restructuring, and all of those categories are further divided into 2 subgroups of managerial ownership concentration, the beyond or equal to 25 percent firms and the less than 25 percent firms. The restructuring choices are defined below;

a. The assets restructuring comprises of 1) the voluntary assets sales and swaps for both core and non-core assets, 2) the forced assets sales and swaps for both core assets and non-core assets, and 3) the merger and acquisition (the "M&A").
b. The debt restructuring comprises of 1) the increasing of firm's leverage, 2) the debt renewal/rollover/refinance 3) the debt forgiveness/deduction/extension/suspension, 4) the debt-equity swap with creditors for debt reducing, and 5) the debt renegotiation with creditors
c. The managerial restructuring comprises of 1) the new appointment, 2) the resignation, and 3) the termination/reshuffle/replacing.

The accounting measurement used to define firms in financial distress is justified by the interest coverage ratio (the "ICR") and the accounting components are manually collected from the Thomson Datastream database. The ownership structure of distress firms are manually collected from the company's Form 56-1, which are available on the website of the Setsmart[2].

For the ICR, firms are justified as distress firms when firms meet one of the two criteria at least two consecutive years during the research period, the criteria of distress firms are stated below;

a. In case where firm has interest expenses; ICR < 1
b. In case where firm does not has interest expenses; EBITDA ≤ 0

Share price of distress firms are collected from the data base of Bloomberg, Thomson Reuters and Bloomberg.

[2]http://www.setsmart.com/

During research period, the sample consists of 416 restructuring announcements of listed and non-listed companies; however, there are only 146 restructuring announcements of listed companies left passing the sample criteria. The sample criteria is about to have share prices during the event window of 81 days.

Table I presents the summary statistics of research sample by managerial ownership concentration and by accounting measurement. Panel A of table I presents the distress firms' 16 restructuring announcements of ≥ 25% ownership level firms and 79 restructuring announcements of < 25% ownership level firms. Panel B of table I presents 95 firms in financial distress passing the ICR measurement.

[Table I is here]

VI. EMPIRICAL RESULTS

Table II presents the research results of average abnormal returns (the "AARs") and cumulative average abnormal returns (the "CAARs") of each restructuring choice on the announcement date (AAR_0), before announcement date (AAR_{-3} – AAR_{-1}), and after announcement date (AAR_1 – AAR_3), and during event window ($CAAR_{(-40,-40)}$ - $CAAR_{(-40,+40)}$) respectively.

[Table II is here]

In overall, the results of firms with the managerial ownership concentration beyond or equals to 25 percent have strong positive impact on voluntary assets sales & swaps as the increasing in value is stable and its AAR is positive on the announcement date, AAR_0 is 1.61, and CAARs are positive throughout the event window. In contrast, there is a strong negative impact on debt renewal/rollover/refinance and debt-equity swap as shown by its negative CAARs before and after announcement date while its AARs show both signs of negative and positive at and around the announcement date.

VI.I Assets restructuring

Merger and acquisition (M&A)

[Fig. I is here]

As shown in panel A of table II, the results of the full sample of M&A signify that market participants react positively to the announcements of M&A before (AAR_{-2} and AAR_{-1} being 2.83%, 5.38%) and after the announcement date (AAR_2 and AAR_3 being 1.34%, 5.58%); however, market does not have a strong believe on the adopted restructuring choice since the positive reaction of market participants is not monotonic as prices drift up and down like roller coaster in the nearly time during the event window. As shown in fig. I, prices start picking up approximately 12 days before the announcement date due to the leakage of the information; nevertheless, the increasing in value is not stable as $CAAR_{(-40,0)}$ is -6.94% then $CAAR_{(-40,20)}$ increases to be -1.43% and finally $CAAR_{(-40,40)}$ falling down to -5.09%. The results are not significant different from zero for AARs and CAARs.

The < 25% ownership level subgroup shows a similar but stronger results since the prices reaction are far beyond the results of full sample, $CAAR_{(-40,0)}$ is -5.99% after that $CAAR_{(-40,20)}$ increases to be 3.70% and finally $CAAR_{(-40,40)}$ falling down to -2.01%. However, there is not significant different from zero for AARs at and around announcement date and CAARs throughout event window.

Like the evidence from the United State of Clank and Ofek (1994) concluded that the assets acquisition or takeover is not a successful restructuring strategy as most of the cases are not clearly successful. For abnormal return of M&A, some report significant positive gains, Dodd and Ruback, 1977; Asquith et al., 1983; Canina 2001, while some report significant negative losses, Dodd, 1980; Asquith, 1983; sheel and Nagpal, 2000; Hsu and Jang, 2007.

Assets sales and swaps

[Fig. II is here]

[Fig. III is here]

As shown in panel A of table II and fig. II, the results of voluntary assets sales and swaps for the ≥ 25% ownership level subgroup are firm value enhancing as prices drift up monotonically before the official announcement until the end of event window since the cumulative average abnormal return increase from -1.19% ($CAAR_{(-40,-40)}$) to 11.57% ($CAAR_{(-40,0)}$) at the announcement date and increase to 31.98% ($CAAR_{(-40,40)}$) with 10% level of

significance for both parametric and non parametric test, the AAR_0 is 1.61% and not significant different from zero . These indicate that the information of voluntary assets sales and swaps are leaked to the market and market participants believe that firms with high managerial ownership concentration will transfer the wealth from creditors to shareholders regarding the assets downsizing strategy since cash generated from sales or swap assets will entirely or partially use to settle current and long term debt obligation and the remaining cash will be used to recover financial conditions. Unlike the forced assets sales and swaps, as shown by panel A of table and fig. III the substantial sales and swaps with discount to pay over-due debt reflected the decreasing in value as prices severely falling down and the $CAAR_{(-40,40)}$ is -78.31%with 5% level of significance. The leakage of the information of over-due debt causes prices to obviously have the negative impact since $CAAR_{(-40,-40)}$ is -3.27% going to be -43.19% ($CAAR_{(-40,-20)}$) by 20 days.

[Fig. IV is here]

As shown in table II and fig. IV, the results of 2 subgroups are obvious, market reacts positively to the assets restructuring announcement of the ≥ 25% ownership level subgroup but reacts negatively to the < 25% ownership level subgroup due to the fact that market believes that distress firms with high managerial ownership concentration are likely to pursue the wealth to shareholders as they are engaged with the survival of firms.

VI.II Debt restructuring

[Fig. V is here]

[Fig. VI is here]

[Fig. VII is here]

[Fig. VIII is here]

[Fig. IX is here]

[Fig. X is here]

As shown in panel A of table II, there is not significant different from zero for the AAR_0 of each restructuring strategy and each subgroup of debt restructuring since, most of the cases, the nature of debt restructuring are involved with many debt-related events; hence, usually

there are significant different from zero before the official announcement due to the leakage of the information of related event of debt restructuring. The results of parametric and non-parametric test are broadly consistent, usually 3 days before the official announcement date.

As shown in fig. V to fig. VII, for the restructuring choices of increasing leverage, debt renewal/rollover/refinance and debt-equity swap, market participants perceive positively to the announcement of the < 25% ownership level subgroup since the outside shareholders play the highly monitoring role to managers effectively, in contrast, market participants perceive negatively to the announcement of the ≥ 25% ownership level subgroup due to the problem of financial distress results from the poor management of previous investment of debt-financing and the business operation, where management shareholders are over-confident and over-investment, and the performance of such investment are unexpectedly low. For the < 25% ownership level subgroup, the increasing in value of increasing leverage and debt renewal/rollover/refinance is stable as the cumulative average abnormal return remains at 10.00% ($CAAR_{(-40,0)}$ is 10.30%, $CAAR_{(-40,20)}$ is 12.51% and $CAAR_{(-40,40)}$ is 14.58%) and 40.00% ($CAAR_{(-40,0)}$ is 43.33%, $CAAR_{(-40,20)}$ is 43.65% and $CAAR_{(-40,40)}$ is 41.39%) respectively; however, except the debt-equity strategy, the increasing in value is not stable since this restructuring choice comes up with the dilution effect of share price and voting power ($CAAR_{(-40,0)}$ is 3.39%, $CAAR_{(-40,20)}$ is 13.86% and $CAAR_{(-40,40)}$ is -10.95%). For the ≥ 25% ownership level subgroup, the increasing in value of increasing leverage is not stable as market predict the outcome from previous debt-related events and does not believe that the increasing of debt will be the successful strategy.

For the < 25% ownership level subgroup of debt negotiation, the increasing in value is stable and remains at 50% ($CAAR_{(-40,0)}$ is 18.92%, $CAAR_{(-40,20)}$ is 56.47% and $CAAR_{(-40,40)}$ is 54.01%) since market perceive the intention to negotiate with creditors as good news for highly monitoring role firms and can predict the outcomes of the negotiation from related events of restructuring. However, the results of forgiveness/deduction/suspension/extension are contrast and market participants perceive as bad news.

Debt restructuring has a long drawn process to be success and involved with many debt-related events leaked to the market before the official announcement as the plan administrator or the working out team has to propose the restructuring plan to pass the resolution at the shareholders meeting or at the bankruptcy court; hence, the information will leak to the public and will lead market participants to predict the outcomes of those debt restructuring choices. As a result, market participants perceive in both positive and negative way and abnormal return can occur before and after announcement date. The empirical evidence from Gilson et al. and the analysis of debt-relief request of Uchida and Goto (2002) reported the significant abnormal return within three days of announcement.

VI.III Managerial restructuring

[Fig. XI is here]

[Fig. XII is here]

[Fig. XIII is here]

[Fig. XIV is here]

As shown in table II and fig. XI to fig. XIV, there is not significant different from zero for the AAR_0 of each categories and each subgroup of managerial restructuring. However, there are significant around 2 to 3 days after the announcement date for resignation and new appointment for both parametric and non-parametric test.

Market participants perceive positively to the managerial restructuring of the < 25% ownership level subgroup of resignation and the increasing in value is stable at 20.00% ($CAAR_{(-40,0)}$ is 22.16%, $CAAR_{(-40,20)}$ is 21.64% and $CAAR_{(-40,40)}$ is 22.42%), prices start drifting up before the official announcement due to the leakage of the information and for highly monitored roles by outside shareholders, the resignation of poor performance management to have a newly appointed management seems to be good news for market participants. Market participants perceive new appointment and termination/reshuffle/replacing as bad news, however, in short-term, even price volatility is high but the decreasing in value is small as $CAAR_{(-40,40)}$ are -2.09% and -3.90% respectively.

VII. CONCLUSION

The evidence in Thailand during 1998 – 2003 has the small samples for each restructuring choices, therefore the limited samples of this study cannot draw an absolute conclusion for each corporate restructuring strategy, the assets restructuring, the debt restructuring and the managerial restructuring.

This paper studies the announcement effect on firm value at the restructuring announcement date of publicly traded companies in Thailand. We show the managerial ownership concentration of beyond or equal to 25 percent of ownership level has an unexpectedly low cumulative average abnormal return except the voluntary assets sales and swaps and most of the cases are not significantly different from zero for average abnormal return at the announcement date. Voluntary assets sales and swaps are successful for firm value enhancing for high managerial ownership concentration. Market perceived negatively to the forced assets sales and swaps and debt renewal/rollover/refinance and debt-equity. However, for firms with managerial ownership concentration lower than 25 percent, market perceive positively to debt restructuring choices of increasing leverage, debt renewal/rollover/refinance, and debt renegotiation and the resignation as managerial restructuring with the stable increasing in value.

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APPENDIX

Examples of news articles from the website of Internet Bankruptcy Library

A. Example of M&A

Malee Sampran (MALE): CSFB Private Equity units take Malee share

Managerial ownership concentration: 36%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
12.50	11.25	12.00	12.25	11.00

The Nation reports Malee Sampran Plc, one of the country's largest canned fruit manufacturers, is stepping up its restructuring by welcoming two Credit Suisse First Boston Private Equity wholly-owned subsidiaries as new partners, enabling it to raise about Bt1.02 billion in fresh capital.

Malee Sampran Tuesday announced that CSFB Fruta Holdings NV and CSFB EMA Holdings NV will take a combined 28.6 per cent stake in the company after converting preferred shares and warrants to common shares. Malee welcomed the partners only months after successfully avoiding a delisting in early 1998. The two buyers, based in the Netherlands, are expected to help strengthen Malee's financial position; improve operating costs, quality and efficiency; as well as invest in expansion projects. The proceeds will also reduce Malee's debts which stood at Bt800 million as of October.

B. Example of voluntary assets sales and swaps

Bangkok Land (BLAND): To sell $46 million of assets

Managerial ownership concentration: 27%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
0.26	0.45	0.73	0.61	0.49

The Financial Times reports Bangkok Land announced it will sell Bt1.8bn ($46 million) worth of assets to Asian Opportunities Fund of UK-based Jupiter International. The sale accounts for

3.6 per cent of Bangkok Land's total assets of Bt50 bn. It is also the company's biggest sale of assets since Thailand's financial crisis began in July last year.

C. Example of forced assets sales and swaps

Supalai (SPALI): To sell assets to speed up restructuring

Managerial ownership concentration: 37%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
0.87	0.98	0.96	0.90	0.92

Listed developer Supalai Plc is trying to sell its finished projects, either wholesale or retail, for cash to repay creditors and speed up restructuring of its six-billion-baht debt.

Deputy managing director Atip Bijanonda said that the company has stocks of 700 condominium units, 50 detached houses, 60-70 townhouses and 15-20 duplexes in Bangkok.

The company was close to selling five eight-storey condominium buildings totalling 300 units at Supalai Buri housing estate in Rangsit for more than 200 million baht. The agreement was expected to be signed next month to turn the units into welfare housing run by state agencies, he said.

Mr Atip said two pending projects to be sold wholesale were a condominium at Supalai Park Project near Central Plaza Lat Phrao and an office building on Rama III Road. Prices were being negotiated. Supalai's biggest local creditor is Siam Commercial Bank, followed by the Assets Management Corporation.

This year, Supalai has set a total sales target of 1.5 billion baht and is trying to clear finished units at Supalai Park Condominium by offering discounts, interest incentives and guaranteed rents. Located on 10 rai, Supalai Park comprises three condominium blocks totalling 1,800 units. The first and the second blocks are finished and the third is to be sold wholesale.

D. Example of increasing leverage

Pranda Jewelry (Pranda): Granted Loan Facility by Krung Thai Bank

Managerial ownership concentration: 37%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
4.65	4.46	4.95	5.09	5.23

Pranda Jewelry Public Company Limited has entered into Loan & Credit Facility Agreement with Krung Thai Bank Republic Company Limited on September 16, 2002, 9.30 am. at the company premise.

The essence of the Agreement is as follows:

* 8-years-term-loan by quarterly installment payment:

1,083,870,000.00 Baht

* Total Credit Facility: 1,493,870,000.00 Baht

Vice Executive Chairman Sunanta Tiasuwan said that Pranda will utilize the term-loan by having debt pre-payment paid to its existing 12 financial institution creditors to mark the end of Debt Restructuring Agreement, dated 18 September 2000 and all previous individual loan contracts, which was a contract agreed with the its creditors through the process of CDRAC under the Bank of Thailand supervision.

In addition, Pranda will benefit from this debt early retirement by gain from debt reduction by Baht 61,637,623.06; to reduce interest expenses burden expectedly by Baht 60,000,000 over period of the new contract in force comparing with the existing one as the new interest rate is lower; to reduce operating expenses burden in relations with contract monitoring and enforcement. The company expects to complete the process of debt pre-payment within this month.

E. Example of debt renewal/rollover/refinance

Italian-Thai Development (ITD): Debt rollover brightens picture

Managerial ownership concentration: 48%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
5.21	4.99	5.08	4.72	3.65

Italian-Thai Development's vice president says the success of the company's $200 million debt extension will boost the company's credit when it comes to bidding for construction projects. ITD's creditors last week officially approved the rollover of debts for an additional five years. About 75 percent of creditors are foreigners.

"After the debt extension, the company will have the capacity to seek loans" he added.

As a result, ITD has entered into construction deals worth 35 billion baht in the first half of this year, expecting its revenue in the latter half to pick up from improving economy, said the company Vice President Chatichai Chutima.

"We already have works in hand worth 35 billion baht. The value is expected to be higher in the latter half since the company has applied for bidding on several infrastructure projects such as the expansion project of Don Muang airport. Each project is valued at an average of around 3.5-4 billion baht," he said.

However, the estimated revenue for 1999 should be relatively close to that of 1997's figure which was recorded at 24.78 billion baht. The company and its subsidiaries in 1997 posted a loss of 4.85 billion baht, but returned a 2.4 billion baht profit in 1998. Its revenue last year was extraordinary as ITD won the 6 billion-baht construction project for the Asian Games.

F. Example of debt-equity swap

Land & Houses (LH): To sell shares, swap debt for equity

Managerial ownership concentration: 31%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
2.02	1.90	1.73	2.48	2.10

Land & Houses, Thailand's largest developer of detached homes, said it will raise 3.8 billion baht (US$93 million) by selling shares to shareholders and a Singapore state company while swapping part of its debt for equity.

The company said it plans to raise 2.49 billion baht by offering shareholders two new shares for every five they own at 14 baht each, about half the current share price. The offer is open to shareholders of record as of October 13 and payment is due in November. The company will

raise another 1.32 billion baht by selling 94 million shares this week at 14 baht each to Government of Singapore Investment (GIC), which manages foreign-exchange reserves for the Singapore government. GIC, which does not have shares in Land & Houses now, will own 13 percent of the company.

Creditors, led by Siam Commercial Bank, will also be asked to convert an unspecified amount of delinquent debt into a 15 percent stake in the company in the form of common shares and convertible debentures, Land & Houses said. The company's debt totals 21 billion baht. Land & Houses will probably be one of the few Thai companies to sell shares to foreign investors during the rest of the year as slower-than-expected economic growth, mounting loan defaults and a weakening baht erodes investor confidence, analysts said. Siam Cement, Thailand's largest industrial conglomerate, said on Friday it indefinitely delayed a share sale because of poor market conditions.

"Land & Houses doesn't have to delay its share sale because GIC already agreed to buy the shares a few months ago," said Pumipat Sinacharoen, an analyst at ING Baring International. "They were just waiting to complete details of the debt restructuring."

The share sales will double Land & Houses' share capital to 746 million shares. Proceeds will be used as working capital and to fund the purchase of housing projects from other developers through a property fund. In a move designed to aid the real estate industry, Thailand granted tax privileges to property funds approved between May 1990 and May 1999

"We don't have a specific plan for our property fund yet," said Executive Vice President Adisorn Thananun-Narapool." But we must establish it within a certain period to obtain the tax privileges." Some foreign institutions have already set up property funds, though they have not been very active. "Existing property funds haven't been buying many projects because they can't agree on the prices," Adisorn said.

Land & Houses shares fell 7 percent to 26.75 baht. At the same time, GIC has bought an 11 percent stake in the Charoen Pokphand group's CP 7-Eleven, the Business Times reported, citing data from the Thai Ministry of Commerce. Thaivest, a GIC affiliate, bought 20 million

shares, or a 10 percent stake, in the privately held CP 7-Eleven, while GIC bought a further 2 million shares or a 1 percent stake.

CP 7-Eleven, which has 1,000 convenience stores across Thailand, has plans to seek a listing on the Stock Exchange of Thailand later this year, the paper reported. Last month, GIC, which manages investments of more than $58 billion, said an real annual rate of return on its investments of between 3 percent and 4 percent is an acceptable long-term yield.

G. Example of forgiveness/deduction/suspension/extension

Thai Telephone & Telecommunication (TT&T): Thai Telephone suspending payments on most loans

Managerial ownership concentration: 3%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
3.90	5.00	7.20	6.20	5.90

The Asian Wall Street Journal reported that Thai Telephone and Telecommunications PCL is suspending most payments on outstanding loans worth more than 470 million baht ($12.1 million), while it is seeking a creditor agreement on the restructuring of its debts.

Thai Telephone and Telecommunications (TT&T) will suspend repayment of principle and some interest on $418 million in foreign loans and 21 billion baht in domestic loans. TT&T has also just named Chase Manhattan (S.E.A) Ltd. as its acting financial advisor, and is negotiating with about 50 of its creditors for debt restructuring. Creditors have been informed of this suspension, although TT&T officials stated that there has yet been no response from the creditors. The TT&T senior finance manager has also indicated that the company's cash flow is such that this suspension is unavoidable.

Although TT&T suspended payment on interest on short-term loans, it is still paying interest on more than $270 million in long-term loans, or loans with maturities greater than one year. The company hopes to have a rough plan to deal with its debts in two months, and will seek written approval from creditors of its repayment plans by early next year.

TT&T holds a government concession to install and operate 1.5 million new phone lines outside of Bangkok, and has completed the installation of 1.1 million of these lines. However, due to the Thai economic recession, monthly new phone subscription rates have fallen by 95 percent and income per line has fallen 20 percent.

H. Example of debt renegotiation

TPI Polene (TPIPL): Results announcement and restructuring

Managerial ownership concentration: 7%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
2.70	2.90	2.60	2.40	2.10

TPI Polene Public Company Limited has experienced liquidity problems, and is in technical violation of its debt agreements with respect to financial ratios and certaindebt covenants, with most of its agreements containing cross-default provisions.

Because of these conditions, on August 26, 1997 the company suspended principal repayment of its debt and suspended interest payments on January 27, 1998. These violations and suspension of payments constitute events of default, the occurrence of which enables lenders to declare their debtdue and payable, and demand immediate payment. As at March 31, 1998, none of the long-term lenders have yet exercised rights to accelerate repayment.

The company and its advisor are currently negotiating the detailed terms of a debt restructuring plan with representatives of the Company's financial creditors.

The Company and its advisor are also preparing detailed business plans and financial projections as part of this process. An informal standstill has been adhered to by the Company's creditors while these negotiations proceed.

Certain subsidiaries and associated companies are also experiencing liquidity and operating problems, and are also attempting to restructure debt. Investments and loans to such companies aggregate Baht 3.34 billion in the consolidated interim financial statements, and Baht 2.48 billion in the equity method interim financial statements. Realization of these investments and loans is depends upon these companies' continuation as going concerns.

As at March 31, 1998, the Company's long-term loans of Baht 3,330.22 million and subsidiaries' long-term loans of Baht 69.52 million have not been made principal and interest repayments and the Company and subsidiaries are in default with substantially all debt.

I. Example of resignation

Picnic Gas and Chemical (PICNI): Directors resign from board

Managerial ownership concentration: 39%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
0.98	1.31	1.34	1.41	1.59

Ultimate Key Company Limited as the Plan Administer of Picnic Gas and Chemical Public Company Limited, reported the resignation of the following Directors and Executive:

1. Mr. Teerawut Pangviroonrug resigned from these positions, namely as Board of Director of Ultimate Key Company Limited and Picnic Gas and Chemicals Public Company Limited and Deputy Managing Director of Picnic Gas and Chemicals Public Company Limited, effective April 1,2003.

2. Mr. Kittiphat Intharakaset has resigned from Board of Director of Ultimate Key Company Limited, effective April 1, 2003.

J. Example of new appointment

Raimon Land (RAIMON): Appoints four new directors

Managerial ownership concentration: 19%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
0.57	0.58	0.72	0.69	0.68

The Board of Directors of Raimon Land Company Limited has appointed new directors and the independent directors of the Company to protect the interest of minority shareholders.

The appointees are:

1. Mr. Sompote Indharanukul

2. Mr. Visit Rakvisitwong

3. Mr. Ratanachai Phatinavin.

4. Mr. Jirawud Kuvanant

The appointments of the new directors and independent directors were made in accordance with the motion for the Court's permission for the appointment of the new directors and audit committee filed with the Court on 20th September, 2002, which was granted on 26th September, 2002.

The persons who were appointed as the new directors and independent directors are qualified and independent as required under the Notification of the Securities and Exchange shares and its permission.

The appointments of the new directors and the independent directors would enable the board of directors of Raimon Land to conduct its business operations without interruption after the completion of the rehabilitation process and ensure that Raimon Land has good corporate governance in compliance with the relevant Notifications of the Securities Exchange Commission.

The persons who were appointed as Raimon Land's new directors and independent directors would, after the Court has granted an order to cancel the rehabilitation process of Raimon Land, perform their duties and undertake any necessary business of Raimon Land in accordance with the scope of their power and as determined by the board of directors of Raimon Land and the guidelines prescribed under the Public Companies Act B.E. 2535(1992), including the relevant Notifications of the Securities Exchange Commission.

In addition, Mr. Ratanachai Phatinavin, who was nominated to be appointed a new director and an independent director of Raimon Land, currently holds the title of general manager of a real estate operator, which carries out a similar business to Raimon Land.

Under the Public Companies Act B.E. 2535(1992), no director of a public company can be the director of any other company which has a similar business and is in competition with the business of that public company unless the shareholders have been fully informed prior to such appointment.

After due discussion, the Plan Administrator considered that the position of Mr. Ratanachai Phatinavin as an executive of a company engaging in the same business as Raimon Land would not affect his performance and his rendering of independent opinion as an independent director of Raimon Land.

K. Example of termination/reshuffle/replacing

Thai Petrochemical Industry (IRPC): CEO ousted after three-year battle

Managerial ownership concentration: 13%

Price Movement (Baht)

Day_0	Day_{10}	Day_{20}	Day_{30}	Day_{40}
1.75	1.75	2.28	1.89	1.99

Prachai Leophairatana, chief executive officer of Thai Petrochemical Industry, will be replaced by the managing director of Effective Planners after three years of resisting the restructuring of the company's US$3.7 billion debts.

Anthony Norman, managing director of Effective Planners, will manage the company through an executive board and will hold the post for six months until a permanent replacement is appointed. The replacement is expected to be a Thai national, a South China Morning Post source has learned.

Effective Planners, an accounting firm that is a subsidiary of Australian-based Ferrier Hodgson, drew up the restructuring plan resisted by Mr Prachai.

In a letter to the Stock Exchange of Thailand, Mr. Prachai was invited by Effective Planners to assist the new management in an advisory capacity to support the implementation of the debt plan.

Mr. Prachai has refused to accept his defeat, calling his ouster unlawful. His family founded TPI 20 years ago.

The company and its financial advisor are still in the process of formulating the debt restructuring agreement. Creditors will be asked to consider a reduction in interest payments and to extend the repayment period including transfer of assets to offset the loan.

Table I - Summary statistics: Panel A reports the summary statistics of firms in financial distress justified by accounting measurement. Panel B reports the summary statistics of 95 restructuring announcements classified by ownership concentration during Feb 1, 1998 to Dec 31, 2003.

Panel A: Distress firms by ICR measurement

Restructuring type	Number of firms	ICR
1. Assets Restructuring		
1.1 M&A	8	4
1.2 Voluntary Assets Sale&Swap	29	19
1.3 Forced Assets Sale&Swap	4	2
Sub total	41	25
2. Debt Restructuring		
2.1 Increasing Leverage	23	13
2.2 Debt Renewal/Rollover/Refinance	13	4
2.3 Debt-Equit Swaps	8	6
2.4 Forgiveness/Deduction/Suspension/Extension	8	3
2.5 Debt Renegotiation	8	4
Sub total	60	30
3. Managerial Restructuring		
3.1 Resignation	19	17
3.2 Termination/Reshuffle/Replacing	18	17
3.3 New Appointment	8	6
Sub total	45	40
Grand total	146	95

Panel B: Comparison by managerial ownership concentration

Restructuring type	Number of firms	≥ 25%	< 25%
1. Assets Restructuring			
1.1 M&A	4	1	3
1.2 Voluntary Assets Sale&Swap	19	6	13
1.3 Forced Assets Sale&Swap	2	1	1
Sub total	25	8	17
2. Debt Restructuring			
2.1 Increasing Leverage	13	2	11
2.2 Debt Renewal/Rollover/Refinance	4	2	2
2.3 Debt-Equit Swaps	6	2	4
2.4 Forgiveness/Deduction/Suspension/Extension	3	0	3
2.5 Debt Renegotiation	4	1	3
Sub total	30	7	23
3. Managerial Restructuring			
3.1 Resignation	17	1	16
3.2 Termination/Reshuffle/Replacing	17	0	17
3.3 New Appointment	6	0	6
Sub total	40	1	39
Grand total	95	16	79

Table II - Panel A shows the results of beyond or equal to 25% and less than 25% firms' cumulative average abnormal return (CAAR) and average abnormal return (AAR) during event window and at announcement date respectively. ***, **, * indicate significant at 1-, 5- and 10- percent levels of parametric test. [a], [b], [c] indicate significant at 1-, 5- and 10- percent levels of nonparametric test. Column I is the restructuring choices. Column II is the number of observations. Column III – VII are the CAARs for different holding periods and column VIII - XIV are the AARs for different holding periods around and at the announcement date.

Restructuring Types	N	$CAAR_{(-40,-40)}$	$CAAR_{(-40,-20)}$	$CAAR_{(-40,0)}$	$CAAR_{(-40,+20)}$	$CAAR_{(-40,+40)}$	AAR_{-3}	AAR_{-2}	AAR_{-1}	AAR_{0}	AAR_{1}	AAR_{2}	AAR_{3}
Assets Restructuring													
Full Sample of Assets Restructuring													
Full sample	25	-0.12%	-5.92%	-7.48%	-5.19%	-7.44%	-0.82%[b]	2.45%	0.79%	-0.94%	-0.32%	0.28%	-0.34%
Beyond 25 percent	8	-1.49%	0.26%	5.31%	16.55%	15.60%	2.03%	3.44%	3.34%	0.15%	1.41%	1.60%	0.97%
Lower than 25 percent	17	0.37%	-8.53%	-13.05%	-15.08%	-17.80%	-1.85%**[b]	2.13%	-0.57%	-1.47%	-1.11%	-0.42%	-0.12%
Merger & Acquisition (M&A)													
Full sample	4	-0.61%	-5.09%	-6.94%	-1.43%	-5.09%	-1.82%	2.83%	5.38%	-6.09%	-3.02%	1.34%	5.58%
Beyond 25 percent	1												
Lower than 25 percent	3	-2.18%	-7.54%	-5.99%	3.70%	-2.01%	-1.75%	2.85%	3.59%	-5.55%	-3.32%	1.95%	8.64%
Voluntary Assets Sales & Swaps													
Full sample	19	0.31%	-2.18%	-3.72%	-0.42%	-0.48%	-0.14%	2.24%	0.11%	0.05%	0.63%	0.19%	-1.29%
Beyond 25 percent	6	-1.19%	3.62%	11.57%	28.18%	31.98%*[c]	3.08%	3.76%	2.76%	1.61%	2.32%	2.55%	-0.12%
Lower than 25 percent	13	1.01%	-4.85%	-10.78%	-13.61%	-15.46%	-1.62%*[b]	1.54%	-1.11%	-0.68%	-0.15%	-0.90%	-1.82%
Forced Assets Sales &Swaps													
Full sample	2	-3.27%	-43.19*	-44.23%	-58.00%	-78.31%**	-5.27%	3.73%	-1.96%	-0.04%	-3.92%	-0.97%*	-3.20%*
Beyond 25 percent	1												
Lower than 25 percent	1												
Debt Restructuring													
Full Sample of Debt Restructuring													
Full sample	30	1.27%	3.53%	2.98%	9.61%	6.67%	-1.40%**[b]	-0.33%	1.10%	-0.94%	-0.34%	0.97%	-0.25%
Beyond 25 percent	7	-0.95%	-4.17%	-15.20%	-14.03%	-23.17%	0.53%	0.59%	0.30%	-1.50%	-0.97%	3.16%	0.75%
Lower than 25 percent	23	2.19%*	7.81%	10.11%	17.82%	12.34%	-1.40%**[b]	-0.44%	1.36%	-0.77%	-0.62%	1.10%	0.24%
Increasing leverage													
Full sample	13	0.34%	3.68%	7.73%	11.02%	12.51%	-0.97%	0.92%	2.49%**[c]	-0.46%	-1.35%	-0.06%	1.72%
Beyond 25 percent	2	-2.69%*	-2.86%	-6.44%	2.85%	1.12%	3.14%	4.05%	5.62%	-1.10%	-0.42%*	2.87%	4.07%
Lower than 25 percent	11	0.89%	4.87%	10.30%	12.51%	14.58%	-1.72%*	0.35%	1.92%	-0.35%	-1.52%	-0.59%	1.29%
Debt Renewal/Rollover/Refinance													
Full sample	4	3.92%	15.48%	-0.87%	-7.58%	-22.10%	-3.12%**	0.75%	3.72%	-1.28%	2.36%	2.02%	0.57%
Beyond 25 percent	2	0.38%	-13.37%	-45.08%	-58.81%*	-85.58%*	-3.58%**	0.89%	0.20%	3.46%	-1.68%	4.24%	1.60%
Lower than 25 percent	2	7.46%	44.34%	43.33%	43.65%	41.39%	-2.65%	0.60%	7.25%	-6.02%	6.40%	-0.20%	-0.47%
Debt - Equity Swaps													
Full sample	6	4.06%	-0.55%	-0.29%	1.22%	-13.60%	-0.67%	-1.20%	-3.68%[c]	-1.38%	-2.23%	-1.40%	-0.64%
Beyond 25 percent	2	-1.10%	-8.92%	-7.64%	-24.08%	-18.91%	4.05%	-2.12%	-3.91%	-7.37%	-2.16%	-3.33%	-1.79%
Lower than 25 percent	4	6.65%	3.63%	3.39%	13.86%	-10.95%	-3.03%	-0.74%	-3.57%**	1.61%	-2.27%	-0.43%	-0.06%
Forgiveness/Deduction/Suspension/Extension													
Full sample (<25% only)	3	-1.69%	-4.8%**	-12.62%	-13.26%	-25.83%	-1.46%	-2.52%	6.03%	-3.42%	2.57%	7.79%	-6.00%
Debt Negiotiation													
Full sample	4	-0.30%	3.45%	8.04%	51.93%	71.23%	-2.14%	-2.51%	-2.56%	0.37%	0.93%	1.69%	-2.58%
Beyond 25 percent	1												
Lower than 25 percent	3	1.41%	12.44%	18.92%	56.47%	54.01%	2.86%	-1.51%	-2.71%	0.65%	-2.98%	3.49%	3.54%
Managerial Restructuring													
Full Sample of Managerial Restructuring													
Full sample	40	0.68%	5.30%	5.31%	5.34%	6.11%	0.10%	-0.84%	-0.31%	0.12%	-0.24%	1.04%[c]	-0.01%
Beyond 25 percent	1												
Lower than 25 percent	39	0.29%	5.47%	6.33%	6.07%	7.69%	-0.16%	-0.85%	-0.18%	0.24%	-0.41%	1.11%[b]	-0.04%
Resignation													
Full sample	17	2.50%	20.39%	18.82%	19.00%	17.84%	0.84%	-1.81%	0.59%	-0.47%	0.29%	2.39%**[c]	0.16%
Beyond 25 percent	1												
Lower than 25 percent	16	1.68%	21.74%	22.16%	21.64%	22.42%	0.25%	-1.90%	0.96%	-0.22%	-0.11%	2.64%**[b]	0.11%
New Appointment													
Full sample (<25% only)	17	-1.34%[b]	-4.69%	-5.93%	-5.69%	-2.09%	0.20%	-0.31%	-0.55%	0.01%	-0.59%	0.48%	-1.28%*[b]
Termination/Reshuffle/Replacing													
Full sample (<25% only)	6	1.25%	-9.15%	-1.12%	-2.10%	-3.90%	-2.29%	0.41%	-2.20%	2.09%	-0.72%	-1.16%	3.06%

Table II - Panel B (for robustness) shows the results of beyond or equal to 31% and less than 31% firms' cumulative average abnormal return (CAAR) and average abnormal return (AAR) during event window and at announcement date respectively. ***, **, * indicate significant at 1-, 5- and 10- percent levels of parametric test. [a], [b], [c] indicate significant at 1-, 5- and 10- percent levels of nonparametric test. Column I is the restructuring choices. Column II is the number of observations. Column III – VII are the CAARs for different holding periods and column VIII - XIV are the AARs for different holding periods around and at the announcement date.

Restructuring Types	N	$CAAR_{(-40,-40)}$	$CAAR_{(-40,-20)}$	$CAAR_{(-40,0)}$	$CAAR_{(-40,+20)}$	$CAAR_{(-40,+40)}$	AAR_{-3}	AAR_{-2}	AAR_{-1}	AAR_0	AAR_1	AAR_2	AAR_3
Assets Restructuring													
Full Sample of Assets Restructuring													
Full sample	25	-0.12%	-5.92%	-7.48%	-5.19%	-7.44%	-0.82%[b]	2.45%	0.79%	-0.94%	-0.32%	0.28%	-0.34%
Beyond 31 percent	7	-0.72%	1.21%	-2.78%	-0.58%	1.67%	-0.45%	1.07%	1.59%	-2.26%[c]	-0.04%	-1.29%	0.67%
Lower than 31 percent	18	-0.04%	-8.41%	-8.88%	-6.66%	-10.53%	-0.67%[c]	3.13%	0.32%	-0.44%	-0.41%	0.81%	0.06%
Merger & Acquisition (M&A)													
Full sample	4	-0.61%	-5.09%	-6.94%	-1.43%	-5.09%	-1.82%	2.83%	5.38%	-6.09%	-3.02%	1.34%	5.58%
Beyond 31 percent	1												
Lower than 31 percent	3	-2.18%	-7.54%	-5.99%	3.70%	-2.01%	-1.75%	2.85%	3.59%	-5.55%	-3.32%	1.95%	8.64%
Voluntary Assets Sales & Swaps													
Full sample	19	0.31%	-2.18%	-3.72%	-0.42%	-0.48%	-0.14%	2.24%	0.11%	0.05%	0.63%	0.19%	-1.29%
Beyond 31 percent	5	-0.05%	5.63%	1.50%	6.53%	15.75%	-0.18%	0.50%	0.19%	-1.47%	0.48%	-1.30%	-0.77%
Lower than 31 percent	14	0.44%	-4.96%	-5.58%	-2.90%	-6.27%	-0.12%[c]	2.86%	0.08%	0.59%	0.69%	0.72%	-1.47%
Forced Assets Sales &Swaps													
Full sample	2	-3.27%	-43.19*	-44.23%	-58.00%	-78.31%**	-5.27%	3.73%	-1.96%	-0.04%	-3.92%	-0.97%*	-3.20%*
Beyond 31 percent	1												
Lower than 31 percent	1												
Debt Restructuring													
Full Sample of Debt Restructuring													
Full sample	30	1.27%	3.53%	2.98%	9.61%	6.67%	-1.40%**[b]	-0.33%	1.10%	-0.94%	-0.34%	0.97%	-0.25%
Beyond 31 percent	7	-0.95%	-4.17%	-15.20%	-14.03%	-23.17%	0.53%	0.59%	0.30%	-1.50%	-0.97%	3.16%	0.75%
Lower than 31 percent	23	2.19%*	7.81%	10.11%	17.82%	12.34%	-1.40%**[b]	-0.44%	1.36%	-0.77%	-0.62%	1.10%	0.24%
Increasing leverage													
Full sample	13	0.34%	3.68%	7.73%	11.02%	12.51%	-0.97%	0.92%	2.49%**[c]	-0.46%	-1.35%	-0.06%	1.72%
Beyond 31 percent	2	-2.69%*	-2.86%	-6.44%	2.85%	1.12%	3.14%	4.05%	5.62%	-1.10%	-0.42%*	2.87%	4.07%
Lower than 31 percent	11	0.89%	4.87%	10.30%	12.51%	14.58%	-1.72%*	0.35%	1.92%	-0.35%	-1.52%	-0.59%	1.29%
Debt Renewal/Rollover/Refinance													
Full sample	4	3.92%	15.48%	-0.87%	-7.58%	-22.10%	-3.12%**	0.75%	3.72%	-1.28%	2.36%	2.02%	0.57%
Beyond 31 percent	2	0.38%	-13.37%	-45.08%	-58.81%*	-85.58%*	-3.58%**	0.89%	0.20%	3.46%	-1.68%	4.24%	1.60%
Lower than 31 percent	2	7.46%	44.34%	43.33%	43.65%	41.39%	-2.65%	0.60%	7.25%	-6.02%	6.40%	-0.20%	-0.47%
Debt - Equity Swaps													
Full sample	6	4.06%	-0.55%	-0.29%	1.22%	-13.60%	-0.67%	-1.20%	-3.68%[c]	-1.38%	-2.23%	-1.40%	-0.64%
Beyond 31 percent	2	-1.10%	-8.92%	-7.64%	-24.08%	-18.91%	4.05%	-2.12%	-3.91%	-7.37%	-2.16%	-3.33%	-1.79%
Lower than 31 percent	4	6.65%	3.63%	3.39%	13.86%	-10.95%	-3.03%	-0.74%	-3.57%**	1.61%	-2.27%	-0.43%	-0.06%
Forgiveness/Deduction/Suspension/Extension													
Full sample (<31% only)	3	-1.69%	-4.8%**	-12.62%	-13.26%	-25.83%	-1.46%	-2.52%	6.03%	-3.42%	2.57%	7.79%	-6.00%
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Full sample	4	-0.30%	3.45%	8.04%	51.93%	71.23%	-2.14%	-2.51%	-2.56%	0.37%	0.93%	1.69%	-2.58%
Beyond 31 percent	1												
Lower than 31 percent	3	1.41%	12.44%	18.92%	56.47%	54.01%	2.86%	-1.51%	-2.71%	0.65%	-2.98%	3.49%	3.54%
Managerial Restructuring													
Full Sample of Managerial Restructuring													
Full sample	40	0.68%	5.30%	5.31%	5.34%	6.11%	0.10%	-0.84%	-0.31%	0.12%	-0.24%	1.04%[c]	-0.01%
Beyond 31 percent	1												
Lower than 31 percent	39	0.29%	5.47%	6.33%	6.07%	7.69%	-0.16%	-0.85%	-0.18%	0.24%	-0.41%	1.11%[b]	-0.04%
Resignation													
Full sample	17	2.50%	20.39%	18.82%	19.00%	17.84%	0.84%	-1.81%	0.59%	-0.47%	0.29%	2.39%**[c]	0.16%
Beyond 25 percent	1												
Lower than 25 percent	16	1.68%	21.74%	22.16%	21.64%	22.42%	0.25%	-1.90%	0.96%	-0.22%	-0.11%	2.64%**[b]	0.11%
New Appointment													
Full sample (<31% only)	17	-1.34%[b]	-4.69%	-5.93%	-5.69%	-2.09%	0.20%	-0.31%	-0.55%	0.01%	-0.59%	0.48%	-1.28%*[b]
Termination/Reshuffle/Replacing													
Full sample (<31% only)	6	1.25%	-9.15%	-1.12%	-2.10%	-3.90%	-2.29%	0.41%	-2.20%	2.09%	-0.72%	-1.16%	3.06%

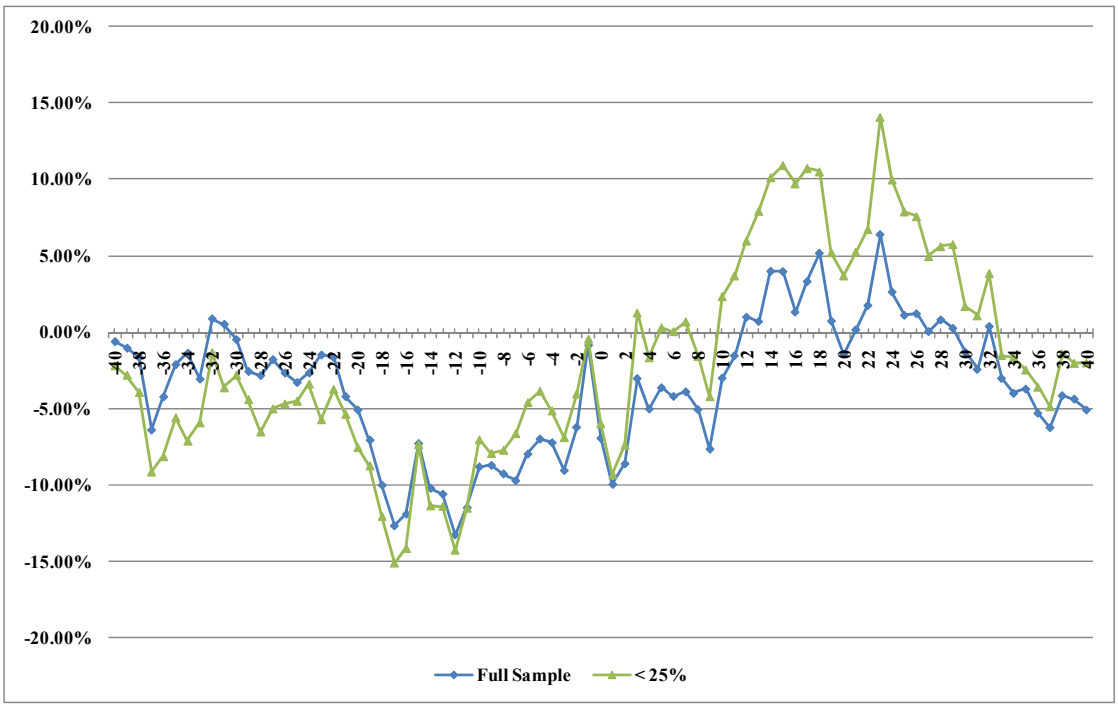

Fig. I Cumulative average abnormal returns for M&A

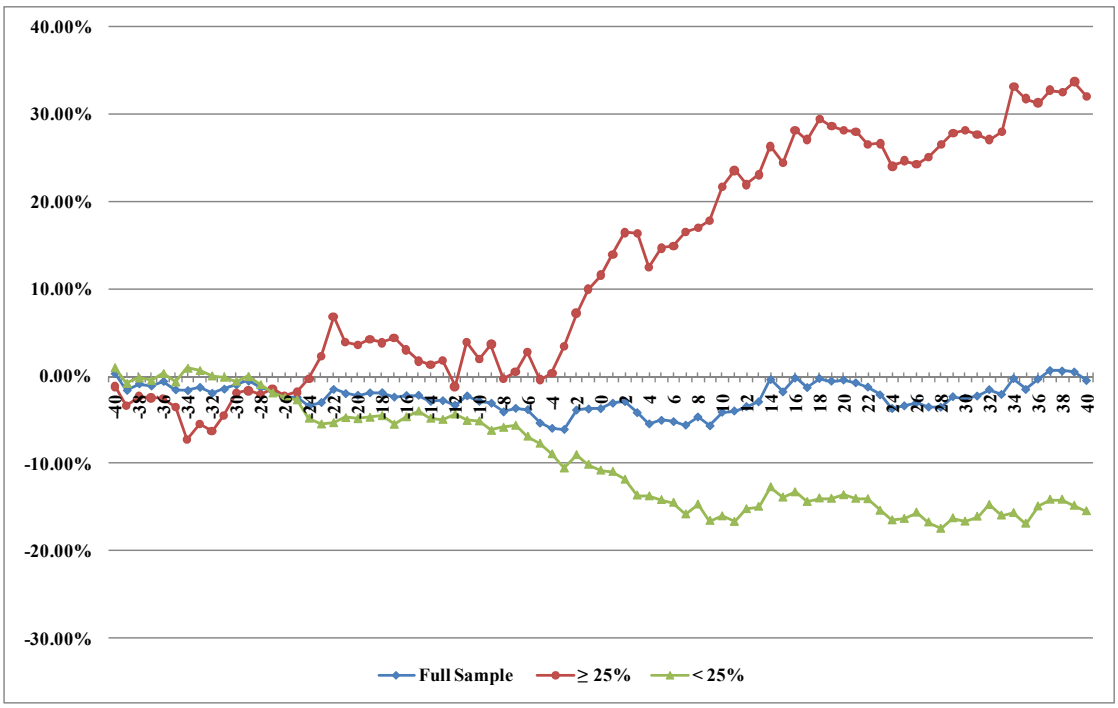

Fig. II Cumulative average abnormal returns for voluntary assets sales

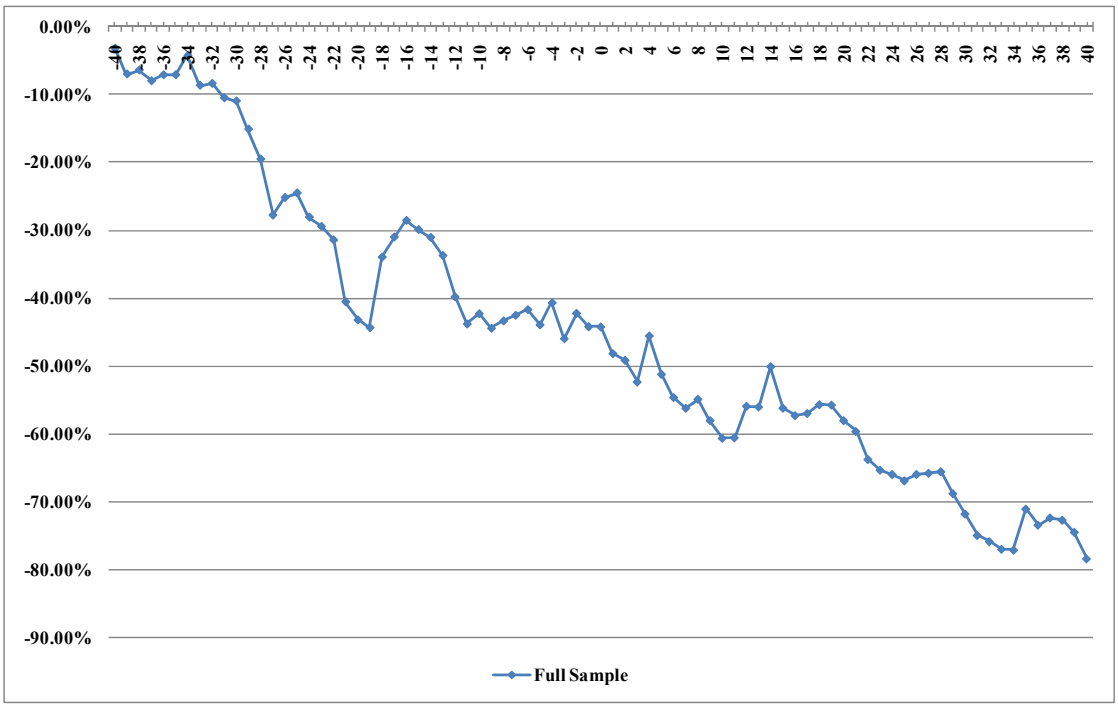

Fig. III Cumulative average abnormal returns for forced assets sales

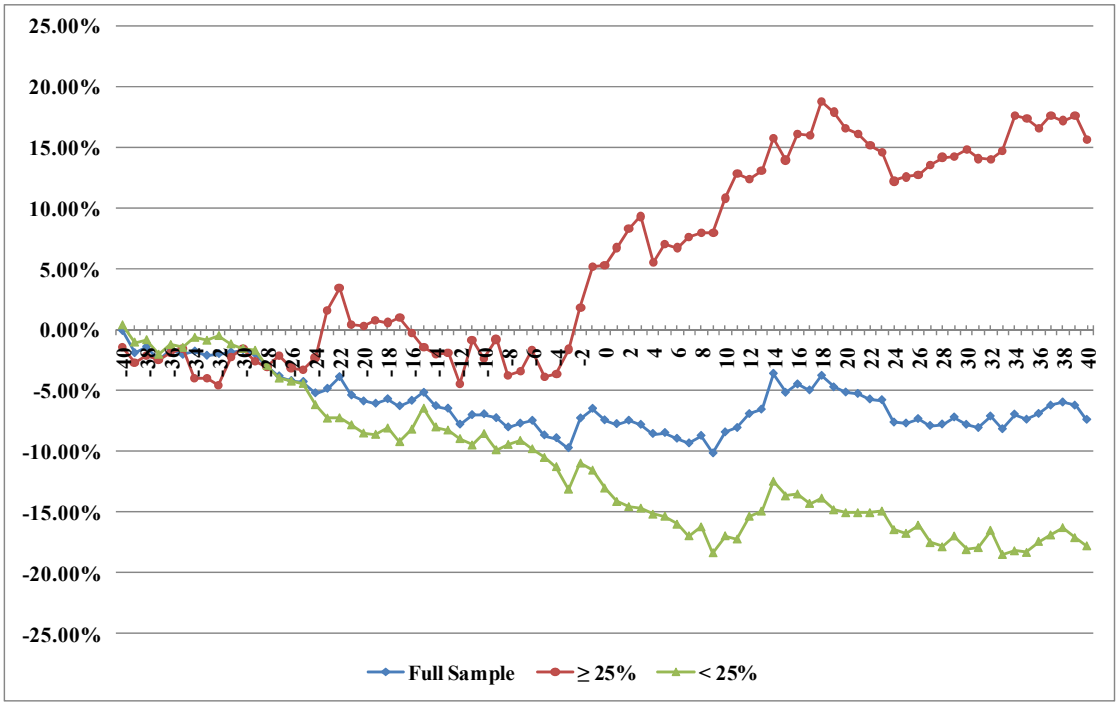

Fig. IV Cumulative average abnormal returns for assets restructuring

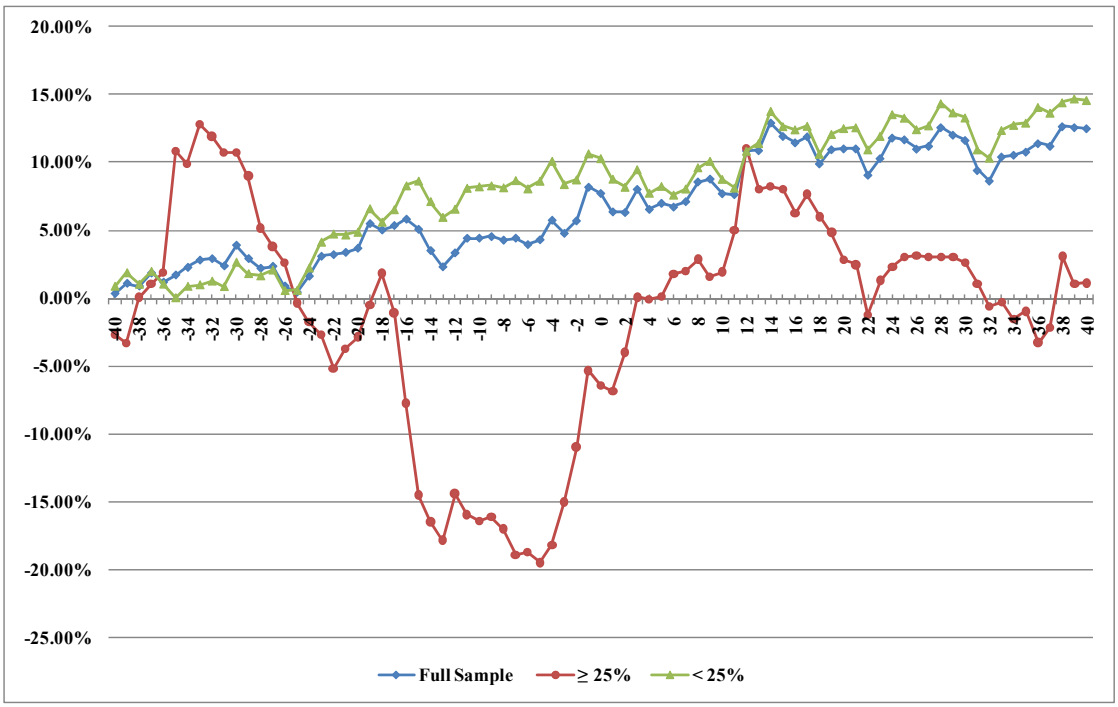

Fig. V Cumulative average abnormal returns for increasing leverage

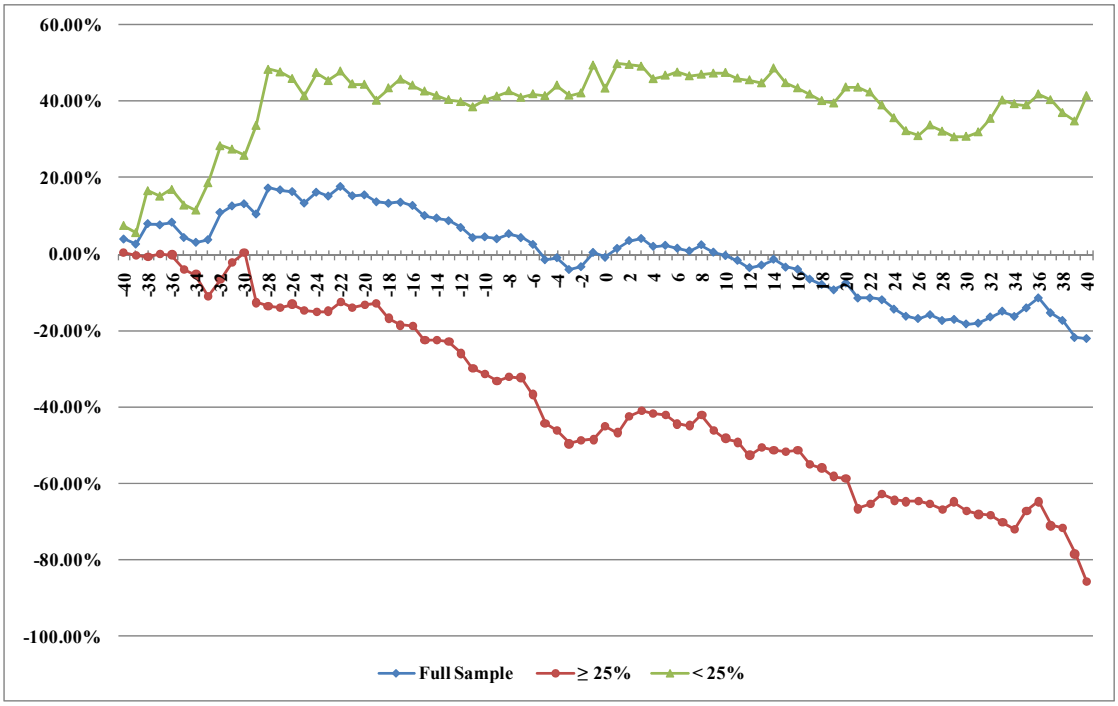

Fig. VI Cumulative average abnormal returns for debt renewal/rollover/refinance

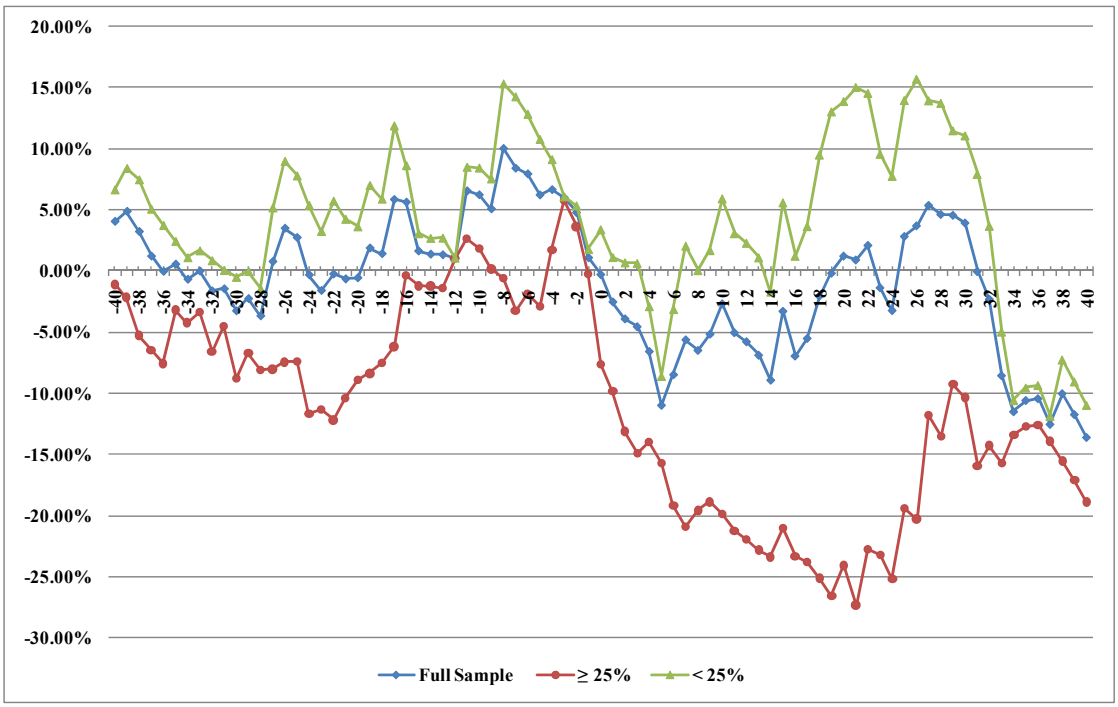

Fig. VII Cumulative average abnormal returns for debt-equity swaps

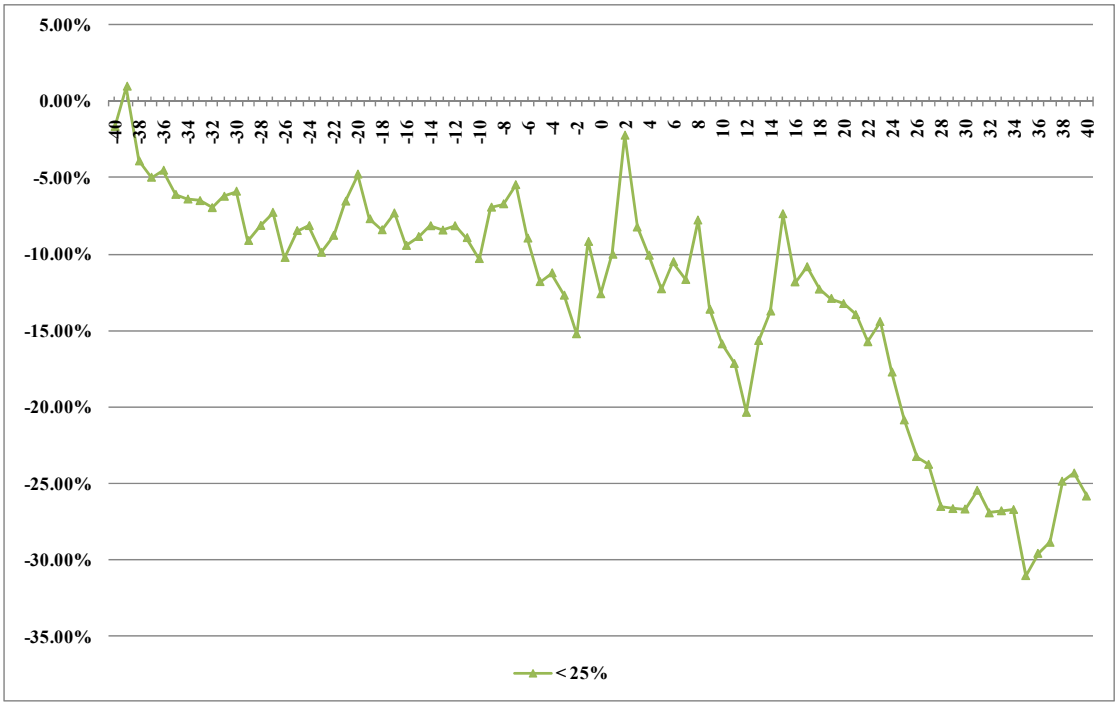

Fig. VIII Cumulative average abnormal returns for forgiveness/deduction/suspension/extension

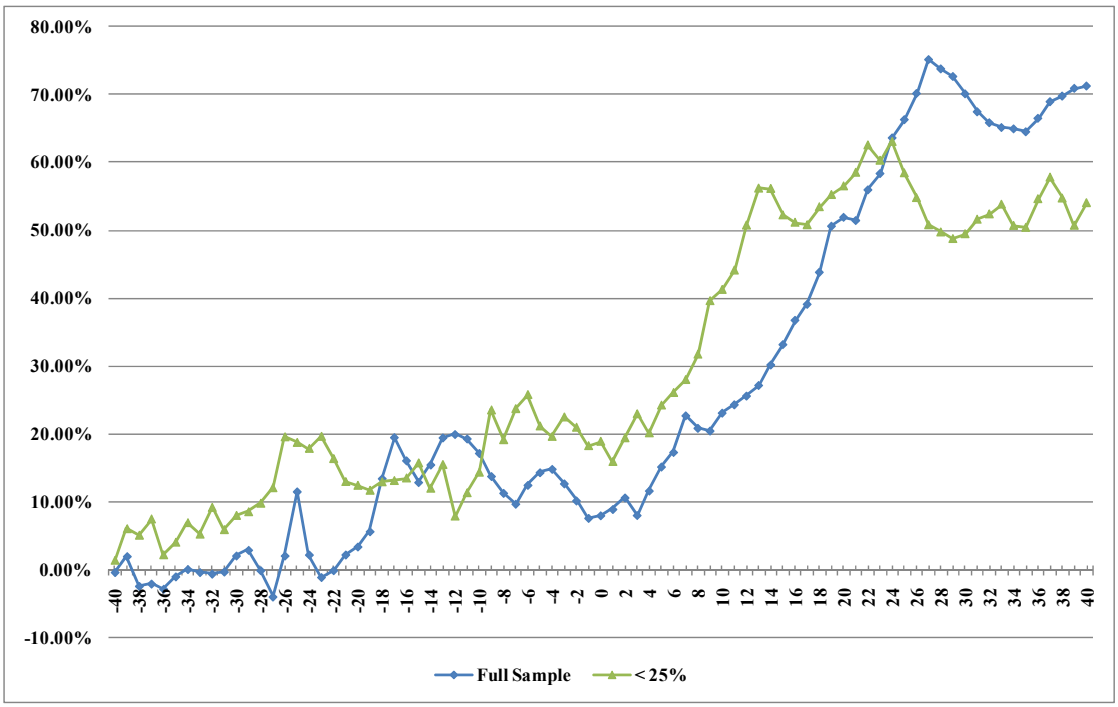

Fig. IX Cumulative average abnormal returns for debt renegotiation

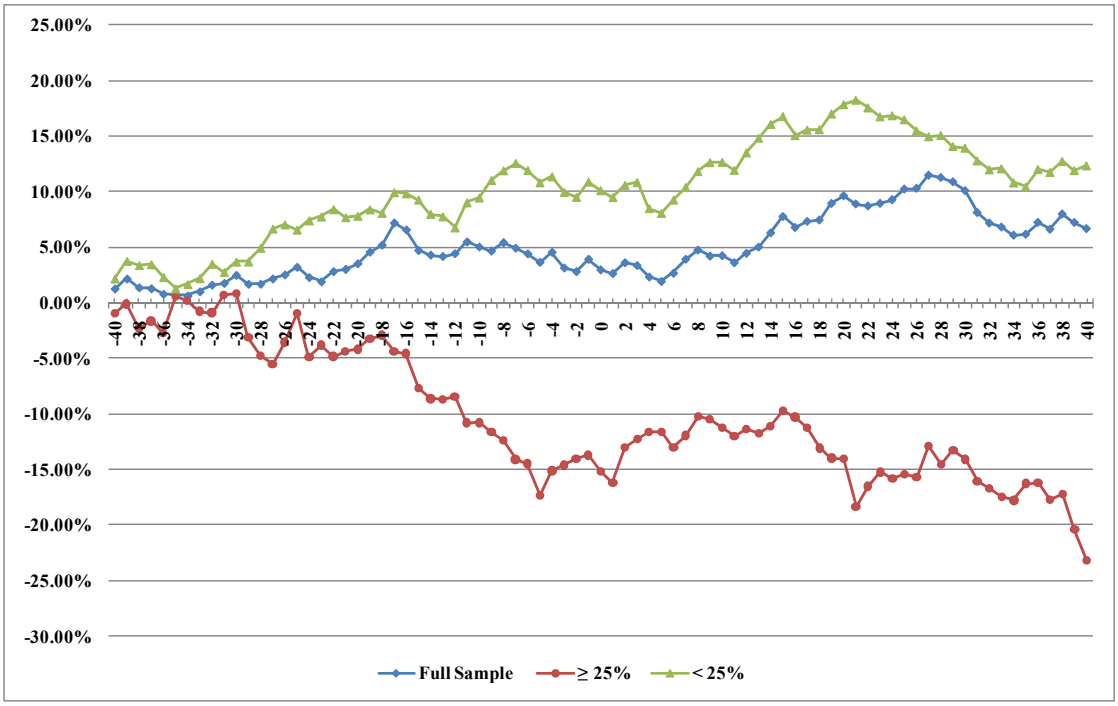

Fig. X Cumulative average abnormal returns for debt restructuring

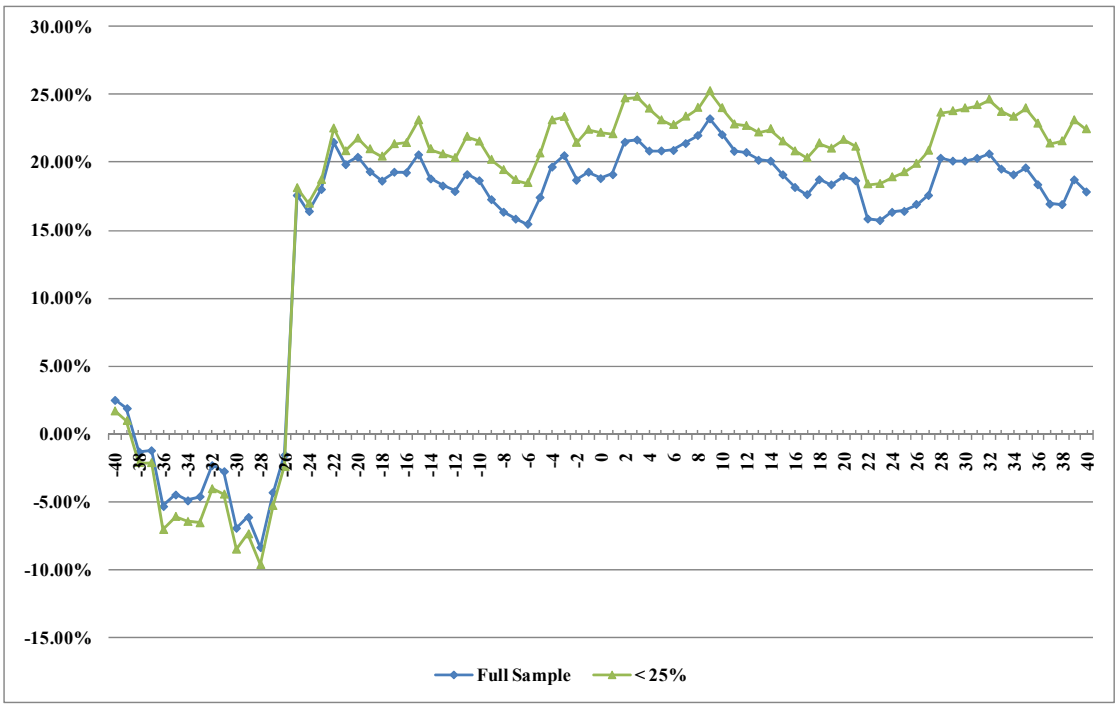

Fig. XI Cumulative average abnormal returns for resignation

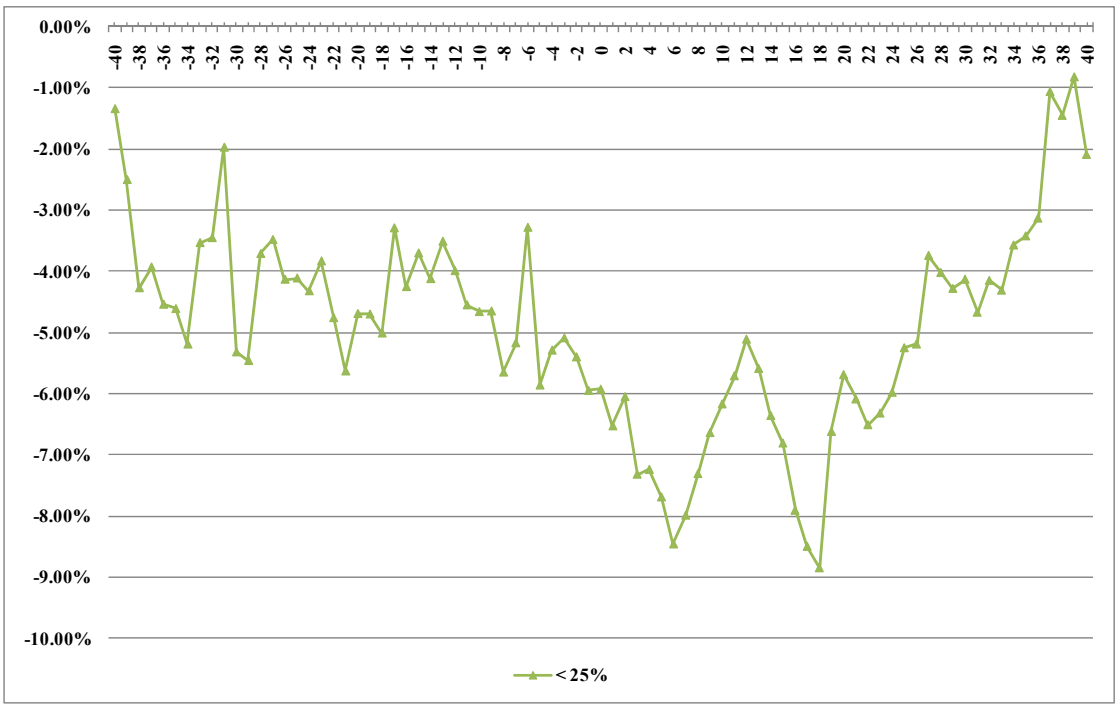

Fig. XII Cumulative average abnormal returns for new appointment

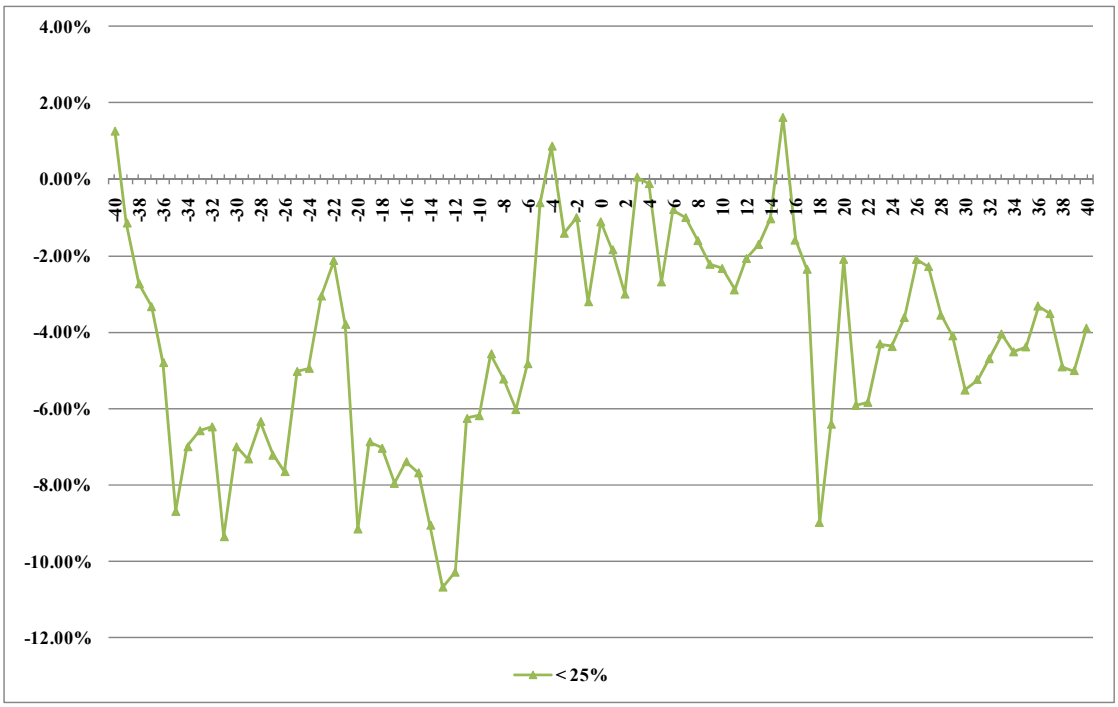

Fig. XIII Cumulative average abnormal returns for termination/reshuffle/replacing

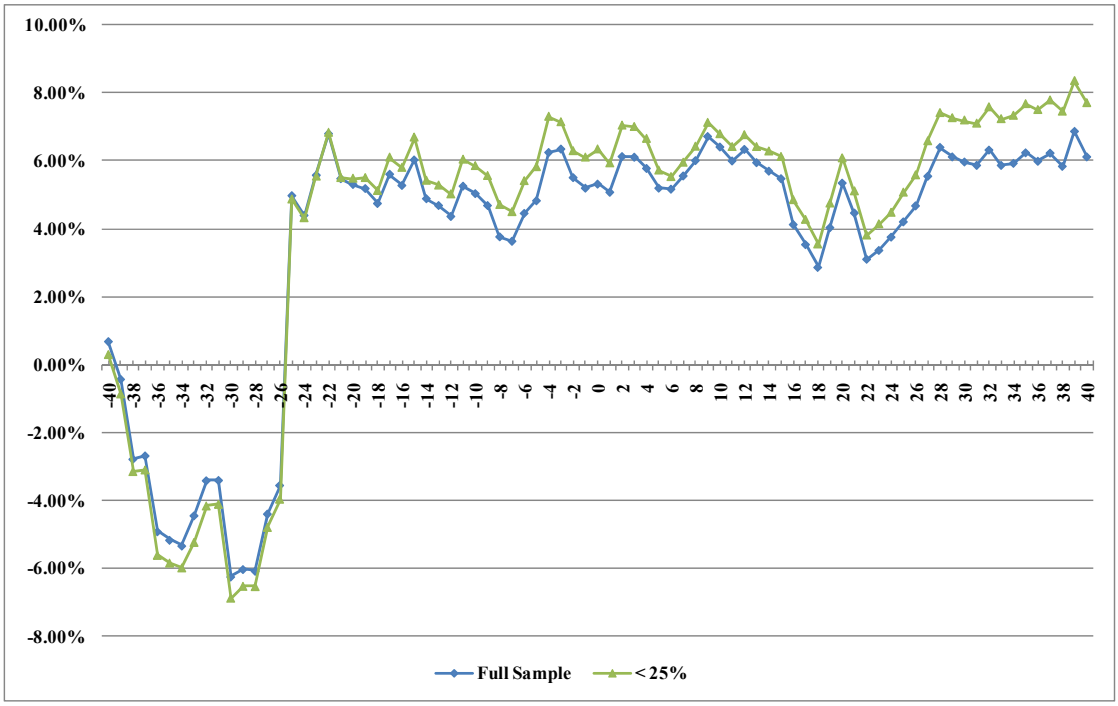

Fig. XIV Cumulative average abnormal managerial restructuring