

# Chapter 19

Kilgore Custom Milling  
Enterprise Risk Management

# Introduction

- Background
- The management team
- The company
- The new contract
- The financial risk management meeting

# Background

- Kilgore Custom Milling
  - Small private manufacturer
  - Power window assemblies
  - Based in southern Ontario, Canada
- Pursued contracts to supply plants in the U.S.
  - Successful in negotiating a contract with Japanese manufacturer
- Previous international contracts resulted in loss
  - Due to currency volatility

# The Management Team

- Owner and CEO
  - Steve MacLinden
  - Left day-to-day operations for the rest of the team
- Manufacturing and Plant operations
  - Rory Sullivan
- Sales and Client relationships
  - Casey Dobblestyn
- Treasurer and CFO
  - Cathy Williams

# The Company

- Privately owned
  - 100% by Steve MacLinden
  - Planning to retire in 5 – 10 years
- Main focus is cash flow management
- Concerns with currency related cash flow issues
- Additional concern about inflation differences
  - Between U.S. and Canada

# The New Contract

- Dramatically increase sales
  - Over 100% for 5 years
- Complex and exacting specifications
- All proceeds in U.S. dollars
  - Kilgore must manage financial risk
- Contract could be extended for 3 years
  - But at the same price, benefitting the buyer

# The Financial Risk Management Meeting

- U.S. and Canadian dollars near par
  - Caused concern over U.S. competition
- Multiple options to deal with currency risk
  - Long term swap contracts
  - Short term forward contract
  - Currency options
- Management team lack understanding of the options
- More open questions than answers
- Lots more to do ...