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Five war stories from a restructuring expert (and survivor)

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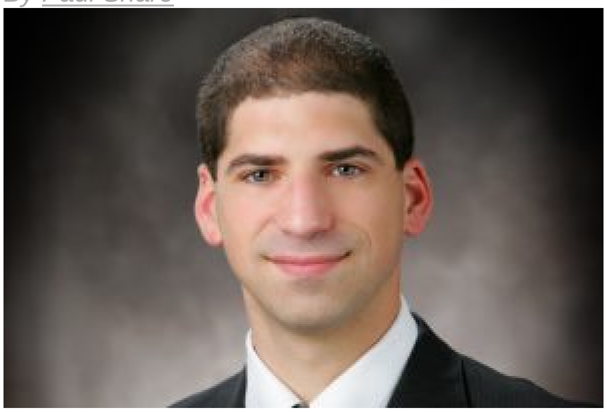
By Paul Share



I often say that the hardest part of being a restructuring professional is being on the road and away from family more than 200 nights a year. But when I have lunch with clients and start talking about some scenarios I've encountered during the past 15 years, even I wonder how I've managed to live through the drama.

Restructuring is different from any other profession. It requires those of us who do this work to on a daily basis make decisions that affect people's lives professionally and personally. Someone always loses: owners, executives, day-to-day employees or creditors.

When the job is over, I move on to the next engagement, but many of the people I work with aren't as lucky. People don't tend to react well when they hear that their business or livelihood or dream is over, without warning. And when people are backed into a corner, the unexpected should be expected.

Here are five lessons I've learned from situations I've personally witnessed. These are simply too surreal to make up.

Lesson 1: Like in an airplane, always know where the closest exit is — and it may be behind you.

I walked into a construction contractor's operation in Michigan, and within a month I'd determined that one of four equal owners had committed fraud. When I approached him about it, he explained that he needed the money for a house he was building. It didn't matter to him that he had three other equal partners, all of whom were unaware of the millions in distributions he took, which ultimately drove the company to insolvency.

When he and I broke the news to the other partners, a physical fight broke out. Because I was sitting at the middle of the executive table, I was literally caught in the middle.

Shortly afterward, an **American Express** Black Card was used like a Chinese star and thrown at the head of the owner who had done the embezzling. If you are not lucky enough to have seen a Black Card, it is made of titanium. Ironically, this “weapon” just missed the embezzling partner’s head — and hit a $25,000 oil painting of the house he had used the fraudulent money to buy.

He then threatened to sue me for not letting him take more money out of the business to pay off his personal debts.

So, when you give bad news, be sure to choose your seat at the table carefully, pick an escape route in advance and consider confiscating your clients’ Black Cards.

Lesson 2: In a liquidation, always lock your outside doors and make sure you have a safe room to hide in for at least 10 minutes. You may need it.

I once liquidated a furniture company in Georgia. If you are unfamiliar with liquidations, they are often held through third-party national liquidators that run the process and collect the money.

In this case, the third party had accounting issues and couldn’t segregate its money from the furniture company’s. The liquidator wouldn’t advance money for payroll, and the furniture company couldn’t pay its hourly employees’ weekly wages.

The day after local store employees heard this, 10 of them surrounded the corporate building with bats. I had to call 911 because they weren’t very happy. It soon became clear that ground-floor offices with lots of windows do not offer safe places in time of need. The police also don’t show up as fast as they do in the movies.

Lesson 3: Bankruptcy rules govern a restructuring engagement — until someone threatens to kill someone else. Then, the craziest person has the upper hand.

With the same furniture company, the landlord of a store in Alabama wanted to get paid. I provided him with the phone number for the company’s attorney because bankruptcy laws dictated that we couldn’t pay him. The attorney called me 15 minutes later and told me to pay the landlord immediately. I told him, “I thought that, by law, we couldn’t pay him.”

“He threatened to drive from Alabama to Atlanta and kill me if I didn’t pay him,” the attorney said. “He then proceeded to provide my office address and my full name, so I don’t think he was kidding.”

I told him that I thought we should call the police.

He replied: “That’s a great idea, but when he gets out, he will still know where I work and my name, and he will be even more pissed at that time. Pay him and I will handle things with the judge if I need to.”

Enough said.

Lesson 4: Don't work in Texas. Send only employees from the Texas office to Texas clients because most of them have carry permits.

A bank sent me to liquidate a cabinet-making company in Texas. As I was sitting in a conference room connected to the lobby, I overheard employees talking about all the guns they had in their trucks.

I went into the office of the CEO, who knew what I was working on, and said, "I don't think I should be here when we announce that we could be liquidating. I am going to be blamed, and it could be dangerous."

"Why do you think it is dangerous?" He asked.

"Your employees in the lobby sound like they have multiple guns in their trucks."

"We all have guns," the CEO said, as if it were the most obvious thing in the world. "We are in East Texas. Get behind me when we announce what is happening." He then pulled out a gun from his top drawer and placed it on his desk.

I was lucky that he liked me. We still are friends and exchange emails because I saved his company and we didn't liquidate. The guns in the trucks must have made me work harder!

Lesson 5: When in doubt, send a young professional in first.

One of my first engagements was with a government-services company in Virginia. I was told to explain to the CFO of a former Fortune 100 company why his analysis was incorrect.

I was a junior associate, so I asked my senior managing director to join me as I was not confident going in alone. My boss assured me that it would be a good learning experience for me and I could do it on my own.

As things turned out, the CFO verbally abused and screamed at me to the point that I was sure I was going to be fired. Later, the CFO explained to my boss that he wasn't happy to have a 24-year-old point out his mistakes.

Afterward, my boss told me, "I knew it was going to be bad, but I didn't expect that. Don't worry; you were the only person impacted."

I came to see the value of my going in first. Rather than take the anger and damage directly, my boss, who was ultimately responsible for the engagement, could subsequently respond to the situation and save the engagement from being lost.

That was my first, but not last, test-dummy experience. On larger teams, beware: If you don't see a test-dummy, you may be the test-dummy.

Yes. In my first 15 years, I have seen more than many executives will experience over the course of their careers. I can't imagine what I have yet to see in the next decade and a half. But now that I am a shareholder, I hope I am no longer the test-dummy.

Paul Share, CPA, CIRA, CGMA, is a managing director at Conway MacKenzie Inc., a national consulting and financial-advisory firm. Paul has 15 years of experience in restructuring and interim financial management positions. He can be reached at +1 678-596-8545 or pshare@conwaymackenzie.com.

Photo courtesy of Paul Share