

EAGLE-EYED

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Q How did you gravitate into turnaround/restructuring work?

BISE Early in my career, I was a commercial banker, and then I worked with a couple of small venture capital funds. In each of those settings, I had occasions to work with distressed firms.

At the time I was leaving my last regular job, the fund was realizing that a company we had invested in was showing signs of trouble. I was engaged to assess the state of the business more closely and to work with the CEO in establishing priorities. That engagement proved to be fascinating. They had several lines of business that I looked at comparatively, and I also looked at managerial capabilities and organizational effectiveness. I loved being able to arrest the deterioration that was happening in some areas, address some of the leadership gaps, and help them to right the ship.

That led me to pursue more of those engagements, and I picked up assignments in restructuring feasibility, some operating problems, and some litigation matters. That was almost 20 years ago, and today I'm still working with some of the people who were attorneys, lenders, or investors in some of those early engagements.

Q Particularly in this industry, you have to trust the people you're working with, and they have to trust you. Once that trust is established, it keeps a good pipeline of business open.

BISE It does. A lot of what we do involves not only looking at cold facts but also making judgements about the business, about management, and about what's feasible. You have to have

the trust of the folks that you're working with, whether it's an outside investor or lender or whether it's the business itself. One of the things that is critical to me is to win the confidence of the folks who are not specifically those who have engaged me. I've had instances before in which I've been engaged or recommended by a lender, and a business might engage me guardedly. You have to win their confidence by convincing them that you're there to help, not to be a Trojan horse coming in to stage some sort of surprise attack.

Q What have been some of your favorite or most gratifying engagements along the way?

BISE In one situation, I was recommended by a worried lender to co-owners of an underperforming borrower. Financial results were deteriorating. Cash was dwindling. They were past due on loans. The owners were at odds with each other, and one of the owners was on the cusp of divorce. All around, it was a mess.

Early on, I discovered that the owners didn't know the distinct profitability or cash requirements of each of their three lines of business. As it turned out, the clients' accounting system had divisional capabilities, and the bookkeeper was actually maintaining the records in such a way that getting segmented results was not difficult. We were able to establish in fairly short order that one division was operating badly in the red without the owners even realizing it. We established a plan to exit that segment.

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Then I had to convince the owners that disclosing this to the bank and the fact that there would be some losses on disposal of assets was necessary. Ultimately, they agreed to do that, and we were able to secure some temporary concessions on debt service requirements and avert what certainly would have been a disaster if we hadn't taken intervening measures.

It was gratifying because it was clear that if the business went down, the owners were going to be wiped out and the lender would have suffered a big loss. That probably would have been the last straw in breaking the marriage of one of the owners. It's satisfying to be able to help in that kind of situation and at least give people a good chance to continue on a favorable footing.

Q Did they not want to give the bad news to the bank because they feared the bank's reaction?

BISE The owners of this company felt that if they disclosed to the bank that they were going to lose money in selling some unnecessary assets, it would terrify the bank. I had a pretty candid conversation with them and said, "Look, the bank is already concerned. You shouldn't be surprised by that. They're going to be pleased with the fact that you know what's causing your problems

and you've got the ability to resolve this, even if you take some losses in disposing of these assets. They want you to generate cash so that you can service their debt and proceed as you'd originally planned."

Maybe it's a bunker mentality that troubled business owners get into, but they almost seem to have the attitude that if they keep their heads down and their mouths shut, nobody will discover what's happening. The reality is that, to a lender, silence from an underperforming borrower does nothing but heighten concern. A lack of candor does nothing but foster mistrust. I'd much rather go to a lender with bad news and a plan to address the situation than I would to try to keep my head down and just hope that nothing bad is going to happen.

Another situation that I enjoyed involved a debtor who had tried to exclude from her bankruptcy estate an interest in an operating concern that was one of several entities in that estate. She had placed de minimis value on her interest in this company and tried to preserve the benefit of her ownership through her spouse, whom she indicated owned a piece of it. Under Florida law, there was a stay that prevented foreclosure on the business as a whole. They were simply milking the cash out of the business by a combination of salaries and bonuses, and preventing the creditors from being able to recognize any value out of that part of the estate.

I was able to provide counsel with some evidence that ultimately was helpful in getting the court to rule that the debtor had acted fraudulently. That ruling afforded creditors a pathway to recovery.

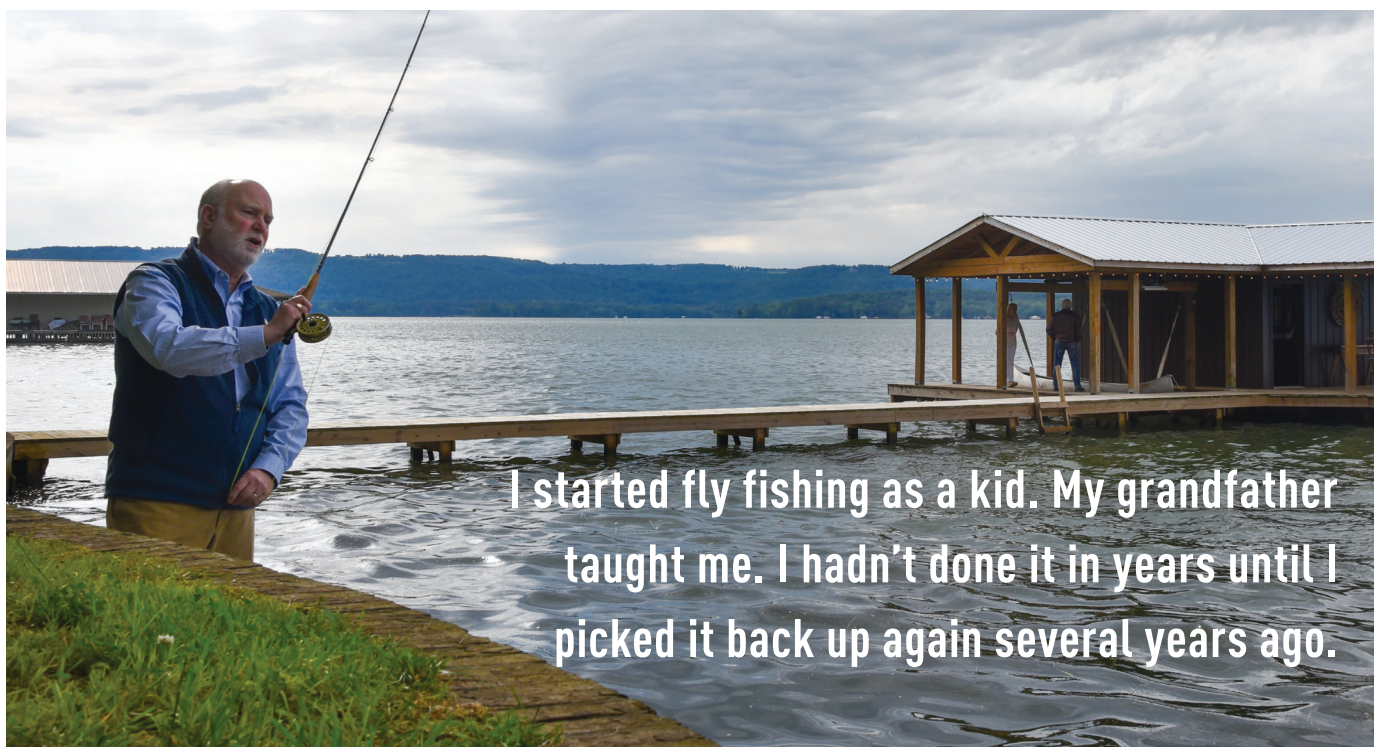
Q Judges love to get information like that.

BISE I remember when the ruling came in, the attorney in the case sent me a copy and said, "You should frame this and put it on your wall."

Q What key milestones in your career do you think have made you the professional you are today?

BISE There are two things that I would point to. They were not so much events as they were realizations on my part. One was realizing the importance of simplicity. A litigated case in Bankruptcy Court early in my career involved a pretty complex analysis to work through the problems of the debtor's business. Counsel urged me to do everything I could to simplify the presentation of the analysis.

I ended up reducing a pretty complicated situation to two or three simple, illustrative graphs, and those proved to be easy to communicate and easy for the court to understand. I have continued to use that approach with success. Often, there is a lot of complexity and noise, but in the end, if you can distill that information down to a few salient



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points, that's significant. That was a great lesson for me to grasp and hang on to.

The other realization I came to was an issue of perception and understanding. It goes back to the mindset of dealing with troubled individuals and realizing that renewal is not just about fixing or resolving an immediate problem. It's something that's restorative for all involved, even though it can be pretty painful.

The immediate parties will always have the perception that somebody's a winner and somebody's a loser. But the reality is that none of the situations we go into are sustainable as they exist when we're engaged. Our job is to work toward a resolution, which means getting to something that is sustainable and, in the end, serves all parties because it results in a pathway to lifting the threats that drag on the business and harm its investors, lenders, and personnel.

Make no mistake, there's going to be conflict, and it's necessary to work through those things firmly. But ultimately, renewal ends up leading to some kind of health. When you see renewal as a means of healing rather than a conflict over what could become the scraps after a big battle, that makes a big difference in my mindset and, I think, in my effectiveness. I see that realization as a milestone.

Q Did both of those realizations come to you early in your career, or was it later on?

BISE The issue of simplicity came to me fairly early in my career in terms of restructuring. I'd say the realization about understanding the perceptions of the deeper impact on individuals probably took a while longer. It's easy to go in with the mentality that this is a war and put on flak jacket and helmet and fight. But the truth is that you've got to get cooperation from people, whether it's to get information or to implement new plans. I'd say the latter of those two realizations probably took me a little longer to get to than the first one did.

Q What role has your TMA membership played in your career? You've been a TMA member now for almost 13 years.

BISE I don't recall if I was a charter member of the Alabama Chapter or I joined shortly after the formation of the chapter. TMA has really been, first of all,

a good professional network, giving me colleagues that I can look to and, at times, compare notes with. It's a source of referrals and a source of shared learning and insights. I enjoy the development that I pick up both through thought-provoking programs at our chapter meetings and also information that I'm able to pick up through the *Journal*. I find all of those things to be helpful.

Q What advice would you have for someone who was new to the industry or was thinking about getting into it?

BISE One, be prepared to live with conflict. In a distressed situation, there are always going to be differing views as to what led to the problems, and the stakes are generally high for those that are involved. Frequently, folks think it's in their best interests to either withhold information or to fight about things that, frankly, are secondary to healing the business. Understand that that's something you're going to encounter frequently.

Secondly, I'd tell them to consider their willingness to be a contrarian voice because of the turf protecting that goes on and the feeling of guardianship of one's personal position or interest. You have to be prepared to learn about information or develop opinions that sometimes are going to be contrary to what your client or somebody else in the room wants to hear. You have to be willing to deliver those facts or recommendations, even if they conflict with what the client or whoever you happen to be working with at the moment hopes to hear.

You also have to be prepared to take actions that will be opposed by some party in the case. Dealing with that conflict and also being willing to be a contrarian are both significant items.

The third piece of advice I'd offer goes back to something we were speaking about a moment ago: Always be aware of the personal interests and costs to the parties in your cases. People are key. You often have to have those people to get things done. But because the impact on the people, the business, the lender, or the investor can be so substantial, it's frequently necessary to take actions that are hard and can be distasteful both in the doing of them as a professional

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but also to the people in the business. Understanding the impact of those things on them and being willing to acknowledge those difficulties can certainly help in easing tensions, getting cooperation, and making progress.

Q Let's talk a bit about what you're passionate about outside the office. You had mentioned you have a cabin. When did you acquire that?

BISE About three years ago, my wife and I bought an old cabin. I laughed and said we found a tiny, rundown cabin on a pretty lot. I think it was actually a Sears house. I didn't realize it at the time, but Sears used to sell home kits. It was an older house in fairly shabby shape, but it certainly was workable.

When we were looking at it, my wife said, "We can use this just the way it is!" Of course, an hour after the seller accepted my offer, she said, "The first thing I'd like to do ..." But little by little, relying on her talent as a designer, we rebuilt the cabin and then rebuilt the boathouse and dock and ultimately acquired a boat. It's an old Larson inboard/outboard.

The cabin is located on Lake Guntersville, which is a popular bass fishing lake near Scottsboro, Alabama. It's part of the TVA (Tennessee Valley Authority) system of hydroelectric power lakes along the Tennessee River. I would guess that where we're located, the lake is about a mile wide. It's used for commercial traffic, principally barge traffic, but there's a lot of fishing there. It's also an area that has a number of eagles.

My wife and I really enjoy getting out in the boat and exploring the lake or simply enjoying the magnificent sunsets. When we have children and grandchildren in town, we love to play on floats and pull them around. When it's just the two of us, we enjoy finding nests of eagles and using binoculars to watch the eagles from a distance. It's amazing to watch an eagle dive out of flight into the water and come up with a fish, and then watch them take it back to a nest and see little eaglet heads pop up.

Q Are they bald eagles or some other type of eagle?

BISE They're bald eagles. There's a state park that's probably 10 or 15 miles below us on the river. A couple of times a

year, they host events for eagle watching. We have some neighbors with whom we sometimes do this eagle watching. They were telling us that a couple of weeks ago they went out and found nine eagles in one afternoon.

It's pretty cool to watch them. They are big birds. It's really extraordinary to imagine these birds flying and having the eyesight to see a fish beneath the surface and dive into the water and come up with a fish that weighs several pounds.

Out at the lake, I also enjoy fly fishing. It's a lake that's known for bass, but I enjoy fishing for bream with dry flies. We have a little area close to our dock that seems to be a nesting spot. I sometimes go out there at dusk, and I've had instances where in two hours I'll pull out 20 fish. Sometimes they're tiny bream, but they're still fun to catch on a fly rod. Pull them in, take them off, throw them back in, and look for another one. That's a good day.

Q How long have you been fly fishing? That's quite an art.

BISE I started fly fishing as a kid. My grandfather taught me. I hadn't done it in years until I picked it back up again several years ago. It's a lot of fun. I've mostly done dry fly fishing in still waters of lakes, but I've had occasion to do some wet fly fishing for trout in fast-moving waters as well, and that's a blast.

Q For those of us who know nothing about fly fishing, what's the difference between dry flies and wet flies?

BISE Dry flies float on top of the water, and wet flies are made to go beneath the surface. A type of dry fly is a popping bug. Generally, the body of the bug that's being mimicked by the lure is made of wood or cork, so it floats and it's fun to see the fish hit the bait. There are other dry flies that float, but typically you put a little powder on them to keep them buoyant and resist the inclination to sink.

Q What might people who only know you professionally be most surprised to learn about you?

BISE I think they would be surprised to find that I spend time away from the office doing dispute resolution in my church. I'm a Christian, and my church has a process for dispute resolution. Regrettably, disputes and arguments

exist in the church, just as they do in society as a whole.

I try to help folks in the just and reasonable resolution of those quarrels, and do so within the framework of those structures.

Q These are quarrels within the church, not family dispute issues?

BISE Generally, it's not a family dispute, though it could be. Frequently, it may be a dispute between people within the church, or there may be someone in the church who is aware of someone else they feel is doing something wrong. We encourage them in that kind of situation to first approach the person and deal with it privately.

Sometimes it involves a dispute between an individual and policies of a particular church or a decision made at a particular church. They may disagree with it for any number of reasons, but ultimately, just like in a distressed business situation, you need to resolve it in a way that's reasonable and just and proper and fair to all concerned. I enjoy being part of that, even though at times it can be stressful. You can see the stresses on the involved individuals.

Q Does it put you in a position of being blamed as the messenger?

BISE Sometimes that happens. Generally in those situations, I'm not the sole person trying to help with resolution, so you do get sanity checks by working with other people.

Q How long have you been doing that?

BISE I've been doing it at various levels for quite a while. I've been doing it more intensely for the last six or eight years.

Q Maybe your turnaround/restructuring background makes you particularly well-suited for that position.

BISE There are certainly some commonalities with respect to the two—the willingness to listen and to try to understand, to try to empathize and dig beneath the emotions to the underlying facts, and then to gauge those on the basis of the necessary elements, whether it's in business or whether it's an issue within the church or another organization. ■