

BANKRUPTCY PROFESSIONAL:

SPOTLIGHT



William K. Snyder,
Managing Partner
CRG Partners

Turnaround and restructuring consultant CRG Partners faces the economy head-on: “in times of unprecedented economic change, organizations are facing unique and daunting challenges”; and the firm takes pride in its “proven track record of dramatically improving organizational performance.”

CRG Partners provides “a diverse suite of operational improvement and financial restructuring services”: Performance Improvement, Turnaround Management, Bankruptcy Reorganization, Financial Advisory and Fiduciary Services. In the bankruptcy arena, it offers “critical guidance and insight to manage and navigate the business issues that arise during the demanding process” and is directly involved with pre-petition strategy development, filing preparation and creation and implementation of an operational plan—the “cornerstone of any successful restructuring.”

Like other bankruptcy professionals, CRG Partners views the Chapter 11 process as an opportunity “to identify, develop and implement strategic and operational improvement initiatives that result in your organization emerging from the process with a strong foundation that will enable long-term profitability and growth.”

The firm’s vision, “Meaningful change. Measurable results™,” is actualized through its seasoned professionals, who serve in the capacity of advisor, chief restructuring officer and interim management. In these roles, CRG Partners offers clients immediate liquidity, facilitates negotiation and communication and coordinates with other professionals involved in the case. All this is done with the goal of minimizing “the impact of the process...for all involved.”

As one of nine managing partners, William K. Snyder has more than 25 years of experience in

restructuring. Mr. Snyder has participated in the restructuring of more than 70 companies across the full range of industries, and he “brings a results-driven leadership style to complex and crisis situations.” A Certified Turnaround Professional who recently served as C.R.O of Pilgrim’s Pride, William was named to *Turnarounds & Workouts’ People to Watch* list and frequently speaks on turnaround issues as an industry pundit. We spoke with Mr. Snyder about his early involvement with turnarounds, the burden employees bear in a turnaround and his Midas touch on the Pilgrim’s Pride case.

BP: Your corporate bio indicates that before joining CRG Partners, you owned and managed The Snyder Company, a financial consulting company focused on the management of family investments. What prompted your move to the interim management role?

WS: I got my start in turnarounds back in 1989 before CRG Partners existed. My startup company took four of nine companies through bankruptcy and I eventually lost everything. I became a consultant with Buccino & Associates to make ends meet. So I suppose you could say I got into this through personal struggle and an understanding of loss.

BP: What is different about today’s restructuring environment as opposed to when you first began?

WS: One of the biggest differences is that everything is syndicated now. That is a huge difference. Virtually every loan is syndicated and that wasn’t true 20 years ago. Also, that was before BACPA and many other bankruptcy law changes.

In those days, to stop a reclamation claim we just unplugged the fax machine. That was the end of it... or we’d just send the checks to another clearing house in

Montana, and we'd buy ourselves three more days. BACPA has changed everything.

Another change is that banks have outsourced their workout functions, so instead of working with banks you now work with 3rd party consultants. Also, mega firms didn't exist back in 1989. To my knowledge, Buccino was the largest—with 42 associates.

BP: What are the most important character traits needed for successful interim management?

WS: Number one is the ability to listen. If you think you're smart enough to fix any company, your clients will pay the price for your arrogance. The really good professionals listen and are not proud of what they know; they're humbled by what they don't know.

The key is knowing who to listen to and who not to listen to, and act on it. Take small pieces of data, string them together and move on it. That's how to succeed. Of course, you need your basket of knowledge—analytics, parts of investment banking, how to do out of court restructurings—but that's just book knowledge, which is cheap. Wisdom is expensive. Really good management thrive in micro instrumentalism while turnaround professionals excel at stochastic processes.

BP: I see you've served as Examiner and Trustee in numerous bankruptcy cases. How did you get involved in this niche?

WS: I've been involved in over 30 bankruptcies. Since I've been in that many of them, Judges have learned to trust me. In the roles I'm in, I work for the Judge and the Court; and I do not embarrass them.

BP: How does your experience as an Examiner and/or trustee impact your work as a consultant at CRG Partners?

WS: As an Examiner, the only thing I have is the power of the pen. An Examiner can't hire or fire and can't exert control over the debtor. An Examiner has to be able to communicate with the court, and there is an art to that. It also helps to learn how to deal with incredibly complex matters that the judge wants out of the court. I take on the role of a mediator. I take everybody's pulse, take in all of the information and go to the court with a solution. That makes me a better turnaround consultant.

BP: BankruptcyData.com's records indicate a significant uptick in the appointment of fee examiners. How do you explain that uptick, and do you envision that it will continue?

WS: Fees are getting huge and can take up a large amount of the court docket. A fee application can be a foot thick. Just as it is with claims, now every bankruptcy has its own claims agent. This is a way for the court to unload something to a professional place where it can be managed properly to free up the court's time for other matters.

BP: 2009's corporate bankruptcy count is the 3rd largest ever. How does that reality impact your work?

WS: I believe there are a lot more to come. Possibly three more years of this. Last year was like a tsunami, but this next phase will be more like a rising tide; consistent and steady. It's going to be busy, but not crazy. As a firm, CRG Partners is growing quickly in order to keep up with the demand.

BP: At what point are you brought on board and who approaches CRG Partners about a potential engagement—e.g., corporate general counsel, petitioning counsel, financial advisor?

WS: CRG Partners is generally brought in by the stakeholders of the company—a creditor, board member or another professional. Turnaround professionals are never brought in soon enough.

Generally, existing management thinks they can handle the issues they're facing, and that's why they're in trouble. Working with existing company management is like flying an airplane. There are two pilots in a cockpit: one flies the plane and one fixes any problems. If they both try to fly or both try to fix an issue, the plane will crash. These are two separate responsibilities each requiring a separate skill set. In the same respect, CRG runs the turnaround, and management runs the company. CRG respects the knowledge and expertise of the management team and combines this knowledge with turnaround expertise to create change.

BP: What differentiates CRG Partners from its competitors?

WS: CRG Partners is focused on results. We work closely with company management and adapt methodologies to suit unique needs. We are a boutique firm; not everything to everybody. 95% of our work is debtor advisory interim management. Our expertise is deep and focused.

BP: How closely do you work with other professionals (e.g., counsel, financial advisor, accountant, claims agent, etc.) retained in a bankruptcy case?

WS: Very closely. Every litigation strategy has a business side. Where investment bankers sell hope, CRG Partners sells reality. We work side by side with professionals on the case and are responsible for one another. It's a highly symbiotic relationship.

BP: When serving as interim management, do you find it necessary to "clean house" and bring in your own leadership team?

WS: That depends on the situation. As a rule of thumb, I don't ever clean house because then there's nothing left. My approach is to find a pocket that is weak, and fix that.

In a crisis situation, characteristics of poor management show themselves quickly. Ambition turns to greed, perseverance becomes intolerance, etc. I've learned over the years to identify these negative characteristics and focus on the characteristics of bad management.

BP: What kind of reception do you get at these companies? Do you find the existing executive team and/or employees welcoming your arrival?

WS: Let me tell you, it can be incredibly cold. Power and respect cannot be bestowed; they have to be earned and don't exist until they're exerted. I don't have a lot of friends in my former clients because, in a turnaround, you're not allowed to have friends. Once you become familiar, you can't be objective. It's a lonely world. After an assignment, they'll say, "That guy really did a good job," but I don't think they'd say they liked me.

BP: Pilgrim's Pride had nearly 50,000 employees before filing for Chapter 11 protection. How does the pressure to protect jobs versus save the company impact your approach?

WS: That's the worst part of a turnaround: the burden the employees take. This is a travesty. At the same time, the 41,000 employees left at Pilgrim's Pride are grateful that somebody did something. With others—PanAm, Pillowtex, etc.—nobody made a tough decision, and they are gone today.

Pilgrim's Pride lost \$1 billion the year I went in. We borrowed \$270 million on the D.I.P. line coming out of the chute. It looked incredibly bleak. This was the hardest case I've ever done in the sense of firing people. 1,000 farmers lost their jobs. They lost their farms and their way of life. They were second and third generation employees. They came to court in their Sunday best.

There was huge revolt from the community, a huge public backlash on this case. I had Congressmen involved. The third party pressure to keep the jobs was enormous. We shut down plants, and it impacted whole communities and resulted in a 50% loss in tax revenues for some schools. "Kill Bill" blogs opened up fighting the closures and layoffs.

BP: How many farmers could you keep?

WS: 4,000 kept their farms, and 1,000 lost them. The previous management did what we call "Peanut Butter" cuts: they spread the pain. Instead of shutting out 1,000 farmers, they took 20% away from every farmer. That meant that 5,000 couldn't pay their bills, and they were dying. Management had all of its plants running at 80% efficiency, so all the employees suffered.

BP: The Pilgrim family continues to be involved in Pilgrim's Pride's operations via the company's board. Does that family-based dynamic impact your work in any tangible way?

WS: Oh, yes....Bo Pilgrim is an icon in that town, and there's not a building in it that doesn't have his name. But it's still a public company, so I wouldn't consider it a family company.

With a strictly family-owned company, it's a different story; many times the company is an alter ego to the family. Those are very difficult—literally painful. A lot of times, they are firing their own family. I had to get a lady at one point to fire her own husband. I've hired psychologists to help these families through it.

BP: You guided Pilgrim's Pride through bankruptcy in just over a year—despite the economic challenges of the past year. Not only did the company emerge, its reorganization did *not* involve a 363 sale, and company creditors received 100% cash payment. What's your secret?

WS: If you look at everything that was done, it is absolutely amazing. We had a billion-dollar swing in EBITDA in six months. We set up many litigation centers for alternative dispute resolution and adjudicated 900 personal injury claims. We dealt with 6,000 claims, primarily vendor claims, and negotiated 29 collective bargaining agreements.

It was a massive undertaking. The reason it all got done is because we didn't push it to the end. A lot of people just pile everything into a liquidating trust—and push up the fees until after the case.

We got the old management out and the new management in. We shut the plants and fired people. We adjudicated claims during the bankruptcy—which is basically unheard of. By the time the Brazilians showed up in August, they could do due diligence in three weeks and feel comfortable with our numbers.

BP: How personal is your involvement in these cases?

WS: It's very personal. Many times, the CRO is the last guy in the company to believe in the turnaround. People lose faith in the company, and every turnaround requires a champion. Every member of our 8 person team was committed to make this turnaround work, it was a team effort.

You have to believe in what you're doing. You have to be committed, and you damn well better be right; if you are wrong come clean and change course.

That takes a huge amount of personal commitment because everybody thinks you're wrong. Everybody said with Pilgrim's Pride, "Just sell it."

BP: Does your involvement continue after a company has emerged from bankruptcy?

WS: Never. There is no involvement after a case. They never call me back. And I'm not even invited to the parties.

BP: If you had it do over again, would you still choose the same career path?

WS: Well, this chose me; I didn't choose it. I think there's a reason for that. I have six children, and the travel is very hard. Let me tell you, I'm on the road all the time. What kind of life is that?

Did you see *Up in the Air*? That's what it's like. We have 80 guys out there who live out of a roller bag. My whole life, I lived out of that bag.

I've been tremendously successful in the M&A business and also tremendously failed. Like many turnaround professionals, I can't live with micro instrumentalism and thrive in an environment of big risk and large rewards.

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