Q & A

Corporate Restructurings Akin to Battlefield Medic's Triage, SOLIC's Casas Says

Restructuring a business is sometimes akin to battlefield surgery, **Edward R. Casas**, **SOLIC Capital**'s managing partner and a former Desert Storm veteran, tells Bloomberg Brief's **Aleksandrs Rozens**. Casas, a naval flight surgeon turned adviser to troubled companies, expects more Chapter 11 filings in the health-care sector.

Q: How did being a naval flight surgeon for the marines prepare you for restructuring and advisory work?

A: The thinking and mind set in terms of emergency situations is very similar to what we do in terms of distressed investing and distressed advising. You have to have a sense of priority of the things that are going to kill you. You learn sometimes you have to amputate a limb to save the corpus. Same thing in business. Sometimes you have to sacrifice a division to save the core business.

Q: SOLIC stands for "Special Operations Low Intensity Conflict." How did you come up with that name for a restructuring firm?

A: If you think about the mission and the environment, special ops is all about focus on missions and operating in hostile environments but not full-fledged wars. It's a similar aspect to what you do in restructuring. You have to have a very focused mission and you are operating in a situation where a lot of people are losing. You are trying to optimize value in, oftentimes, a lose-lose environment. It's a hostile environment by definition and there is conflict in litigation. The other aspects of it are expertise and specialized training. When you think about special ops, you think about guys that are really expert, trained over and over, both from a technical training but also from an experience perspective.

Q: Your firm has money that it has raised to put to work in distressed assets?

A: We have done investments off of the partners' capital and – in the context of distressed asset management – look at those as separate accounts. You have global financial institutions with non-performing assets of a variety of different classes that have been derived from failed companies or failed investments or non-performing loans that we manage as well. We have several hundred million under distressed asset management. Our recent transaction we did on distressed control was a company called Eagle Hospital Physicians that we did back in August.

Q: Given your background, is most of your firm's specialty in health care?

A: I have a proclivity for health care because of the background. If you asked me how much do you do in health care versus others, that sector represents on the low end 20 percent, high end 30 percent of what we are doing in any given year. In the last couple of years, there has been a real focus not just on health care but also financial services, for obvious reasons. Both are heavily regulated industries. They have been going through a fair amount of change because of policy and regs. In health care, there is a lot of consolidation – because of excess capacity and migration under the Affordable Care Act – to deal with. There is just not enough to go around, the way things are shifting out of the acute care setting.

It is an interesting area not just because of my personal background but because of what's going on in the industry. So we have been doing a fair amount of focus on health care given the current state of the sector and the same thing with financial services. We also do a variety of other sectors: industrials, consumer products, manufacturing and distribution, business services, other professional services.

Q: Do you expect more Chapter 11 filings from the health-care sector?

A: I do, particularly as it relates to the acute care hospital space. For a couple of reasons: it used to be an anathema, avoid it all costs. Because of the level of distress in various parts of that sector, not just health care broadly but focusing on acute health care – hospital based health care – the need for rationalization of excess capacity and the consolidation that's going on, I think you'll see continued elements using bankruptcy court as a vehicle. And many of them are burdened with legacy liabilities that they won't be able to extinguish. If you are going to convey assets in association with consolidation, you need a cleansing vehicle to do it. The judicial process lends itself to that.

Q: Given the low default rate, what is keeping your firm active?

A: As you see interest rates start to creep up, and you see [the Fed] back off in terms of quantitative easing, and as you appreciate the way banks and lending institutions are differentiating and tend to migrate to more liquid, larger market types of businesses, there is a huge amount of pent up liquidations and restructurings that still have to occur. Even when we have been down at these default rates, our guys are still running hard.

AT A GLANCE

Age: 54

Professional Background: Navigant Consulting Inc. (head of Navigant Capital Advisors), Casas, Benjamin & White LLC (co-founder and managing member)

Education: Northwestern University's Medical School, Kellogg Graduate School of Management