

## ACCEPTANCE REMARKS OF BRYAN MARSAL

Thank you for the kind words, Bill. I want to congratulate all of the student award recipients. I also want to thank Dean Partlett and Keith Shapiro for being involved in this honor tonight for Tony and me.

It is a great pleasure and an honor to receive the *Emory Bankruptcy Developments Journal* Lifetime Achievement Award. When I told my wife that Tony and I were going to be receiving this award, she reminded me to “be bright, be brief, and be gone.” Sitting within earshot was my daughter, Megan, who is a sophomore at the University of Michigan. She’s a great kid, but she’s at a stage in her life where she is seldom right, but never in doubt. She asked me, “Dad, does this mean that you’re retiring?” I said, “No, no, I’m not retiring anytime soon.” And then she asked me, “Exactly what have you achieved?” So I said, “I’ll get back to you on that second point.”

As I thought about the answers to her questions, I took a review of my career and quickly concluded two things. First, I have demonstrated good judgment along the way. Second, I have been pretty damn lucky.

As far as good judgment is concerned, Will Rogers once said, “Good judgment comes from experience, and a lot of that comes from bad judgment.” It was so with me. Bad judgment on a defaulted loan to a restaurant company got me transferred from the prestigious Corporate Lending area of Citibank to the “No Dough, We Tow” unit of Citibank (namely, their Workout Department). There I began to learn about bankruptcy, restructuring, and problem solving, and I was exposed to what would later become my life’s passion: fixing troubled situations. It was also there, in 1977, that I came to work with one Tony Alvarez, a rising star at Coopers & Lybrand’s advisory group. He was a brand new, young partner.

In 1981, I left Citibank to join Norton Simon, which was a large consumer products conglomerate. I joined Tony, who had departed Coopers & Lybrand the previous year to become the Chief Financial Officer of Norton Simon. He had recruited his friend and client, and while I had been his client or boss at Citibank, I was now his subordinate. At Norton Simon, the management team (on which I was a minor player) attempted to take the company private. We put the company in play and a bidding war took place. Our side lost, and Tony and

I went from flying around in the corporate jet to the New York subway system in twenty-four hours.

But out of the ashes of that career disaster came the formation of Alvarez & Marsal in August of 1983. Sitting on the terrace of a golf club, feeling sorry for ourselves for a brief period of time, Tony and I decided to start a crisis management business, ironically called Alvarez & Marsal. It sounded like a candy bar or a soft drink, maybe.

The changes in the Bankruptcy Code in the late 1970s gave rise to a focus on rehabilitation and job preservation for troubled debtors, as opposed to the strict liquidation process of the past. Companies could avail themselves of this chapter 11 rehabilitation, provided they could develop a business plan that could gain the support of a supermajority of the creditors. Thus, Alvarez & Marsal was formed, initially, to assist troubled companies in meeting this need.

The second important source of any achievement in my career was just great luck. On the personal side it comes from my wife, Kathleen. She's an understanding partner who is able to keep things together at home and provide balance and a safe harbor when a recharging of my battery is necessary. That balance of business and personal is probably the most difficult task that the people—the students—in this audience are going to be facing, as they pursue that passion that they have in terms of any future achievement.

The most important source of luck in my business career was identifying Tony Alvarez. In Tony, I have a partner with whom I share core values. He was there to pick me up when I stumbled, and over the course of twenty-eight years of partnership, there have been a lot of trips and falls. But there's no way I could have achieved any level of success without this partnership.

But enough of that; I promised we wouldn't talk much about that. I thank you as we accept your collective wisdom in bestowing this award. We graciously thank you for the honor.

So now to the meat of my discussion: exactly what do we do in the field of bankruptcy that warrants this honor?

First of all, Tony and I started as crisis managers. Generally, when we're brought into a situation, it is pretty dire. Employees are frightened of the future, managers are often "deer-in-the-headlights," and we're looked at as the men with a solution or medicine to ease the pain. It can be a stressful job, but it

is also pretty rewarding. There is lots of psychic income, assuming you can make a difference.

Such was the case two-and-a-half years ago when, in September 2008, I received a phone call. It was a Sunday night, and Sunday Night Football was on the TV in my study. My family has learned to leave me alone when the Giants are playing and the door of the study is closed. Even the dogs are smart enough to stay away from this place of temporary insanity. My wife had received a couple of calls that evening from someone at Lehman, but she had chosen to leave me alone. Finally, one of my partners, Joe Bondi, who was contacted by a friend at Lehman, called her and said, “The Board of Lehman is trying to get a hold of him, why don’t you get the big jerk to call them back?”

So, at 10:30 that Sunday evening, I called the Lehman Board, and I asked what exactly I could do for them. While I knew Lehman was having troubles, I didn’t have any idea how bad the situation was at that time. The Lehman Board asked if I was available to come to Lehman to oversee the bankruptcy and likely liquidation of that historic entity. I was surprised—surprised and a bit excited. Those of you who have worked with me know I’m not short of ego.

I asked, “Well, before I take the assignment, can you tell me something about the situation?” Now, some of you know that the billing on that has been a cause of great concern to people, but I still was on the fence as to whether we were going to take the job.

I asked them three questions. First, “How much advanced planning has gone into this decision to seek bankruptcy protection?” The answer: “This phone call is the extent of our planning to date.” Those of you who know bankruptcy, it’s pretty important to have a little advanced planning.

My second key question was, “How much liquidity or cash do you have?” In other words, how am I going to get paid? The answer: “The banks took all of our cash.”

My third question was, “How much time do we have?” The answer: “We’re going to file in two hours.”

I’m not so stupid as to play hard to get. Despite all these discouraging answers, I said that we’d take the assignment and I’d see them in the morning. Later that night, Lehman, with \$650 billion in assets and \$625 billion in debt, filed for bankruptcy. Thus began what is often called “The Great Recession.”

Lehman and other troubled situations demonstrate the importance of bankruptcy reorganization law in the success of the economic model of capitalism. Capitalism has demonstrated that it is the most efficient way of matching supply with demand. It encourages risk-taking, innovation, and investment, all of which raise the standard of living for the average person in our society. Capitalism is also prone to excesses and needs to be tempered at times. But it remains a very efficient model.

Capitalism works well because of two key forces: greed and fear. Greed promotes innovation, hustle, risk-taking, the extension of credit, and entrepreneurial activity. Fear tempers or mitigates this risk and carries direct implications for one's greed. Capitalism works well, as long as we permit people or firms to fail and suffer the consequences of too much debt, overexpansion, fraud or judgment, or whatever else may come down the pike.

The key question for capitalism is how to deal with failure, to protect the rights of the parties, and to ease or reduce the unintended consequences to others in society. If a company is too big to fail, then it's too big. It is not in the best interest of public policy to continue with that situation. Lehman underscores the importance of trust and certainty of action in the financial markets, and its bankruptcy process underscores the importance of bankruptcy reorganization law to the success of capitalism.

And now, I will turn it over to my partner-in-crime, Mr. Alvarez.