

SEAT AT THE TABLE  
November 2022

## BOUNCE ENERGY SYSTEMS

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Upon your retirement as CFO at Big Med Tech, a friend of a friend introduced you to Sherry Zola of B&B Capital Private Equity Partners. Sherry asked if you might be interested in being an independent Board director for one of B&B's portfolio companies, Bounce Energy Systems. Sherry liked your experience in large life science companies since that is a key market for Bounce. And Big Med Tech made the desired transition from start-up to PE portfolio company to large cap public company. Sherry said, "You understand the "journey."

You have been Independent Director of Bounce Energy for three years and appreciate Sherry's sponsoring you. You do want to stay in Sherry's good graces: B&B Capital may have other Board opportunities within its portfolio companies. Sherry is well connected within the private equity world and can introduce you to other PE Partners.

### ABOUT BOUNCE ENERGY

Bounce Energy Systems is a roll-up of small companies that engage in R&D for batteries to be placed in artificial hearts. Bounce is one of the few companies in this niche that manufactures products they design.

Manufacturing is done within the United States, and this gives Bounce Energy a unique selling point relative to other companies that have manufacturing done in China. Bounce can charge higher prices because of its more reliable supply chain system.

Jeffrey Bounce got his Ph.D. in Electrical Engineering from MIT and founded Bounce Energy Systems upon graduation. It began as a boot-strap operation, funded by Jeffrey's parents and friends. He was initially supported by the MIT Venture Mentoring Service.

As the company grew, it got the attention of the private equity world.

Sherry convinced Jeffrey that Bounce would be an ideal base for a roll-up of artificial heart energy systems.

Jeffrey accepted the B&B Capital opportunity because it meant a cash infusion for expansion and association with a well-known PE firm in the life science space. At the time of the transaction, Sherry said that one of the reasons she was so excited about investing in Bounce

was Jeffrey Bounce. She told him that he could get to keep his job as President/CEO/Chairman of the Board/Chief Technology Officer. She also said that there is no such thing as job security and there might come a time when Jeffrey would be replaced with a CEO with more experience with growth.

It is now year four of the B&B Capital relationship. Sherry has given up on the idea of an IPO and is pushing Jeffrey to sell the company. Sherry is impatient for more growth through acquisitions and for sales growth. She thinks things are moving too slow at Bounce Energy.

Jeffrey tells her that completion of the strategy is going to take more time. She wanted the exit done by year four or five. Jeffrey says he always made it clear that the IPO might be year 7-9.

Jeffrey tells you that Sherry is great at transactions. But she has little insight into his sector of medical device energy systems.

Sherry has confided in you that she thinks Jeffrey is a brilliant scientist/engineer but not aggressive enough to build a business. There have been times when she asked Jeffrey to take certain actions. He says “Yes” at the time yet does not follow up. Sherry describes this as “passive-aggressive personality” and says it drives her “crazy.”

Sherry says she has “lost confidence” in Jeffrey as CEO.

#### YOU ARE THE BRIDGE BETWEEN SHERRY AND JEFFREY

From the beginning of your relationship with Bounce Energy, there has been tension between Sherry and Jeffrey. Sherry understands the rollup process, is aggressive, and is blunt. People call her a “bitch” behind her back. Her style grates on the more cerebral, soft-spoken Jeffrey.

Jeffrey has said he appreciates your being on the Board. He sees you as a bridge between himself and Sherry.

#### THE BIVACOR CRISIS

Bivacor is one of the world’s best-known companies that designs and produces artificial heart systems. This one company represents 45% of gross sales for Bounce Energy Systems. Bivacor let Jeffrey know that it intends to not renew contracts with Bounce Energy upon the end of the current contract. It plans to use newly designed batteries from an energy lab at Yale University.

Jeffrey visited the President of Bivacor and convinced him to change his mind. He came back from the trip enormously proud of his accomplishment. Jeffrey reported his “mission accomplished” story to Sherry on the phone, expecting an “attaboy.” Sherry’s reaction was to scream, “You are telling me this AFTER the fact?! You kept me in the dark when you knew about this crisis? What else are you hiding from me?”

## THE VP SALES MUST GO.

With tension running high between Sherry and Jeffrey, Sherry calls you to say that she is impatient with the lack of Bounce Energy sales growth. “Ultimately we need a new CEO. But let’s start with the VP of Sales. I want him to be fired immediately. Jeffrey refuses to fire him. You have a better relationship with Jeffrey than I do. I want you to convey a message to Jeffrey: fire the VP Sales by next Friday at 5:00pm or earlier. And then I want Jeffrey to hire Freda Jones of Heidrick & Struggles to conduct a retained search to replace the VP. If these things are not done, then I will introduce a formal resolution that the Board fire Jeffrey. I am at the end of my rope with Jeffrey. Are you on board with me?”

You are in a dilemma: you do not wish to alienate Sherry. And you fear that such an ultimatum would only create a crisis that would cause concern with existing customers and employees.

You are about to respond to Sherry....