

SEAT AT THE TABLE

MAY, 2016

### BOUNCE ENERGY SYSTEMS

Upon your retirement as CFO at Big Pharma, a friend of a friend introduced you to Sherry Zola of Bain Capital. You were asked to be an independent Board director for one of Bain's portfolio companies, Bounce Energy Systems. Sherry liked your experience in large life science companies since that is a key market for Bounce.

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 also manufactures products they design. It was a natural to be the core company for the roll-up.

Jeffrey Bounce got his Ph.D. in Electrical Engineering from MIT and immediately founded Bounce Energy Systems upon graduation. Six years ago it was a boot-strap operation, funded by Jeffrey's parents and friends. 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. There would be an R&D arm to be an outsourced resource to large medical device companies producing products that are in the body and require energy systems. And there would also be a core product line of off-the-shelf batteries to help drive R&D costs down.

Jeffrey accepted the Bain Capital opportunity because it meant a cash infusion for expansion. Plus he would get to keep his job as President/CEO/Chairman of the Board/Chief Technology Officer. It is now year 2 of the Bain Capital relationship and the goal is to grow the company and sell it to a larger company such as Greatbatch or do an IPO. Sherry is impatient for more growth through acquisitions and for sales growth. She thinks things are moving too slow at Bounce Energy. And Jeffrey tells her that completion of the exit strategy is going to take more time. She wants the exit done by year 4-5. Jeffrey says it might be year 7-9.

Jeffrey has said to you that he was always clear about the time frame at the time the Bain offer was made but Sherry didn't believe him. He thinks Sherry is a financial wizard who loves to do transactions. But she has little insight into his sector of medical devices.

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 several times when she asked Jeffrey to take certain actions. He says "Yes" at the time yet fails to follow up. Sherry describes this as "passive-aggressive personality" and says it drives her "crazy."

## Sherry and Jeffrey Have Conflicts

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 complained to you that Sherry fails to “get” medical device R&D or the sales cycle in large life science companies. Jeffrey has said he appreciates your being on the Board. In a sense you are a bridge between Sherry and Jeffrey.

Bivacor is a company that designs and produces artificial hearts. This one company represents 45% of gross sales for Bounce Energy Systems. Bivacor notified Jeffrey that it intended to terminate all contracts with Bounce Energy and do its work through a relationship with a lab based at Yale University.

Jeffrey visited the President of Bivacor and convinced him to change his mind. Upon reporting his “mission accomplished” story to Sherry on the phone, he was expecting an “attaboy” from her. Instead she yelled, “And you told me AFTER the fact?! I wonder what other crisis you are not telling me about.....”

Sherry has expressed to you her concern that Jeffrey does not have the drive to lead an aggressive growth plan. She would like to have Jerry become Chief Technology Officer and hire someone else to be CEO/President. Sherry would like you to become Chair of the Board. You are concerned that Jeff and his team would resign. Upon the completion of their non- compete contracts, Jeffrey could easily establish a competing company.

## The VP Sales Must Go

Sherry has expressed impatience with the lack of sales growth and wants to find a new VP, Sales. Jeffrey’s response is that Sherry doesn’t “get” the sales cycle for this type of product and the current VP Sales is doing a good job.

Sherry calls you up and says, “You seem to 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. And if these things are not done, then I ask the Board to fire Jeffrey. I am at the end of my rope with Jeffrey. Will you help me out?”