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Tortola's Goal Rescue & Recover

Executive Q&A: Steve Curnutte

If you take a look at Steve Curnutte's LinkedIn page, there appear to be a few twists and turns.

An entrepreneur who launched a music publishing company in college — primarily, he said, as a means to write, perform and travel — Curnutte says his career trajectory evolved into selling high-end mortgages and, eventually, to his current focus, helping turn around, restructure and invest in struggling companies.

While there may not be a strong connection between those industries, what he's found, he said, is that "small business is small business, and there are common elements throughout."

Curnutte has used his knowledge of the financial intricacies of small businesses to found Tortola Advisers, a restructuring advisory firm. He also manages the Capstan Fund, which invests in distressed companies.

Curnutte sat down with me to discuss the business of helping struggling businesses reverse their fortunes. The interview has been edited for length and clarity.

What does Tortola do?

We do two things. The first is centered on restructuring advisory work, crisis management and business turnaround.

At times, when it's appropriate, we'll also work with orderly wind-downs and help the stakeholders have a soft landing. So, sometimes it's about economic renaissance, and sometimes it's about maximizing the outcomes in a tough situation.

The other thing we do is work on behalf of a company or investor who wants to acquire assets from a distressed circumstance. So, a company might want to acquire a struggling competitor, but they don't know how to navigate all the insolvency issues that surround that target.

Do those acquisitions tend to be hostile in nature?

In every circumstance so far, it's not been hostile. Because, usually, the seller, the target — it's "Forget the cheese, I just want out of the trap." And they're happy to work with you to engineer a soft landing for themselves. So, oftentimes, you end up working with the target to say, "Let's work through your debt issues and figure out how to extract the elements of value."

What types of companies do you work with?

We're sector agnostic. We're geographically agnostic. What matters to us is whether or not the conditions of distress and insolvency exist, and whether or not we can use the knowledge we have to engineer an outcome.

We've worked with contractors, builders, hardware stores, printing companies, manufacturers, real estate investors, distributors and car dealerships.

These all sound pretty disparate. What are the common elements that make you able to address such a broad spectrum?

The common elements are the conditions of distress. That means problems with cash, problems with being over-leveraged or operational issues.

There aren't many businesses in Tennessee that do what we do, and the ones that do exist usually have a strong financial or accounting background, and they approach the problem from that standpoint. We have those skills, but, primarily, we're operators. My partner and I have both run large and small companies, so we come in with not only insolvency expertise, but also operational expertise.

Are you pretty selective with the businesses that come your way?

I don't want to get involved in a business where the management or the owners have not reached the point of capitulation, the point where they're willing to accept help and advice. If they're not ready yet, I'm not going to be able to help them, or it's going to be difficult. Those are the times where we'll take a pass.

Can you give me an example of a company that successfully went through this process?

Probably the best case study would be Allen Printing Co. They were in a really tough spot a few years ago. They went through a restructuring. In that case, we used Chapter 11 as a tool, which we don't always do. Now, they're doing wonderfully; they were on the Inc. 5000 list. They've doubled in size. They're profitable. They've made acquisitions.

Did you start Tortola to take advantage of companies that would need your help in a bad economy?

Not at all. In fact, it would be wrong to assume that doing restructuring in a down economy is a pro-cyclical decision. Although there are more companies that might fall upon hard times, doing restructuring in a bad economy can be more difficult. There are always companies that are failing. Capitalism is about winners and losers, and it's about the deconstruction of one business in favor of a business that has a better mousetrap.

In good economies, restructuring might be an easier job, because capital is available. There are lenders who will help them with exit financing. There are risk-adjusted lending buckets out there. But in a bad economy, those just don't exist. So it wasn't an opportunistic decision. It was something I would have done no matter what the economic conditions were.

Can you describe the Capstan Fund?

So, that's a separate business. Its specific purpose is to find distressed circumstances where I can use my knowledge of insolvency to try to safeguard the investment and to navigate a world that, frankly, other people want to stay out of. It can be very complicated. There can be lawsuits. There can be claims issues. And so, you've got to understand those well enough to be comfortable with them.

We've done well so far, and our goal is to raise a very significant size fund — \$50 million to \$100 million. That may be a year and a half into the future. Although that's a long way off, that's the big, audacious goal.