

THE WALL STREET JOURNAL.

Hurricanes Put Private-Equity Firms' Continuity Plans to the Test

October 2, 2017

By Laura Kreutzer

Private-equity firms in southern Florida and the Houston area likely have a renewed appreciation for the Boy Scouts of America motto, "Be Prepared."

Back-to-back hurricanes hitting the two regions have underscored the relevance for private-equity firms to develop and maintain business continuity plans to address natural disasters, emergencies or other significant business disruptions. Continuity plans typically include tasks for providing alternate work locations to employees, implementing backup data systems and data recovery plans, and crafting emergency communications procedures, as well as educating employees on actions they should take in the event of an emergency.

"If you're any kind of business, and you don't have some kind of continuity plan, whether it's an informal, semiformal or a formal one, you're making a huge mistake," said James Cassel, chairman of Miami investment bank Cassel Salpeter & Co.

Unless they are registered as broker-dealers with the Financial Industry Regulatory Authority, private-equity firms typically aren't required to develop and maintain written business continuity plans. However, that may change. Last year, the Securities and Exchange Commission proposed a rule that would require registered investment advisers to develop such plans, although the rule hasn't yet been finalized.

Matthew Donahue, a business continuity and data privacy consultant at Eze Castle Integration Inc., a Boston company that counts continuity planning

services among its offerings, said many private-equity firms turned more attention to such plans after Hurricane Sandy hit New York in 2012.

He said firms developing such plans should start with business risk assessments to determine potential hazards, whether they are related to industry, location or other factors, as well as analyses of the impact those risks could have on business. He said in building their frameworks, firms can look to resources such as the National Fire Protection Association's "NFPA1600" document outlining standards on disaster, emergency management and business continuity, or tools available from the Federal Emergency Management Agency, as well as consulting firms such as Eze Castle.

"There are a lot of ways to make this an easy process," Mr. Donahue said.

Mr. Cassel said his firm utilized its continuity plan before Hurricane Irma hit Florida and was in touch with employees who were evacuated to places as far away as Mobile, Ala., and Mexico. Although the firm's Miami office remained closed through at least Sept. 11 because of flooding in the building, he added the bank remained operational, thanks partly to steps it took to stay in communication with employees.

Sun Capital Partners, of Boca Raton, Fla., formalized its own business continuity plan after Hurricane Wilma hit Florida in 2005, said Managing Director Scott Edwards. This time around, the firm officially activated its plan on Sept. 5, five days before Hurricane Irma hit the Florida Keys.

"We were watching the storm as early as two weeks [before it hit]," Mr. Edwards said.

As part of its continuity plan, Sun Capital evacuated a pre-identified team of personnel responsible for keeping the firm's day-to-day operations going during emergencies. It also closed its Boca Raton office from Sept. 7 through Sept. 11, and instructed employees to dial into a hotline it set up to help ensure they were safe. As of Sept. 12, Sun Capital's Boca Raton office had reopened with power restored, Mr. Edwards said.

The latest implementation is the second time the firm used its continuity plan in the past 12 months, said Mr. Edwards. Last year, it did so as Hurricane Matthew approached southern Florida. After each incident, Sun Capital

evaluates its response to look for ways it can improve its planning and execution.

Mr. Edwards recommended all firms adopt some sort of plan for responding to severe business disruptions, many of which can be impossible to predict.

“Have a plan that’s helpful and practice it, talk about it,” he added, “and when you put it in place, go early.”