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HITS HAPPEN!

Big Sam's 35 Rules for Managing and Recovering
from Financial & Personal Catastrophes

BY SAM FURROW

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Sam's Story

My story could begin “born on a mountaintop in Tennessee,” but someone else thought of that first. So, I am a born and bred, Paint Rock, Tennessean with a degree in marketing and a Doctor of Jurisprudence from the University of Tennessee. I graduated from the Reppert School of Auctioneering in Decatur, Indiana, in 1957 and began a career as an auctioneer in 1968.

For 40 years, In addition to my auction business, I've built and operated businesses in automobile sales, heavy equipment sales, and real estate development. I also have stayed active in local civic, charity, and political events. My wife of 41 years, Ann, and I have two children -- Lee Ann, 36, and Jay, 34. We've lived in Knoxville, Tennessee, since 1967.

Before you ask why I'm called Big Sam, let me make it clear that I am 6'5" and 285 pounds. I was bestowed that title by my friends over the years. Why, at this point in my career, have I chosen to invest my time and money to write this little book? My sole purpose is to put some solid advice into the hands of people who need it.

In the last 40 or so years people have sought my counsel when they have experienced financial HITS. They came to me thinking that the “auctioneer” could help them solve their business woes. Gradually, my counsel evolved into “Big Sam's Rules.” My advice focuses on procedures, plans and people rather than on technical, dollars-and-cents ideas. Why do I know my rules work? I lived them!

In 1988 I received an early morning phone call from my bank with the following message: “Mr. Furrow, your dealership is out of trust to us for approximately 2 million dollars.” Needless to say, I woke up fast and shouted, “It can't be. I just saw our statement yesterday and we've made more than \$700,000 in nine months this year.”

MY MISTAKE!

The Ford and Mercedes-Benz dealership in Georgia that was the “best deal I had ever made” had become a nightmare I could never have dreamed, but would experience for months and years to come. Without more detail, let me say that I immediately took action. I got personally involved and began applying “Big Sam's Rules” before they were ever written.

Three years later, when the dust settled, I took stock of what had happened. Behold: Big Sam's Rules started to codify as I began to counsel other debt worn and disoriented people who sought my input to solve their problems. Over the years I have observed people and organizations in many crises -- financial and non-financial. The ones who survived the HITS and are equal to or better than before, employed some or all of the concepts represented in Big Sam's Rules.

My hope is that this book helps many more people in need.

How to Apply Big Sam's Rules

"The length of this document defends it against being read."

-- SIR WINSTON CHURCHILL--

I have taken Churchill's observation into consideration and have tried to be as brief as I can and still convey the message that I am trying to convey.

HITS HAPPEN! Remember the Titanic? While living your life, circumstances may seem calm, safe, and uneventful. However, the danger of that Hit is never far away and as you venture out, storms or events may arise at any time to knock everything around and vary it. When the surface appears calm, there is always danger below.

Also remember that in the darkest of times there is always a way through. It may not be apparent at first blush, but those who take responsibility for discovering the way will prevail. This book is a collection of my observations from years of exposure to some of the most frightening experiences in people's lives -- their actions, reactions, and failures to act. This patchwork quilt of rules are the practical lessons I have observed as an auctioneer of people's lifetime assets, as an owner of business enterprises, as a student of the law, and as a community volunteer in civic and charitable activities.

- I've discovered three phases of Recovery: the "HIT," then "Feeling Better," and finally the realization that you are "Going to Make It." *Big Sam's 35 Rules* are organized around those phases. Any rule is applicable during any phase, and all rules are of undefinable duration. Although the rules apply specifically to financial crises, they also can apply to health, relationship, or other personal or professional setbacks.
- Throughout these 35 Rules, certain words and concepts prevail: stakeholders, communicate, plan, integrity, discipline, credibility, fairness, others, right, optimist. Observe that the words or phrases clever, lose, reluctant, wrong, silent, close to the vest, out maneuver, take advantage of, or adversary NEVER are used to support any of my rules. Underscoring every rule in the book is leadership and communications.
- It takes a strong CAPTAIN to assemble a team of family, friends, associates, and professionals such as ministers, psychiatrists, lawyers, doctors, and accountants, and then to advance toward a solution. The Captain is the person who's HIT, the one who governs the Recovery Plan, and the one who makes final choices and decisions -- especially when team members offer remedies that conflict with those of others or that fundamentally challenge the Captain's personal feelings or character. No matter how legal, genuine or well meaning some suggestions might be, YOU, as the captain, are the final judge. Few of my rules are absolute, so plan to use them in concert to best recover from your HIT. Review them continuously, as they may shift in importance as you go forward.
- You've heard it said, "Insanity is doing the same thing over and over and expecting a different result." Constantly monitor yourself and your Plan to see if your actions are responsible, are working, and are not a repeat of some old problem. Lots of folks make the same mistakes in the turn around stage that got them into trouble to start with.
- This isn't a rule, but I urge you to take care of yourself physically and behave personally. No drinking. Get a lot of sleep. Exercise so you can manage the stress.

- One more general piece of advice: Stay optimistic. How football great Steve Spurrier handles bad plays is the secret to his success. How you handle adversity (not just the good plays) will determine your success during a HIT. Military training reinforces that the survivability rate of captives is linked to positive attitude.
- “Only the dead have seen the end of war,” is attributed to the wisdom of Plato. Likewise, HITS occur as sure as life -- and your life’s defining moments depend on how wisely you manage your HITS to minimize their impacts.

Disclaimer to all my readers: Quoting Winston Churchill, “True genius resides in the capacity for evaluation of uncertain, hazardous, and conflicting information.”

Phase I

'I'm HIT!'

"I've been HIT!" You've heard the phrase coming from the battlefield. You've heard it from the boardroom. You've heard it from the physician's office or from your home place.

You have a sudden realization of a substantial problem or event.
Now, what do you do?

The net effect of a HIT can be the same whether it involves finances, health, relationships, or any other area of life. How you identify, understand, manage, and integrate, or accept, the HIT can minimize the damage to your life and other lives, and may define your legacy.

Rule 1

Never Lie to *Yourself*

“What lies behind us and what lies before us are tiny matters compared to what lies within us.”
-- Oliver Wendell Holmes

“Know thyself.” If you can’t accept this concept, then STOP READING THIS BOOK,
and return it to me for a full refund.

Be absolutely accurate in assembly and analysis of the facts.

Take a realistic, objective view of the situation, not overly optimistic and not overly conservative.

What is the problem? What are your alternatives? Think! (See Rule 21)

If you remember Sgt. Friday on the TV show *Dragnet*, his famous request was,
“Just give me the facts.”

Take an inventory of your assets -- properties, relationships, and your own internal strengths -- with a view
to the long and short terms. Sources of talent? Sources of help? Friends and family support?
Your own self-image and courage to address the problems?

Understand your assets so you can communicate them to those from whom you will need assistance

to recover from your HIT.

Rule 2

Never Lie to *Others*

This is the beginning of establishing your credibility with others. (Rule 1 established your credibility with yourself.) Your veracity and reliability will be the core of your Plan going forward. This rule is as difficult, or more so, than not lying to yourself. You feel that you are hurting, scaring, or disappointing people. It is an absolute that communications be based on an accurate and truthful self-analysis of the situation.

Your Plan will evolve over the days and months that you are communicating to people, and that Plan is always subject to amendment. So, make sure that you convey, "This is what I believe or know at this time." Don't lock yourself into some irrevocable commitment until it's time. Be realistic and accurate.

The only difference in an inaccurate evaluation and a lie is whether it is from the head or from the heart. But the net effect is the same: any inaccuracy can be interpreted as a lie if not communicated properly and honestly, as you believe it to be.

Rule 3

Emergency Room Triage Rule

“It is a fine thing to be honest, but it is also an important thing to be right.”

-- SIR WINSTON CHURCHILL--

In the emergency room, stopping the patient's bleeding takes priority over curing his or her broken arm. Applied to Recovery from your HIT, work on life threatening elements first, whether it is a financial or personal HIT. Focus on surviving.

I highly recommend that you establish an aggressive timeline and adhere to it.

Though it will change, the timeline allows you to manage expectations.

Remember the theory, “Work expands itself to fit the time allotted for its completion.”

As Team Captain, you must identify, in the same way the U.S. President does, the most urgent priority -- the clear and present danger -- in your circumstances. Then, address that pressing issue in an orderly fashion.

HINT: How do you identify the most pressing concern? Prioritize yourself with a process called MITs (Most Important Things). This involves your ranking each issue, being prepared to re-rank as time goes on. Address each issue to the fullest extent possible at that moment. Then, advance to the next highest issue, and so on

down the list. A daily review of the list keeps you focused on the priority items and helps you in your triage.
Amend the list as circumstances dictate.

Rule 4

NASA Rule

“Let our advance worrying become advanced thinking and planning.”
-- SIR WINSTON CHURCHILL--

Apollo 13 Astronaut James Lovell to Mission Control (April 1970):
“Houston, *we've* had a problem here.”

The operative word is “*we've*.” All parties from creditors to friends to family -- I think of them as stakeholders -- are involved in the problem and the solution. They are mission control with you as the pilot, so communicate and involve those who clearly need to know.

Understand that although your HIT may have different impacts on different stakeholders, you can build positive relationships throughout the solution process.
Respect for each other will evolve and a safe landing will result.

Rule 5

To Err Is Human Rule

“To err is human, but to blame it on someone else is more human.”

Take responsibility. Analyze your modus operandi. Don't waste time and energy blaming others. Take action! Go into strong self-analysis. Identify why, when, how, and who, but then take full responsibility for handling the issues resulting from the HIT and your Recovery.

I learned the military leadership principles* as a student in ROTC at the University of Tennessee. One of those principles is, “Seek responsibility and take responsibility for your actions. “
Your actions may or may not have caused the HIT,
but they determine the outcome of the HIT for you and your stakeholders.

** See Appendix 1 for a full list of Military Leadership Principles.*

Rule 6

People Help People

Whenever possible deliver the important news of the HIT in person rather than by e-mail, a letter, or on the phone. It will pay short- and long-term benefits to communicate face to face with those who need to know. People can see your pain and give you the appropriate response if you say it in person and give them the facts.

My HIT happened prior to my serving as the chairman of the Knoxville United Way Campaign. Out of concern for the potential negative impact on the campaign and my ability to fulfill the role, I met with Jim Haslam, owner of Pilot Corporation and chairman of our United Way to tell him of the HIT and its potential impact to the campaign. His simple and confidence-inspiring response was,
“You got cash flow? You got assets? Then, you’ll be alright.”

In the end, he was right. His questions got to the immediate gist of the matter. And, his support and influence with my banks in endorsing my Plan of Recovery had a major impact on that Recovery. I found out later that he was on the board of one of my banks that cooperated on my Plan and helped my cash flow. He became one of my best friends in the world.

A personal approach to others tends to make them part of the solution by osmosis alone!

You never know who knows who, and who can help (or hurt) you!

Rule 7

Lifeguard Rule

“It is no use saying “We are doing our best!” You have got to succeed by doing what is necessary.”

This is not *Baywatch*. This is where TV and reality diverge.

Hope is both a noun and a verb.

You project hope when you provide leadership and cooperation in your crisis.

When you show hope, you create hope in others.

Paramedics and lifeguards continue applying CPR as long as life can be preserved and there is “hope of survival.”

Maintain the same perception as long as it is accurate for your benefit as well as the benefit of the stakeholders involved in your HIT. Your ideas and efforts will inspire others around you, and buy you time and support from stakeholders. Each one has to feel they have a ticket to your HIT Recovery and that you will be fair, honest, and consistent at all times.

Rule 8

Navy Rule (or Going Through Hell)

*“If you are going through hell, keep going.”
-- SIR WINSTON CHURCHILL--*

When a ship suffers a HIT or has a crisis, the first people on the scene belong to Damage Control. Their goal is to limit the damage to as small an area as possible so the whole ship is not in jeopardy.

Upon your HIT, limit the damage to as small an area of the various segments of your life and business as you can. Make every effort to contain the impact, so the damage doesn't spill over into your relationships, your physical and mental health, and your other business activities.

Damage Control, whether saving a ship or managing your HIT, is not a one-person show. Your team will grow as you move forward. Your HIT is not a secret and will evolve into the combined effort of all the stakeholders you choose.

Rule 9

Air Force Rule

When you're HIT, "keep flying the plane."

In both general aviation and military accidents, significant evidence suggests that the pilots or the crews get consumed in handling the catastrophic events and stop flying the planes.
So, the planes crash.

A commercial jet crashed in the Florida Everglades in 1996.
The investigation showed that the crash resulted when the co-pilot left his station to check a developing problem. In doing so he accidentally disengaged the autopilot.

Don't take your eye off the ball at 30,000 feet. Notwithstanding collateral damage, you must continue your

life with the least interruptions possible. Prioritize. Keep on living and loving while you deal with the HIT,
and involve others to help you. They will!
Make sound and timely decisions.

Rule 10

NASCAR Rule

“He ain’t hit nothing yet.”

This is a standard evaluation by veteran drivers of a young NASCAR driver who comes out blazing and showing early successes. Our lives are punctuated and become subjects of books because of crises, or HITS, that find us and test our long-term success and survivability.

(Remember that Plato opined, “Only the dead have seen the end of war.”)

Expect life’s HITS, but know you can survive them by using the advice in *HITS HAPPEN* along with your own common sense.

(We NASCAR fans also take a Goody’s® Headache Powder.)

Like football Coach Steve Spurrier whose record is defined by how he addresses bad plays, NASCAR drivers’ success is determined by how they handle the wrecks.

Your legacy may be how you handle life's HITS.

Rule 11

Wall Street Rule

"Wall Street has a six-month memory."

The same is true in business and in our daily lives. People generally have short memories. Countless times you've heard, "I didn't know he was dead!" OR "Did he go bankrupt?" OR "I'd forgotten about that!"

Do you remember every candidate who ran for President last time?

Others' views of your HIT are snapshots of the event.

However, as the person HIT, you have a greater vision of the Recovery and can see a light at the end of the tunnel long after others have switched to other thoughts.

Case in point: Have we not seen Michael Milken delivering funds from his foundation to deserving recipients, though he was HIT several years ago?

Rule 12

OREO Rule

(And, It Ain't No Cookie)

Expect new team members that you must integrate into your Plan.

If your HIT is financial and involves a lending institution, expect to be turned over to OREO, a department named "Other Real Estate Owned," or to a department named "Special Assets." (Ain't it special to be in special assets.) Expect to be turned over to bank departments associated with working out nonperforming loans.

Creditors may employ "turn-around" professionals in positions of authority and control. You must consider them as part of your team. The players may change as you proceed, but it will not be "business as usual." You must convey your Plan and be prepared to amend it based on mutual conclusions.

Professional employees in these institutions generally have full knowledge of their rights and responsibilities. You need to have full knowledge of YOURS, so you must be represented by your own specialized, professional team and your stakeholders.

Financial HITS have a special legal protection for the person (or entity) that has been HIT.

The rules are very complex, and bankruptcy should be considered but not hastily used.

Bankruptcy is a sword that has many edges!!

Rule 13

Military Intelligence Rule

“Tell only those who need to know! Loose lips sink ships!”

Who needs to know is determined by your unique relationship with them. You can expand and contract who you tell throughout the Recovery process. Sharing news of your HIT with a peer, someone who also has taken a HIT, is engaging and useful. Include family and old friends that you know will want to counsel and comfort you.

Clearly, tell your spouse. But, should you tell your two-year-old son? You should tell your creditors. But should you get on an airplane or go into a bar and start telling a stranger your woes? They may give you a false sense of support and involvement -- all they know is what you told them in a short period of time.

Once you have determined “those who need to know” they become part of your inner circle.

Let all of the circle members know who the other members are.

All of these are your stakeholders.

Rule 14

‘They’ May Kill You, But ‘They’ Won’t Eat You

There’s a point when your HIT takes you to the bottom of emotional and practical boundaries. After analyzing all the facts, alternatives, and issues, you come to peace with your discovery that “they” may kill you, but “they” won’t eat you. Upon this realization, you give up your fear of failure, even your fear of death. It’s a bottom line from which you can move up and forward to negotiate and represent yourself as captain of the Recovery.

The worst thing “they” can do is fuss at you, sue you, say bad things about you, or throw you into bankruptcy. Knowing “they” can’t do anything worse than the law allows gives you courage to face “them” without fear. Also, “they” would rather listen, and give you time, than eat you because that is never a best result for anyone.

Make “them” stakeholders.

Rule 15

Las Vegas Rule

To improve is to change. To be perfect is to change often."

-- SIR WINSTON CHURCHILL--

The interpretation meaning that you change often within your experience of expertise, but not doing the same thing over and over and over.

"Don't Change Games."

When gaming in Las Vegas and you experience substantial losses at blackjack, you are ill advised to change games in an attempt to recoup your losses. Don't leave blackjack and go to roulette.

Avoid a new game where you have less knowledge and experience and less favorable odds than you would have if you stayed at the blackjack table.

In other words, starting a totally new endeavor is no way to solve problems with an existing endeavor.

Your Plan should be consistent with your experience and ability. If your HIT occurred in real estate development, your Recovery will be best served by staying in that business.

Rule 16

Phillips Screwdriver Rule

Although you might get by with a smaller, straight blade, you know you need to use the correct size Phillips screwdriver when the job requires it. Know which tools are the right tools for your Recovery from the HIT: the bankruptcy tool, the negotiation tool, or the skipping payments tool for financial HITS.

Other types of HITS might need other types of help, such as surgery or counseling.

For the various types of HITS, know that most likely it will take a professional to help you pick the correct tools and use them correctly.

Rule 17

Call a Pro

Professional help is available for every aspect of your problems. Which professionals do you need? At some point in your Recovery you'll need them all: spiritual, psychological, medical, financial, legal, tax. Identify the best professionals -- individuals or organizations -- to focus on your problem. Be aggressive in involving them, without concern over your ability to pay. If you inform them of your financial status, they'll likely advise and help anyway. You will recognize that the nicest people are often at the top -- most people are just people who love to help other people.

One of the best compliments you can give is to ask a person, "What's your opinion?" Genuinely seeking the opinion of an expert binds them to you and raises interesting ideas you might never discover alone.

To overcome your initial fear and other feelings of shock, realize that obtaining professional help and explanations will help your feelings and thoughts return to normal. You'll understand what's going on, not only in your business, but in your thoughts, feelings, and relationships, and what the future holds.

Rule 18

J. Paul Getty Rule

“The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty.”
-- SIR WINSTON CHURCHILL--

Getty said, “The meek may inherit the Earth -- but not the mineral rights.”

Don't be meek in your Plan or its execution. Be confident in your analysis, but don't be reluctant to change your perspective as you proceed to the next phase of your Recovery.

Stay flexible. Know that your Plan is a *plan*, not an absolute guarantee of how to succeed with your Recovery.

Your bold leadership will be tested as you move through the Recovery process from your HIT.
Just communicate to others your thoughts!

Rule 19

Set the Example

*“Success is going from failure to failure without loss of enthusiasm.”
-- SIR WINSTON CHURCHILL--*

Set the example for everybody involved -- it's fundamental in all leadership roles in life. Be there as much as practical -- physically, mentally, and emotionally. Your image will affect all your stakeholders.
Demonstrate confidence and good judgment.

Another military leadership principle I learned in the U.S. Army reads: Keep your soldiers informed and look out for their welfare.* Apply this principle to your stakeholders not only immediately after your HIT, but throughout the full Recovery process.

Know that your actions will set the tone for the whole Plan. Watch yourself, because you can be assured someone else is watching you! Don't look broke (or rich). Remember the image of Martha Stewart's expensive purse and the focus it got during her trial. Act, dress, and live appropriate to the situation. Many individuals in distressing crisis situations change their personal appearances from the norm, whether it be grooming, weight, or even the automobile they drive.
Think about the impact your image may have on all stakeholders involved in your Plan, from family to professionals.

** See Appendix 1 for a full list of Military Leadership Principles.*

Phase II

'I'm Feeling Better!'

You have experienced the shock, anger, shame, fear, and all the other emotions of the HIT, and now you have a sense of understanding the problem and the nature of the tools available to you. You are in the path to positive resolve of the problems created by the HIT.

Rule 20

Blind Man Rule

“Where there is no vision, the people perish.” Proverbs 29:18

“Do blind men join nudist colonies?”

(If they do, I suppose they visualize! Or, do they use Braille?)

Visualize each part of your Plan, and then daily “play out” the next event in your Recovery. In the book *Psycho-Cybernetics* by Dr. Maxwell Maltz, the famed plastic surgeon, one story you’ll read is about a man who learned to play golf by visualizing before he played his first game -- he shot an 80 first round.

My wife, Ann Baker Furrow, had basically retired from amateur golf when she decided to compete again in state and regional tournaments. She followed the books’ axioms and visualized every element of her game, instead of pursuing a rigorous practice routine. Ultimately she won five Tennessee and one Southern Women’s amateur championships.

Visualize every possible happening, especially the positive. Be objective. Your chances of coming out a winner are much better.

Big Sam’s Advice: READ *PSYCHO-CYBERNETICS*.

Rule 21

Think, Think, Think

Hubert Guez, one of the founders of Sassoon Jeans and a highly successful Californian who has been a leader in the apparel industry for more than 25 years, advised me to think, think, think. He said that thinking was one of his strengths throughout the entire planning and execution process of his Recovery from a HIT.

Think carefully about the options you might propose or encounter going forward that might be “outside the box,” and utilize the *Psycho-Cybernetics* visualizing process in your thoughts.

After you have thought, thought, thought, then move on to Rule 22 and negotiate, negotiate, negotiate!

Rule 22

Negotiate, Negotiate, Negotiate (or Organ Grinder Rule)

“Never hold discussions with the monkey when the organ grinder is in the room.”

Expect, as you involve others in your Plan, to be required to negotiate. If you can't reach a point of acceptance, then negotiate the non-negotiable. Fred Langley, a successful Tennessee businessman, at one time had to deal with the Federal Deposit Insurance Corporation (FDIC) in bank failures for which he had debts. He said that one of his strengths was to negotiate, negotiate, negotiate, and then once it became non-negotiable, to continue to negotiate.

If at any stage you have not reached the level of agreement necessary to make your Plan work, negotiation buys time for you to broaden your feel for the situation and identify personalities and define relationships with people on the other side of the table. Fair negotiation also creates wonderful communications between parties and the result can be more and better ideas.

Remember, non-negotiable items can be negotiable. Most all personal, health, and financial problems have multiple methods of treatment. Negotiate until you arrive at what you can accept.

Rule 23

Time Is of the Essence!

(But It Ain't!)

“Time is of the Essence!” But not until it is imposed by someone. Don't panic -- don't run out and start swatting flies. If your HIT is financial, delinquent lists generally don't create action until 90 days past your first missed payment, and negotiation can delay even that time limit.

Act appropriately to minimize the impact, based on the nature of the HIT. A malignancy diagnosis may carry more timely action than a less aggressive disease.

So, resist rushing into a quick reaction to the problem. You've got time to create and execute your Plan. But remember, though, never abuse time as a shelter, and communicate!

Rule 24

Profit Before Pride, Green Before Glory

Apply this Wall Street Creed when facing any HIT -- divorce, illness, or other personal crisis, as well as financial setbacks.

Don't allow pride and prejudices to interfere with the correct decision to maximize a profitable result (long term value). The process of developing your Plan to maximize the results tests your accuracy and integrity in analyzing your circumstances.

It's natural to let your pride restrict you in going to talk to somebody who has just loaned you money or who is going to be concerned or hurt by the news of your HIT, but use other values rather than prideful, emotional values in the decision-making process.

Does this person need to know?

Rule 25

4-H Rule

“Don’t fall in love with your show cow.”

She’ll leave you to go to market someday. I learned this lesson as a young member of the 4-H Club in Paint Rock, Tennessee, where I grew up. Be willing to apply your best assets to the solution of the problems created by your HIT. Using your best assets wisely may be the key element of Recovery. They will create the greatest “bang for your bucks” in dealing with the problem.

What are your “best” assets?

They’re not limited to property and other material goods but also include time, talents, and personal and professional networks and contacts. (Re-read Rule 1.)

Cash most likely will be one of your most valuable assets.

Rule 26

Express Sincere Appreciation

“Think so you can thank those who help you.”

Express your sincere appreciation for things that others do to help you. This is one more important part of ongoing communication. As your Plan starts fitting together, expressing your appreciation will build your communications and open opportunities to exchange ideas about your Plan with your stakeholders.

An Indian Chief relates to his grandchild a dream he had about two wolves fighting. One represented Anger, Jealousy, and Resentment. The other represented Peace, Appreciation, and Love.

“Which one wins?” the grandchild asks.

The Chief says, “The one I feed the most.”

Rule 27

Death and Taxes Rule

(I'm only focusing on taxes!)

Often overlooked by the taxpayer, but never forgotten by the taxing authorities, is the need to be aware that compromise or forgiveness of debt or transfer of interests can create tax liabilities! It is imperative that you know the tax implications of your Plan. That's why accountants and lawyers are so critical to your Recovery at all stages.

Divorce, bankruptcy, long-term illness or rehab can have significant consequences to your tax bill. Look carefully into the liabilities that will survive the HIT, and be sure to deal with them in your planning process, knowing they may continue to be with you. Your Plan must be a total plan that covers the remainder of your life.

Rule 28

Court of Equity Rule

“Integrity is the basis.”

My dad often said, “People will forgive errors of the head, but they won’t forgive errors of the heart.” In our Courts of Equity, you must have clean hands if you are asking for fairness and equity from the Court. Verify that your hands are clean regarding your HIT and Recovery Plan. If they aren’t, wash them and keep them clean going forward.

Want the stakeholders’ trust? Then, no deceit. Be straightforward and honest. Creditors have the power to settle their claims from 0% to 100% on the dollar. Your clean hands can be an element in creditors’ decisions about the rate they set.

Your family and friends deserve a clear description of your issues and your Plan.

A non-financial HIT requires the same level of integrity in human relationships. Get honest with your physicians, your spouse, family or friends. Get truthful and stay truthful with yourself.

Rule 29

Baseball Rule

Follow Tony La Russa's winning strategy, "Slow it down to stay ahead of the game."

In his bestselling book *Three Nights in August*, Buzz Bissinger documented the management style of the great St. Louis Cardinals manager. Bissinger asked, "How do you keep up with all this?" La Russa answered that he anticipates the various outcomes of the current situation and already has played the next happenings in his head before they occur.

Slow down as needed to stay on top of your Plan, and visualize the future so you can better manage it. There are plans within the Plan, and they frequently change as the game progresses. Think ahead!! And, visualize (see Rule 20).

Rule 30

Barnyard Rule

“If you’ve got to eat it, it tastes better fresh than stale.”

Understand what I’m saying? I first heard this saying in a board meeting where we were trying to decide how to handle a major loss and report it to the stakeholders.

Once you have addressed the issue and come to a solution, proceed to eat it and get it over with early. Don’t waste good assets and resources by delaying your execution, thereby giving your stakeholders the perception of deceit or poor management.

Make a sound and timely decision, using the 8th military principle of leadership in Appendix 1, to set your Plan in motion.

Phase III

'I'm Going To Make It!'

The Doctor takes your temperature and you ask, "How am I doing?" Normal human temp may be 98.2 or so, but if it was 108 degrees yesterday and 102 today -- then the Doc may say, "Relatively speaking, you're doing better!" Realize that almost everyone has been HIT and has experienced the anger, anxiety, depression, resentment, uncertainty, and hundreds of other human emotions that you are feeling.

You will find that most all pain and suffering eases with time, as soon as the first shock of the HIT is over, and you develop your Plan, take charge, and continue the Recovery.

Don't expect a normal temperature too soon!

Rule 31

Cash Rule

“Cash is King.”

It's the air that allows you to breathe and live long enough to make a profit, which may be your food. Whether your HIT is financial, health-related, or domestic, your Plan must be commensurate with your resources. This is true for both your personal life and your business life. No Plan can succeed without cash flow or the essential life-giving things needed to survive in the near future.

In most debt situations, one of a creditor's first questions normally is, “What is your cash flow plan?” They don't ask about profitability until later.

Stakeholders can provide this most critical part of your Recovery, as cash options can come from refinancing for longer terms or lower rates on loans; selling assets; adjusting mortgages to interest-only payments; seeking a moratorium on payments for a period of time; or chapter 11 bankruptcy.

Some sources often overlooked for personal cash include 401Ks, IRAs, insurance policies, or even advances against inheritance.

CAUTION: Forgiveness of debt by a creditor is great, but it does not create immediate cash flow. It only reduces the amount needed in your Recovery, and may create a tax liability (see Rule 27).

Rule 32

Rotary Rule

“Is it fair to all concerned?”

Most all legal, human relations, and business principles are rooted in and judged by this very basic concept.
If you are fair, you most likely will get a fair response.*

Bankruptcy court is established to provide a fair solution to creditors, giving protection to various classes of creditors based on the law. I have observed debtors avoid bankruptcy by communicating to creditors a plan to pay back fairly on a pro rata, agreed upon basis. Most creditors will embrace the idea if they have confidence in you and your Plan. It saves money and time for all concerned.

Response to a non-financial HIT also should be measured by the “fair to all” test. Do what’s right. This is a subjective concept, but one by which your Plan and your relationships with others will be judged.

** Rotary International is a worldwide organization of business and professional leaders that provides humanitarian service and encourages high ethical standards in all vocations. Read the Rotary’s Four-Way Test in Appendix 2.*

Rule 33

Indian Chief Rule

An old axiom says, "If you capture an Indian, you get an Indian, but if you capture a Chief, you get a tribe." You want as many chiefs as possible in your corner, because they carry authority.

In the military the general opinion is that an enlisted man facing a court-martial will find a much less forgiving jury of noncommissioned officers than one composed of commissioned officers. Your peers may be less forgiving. That's one reason you go to the top for decisions.

The concept is to get to the person -- face to face -- that is as high on the relationship pole as you can reach. You'll find that these individuals most likely have discretionary powers that can shorten the time involved in finding solutions to your HIT.

Rule 34

Winston Churchill Rule One

“Success is not final, failure is not fatal – it is the courage to continue that counts.

-- SIR WINSTON CHURCHILL--

“Never give in -- never, never, never, never, in nothing great or small, large or petty, never give in except to convictions of honour and good sense.”

-- SIR WINSTON CHURCHILL, OCT. 29, 1941 --

Enough said.

Rule 35

Winston Churchill Rule Two

*“This is not the end. It is not even the beginning of the end.
But it is, perhaps, the end of the beginning.”
-- SIR WINSTON CHURCHILL, NOV. 10, 1942 --*

This is not the end of your HIT. It will survive in some fashion for your lifetime, so my wish is for you to use these rules in combinations and sequences that help you through your HIT. You will have a shortened Recovery and a more knowledgeable foundation to live the rest of your life and perhaps help others when they say, “I’ve been HIT!”

Appendix 1

Military Principles of Leadership

- Know yourself and seek self-improvement
- Be tactically and technically proficient
- Know your soldiers and look out for their welfare
- Keep your soldiers informed
- Set the example
- Ensure the task is understood, supervised and accomplished
- Train your soldiers as a team
- Make sound and timely decisions
- Develop a sense of responsibility in your subordinates
- Employ your unit in accordance with its capabilities
- Seek responsibility and take responsibility for your actions

Appendix 2

Rotary Four-Way Test

Rotary International is a worldwide organization of business and professional leaders that provides humanitarian service and encourages high ethical standards in all vocations. In their business and professional lives, Rotarians abide by The Four-Way Test in what they think, say or do:

1. Is it the TRUTH?
2. Is it FAIR to all concerned?
3. Will it BUILD GOODWILL and BETTER FRIENDSHIPS?
4. Will it be BENEFICIAL to all concerned?

