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ADVISERS

Your True Strength.

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Business Transfer & Valuation Information

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When to Tell Employees You're Selling

It is common for business owners to feel guilty about keeping employees in the dark when they consider selling their company. The reality is, finding the proper moment to tell your employees is crucial. Getting it wrong could jeopardize the sale, and/or have long-lasting negative repercussions on your business operations.

Having more people “in the know” challenges confidentiality

A successful sales strategy includes maximizing the value of your business. A full staff, satisfied customer base and strong vendor relationships are a few of the value factors that create positive interest from a buyer. Damaging any of these components decreases the value of the total business package you are selling. Employees, and others not involved in the sale process, often don't realize the importance of confidentiality or the magnitude of damage a breach can create. Rumors about a sale will influence employee retention, customer loyalty, vendor relationships and even creditor decisions

– all value factors in your sale negotiation. The greater the number of people who know about a potential sale, the greater the number of opportunities exist for word to reach your customers and competition. Limit the opportunity for leaks.

Limit the risk of turnover

A sense of loyalty to your employees might convince you that the sooner you tell them of an impending sale, the better. But disclosing such information before a transaction is imminent can do more harm than good, to you and to your employees. Even when owner-employee relations are good, employees worry. Fear and distrust can arise from the uncertainty employees feel with a sale. What will change? Will I still have my job? All valid questions. And if you can't answer them fully, employee morale and confidence can plummet. If significant time passes between the announcement and the sale, employees may get nervous about their security and “jump ship” for other employment opportunities. A buyer that sees your workforce “bailing” might be reluctant to go through with the transaction, which could leave you holding the business, understaffed. It is almost always more prudent to wait on announcing a potential sale until the transaction is near completion. This also gives you the opportunity to introduce the new owner to your staff at the time of or shortly after your announcement, allowing the new boss to ease concerns by sharing their new vision for the company and/or assuring employees of their future with the business.

Don't be pressured

Often a buyer will pressure the seller to inform certain key employees early in the process to gauge their reaction and commitment. They may even offer to meet these employees personally. This presents a limited risk for the buyer, but creates an enormous risk to the seller. If the transaction hits a snag, your employees will know you're shopping your business and may not be interested in staying around. It's your risk. You should control when any internal announcement is made.

Business owners know their employees and can usually judge the best time and method of announcing a sale. However, emotions, pressure from buyers and inexperience with the business sale process can interfere with proper timing, which can ultimately interfere with the sale. An experienced transaction adviser can coach you on the appropriate timing and manner in which employees are brought into the loop, aiding in the success of your transaction.

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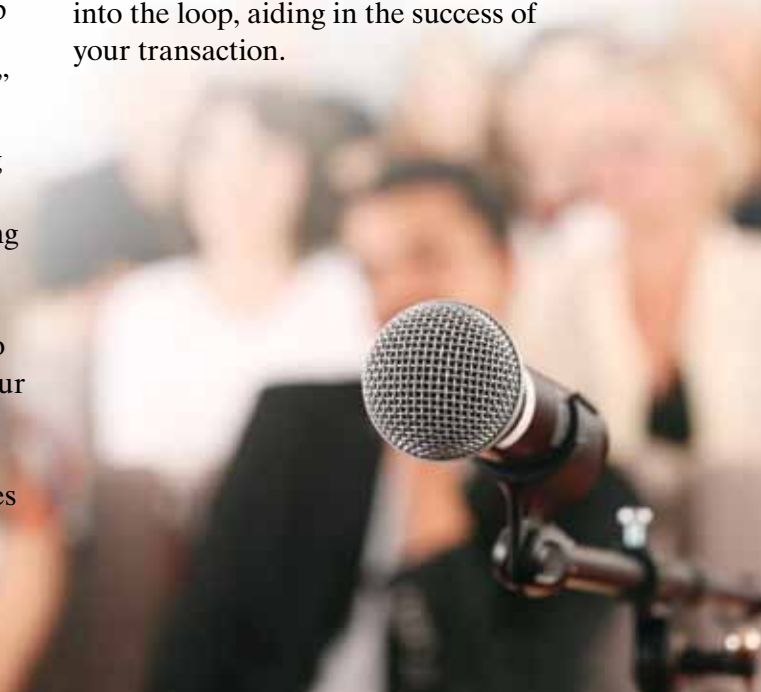
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business lines



By Steve Jacobs

The year ahead should be positive for the economy. Though the recent economic recession may technically be over, not every business owner is content. Many are wondering - with good reason - how long it will take to see the valuation of their company rise once again to pre-recession levels. After all, it took several years after the 9-11-2001 downturn to return to "normal."

The markets have settled down, the immediate future looks optimistic and companies that survived the downturn are sustainable. That gives buyers confidence in their evaluation of opportunities. With less uncertainty comes an environment favorable for both buyers and sellers.

A recent report by Thomson Reuters stated mergers and acquisitions worldwide are expected to exceed \$3 trillion in 2011, the highest level since 2007. Credit demand is rising slightly and for the right borrowers, lenders are out again.

Business owners are more eager to consider selling, owing to higher prices, an active private equity community looking to put money to work, and potential tax increases after 2011. With buyers looking for opportunities to invest cash they have been accumulating while waiting for more certainty in the market, this year may be an optimum time to sell. The market is more appealing to sellers now, as it is flooded with buyers looking for solid strategic acquisitions.

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Whether you take advantage of improving conditions in 2011 or wait until later, when you determine the time is right to sell, make sure you have an effective plan and the appropriate team of advisers in place to maximize your sale price along with terms and conditions that assure your greatest priorities are achieved.

Narrow Your Target, Expand Your Results An Acquisition Success

Three years ago, BCC Advisers guided Universal Manufacturing Company (UMC) through the process of selling one of its distribution divisions. Recently, UMC called upon BCC once again, this time for advice on making an acquisition.



The process of making an acquisition can be a very time-consuming endeavor, and a challenge for any management team running the day-to-day operations of a business. UMC, a leading remanufacturer and distributor of a wide range of quality parts for the transportation industry based in Algona, Iowa, discovered this firsthand. Business brokers had been providing UMC with numerous opportunities they

assured would be good fits for UMC's existing operations. After the management team spent considerable time reviewing and following up on these opportunities, it discovered that none was totally in line with their growth objectives. It became evident that UMC would benefit from engaging an adviser that could more efficiently utilize executive time by reviewing only quality, well-suited prospects that were for sale, as well as developing a strategy for approaching companies not actively on the market.

Targeted Acquisition Plan

BCC knew a successful outcome would best be achieved by first establishing a targeted acquisition plan. An experienced adviser

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Since MLE was not currently for sale, an early and ongoing priority of the Acquisition Team was to convince the owner of potential benefits for himself personally, and for MLE and MLE shareholders in leveraging UMC's resources, making UMC an attractive buyer.

(versus a “broker”) is able to refine the enormous universe of potential sellers, both on the market and those not currently for sale, that might fill UMC's growth objectives. In addition to basic size, location and industry criteria, BCC had UMC answer several other considerations:

- Would they consider contract manufacturers or only those with branded products?
- Did they want to acquire additional manufacturing capacity or, ideally, would they absorb the manufacturing into their existing operations?
- Would they purchase the property or would it be more attractive to lease it?

Acquisition Team

Once specific criteria were established, BCC created an “Acquisition Team” consisting of two UMC board members and two advisers from BCC. This team was responsible for quick decision-making in order to move the acquisition process forward efficiently. Timely responses to prospective sellers were critical and would be hindered by the need to coordinate feedback and approval from all board members for each detail.

Customized Marketing Campaign

BCC's next approach was to create a customized marketing campaign to a very select number of prospects. This customized approach increased the likelihood of success by not only qualifying targets based on preliminary criteria up front, but by differentiating UMC's inquiry from the myriad of others. Since sellers can be bombarded by sale inquiries, they are more responsive to a communication that shows a buyer knows whom they are contacting (versus a “canned” mass mailing). It was vital that each prospect was appropriately researched so the initial contact could highlight the UMC attributes that would be most attractive, as well as convey UMC's acquisition objectives and genuine interest in that prospect.

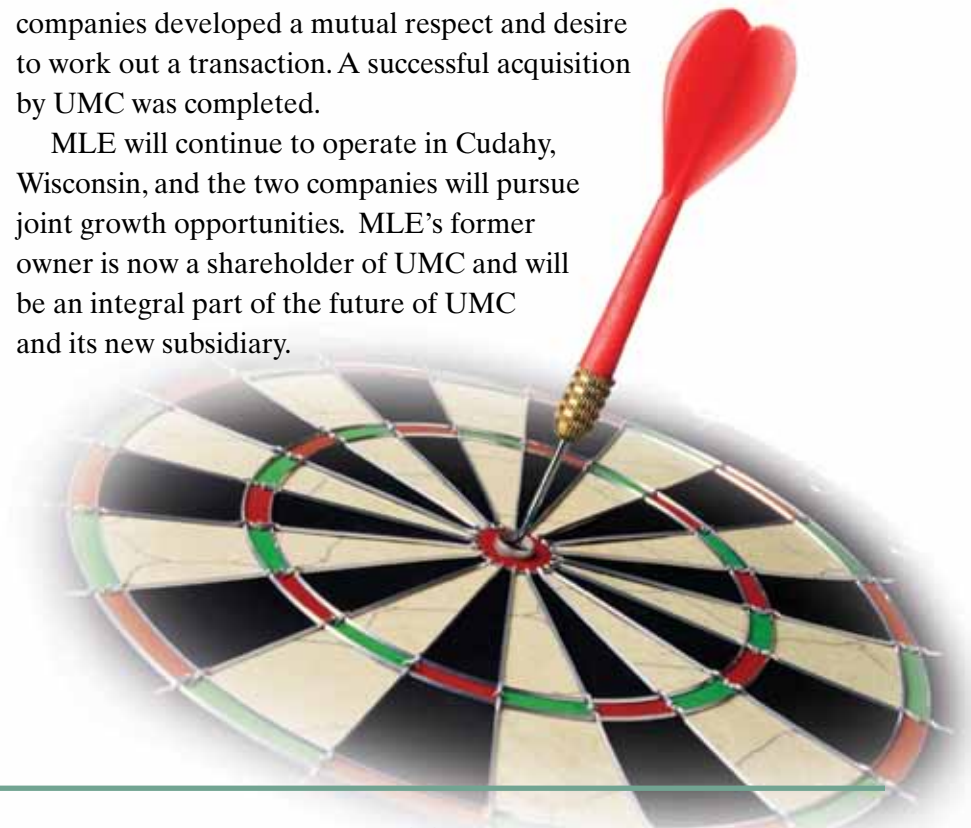


Upon passing all initial screening tests, Man & Material Lift Engineering (MLE), a manufacturer of specialty aerial work platforms and mobile hydraulic equipment in Cudahy, Wisconsin, was identified as a desirable acquisition candidate.

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As conversations progressed, both MLE and UMC recognized that their business cultures and synergies were an ideal fit. By ensuring future interactions were consistent with initial promises, the two companies developed a mutual respect and desire to work out a transaction. A successful acquisition by UMC was completed.

MLE will continue to operate in Cudahy, Wisconsin, and the two companies will pursue joint growth opportunities. MLE's former owner is now a shareholder of UMC and will be an integral part of the future of UMC and its new subsidiary.



“One of the keys to our successful acquisition was the experience BCC brought early on to help our group crystallize its objectives and criteria for an acquisition target. The expertise that Steve Jacobs and the BCC team provided throughout this entire process, from establishing objectives to final negotiations, was extremely valuable.”

– Don Dunn, UMC President

Vital Partnerships Lead to Greater Opportunities



Global Network

As markets become more and more globally oriented, effective M&A advisers must be able to access buyers and sellers for their clients regardless of geographic location. BCC Advisers has such access through its membership in IMAP, Inc., an expansive network of over 400 M&A advisers in nearly 30 countries around the globe. But access alone is not enough. Cross-border acquisition, strategic partnership and divestiture transactions lead to an increase in complexity as parties must deal with issues of linguistic, cultural, legal and financial differences between countries. IMAP delivers expertise in each of these complex issues in nearly every major business market in the world. But with thousands of miles between IMAP members, how can BCC confidently collaborate with these colleagues in different worlds?

Relationship Development

Trust. IMAP is an exclusive, by-invitation-only organization of experienced M&A advisers

who share a commitment to the same ethical quality standards of professionalism and confidentiality. Not only do colleagues build strong business relationships and share best practices, this organization builds trust and respect through unique personal relationships. Regular attendance at four-day semi-annual conferences enables BCC to meet with colleagues face to face to share professional and personal successes, challenges and current client opportunities. Since conferences are held around the world, BCC has also been able to absorb global culture in places such as Vancouver, Prague, Mexico City, Amsterdam, Istanbul and Paris in recent years. Twice each year the North American members meet exclusively to collaborate on current and potential projects. All of these meetings allow each member to tap into the experience and expertise of colleagues, adding tremendous value for their own clients.

Often relationship building goes a step further than attending conferences. Steve Jacobs and IMAP France (Societex) president Michel Champsaur have known each other for over ten years, working on numerous IMAP committees together. They both currently serve on the IMAP Membership Committee. Tom Cavanagh enjoyed dinner at

on the dotted line

Some Recent BCC Advisers Transactions:

Advised a remanufacturer/distributor of transportation industry parts on the acquisition of a manufacturer of specialty aerial work platforms.

Prepared a fair market valuation of a U.S. equipment manufacturer for redemption of shares.

Prepared a fairness opinion regarding the purchase of shares of a Midwestern bank by an ESOP.

Prepared a fair market valuation of a Midwest insurance agency for acquisition.

The Market Front

Various opportunities available through BCC Advisers:

South American industrial services company – is seeking a buyer.

U.S. crane rental and demolition company – is seeking a buyer.

European flooring products manufacturer – is seeking a buyer.

U.S. diversified hard goods manufacturer – is seeking to acquire industrial storage cabinet manufacturers.

the home of the current IMAP chairman and president of IMAP Germany (M&A Consultants), getting to see a more personal side of Karl Fesenmeyer in Mannheim, Germany. IMAP Brazil (IGC Partners) shared a “hands on” experience with BCC by sending an intern to work in BCC’s Des Moines office for two weeks. Likewise, IGC Partners hosted a BCC intern for the same. These are just a few examples of the interconnectivity that takes place within the IMAP network.

Clients benefit most

IMAP colleagues around the globe are truly partners in the M&A business, not just names in an alphabetical directory. It is this partnership (and most often, friendship) that gives us the confidence to rely on our network resources to uphold our reputation and provide the very best service to our clients. In turn, our clients can be confident when they allow us to share their project with IMAP colleagues for assistance.

For mergers and acquisitions, contact Steve Jacobs or Brad Harse. For valuations, contact Al Ryerson, Greg Weber or Jim Nalley.

Iowa Office: 1707 High Street, Des Moines, IA 50309 • Nebraska Office: 720 “O” Street, Suite D, Lincoln, NE 68508 • 866-787-8019 • www.bccadvisers.com

IMAP, INC.

IMAP, Inc. is an exclusive global partnership of leading Merger & Acquisition advisory firms. Formed in 1973, IMAP unites a select group of professional organizations active in international transactions into a seamless global partnership. Each member firm shares a mutual commitment to delivering the highest caliber advisory services for middle-market transactions across the globe. IMAP advisers provide strategic merger, acquisition, divestiture and related corporate finance services. Sellers of mid-size companies and corporate acquirers alike rely upon IMAP for essential local market knowledge and industry expertise delivered with unparalleled global reach. Through their global partnership, IMAP firms are able to access strategic buyers, merger candidates and financial resources around the world to deliver exceptional results for their clients.



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1707 High Street
Des Moines, Iowa 50309-3313