

OFF THE BALANCE SHEET

Footnotes for Financial Success

NOVEMBER 2005

Longtime Nykiel Carlin Clients Celebrate Successful Business Sale with Gregory Financial



Gregory Lafin

Longtime Nykiel Carlin clients Frank and Norman Raidl recently celebrated the successful sale of their family business, with the assistance of Gregory Lafin and Nykiel Carlin affiliate Gregory Financial Group.

In 1999, the first time they decided to explore selling the family business, Nykiel Carlin didn't have a direct affiliation with a business broker.

The Raidls then interviewed four business brokers before retaining one, who asked them for the names of businesses that might want to purchase their business, Cicero-based All Clutch/All Brake Inc. "They never came back with names of their own," Frank Raidl says. The broker experience was so negative that it was five years before they decided to try again.

"Founded in 1936, Auto Clutch/All Brake has a long operating history with a reputation for distributing quality products and providing excellent customer service. It has over 1,000 accounts and a high quality account base, including Chicago area firms operating local delivery truck fleets or interstate cartage groups."

By 2004, merger and acquisition specialist Gregory Financial Group had affiliated with Nykiel Carlin. The Raidls signed an engagement letter with Gregory Lafin in April 2004. Gregory Financial marketed the business aggressively to more than 200 individual buyers and private equity firms before Wayne Foley and Steven Hibbard (WS Ogden, LLC) signed a letter of intent in February 2005. The deal closed last November.

Lafin saw several reasons the first broker may have had difficulty finding a buyer for All Clutch/All Brake, a truck parts distributor:

- The business had downsized, dropping from sales of \$30 million and 180 employees at its peak in the late 1980s to more than \$5.0 million and 22 employees, while consolidating separate Chicago and Cicero operations in a single 56,000 square foot Cicero facility.
- It was a union shop with many long-term employees who had worked for All Clutch/All Brake for 20-30 years.
- It was a founding member of a buying and marketing cooperative organization, HD America (known in the business as HDA Parts Network), which would have to approve a buyer.

GREAT OPPORTUNITY FOR RIGHT BUYER

Lafin saw how concerns about these issues could make it difficult to find a suitable buyer. He also saw a great opportunity for the right buyer:

- Founded in 1936, Auto Clutch/All Brake has a long operating history with a reputation for distributing quality products and providing excellent customer service. It has over 1,000 accounts and a high quality account base, including Chicago area firms operating local delivery truck fleets or interstate cartage groups. It has served many customers for decades. The truck parts distribution business might not be growing as it once did, but there is still significant growth potential in the company's market area.
- Sales had stabilized in the \$5.0 million range.
- The company affords a buyer an opportunity to acquire assets that can be financed.
- The second generation owners were looking forward to retirement.

"Greg has a lot of contacts. He did a great job. He brought us five or six serious potential buyers before we signed the agreement with Wayne and Steve. Once we agreed that they wanted to buy and we to sell, we just had to work our way through the issues," Frank Raidl says.

continued on back

Longtime Nykiel Carlin Clients Celebrate Successful Business Sale with Gregory Financial *continued from front*



Ray Horn

The buyers had discussed another acquisition opportunity with Gregory Financial a few years earlier. In the interim, Foley took a position in San Diego running a company for a private equity firm, and Hibbard moved to sunny Las Vegas. They were eager to return to Chicago to manage an established distribution or service business. Auto Clutch/All Brake fit their profile. They were impressed with the company's steady performance in recent years and saw an excellent opportunity for growth.

"Greg is low key, and he gets the job done. He found the right people with an interest in taking our business to the next level. It was a perfect match," says Norman Raidl.

LETTER OF INTENT SIGNED

Once the letter of intent was signed, the Raidls and Lafin helped Foley and Hibbard surmount the initial obstacles. They arranged a meeting with Teamsters Local 781. Foley and Hibbard had experience working with unions and soon reached agreement with union officials on changes they saw as necessary to continued success.

The new owners wanted to expand the duties of some drivers to include route sales. "They were in a position to make changes we wouldn't or couldn't make," Frank Raidl says.

Next, they met with officials from HD America, who would have to approve the sale. The new owners saw significant competitive advantage in continuing affiliation with the heavy-duty truck parts buying and marketing group representing distributors with over 500 warehouses throughout the U.S. and Canada.

One of the roles taken by the sellers' attorney, Ray Horn, of the Schaumburg firm Meltzer, Purtil & Stelle, was to spot issues that could stall the transaction. He was impressed with the buyers' willingness to work with the unions. Then, he worked through

details of the cooperative network relationship. "HD America had a security interest in the company's assets," Horn says. "It was like having two different banks involved in the transaction."

An experienced merger and acquisition attorney, Horn saw the Auto Clutch/All Brake transaction as unusually complicated for its size, in part because of the number of "third parties" involved: The unions, HD America, the bank (Cole Taylor), and the town of Cicero, which has very stringent local regulations on the sale of real estate. "Norm became an expert on Cicero real estate transfer procedures," Horn says.


Negotiations seemed to have bogged down at one time early last fall, until the buyers, sellers, their attorneys and Lafin gathered for a lunch meeting in Kenosha, WI, a location especially convenient for the buyers' attorneys and Frank Raidl, who is retiring to a farm in Wisconsin.

"It can be difficult to get everyone's schedule together for a meeting, and the fact that we did it showed both sides wanted to get the deal done," Horn says. "The lunch meeting helped the parties understand each other's positions and work through the issues. In

every deal, there's a point where you crest the hill, and you can almost feel the downward swing and momentum from there. In this deal, it was that lunch in Kenosha."

"Greg is a great facilitator. He kept us focused and kept the whole thing going," says Norman Raidl.

The process of an acquisition is not a race, according to Horn. "It's a marathon, and you have to be patient and trust your advisors," he says.

For Nykiel Carlin, the closing of the transaction is the fitting culmination of a long and successful relationship. The close relationship the firm enjoys with the Raidl family served as a catalyst, and the partners' intimate knowledge of the Auto Clutch/All Brake business helped keep the transaction on track. 

"In every deal, there's a point where you crest the hill, and you can almost feel the downward swing and momentum from there. In this deal, it was that lunch in Kenosha."

Toll-free: 1-800-286-1684



Website: www.ncc-cpa.com

Published for the clients of Nykiel Carlin & Co.
©2006. All rights reserved.

The articles featured in *Off the Balance Sheet* provide information of a general nature, which may not apply to your individual situation and circumstances. For more specific information tailored to your business and/or individual needs, contact us at:

NYKIEL CARLIN & CO. Certified Public Accountants & Business Consultants

1300 Woodfield Rd., Suite 110, Schaumburg, IL 60173
847/619-0200

200 East Court Street, Suite 508, Kankakee, IL 60901
815/933-1771

222 Indianapolis Blvd., Schererville, IN 46375; 219/864-7300
105 S. Grant Street, Suite D, Fowler, IN 47944; 765/884-1620