

BOHARDT LLC

**Management
Consulting**

- Restructuring
- Strategy
- Planning
- Execution

A Capital Sourcing Story

In May of 1995 Tom Bohardt was playing golf with the owner of one of Reliance Electric's largest independent distributors, Meier Transmission. Meier sells electric motors, controls, and other power transmission components. A couple of days after the meeting Bohardt wrote the owner of Meier Transmission thanking him for a nice day, hoping that their differences were resolved about his late payments, and telling him if he were interested in selling his company, having someone run his company or some combination of the two the owner should give Bohardt a call.

About ten days after the letter was sent Bohardt received a call and they had their first of many meetings. Bohardt had never had to raise capital for an acquisition. He was a Vice President for **Reliance Electric** (a \$1.3B company) and that was a detail that wasn't his concern. Reliance was the primary supplier to Meier Transmission for electric motors, controls, mounted bearings and enclosed gearing.

However, if he was going to successfully acquire this \$10M industrial distributor located in Mid-Town Cleveland he was going to need a lot of money. The owner was asking about five times EBITDA. His first thought was to go "all in" on his net worth. That included a personal guarantee. He also thought he would be able to get institutional money from a close friend of his that was the regional President of a bank. His friend quickly told him the asking price was at least 30% high based on the building, receivables and inventory.

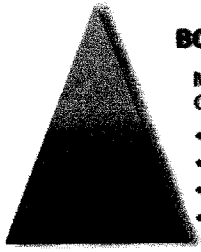
At that point in time he called a former business associate from Reliance Electric. This individual has been the COO for Reliance and was now a Partner with a very large private equity firm (**Clayton, Dubilier & Rice- CD&R**) in New York City. This 'angel' informed him he thought he had an excellent business model to grow this 50 year old company and he would be interested in investing alongside Bohardt. He also contacted the Vice Chairman of CD&R who was a former CEO at Reliance who agreed to be an investor also. Bohardt convinced another former Reliance Group Vice President to join the group. This was going to be a 30/30/30/10 arrangement with Bohardt having one of the 30% tranches.

Bohardt retained the investment banking services of a Cleveland firm (**Brown Gibbons & Lang – BGL**) experienced in mid market deals and industrial distribution. The investment banking firm and Bohardt shopped the deal with about 5 banks and was successful in finding senior debt financing with Society National Bank's Structured Finance Group for the deal.

However, the only way this deal would be acceptable to all concerned was for the current owner to take a Seller's Note for 20% of the selling price with a five year payout. The seller's note was deeply subordinated to the bank. If there was not adequate cash to cover fixed costs the seller's note would accumulate interest and be paid as cash was available.

The deal closed April 1, 1996, eleven months after Bohardt wrote his Thank You letter to the former owner of Meier Transmission.

In March of 2000 Meier Transmission, LTD acquired a motor repair business using operating cash. In January of 2003 Meier purchased the operating assets of another motor repair shop and consolidated the two businesses into the latter's one location. The second acquisition required new money from the four partners. It should also be noted the



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four partners did a sale lease back on the building during the economic downturn in 2000 to generate additional working capital.

It was the strategy of the partners that Meier would be the foundation for bolt on acquisitions with Bohardt as the CEO. From 1996 to 2003 Bohardt signed 28 confidentiality agreements.

In April of 2003 Meier Holding LLC was organized and we signed a letter of intent to acquire a large industrial distributor (Samson Industrial) headquartered in Tulsa, Oklahoma. Meier grew from \$15M to \$60M, 2 locations to 17 locations, 30 people to 210 people and 1 state to 7 states. This obviously required lots of new money.

We decided to use the M&A consulting services of Jim Lisy to help get funding. Jim was a long time associate of the original investor group at Reliance and was instrumental in the acquisition of Meier Transmission as a banker with BGL. His firm's name was **Cincpoint Advisory Inc.**. This transaction was going to require a large senior debt, additional cash from the current partners and more cash from others.

After three months of presenting our story to 20 private equity firms we were able to sign an agreement with a Sante Fe, New Mexico private equity firm (**Vestor Private Equity**) and a Meier Transmission executive to join our group. Vestor did NOT have controlling interest but believed our business model was solid and the operating team could get the IRR everyone expected. **PNC** provided a \$17M secured revolving credit and term loan facility.

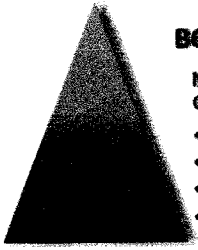
The keys to raising capital are to have a realistic business plan with actionable contingencies based upon predetermined trigger points. Before anyone will invest they must be convinced their money is relatively safe, the venture can generate adequate cash to pay the bills, and there is a fallback plan in the event the timelines are not accomplished.

Of course, investors must also believe you have a product/service, ways to take them to market, and methods to control spending so their returns meet their expectations.

In October of 2006 the Meier Holding LLC Board of Directors voted to execute our exit strategy. Stephens, Inc.'s Atlanta office was retained in January of 2007 as the investment bank based upon their long term relationships in the industrial distribution space. 19 books were confidentially distributed, 15 letters of interest were received and 6 sent Indications of Interest. All 6 were strategics.

On July 19, 2007, the Tulsa headquartered distribution company acquired in 2003, Samson Industrial LLC, was sold to **Lewis-Goetz** of Pittsburgh. L-G is a portfolio companies of the **Audax Group**. Meier Transmission, LTD, acquired in 1996 was sold to **Genuine Parts' Motion Industries** headquartered in Birmingham, Alabama. This deal closed August 31, 2007.

Tom Bohardt successfully put his entire net worth at risk in 1996, convinced others that he could make this 50 year old company better, acquired 3 more companies with additional funding, grew the enterprise from \$10M to \$ and was able to realize a nice return.



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In 2008 Bohardt formed BOHARDT LLC a management consulting business. BOHARDT LLC helps private business owners of distribution or manufacturing develop their strategic plans to improve profits, expand, acquire other companies or exit their businesses.

Also in 2008 he joined **The Riverside Company** as an Outside Director for iAutomation, a high tech distributor. Riverside is the largest and oldest global private equity firm investing in companies with enterprise values of under \$200 million. They manage more than \$3B globally.

He has been there, he has done it, he has exceeded and he is more than capable to help others.

So if you need a little help, or someone to develop a strategy while you run your company, or serve as an Outside Director call Tom Bohardt at 216.533.7755 or by email at: tbohardt@bohardt.com. For more details about BOHARDT LLC and Tom Bohardt visit www.bohardt.com.