



SSG
CAPITAL ADVISORS, L.P.

Investment Banking

Member National Association of Securities Dealers
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THE ADVISOR

Volume 9, Fall 2002 Edition

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Thomson Financial Ranks SSG #15 in the Country

16 Closed Transactions in 2002, 15 Pending Transactions

Assisting Middle Market Companies
Facing Challenging Situations

Creating Substantial Change in a Client's
Financial Structure to Increase Value

Upcoming Events:

BDO Seidman, Cozen and O'Connor and SSG Capital Advisors sponsor a **"Buying, Selling & Refinancing Businesses During Challenging Times" seminar** on November 18, 2002 , Four Seasons Hotel- Philadelphia, PA

Recent Publications/Articles:

SSG's Chesen authors Chapter in the recently published book – **Leading Investment Bankers: the Art & Science of Investment Banking**

SSG's Glenn Bernabeo authors article in The Journal of Corporate Renewal, **"When the Sale of a Distressed Family-Owned Business Is the Only Realistic Alternative"**

SSG's J. Scott Victor authors article in The Philadelphia Business Journal, **"A Sale May Be the Best Available Solution for an Under-Performing Company"**

Selected 3rd Quarter Completed Transactions:

[Measurement Specialties, Inc. -
Terrailon](#)
[Summit Manufacturing
Bridgeport Machines, Inc.](#)
[Harvard - St. Louis
Cannondale Corporation](#)
[Penn Specialty Chemicals - Lyondell
Penn Specialty Chemicals -
Reorganization](#)
[Harvard - Rock Valley](#)

Selected 2nd Quarter Completed Transactions:

[Commerce TV](#)
[Fellows and Jones & Lamson](#)
[Bryant and JL Metrology](#)
[Miller Centrifugal](#)

Selected 1st Quarter Completed Transactions:

[AG Industries](#)
[Chadmoore Wireless Group](#)
[W. Atlee Burpee](#)

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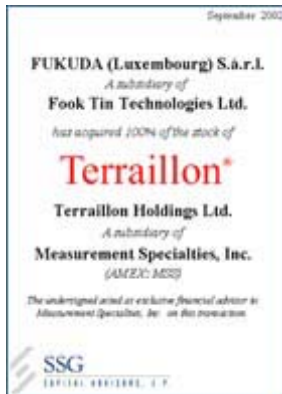
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Selected 3rd Quarter Completed Transactions:

Terrailon Holdings Ltd.



Terrailon Holdings Ltd., headquartered in Paris, France, is a leading global provider of electronic and mechanical bathroom and kitchen scales as well as other consumer health appliances. Terrailon outsources the manufacturing of its product in Asia and distributes product worldwide, with a dominant market share in France and the United Kingdom. Terrailon's parent, Measurement Specialties, Inc., was operating under a forbearance agreement with its lenders that mandated a near term liquidity event to significantly reduce bank debt and free up working capital. Measurement Specialties retained SSG in June, 2002 to effectuate a timely sale and to maximize value. SSG immediately went to market, contacting a wide array of internationally based strategic buyers. After strong interest from several parties, SSG consummated a stock sale to a subsidiary of Fook Tin Technologies Ltd., the Hong Kong-based manufacturer of Terrailon products. The purchase price included \$22.3 million in cash plus the assumption of \$4.7 million of debt.

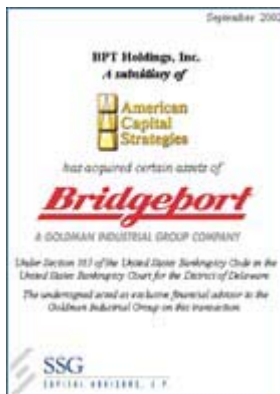
Summit Manufacturing



Summit Manufacturing, LLC is a leading manufacturer of custom tubular steel monopoles with primary product offerings of power transmission poles, wireless antenna support structures, and their associated mounting components. The recent softness in the overall economy and the telecommunications industry resulted in a substantial decline in Summit's sales to customers in the wireless industry during the fiscal year ending December 2001. Industry conditions, coupled with the monetary constraints created from the introduction of a new manufacturing facility in Bessemer, AL, led to the company filing for protection under Chapter 11 of the U.S. Bankruptcy Code in May 2002. SSG was retained in December 2001 to sell Summit in order to maximize value to secured creditors. Upon selection of a platform bidder and subsequent Section 363 Asset Sale, the Company was sold to a newly formed entity, New Summit Manufacturing, LLC, which consists of outside investors.

[Return to Top ▲](#)

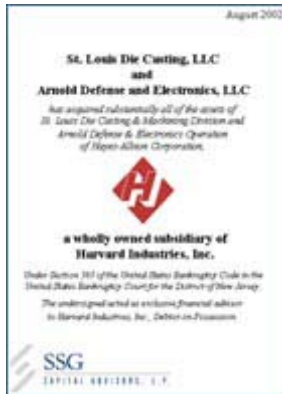
Bridgeport Machines, Inc.



Bridgeport Machines, Inc. is a leading manufacturer of metal cutting machine tools. Since its establishment in 1938, Bridgeport has become one of the most recognized industrial brands in the world. The Company is based in Bridgeport, Connecticut, with European headquarters in Leicester, England. The global recession in the manufacturing economy in 2001 and 2002 and the related dramatic deterioration in the demand for capital equipment worldwide resulted in a substantial decline in Bridgeport sales, resulting in the Company filing for protection under Chapter 11 of the U.S. Bankruptcy Code. SSG was retained in March 2002 to sell Bridgeport and quickly went to market to solicit offers for all or parts of the business. A Section 363 auction was held in July 2002 with five participants involved in the bidding. A subsidiary of American Capital Strategies was ultimately deemed the highest and best bidder.

[Return to Top ▲](#)

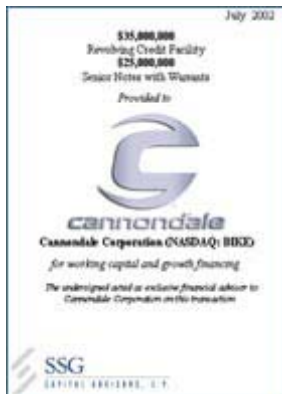
Harvard - St. Louis



The St. Louis Die Casting Division of Hayes-Albion Corporation, a wholly owned subsidiary of Harvard Industries, Inc. ("Harvard"), is a full service multi alloy aluminum casting facility producing porosity free vessels for fuel, hydraulic and filtration systems for heavy truck and various industrial applications. The decrease in automotive production volumes, coupled with certain legacy liabilities, adversely affected Harvard's borrowing base, revenue and cash flow, causing Harvard to file for protection under Chapter 11 of the U.S. Bankruptcy Code. Harvard retained SSG in January 2002 to sell the Company as a whole or by division in order to maximize the value to secured creditors. SSG consummated the sale to an outside investor's newly formed entity, St. Louis Die Casting, LLC, under Section 363 of the U.S. Bankruptcy Code.

[Return to Top ▲](#)

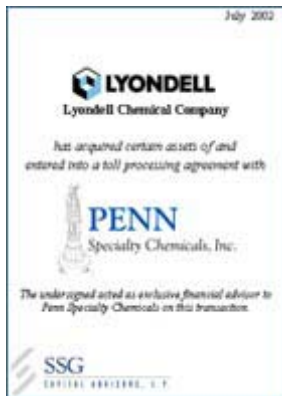
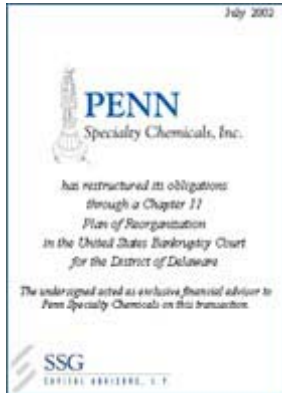
Cannondale Corporation



Cannondale Corporation, a public company (NASDAQ: BIKE), is a leading manufacturer of high performance bicycles and motorsports products. Cannondale's bicycles and bicycle accessories are sold in the U.S. and in more than 60 foreign countries. Cannondale's line of off-road motorcycles and four-wheeled sports ATVs (All-Terrain Vehicles) are sold in the U.S and in selected foreign markets. Cannondale's entry into the off-road motorcycle and ATV product category resulted in significant capital expenditures and other start-up related costs. As the costs continued to accumulate, Cannondale needed to quickly source additional capital to complete the build-out of the motorsports products and fund ongoing operations. SSG was retained to source a secured term facility and to refinance or restructure the revolving line of credit. By leveraging off of the strength and value the Cannondale brand, and by demonstrating the significant growth potential in the motorsports category, SSG was able to raise \$25,000,000 through the sale of senior notes and warrants. In addition, SSG assisted Cannondale in amending and restructuring it's existing \$35,000,000 revolving line of credit. Together, the new facilities will provide ample liquidity and assist the company in its final stage development of the motorsports products.

[Return to Top ▲](#)

Penn Reorganization/Lyondell TPA



Penn Specialty Chemicals, Inc., debtor-in-possession (the "Company"), is among the top three global producers and marketers of: (i) polytetramethylene ether glycol (PTMEG); (ii) tetrahydrofuran (THF), and (iii) furfural and furan based fine chemicals and solvents. These high-growth specialty chemical products serve a broad range of industry end uses, satisfying stringent product requirements for high-growth segments, such as spandex, thermoplastic polyurethanes ("TPUs"), pharmaceutical intermediates, PVC pipe cement, and precision magnetic tapes. As a result of varied financial and operational challenges, Penn Specialty Chemicals filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code on July 9, 2001. SSG was retained by Penn Specialty Chemicals to explore strategic alternatives including a sale of assets under Section 363 of the Bankruptcy Code, or a Reorganization. Ultimately, SSG determined that the highest and best value to the estate could be achieved by entering into a Toll Processing Arrangement ("TPA") with the Company's largest supplier and unsecured creditor, Lyondell Chemical Company, for production of THF and PTMEG. SSG helped to negotiate and structure a TPA agreement that brought adequate liquidity into the estate to effectuate a Plan of Reorganization, allowing Penn Specialty Chemicals emerge from Bankruptcy and continue operations.

Harvard - Rock Valley



The Rock Valley Machining Division of Hayes-Albion Corporation, a wholly owned subsidiary of Harvard Industries, Inc. ("Harvard"), produces ultra precise shafts for use in industrial applications including various engines and power generation. The decrease in automotive production volumes in late 2001, coupled with certain legacy liabilities, adversely affected Harvard's borrowing base, revenue and cash flow, causing Harvard to file for protection under Chapter 11 of the U.S. Bankruptcy Code. Harvard retained SSG in January 2002 to sell the Company as a whole or by division in order to maximize the value to secured creditors. SSG consummated the sale with a newly formed entity, Total Component Solutions, Inc., which consists of current management and outside investors under Section 363 of the U.S. Bankruptcy Code.

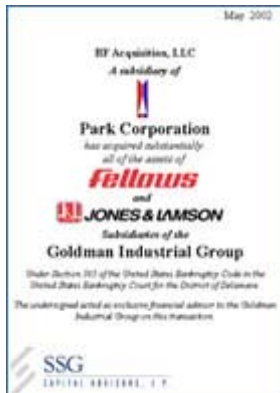
[Return to Top ▲](#)

Commerce TV



Commerce TV Corporation, a privately held interactive television infrastructure company founded in April of 1999, created a technology platform for television-based commerce. The Company's proprietary, patent-pending technology infrastructure is designed to enable large numbers of cable or satellite subscribers to conduct commercial transactions for retail goods, as well as provide a natural extension to cable operators' video-on-demand offerings. Commerce.TV had raised \$70.0 million through four rounds of institutional financing in developing their proprietary technology, but fell short of budget timeline goals in bringing their product to market. Faced with a liquidity crisis, and a coincidental contraction in the technology venture capital markets, Commerce.TV engaged SSG to explore strategic alternatives for the Company. SSG concurrently explored all of Commerce.TV's strategic alternatives, including a debt refinancing, an equity infusion, merger partner and a sale to a strategic acquiror. The Sr. Secured Noteholders of the Company foreclosed on the assets of the Company, which were subsequently sold through Article 9 of the Uniform Commercial Code.

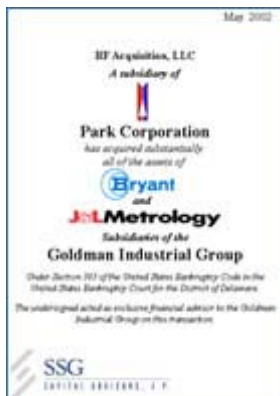
Fellows and Jones & Lamson



Fellows and Jones & Lamson, which are Vermont-based subsidiaries of the Goldman Industrial Group, manufacture gear shaping machine tools. The downturn in the overall economy in 2001 and related softness in demand for capital equipment resulted in the Vermont companies temporarily ceasing operations and filing for protection under Chapter 11 of the U.S. Bankruptcy Code on February 14, 2002. SSG was retained in February 2002 to sell Fellows and Jones & Lamson (along with their sister companies Bryant and J&L Metrology) as a whole or by division in order to maximize the value to secured creditors. SSG went to market within one week of engagement and quickly selected a platform bidder for all four companies for a Section 363 sale. SSG also attracted a competing bidder to the Section 363 sale, which culminated in a 25% increase in the purchase price above the platform bid.

[Return to Top ▲](#)

Bryant and J&L Metrology



Bryant and J&L Metrology, which are Vermont-based subsidiaries of the Goldman Industrial Group, manufacture grinding equipment and optical comparators. The downturn in the overall economy in 2001 and related softness in demand for capital equipment resulted in the Vermont companies temporarily ceasing operations and filing for protection under Chapter 11 of the U.S. Bankruptcy Code on February 14, 2002. SSG was retained in February 2002 to sell Bryant and J&L Metrology (along with their sister companies Fellows and Jones & Lamson) as a whole or by division in order to maximize the value to secured creditors. SSG went to market within one week of engagement and quickly selected a platform bidder for all four companies for a Section 363 sale. SSG also attracted a competing bidder to the Section 363 sale, which culminated in a 25% increase in the purchase price above the platform bid.

[Return to Top ▲](#)

Miller Centrifugal



Miller Centrifugal Casting ("MCC"), a subsidiary of AG Industries, Inc. ("AGi"), is a foundry specializing in the design, casting and finish machining of high grade, centrifugally cast ferrous and non-ferrous products, such as rolling mill sleeves and worm gear blanks. Adverse industry conditions for MCC's steel mill customer base as well as steel-related issues at MCC's parent forced AGi to file for protection under Chapter 11 of the U.S. Bankruptcy Code. SSG was retained in December 2001 to sell AGi, including MCC, in order to maximize the value to secured creditors. Upon the selection of a platform bidder and subsequent 363 sale, MCC was sold to an entity formed by Wilder Deem and Birchmere Capital, LP.

Selected 1st Quarter Completed Transactions:

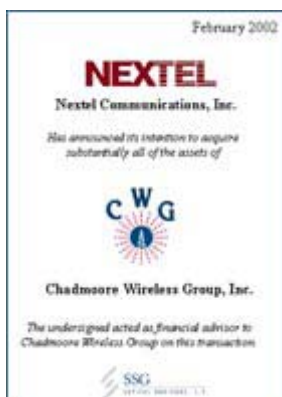
AG Industries



AG Industries, Inc. ("AGi" or the "Company") primarily provides repair and maintenance services for continuous casting equipment, which is used by steel mills to produce flat-rolled steel. The business consisted of seven facilities throughout the U.S. The decrease in flat-rolled steel volumes in the late 1990s and early 2000s, coupled with the bankruptcy filings of certain customers, adversely affected AGi's borrowing base, revenue and cash flow, causing AGi to file for protection under Chapter 11 of the U.S. Bankruptcy Code. AGi retained SSG in December 2001 to sell the Company as a whole or by division in order to maximize the value to secured creditors. SSG went to market within one week of engagement and despite the continued deterioration of industry conditions, signed SMS Demag, Inc. as the platform bidder for a sale under Section 363 of the U.S. Bankruptcy Code.

[Return to Top ▲](#)

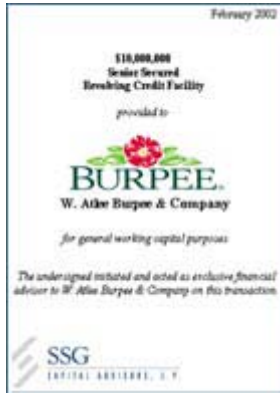
Chadmoore Wireless



Chadmoore Wireless Group, Inc. (Ticker: MOOR), the country's second largest holder of specialized mobile radio licenses, provides wireless dispatch communications service to secondary and tertiary markets throughout the United States. In 1999, Chadmoore generated approximately \$6 million in revenue. The SSG Group of Berwind explored all of Chadmoore's strategic alternatives, including senior debt refinancing, an equity infusion, merger & acquisitions and a sale to a strategic acquirer. In August 2000, Nextel Communication, Inc (Ticker: NXTL) announced its intention to provide bridge financing then subsequently acquire Chadmoore for \$130 million, a substantial premium to Chadmoore's market value prior to the announcement.

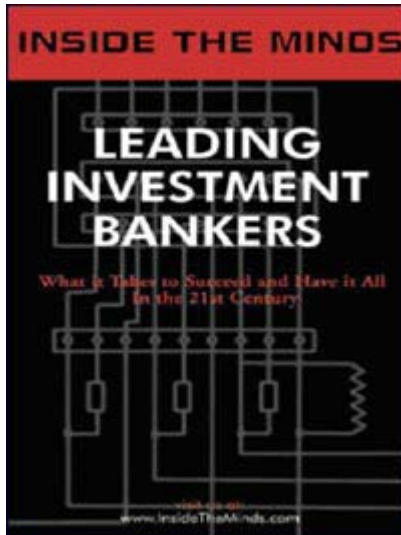
[Return to Top ▲](#)

W. Atlee Burpee



W. Atlee Burpee & Company, one of the country's strongest and most trusted names in home gardening, provides retail packet seeds through both direct marketing catalogues and retail outlets throughout the United States. Selling to the nation's largest retailers with K-Mart as one of its largest customers proved to be a challenging situation. Additional challenges included large losses at its own retail centers, which were closed, and recent acquisitions to expand the Burpee name that were costly and lowered the Company's overall performance. SSG was retained by Burpee to explore their strategic options. SSG explored a range of alternatives, and ultimately initiated, structured, negotiated and closed on a creative senior debt private placement which provided Burpee with working capital for its core business and capital to fund its expansion, while at the same time, allowing Burpee to remain independent.

SSG's Chesen authors Chapter in the recently published book – Leading Investment Bankers: the Art & Science of Investment Banking



Mark E. Chesen, co-founder and principal of SSG Capital Advisors, is one of seven authors included in a recently published book, *Leading Investment Bankers: the Art & Science of Investment Banking*.

Other contributors include representatives from Merrill Lynch, Salomon Smith Barney, Deutsche Bank, Rothschild North America, Bentley Associates and Sandler O'Neill & Partners.

In a chapter titled, *Companies in Distress: When Restructuring Is the Answer*, Chesen focuses on the various alternatives open to distressed companies, including refinancing, mergers and

acquisitions and restructuring.

Chesen advises investment bankers that it is crucial to do their underwriting and due diligence up front, before accepting an assignment from a distressed company. "Make sure you are on the same wavelength as your prospective client," he writes. "The last thing you want to do is to take on an assignment in which you should have known from day one that you could not achieve your client's objectives."

Chesen also counsels corporate managers to be forthright about their company's problems. "Our motto is to provide both current and prospective lenders and investors with the good, the bad and the ugly that describes the company in complete detail," he notes. "If the company chooses not to pass along negative information, it is bound to come out at some point in time, anyway, and will destroy all of management's credibility."

For more excerpts, visit http://www.ssgca.com/news/chesen_chapter1.asp

Leading Investment Bankers: the Art & Science of Investment Banking is published by Aspatore Books, Inc. as part of its Inside The Minds™ series, which provides readers with intelligence from C-Level executives (CEO, CFO, CTO, CMO, Partner) from the world's most respected companies.

When the Sale of a Distressed Family-Owned Business Is the Only Realistic Alternative

By Glenn Bernabeo, CFA, Vice President, SSG Capital Advisors, L.P.

When a family-owned business falls on hard times, a happy ending is not always possible. There are times when owners and managers have to concede defeat, and make plans to sell their company. Failure to find the right buyer or buyers in a timely manner can decrease the value of the business even further, or result in greater financial complications.

More often than not, in our experience as investment bankers, owners and managers miss the most opportune time to sell a family-owned business that is in financial distress or in the midst of a turnaround. There are numerous reasons for this. Many previously successful owners/entrepreneurs have a history of prevailing against difficult odds, and believe that the current situation is just one more challenge to overcome. As a type, entrepreneurs also are averse to admitting defeat, and are loathe to "let their family down." In a prior context, these may have been admirable qualities that helped the entrepreneur achieve success.

When there is no possibility of saving the company in its current structure, however, these same personal qualities can be self-defeating. The act of selling a distressed family-owned company is a painful and daunting task under any circumstances, but delaying the inevitable almost always compounds the pain and destroys existing value. Entrepreneurs frequently attempt to justify their procrastination by waiting for the economy to "turn their way" -- or else they wait for "that one big sale" or for a dominant competitor to slip up. Generally, they wait in vain. By the time the owners and managers accept that a sale is their best available option, the company may not have enough time to execute an orderly sale process and cannot afford adequate management resources to carry out the transaction properly.

Symptoms of Distress

A distressed business is likely to experience one or all of the following symptoms:

- Cash flow from operations is insufficient to cover fixed obligations, resulting in a default under the senior loan agreement;
- Revolving lines of credit are limited, or the company is over-advanced on its borrowing arrangement;
- Accounts payable are being paid slower each month, and the trade is suspicious, if not conscious, of the company's situation.

As a result of these problems, unfriendly or fatigued lenders may exert additional pressures on a company's liquidity by reducing advance rates, requiring additional reserves, or charging default rates of interest. Suppliers may tighten credit terms or threaten to cut off supply completely. Competitors may begin preying on customers more aggressively. These reactions can create a downward spiral for a company if the family and management team do not take quick,

decisive action.

It is common for owners/managers who have experienced numerous growth years and positive cash flows to go into denial regarding the severity of their company's challenges and long-term viability. However, even when owners and managers have accepted that a sale is necessary, they still must come to grips with other new realities. These include the prospect of relinquishing some or all control, or the fact that their company will not command the valuation they anticipated.

A company in distress also creates emotional stress of a very personal nature. Although operational or financial challenges can arise from extrinsic causes and may be no fault of owners/managers, family-business owners still sometimes struggle with embarrassment or guilt that can negatively affect their managerial judgment. As individuals, they will almost certainly struggle with the prospect of an uncertain future. Furthermore, the company's financial situation may require owners/managers to forego luxuries for which they have developed a sense of entitlement. For many people who considered themselves successful, this is no small matter. It may be an emotional hardship to have worked hard your entire life and possibly have to relinquish memberships in country clubs, and having to sell personal assets such as boats or weekend homes, in order to meet personal obligations, which may arise.

Helping Business Owners Come to Terms

Helping an owner accept the reality of a company's situation and the potential implications of a sale or other measures is a critical role of the investment banker, in collaboration with the turnaround professional.

For most owners/managers who come to terms with the severity of their company's situation, the most desirable course of action is to find replacement financing. Regardless of the probability of success of a refinancing, however, an investment banker should also recommend that the company explore sale possibilities concurrently. It is important for owners/managers to accept that the sale of their business is a very real possibility and focus appropriate attention to this option. In almost all cases, this means letting go of a dream and years of dedication and hard work.

Many owners and managers assume that "letting go" will be somewhat easier if they are asked by the buyers to participate in short-term consulting arrangements for transitional management support. However, the prior managers often perceive that the new management considers them to be failures, or are insensitive to the emotional upheaval they have experienced. As a result, the prior managers find that they are ill suited to work for the new owners, even though these post-transaction agreements typically do not last for more than a year or two.

As noted above, an owner/manager who faces the possibility of a distressed sale must balance valuation expectations with market conditions. Owners/managers tend to hold onto unrealistic valuation expectations. A credible appraisal may show that the enterprise value of the company does not exceed its debts. This may be particularly difficult for family owners to accept, if most or all of their net

worth is tied up in their company.

Managerial Issues Specific to a Company Sales

Time is critical in a sale process. How long a company has to execute a transaction is usually a function of its cash flow. Often, the best way to ensure adequate time to execute a sale is by changing the way the company is managed.

Typically, the sensitive and difficult management decisions that must be made in these situations are best handled by turnaround professionals. The primary benefit derived from professional turnaround management is the extension of time that it affords for an orderly going-concern sale process. Cash flow management typically improves under turnaround managers, and lenders and creditors may loosen up if they see that the company is addressing its situation properly. A turnaround professional typically improves the quality of financial reporting to the lender, presenting financial results in a standard format that is better understood by the lender. Tighter controls introduced by a turnaround professional can help to prevent negative surprises that can undermine a sale process and prove disruptive to a company's relationship with a lender.

An ancillary issue that owners/managers face is the likely change in the senior lending institution's attitude in a turnaround or distressed business situation. In many cases, owners/managers have grown accustomed to dealing with a relationship-oriented banker who has always treated them as a valued customer. The company may have used the same loan officer or institution for many years, but its circumstances will likely prompt the lender to transfer credit responsibility to the "special assets section" or some other euphemism. If the staff of this section is inclined to exit the credit, they may show less flexibility in future dealing with the business. The lender probably will require increased levels of interaction with the workout group, including frequent reporting and face-to-face meetings.

Either way, owner/managers must be prepared to adjust their expectations regarding the senior lender. Changes in the lender relationship can be a source of great uncertainty and stress. The turnaround professional can be the key to helping a distressed company deal with these issues during the process of selling the company.

Personal Financial Issues

Owners/managers also may face major personal financial issues, including liability exposure on personal guarantees and requirements to cut their compensation.

Aside from the personal financial issues created by a potential reduction in income and uncertainty over whether they will play a role in the company after it is sold, owners/managers may have personally guaranteed some or all of the company's senior debt obligations. If necessary, a lender will call on a personal guarantee and liquidate collateral that was pledged as part of the guarantee to

repay the loan.

A major reason for a lender to require a personal guarantee is to provide incentive for owners/managers to stay involved in the transaction and optimize value in a workout scenario. A business owner's typical reaction in these situations is to focus on his personal exposure and investigate whether he may be released from the personal guarantee. Unfortunately for an owner in such predicament, a company in a turnaround situation is often in default of its loan agreements and, as a result, is not likely to be granted relief from credit enhancements.

Lenders typically react with annoyance if a business owner's focus is his or her own personal financial situation, rather than the survival of the business and repayments of its obligations. If a company is in the zone of insolvency - in such financial straits that some or all of its creditors may not be repaid - the business owner legally may owe a fiduciary duty to the creditors, not the shareholders.

The best way for an owner/manager to protect against having to fund a personal guarantee is to stay personally involved - both in fact and in appearance - to ensure that the highest value is obtained for the enterprise when it is sold. Dedicated management with open minds and realistic expectations may provide the best hope for realizing valuations that satisfy claims, thereby protecting an owner's collateral.

When a Sale Cannot Be Avoided

Managers/owners, who realize that there is no other viable alternative but to sell their company, should look to investment bankers, with turnaround experience to help manage this process. They also should remember that the business history of the United States is replete with "second and third acts." Numerous business people have followed a painful failure with a tremendous success. Once the sale of a distressed business is completed, the next stage of a manager/owner's career can begin.

A Sale May Be the Best Available Solution for an Under-Performing Company

J. Scott Victor, Managing Director, SSG Capital Advisors, L.P.

The past three years have not been kind to many middle market companies. The number of under-performing and distressed companies is currently at an unusually high level, due to the economic slowdown that began in mid-2000, post-September 11 uncertainties, and significant "bubble" issues associated with telecom and several other major tech industries.

In general, there are five solutions that are open to companies in what we like to call "special situations." One is to simply hold on and hope that the economy will rebound, or that a key event - like a major competitor withdrawing from the business or an unexpectedly successful new product launch - will save the day. More often than not, this alternative ends in disappointment. Other, more realistic alternatives for a distressed company are to restructure its balance sheet, sell all or part of the company, or attract new financing. The fifth and most extreme outcome is liquidation, which offers the least benefit to lenders and shareholders, and can be devastating to employees and the community.

For many companies facing extreme challenges, the sale of all or part of the company has two significant advantages. First, a sale may yield sufficient value to address the interests of lenders and stakeholders. Second, it almost always enables a company to continue to operate, and helps to preserve the jobs of most of the workforce.

The recent sale of Baldwin Piano and Organ Company to Gibson Guitar Corporation illustrates the benefits of selling a company in its entirety. Baldwin, an old, established public company, had experienced substantial difficulties and filed for Chapter 11 protection under the United States Bankruptcy Code. The senior lender wanted its loan to be repaid, and did not care whether this was achieved through a sale or refinancing. West Conshohocken and New York based SSG Capital Advisors was retained to help Baldwin explore its strategic options.

The assignment took effect in September 2001, immediately prior to the terrorist attacks in New York and the nation's capital. Once the events of September 11 unfolded, financing and restructuring opportunities for the company were limited, and SSG focused the better part of its efforts on selling the business. Baldwin was most interested in attracting a strategic buyer, i.e., a company that manufactured other musical instruments. However, the deal also was presented to private equity groups and other financial buyers around the country, Europe and Asia.

Ultimately, the company was sold to Gibson Guitar Corporation through Section 363 sale process under Chapter 11. Gibson wanted to diversify its business, and was enthused by the prospect of adding a premier piano company to its premier line of guitars. The sale provided the liquidity the senior lender demanded and Baldwin was spared liquidation. Most important, Baldwin's manufacturing facility

in Truman, Arkansas continues as the town's largest employer.

There also are times when selling divisions of a distressed company, rather than a single sale of the entire entity, can best achieve management's strategic objectives and provide the highest liquidity to the stakeholders. A recent example is Harvard Industries' sale of its Rock Valley Machining division this past July, the sale of the St. Louis Machining and Arnold Defense divisions in August and the pending sale of its Trim Trends division. Harvard Industries, and its subsidiaries, including Hayes-Albion and Dohler-Jarvis, was a major automotive component manufacturer to General Motors, Ford and Daimler-Chrysler as well as automotive manufacturers such as Visteon, Caterpillar, American, Axel and Delphia, with sales in the late 90's of \$800 million. After selling off divisions and shutting down facilities, top line revenue was reduced to \$250 million by 2001, but retiree liabilities for discontinued operations continued to drain cash at the holding company level despite profitable divisions.

After exploring all viable alternatives for Harvard Industries, Inc., SSG determined that there was a low probability of finding a buyer for the entire company, which had filed for bankruptcy protection under Chapter 11 in January 2002. The most promising alternative to maximize the company's value to the stakeholders in a short period of time - and to preserve jobs - was to sell its divisions as separate going concerns.

In the case of the Rock Valley Machining division, which is the largest employer in Rock Valley, Iowa, SSG identified a management buy-out as the quickest and most viable solution to avoid a negative impact on the community. SSG worked closely with Harvard Industries to educate Rock Valley Machining's management on the MBO process and on the importance of seeking capital from local individuals and local financial institutions who appreciated the company's importance to the town. Rock Valley Machining's management team along with local investors formed a new company, Total Components Solutions, Inc., which obtained senior debt financing from a local bank and successfully acquired the Rock Valley Machining division.

In addition, SSG initiated, structured and negotiated a sale of the St. Louis Die Casting division in St. Louis, Missouri to a buyer that qualified as a Minority Business Enterprise, which was strongly favored by the largest customer, Caterpillar Industries. That same buyer purchased the Arnold Defense division in Arnold, Missouri.

SSG also arranged the sale of the Trim Trends division, Harvard's largest division, with \$100 million in revenue and healthy cash flow consisting of 4 plants in Dundalk, Ontario, Spencerville, Michigan, Spencerville, Ohio and Bryant, Ohio. The sale, to a wholly owned subsidiary of Hilco was approved by the Bankruptcy Court for the District of New Jersey in late August and will close this month.

These separate sales of Harvard's divisions preserved over 1500 jobs in various communities and provided the highest and best value for all stakeholders.

However, distressed companies should not automatically select a sale as the only alternative. The recent experience of locally based W. Atlee Burpee & Company,

the country's premier name in packaged seeds for home gardens, is a case in point.

Burpee provides retail packet seeds through both direct marketing catalogues and retail outlets throughout the United States. Like many suppliers, Burpee found that the economics of selling to the nation's largest discount retailers was becoming increasingly challenging and less profitable. The company also was faced with large losses on its own retail centers, and was impacted by several costly acquisitions that lowered the company's overall performance.

SSG was retained by Burpee to explore its strategic options. While the sale of the company was considered, both Burpee and SSG believed that Burpee's strong brand name and loyal customer base would allow it to surmount its current problems and remain independent. SSG ultimately initiated, structured, negotiated and closed on a creative senior debt private placement. This financing provided Burpee with working capital for its core seed business and preserved the equity of the current owner, which equity would have been lost in a sale.

It is never an easy decision for an under-performing company to put all or part of itself up for sale. However, in many cases, this is the best alternative for all concerned parties, including management, employees, the community, lenders and other stakeholders.

Thomson Financial Ranks SSG:

2002 M&A Advisory Rankings

RANKED BY COMPLETED U.S. DEALS UNDER \$100 MILLION - 1/1/02 through 9/30/02

Source: Thomson Financial Securities Data

* Tie

| Rank by # of Deals | Advisor | #of Deals |
|-----------------------|--|-----------|
| 1 | Houlihan Lokey Howard & Zukin | 45 |
| 2 | Credit Suisse First Boston | 32 |
| 3 | JP Morgan | 18 |
| 4 | Banc of America Securities LLC | 17 |
| 5 | CIBC World Markets Inc | 16 |
| 6* | Citigroup / Salomon Smith Barney | 15 |
| 6* | Keefe Bruyette & Woods Inc | 15 |
| 8 | US Bancorp | 14 |
| 9* | RBC Capital Markets | 13 |
| 9* | Sun Trust Banks | 13 |
| 9* | Merrill Lynch & Co Inc | 13 |
| 12* | Broadview | 12 |
| 12* | Key Corp / McDonald Investments | 12 |
| 12* | William Blair & Co | 12 |
| 15* | <u>SSG Capital Advisors, L.P.</u> | 11 |
| 15* | FleetBoston Financial Corp | 11 |
| 15* | Lehman Brothers | 11 |
| 18* | Raymond James Financial Inc | 10 |
| 18* | UBS Warburg | 10 |
| 18* | Bear Stearns & Co Inc | 10 |
| 21* | Lazard | 9 |
| 21* | Wachovia Corp | 9 |
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