

During the year, I've received numerous telephone calls from owners of trucking companies ready to give up.

- They are tired.
- They are stressed out, and;
- They don't see "light at the end of the tunnel".

I try to explain to them that there is always a solution to a problem; but in some cases they have given up. The question I always get is; are there any Buyers out there that will buy distressed companies; Will I receive any value if my company is not making money?

The answer I always provide is – possibly! Selling a distressed company is a very difficult process. First of all;

- You need to qualify the Buyer.
- A qualified Buyer doesn't simply mean a large carrier, but;
- What is their reputation like and what is their "track record" on turnarounds.

The majority of Buyers that purchase distressed companies are looking for:

1. Capacity;
2. Drivers, and;
3. Sometimes customers.

In most cases, will they retain most employees—no! Does that mean that all employees will lose their jobs—no!, but the reality is that you should explore all possible avenues before you decide to give up.

Assuming that you are just "worn out" and don't have any "fight" left in you, there is a certain process to selling a distressed company. The first thing you need to do is be prepared, and being prepared doesn't mean that you turn your company over to a distressed Buyer and ask for "something" in return.

There is a process involved. If you are an asset based carrier;

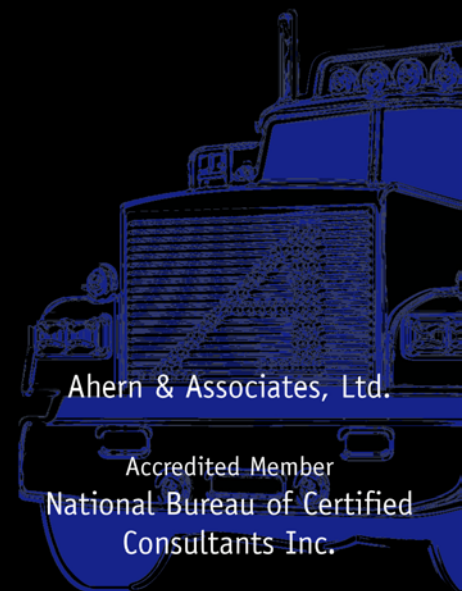
- Have your equipment appraised at "Orderly Liquidation Value".
- By appraisal, I don't mean that you need a certified appraisal, but;
- Contact your truck and trailer dealer and ask what Orderly Liquidation Values are on your equipment; that is all you will receive from a distress Buyer.

Although the "market" may be willing to pay Fair Market Value, a distressed Buyer normally pays Orderly Liquidation Value.

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**If it turns out that you owe more on your equipment than it's worth, that sets up your first challenge on how to sell your business.**

**Next, review your balance sheet and determine if you were to liquidate your balance sheet what the end results would be. For example; distress Buyers will purchase specific assets, therefore the Seller is allowed to keep;**

1. Receivables;
2. Cash;
3. Life Insurance Policies , 401k's, etc , and;
4. **The Seller is responsible for paying all trade payables (excluding equipment).**

**If you are "upside down" on your balance sheet, after liquidating all assets, that presents challenge #2.**

**The next step is to review leases, notes on properties and terminals to determine** market value of owned properties, and exposure to leased properties.

**On leased properties, you need to review the terms and conditions of cancelling the leases mid-term. In most instances, cancellation for a lease mid-term, presents challenge #3. If you owe more on your terminal property then its worth, that presents challenge #4.**

**Driver history-- Driver history/tenure with a company, can be an asset to a distressed Buyer. As you know;**

- Capacity has tightened.
- 200,000 + trucks have been taken off the road in the last several years, and;.
- **Drivers are becoming a hard commodity to locate.**

**Therefore, drivers that have had tenure with a business, may add value. In some instances that value may be \$2,000 to \$3,000 a driver. If they are team drivers it could be more.**

**If you are a struggling company, but you have a component of your business that has a dedicated freight contract (by dedicated freight contract I am refereeing to a contract that is written for 3 to 5 years and pay all miles) that can also be an advantage and it can be an asset that you can use as an offset to some of your other liabilities.**

**Customers in general, are either assets or liabilities; so it is important to be able to provide, for your individual customers;**

1. Revenue per mile.
2. Revenue for all miles.
3. Fuel surcharge.
4. Empty miles, etc.

**If specific customers are providing a higher mileage rate than industry average, this can work to your benefit. If you are an asset based company, you should be able to provide an expense review of eliminating expenses day of acquisition.** You are not going to get credit for this in the form of compensation, **but what it will do is demonstrate the potential benefit, to a Buyer, if they were to take over your struggling business.**

**Once you've gone through this process, you have to add the "pluses and the minuses" and then make a determination of where you are at. If it still doesn't make economic sense, it doesn't mean that there is no solution.** It just means that you are going to have to come up with a creative plan that will satisfy creditors and provide some value to you. **Are there ways – yes! Is it easy – no!.**

Over the next several weeks, I'll discuss what struggling companies have to do, if they want to sell their business when historically it has been losing money. However, there is one golden rule, and that rule is;

- Learn as much about the potential Buyer as possible. Learn the Buyers strong lanes, weak lanes, reputation, etc.
- Find out if sellers, of distressed businesses in the past, have received any benefit from the Buyer, and;
- Ask to speak to Sellers, of those distressed business, that were purchased, to determine if the Buyer has lived up to their commitment.

The last thing you want to do is structure a deal, in good faith, based upon something possibly happening in the future and then have the Buyer not live up to his/her agreement. I am not saying this is going to happen, but I am saying that you, as a Seller of a distressed business must do your "home work", before you start negotiating the sale of your business.

## Quote of the week:

**“What counts is not the number of hours you put in, but how much you put in the hours”** (Author Unknown)