

## Carpe Diem!

To paraphrase, these appear to be the worst of times, and for many companies as well as former and current employees they indeed are. Yet for others in all roles within Corporate America, particularly those with keen insight and foresight, these are the best of times. How can that be?

The internet, magazines and newspapers are filled with doom and gloom stories regarding historic corporations failing. As a result, 13.2 million Americans are unemployed. We see screaming headlines which state we are in the worst recession since 1907, 102 years ago.

ADP Employer Services reported last week that 742,000 American employees were axed from full-time employment in March, with a similar number projected for this month. Our current 8.5% national unemployment rate is the highest in 25 years. Even worse, it could become as high as 10% by year's end. According to the Associated Press, the current unemployment rate would be over 15.6% of the U.S. work force if it included laid-off workers who have either given up looking for a job or have had to settle for part-time work.



All of this equals the worst of times, particularly if it directly impacts you and your family. Yet for other businesses and families, these are very challenging, sometimes confusing, but definitely exciting times filled with the greatest opportunities in our generation. While some companies flee to the bunker mentality, others are aggressively seizing a chance of a lifetime and aggressively consolidating at rock-bottom values. Over the last three months, I have given a series of presentations nationally to a wide-variety of business groups urging the Carpe Diem (Seize the Day) mentality. Not to be a Polly Anna, or a fool, but I have been urging businesses, their management and advisors to take advantage of the numerous opportunities which are right in front of our faces.

### Plan ahead

Unfortunately, many companies and employees do not see, don't care to see, or refuse to accept what they see in troubles ahead. Therefore by the time they react to the inevitable, it is too late to establish viable, affordable options. Too often no contingency plans are made in advance. The result is often devastating for the company, its employees, creditors, suppliers, etc.

Who's to blame? Every involved business and every employee who does not have contingency plans are to blame. It's like watching yourself get hit on the head with a heavy board. You see it coming, but refuse to duck in time.

Here's an important reality for those looking to acquire a company, merge companies, or even sell a company in whole

or part, as well as arrange new or different financing for your business. There are numerous attractive options available to you, yes even in this market. The under \$500 million market place is filled with opportunities for those companies that plan ahead, stay alert for commercial opportunities, and augment their efforts with very knowledgeable professional services support teams.

Over the last six weeks, we have had ten private equity groups, hedge funds and lenders visit just our Irvine office seeking an appropriate business either to acquire or place their capital. Our other offices also have had a steady stream of monied visitors. Their new term is "EBO" (Equity Buy Out). We have closed five recent transactions where only equity was used, no debt at all.

Significantly many of these investors or acquirers will be satisfied to take minority positions in a business. This is a definite shift in perspective over recent years. For those who want to sell control, that is an acceptable alternative, but often not mandatory. Why would this change in investment strategy occur? Simply put,

private equity groups and many hedge funds remain awash with money to invest. Of course they are very selective, and indeed they want a fair deal.

### It's still smart to sell

So why would sellers sell at this time? We closed a significant sale of an industry leading company a few weeks ago. The selling principal said his motivations were two-fold. First he wanted some cash now for himself and his family, yet wanted a partner with whom he could share the financial risk going forward. That's definitely logical. In addition, he wanted a partner, who will use his company as a platform for subsequent acquisitions, many of which can be currently acquired at a steep discount off of their values over the last few years. This seller and his family are now very comfortable financially, and excited about their business future. For them it is the best of times. But what about those companies that need new, better, or different debt financing? For any companies, particularly those who have waited too long to anticipate the need and seek alternative financing, or those who have been completely caught off guard by an arbitrary decision of their lender to cut off funding, the situation is more difficult. Not impossible, just difficult.

Cash flow loans remain almost impossible for the average corporate borrower to get. Asset based loans are still available if the company has the balance sheet to support it. Mezzanine funding is very plentiful. It's

painfully expensive, but it is available. Therefore consider mezzanine money as a bridge loan to better, more affordable money a year or so from now when the federal government's billions of dollars work their way through the system.

There are numerous editorials which have and will be written regarding debt financing, but they all end up with these conclusions.

1. Cash flow loans remain difficult to obtain at any price.
2. Asset based loans are available, but expensive.
3. Mezzanine loans are plentiful, but expensive.
4. Equity is very plentiful, but selective and expensive.
5. Use seller financing whenever possible to close M&A transactions. Structured properly, it is a win/win for seller and buyer.
6. Use joint ventures and strategic alliances whenever and wherever possible.
7. Work hard to develop excellent professional services (legal, accounting, tax, insurance, investment banking, etc.) partners.
8. PLAN AHEAD!!!

In 1986-89, when the RTC took over many financial institutions and lenders and real estate owners, developers, brokers, and advisors faced crisis after crisis, at the very same time great wealth was being accumulated by those who looked ahead, partnered with the best advisors, and seized the day.

Today we are in exactly the same situation. Some businesses will continue to falter, some will fail, but others will find this time to be the opportunity of a lifetime. The solutions are often there if intelligent planning takes place in advance. Indeed for those with insight, foresight and a top team of support professionals, this is a remarkable moment in financial history. **PLAN AHEAD! CARPE DIEM!**

#### **About Hunter Wise:**

Hunter Wise is a specialized investment banking firm providing the highest quality level of institutional financing, merger, acquisition, divestiture and advisory services, for small to medium-sized public companies, as well as selected middle market, privately held businesses. Hunter Wise creates win-win corporate finance transactions because we have the knowledge, experience and long-term key relationships to create the ideal buyer-seller union or financing option.

Each of our eleven USA locations, plus London, Vancouver and Beijing, is staffed with professionals who have on average 20+ years of corporate finance, and/or M&A experience. In addition, Hunter Wise enjoys a strategic alliance with 17 other firms in Western Europe, Eastern Europe and Asia. These relationships allow our clients worldwide exposure to transactions and financial markets.

In addition to vast experience in the merger, acquisition and

divestiture fields, Hunter Wise offers public entities and privately held company clients an array of financial products. In the equity world, we provide private placements, Pipes and equity lines. On the debt side, we have strong provider relationships for senior term and revolver financing, mezzanine or second lien loans, debtor-in-possession financing, as well as the sale and lease back of real estate and equipment.

Hunter Wise enjoys a reputation for its depth of knowledge regarding taking public companies private and other forms of recapitalization, as well as taking private companies public in London on AIM.

AIM has established itself as the world's leading stock market for young, growing companies; although competition from other exchanges is increasing. Its attraction to U.S. companies includes no Sarbanes-Oxley or Section 404 regulations. In addition, many Hunter Wise clients have found the AIM listing procedure to be less expensive, faster, and therefore better than our equivalent process in the United States.

Hunter Wise also considers its industry associations as well as its national network of professional service firms (attorneys, accountants, wealth managers, lenders, private equity groups, hedge funds, insurance agents, valuation firms, etc.) to be one of its major assets.

Hunter Wise continues to expand its offices through involvement with industry trade groups such as the M&A Source, International Business Brokers Association, Association of Corporate Growth, and the Alliance of Merger and Acquisition Advisors. Members of each of these groups have increasingly been motivated by market conditions to move to the Hunter Wise platform. It's anticipated that growth will continue.

Fred G. Jager, President of Hunter Wise Financial Group, LLC and Hunter Wise Securities, LLC ([www.hunterwise.com](http://www.hunterwise.com)), is designated as a Certified Business Intermediary (CBI), a Merger & Acquisition Master Intermediary (M&AMI), and a Certified Merger & Acquisition Advisor (CM&AA).

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**Hunter Wise Financial Group LLC**

Maximizing Corporate Value<sup>SM</sup>