
AHERN & Associates, Ltd.
Management Consulting • Mergers and Acquisitions

INTRODUCTION

AHERN & Associates, Ltd. is a Management Consulting firm specializing in transportation. The company was founded in 1987 and is well versed in:

- Mergers/Acquisitions
- Operational reviews/audits
- Leveraged buy-out/management-led acquisitions
- New capital formations
- PEO's (Employee Leasing)
- Bankruptcy/reorganization
- Fifty to sixty percent (50%-60%) of the business involves mergers and acquisitions
- The other forty to fifty percent (40%-50%) is involved in the restructuring of motor carriers to:
 - a) Increase efficiency;
 - b) reduce operating costs; and
 - c) improve bottom line profitability.

We have accumulated a significant track record of handling complex assignments for entrepreneurial owner/managers in the companies they created. Our success has resulted from working with each client to structure their organization to benefit from their capabilities, while supporting them in those areas of the day to day business where they lack technical expertise or real personal interest.

The staff of AHERN & Associates has extensive experience in the management of transportation companies. We have the ability to face realities in the market place, tough regulatory environments, soaring direct and indirect labor and benefit costs, and lagging receivable collections. Our key people are pragmatic and "down to earth". They have the "scars" of their years as front line managers and owners.

Since all of our expertise has been drawn from the transportation industry, we have developed a special niche for ourselves that sets us apart from other competitor's and establishes us as an industry leader.

MERGERS & ACQUISITIONS

Our exposure to the transportation industry, and to the financial and accounting professionals who support them, have made us continually aware of the existence of various opportunities for acquisition and mergers. Bringing together the operating assets of two or more companies under a single, consolidated administrative management group can substantially improve return on investment for all parties.

We work exclusively with transportation buyers who have the resources and the motivation to take the merger path to growing their businesses. This firm represents or has represented companies such as:

- A. American Transport, Inc.
- B. American Trans-Freight
- C. Boyd Bros. Transportation, Inc.
- D. Burlington Motor Carriers
- E. The Celadon Group
- F. CRST International, Inc.
- G. Daymark Companies
- H. Farmland Industries
- I. M.S. Carriers, Inc.
- J. Malone Freight Lines
- K. P.A.M. Transportation, Inc.
- L. Rocor International, Inc.
- M. Star Transportation, Inc.
- N. Smithway Motor XPress, Inc.
- O. Swift Transportation Company

In reference to acquisitions, we do not act as a business broker. We represent the buyer and we complete executive searches on behalf of the client in reference to possible acquisition candidates. **We do a thorough analysis of:**

- Financial statements for the last three (3) years.
- Operational and statistical data.
- Provide an evaluation of the net worth and the suggested purchase price of the selling company.

In all instances, the buyer does all contract negotiations and due diligence. For a first time buyer,

AHERN & Associates can:

- **Assist the client** in defining his/her acquisition criteria.
- **Assist in assembling** an acquisition team.
- **Provide meaningful input** in how to develop an integration plan once the acquisition has taken place.

We initially charge a small retainer fee which is a one time only cost of doing business with our firm. Should you acquire a carrier from our firm, the retainer fee is applied towards the balance of our fee. **On any subsequent acquisitions we will complete an additional search, but there will be no additional retainer fee required.** We do not work through intermediaries and we do not work with business brokers.

We represent our client in the painstaking process of merging people, facilities, procedures and systems. We have determined that the most critical element of an acquisition is compatibility in style and substance of people who must have a working relationship in the combined entity ... people able to agree on strategy, tactics and having the ability to go forward in the implementation of coordinated business plan. **The blending of personal chemistry is a complex process,** if authority and responsibility are redistributed in a pattern that fails to motivate individuals, situations that initially appear to have an enormous potential, are often doomed to failure.

Although AHERN & Associates does not represent transportation sellers, we can assist sellers in providing them with meaningful input/analysis work in reference to the potential selling price of their company and provide them with valuable information on how to sell their company.

At AHERN & Associates, we know the danger signs and how to avoid the disasters they forecast. In essence, Ahern is able to assist their clients in increasing shareholders' wealth.

LEVERAGED BUY-OUT/MANAGEMENT ACQUISITIONS

It is not unusual for an operational review to discover that the founding owner, who has had his or her company from start up through the painful period of growth and the “roller coaster” years that followed, **may really want to get out ... to retire** or to enter into a different facet of business.

When there’s not a next generation to inherit or no satisfactory outside acquirer “knocking on the door”, one viable approach to business continuation is a programmed sale to a management/employee group. **AHERN & Associates can assist your people** in organizing and implementing this kind of acquisition. **Our services include:**

- a) Evaluation of assets,
- b) Liabilities,
- c) On going revenues and expenses,
- d) Customer and vendor relationships, and
- e) Cash generation,

with its related ability to service both existing debt and the new obligations to be undertaken within the framework of the acquisition agreement. We work with principals, lawyers and accountants to resolve areas of concern and expedite the process.

AHERN & Associates can also provide assistance to the acquiring group and the development of an owner/seller financing program or the identification and introduction of new sources of capital. We have been able to find individuals and organizations willing to participate in transactions which required that assumption and provide for reasonable payout periods, sufficient to assure ongoing success. **Additionally, because of our extensive experience in the transportation industry, we are able to provide appropriate comfort to the debtor** throughout the full term of the indebtedness.

OPERATIONAL REVIEW/AUDIT

AHERN & Associates has been called upon to intercede in critical times in the financial and operational cycles of numerous transportation companies. This firm has represented hundreds of companies in the transportation industry over the years. **Although each has had its own unique characteristics,** the same prevailing problems arose, such as:

- a) **Declining** market share/rate;
- b) **Profitability;**
- c) **Cash flow;** and
- d) **Driver** shortage.

In an operational review, we examine every facet of our client's business from operations, productivity, marketing, and sales to customer service. We analyze financial data; gather and review reporting methods, accounting systems, computer programs and the competency of the staff that support each facet of the business. **Our inquiries are designed to seek out and identify all possible savings of time and money** as well as opportunities for revenue and capital enhancement.

Our auditors work "on site" and review operations from an observer's view point not available to a "hands on" manager. We review an organization for savings in: a) Dispatch procedures; b) Marketing/sales and traffic lanes; c) Computer systems in use; d) Maintenance; e) Loads per week; f) Revenue per load; g) Revenue per mile - loaded; h) Revenue per mile - all miles; i) Empty mile ratio; j) Customer base; k) Recruitment and training; l) Driver pay scale; m) All personal salaries; n) Internal purchasing; and o) OSD Department claims.

We additionally do a complete review and analysis of:

- **Current** and **potential** financial positions;
- **Personnel** to include qualifications and accountability;
- **All secured** and **unsecured** debt; and
- **All cash** flow enhancement opportunities.

For transportation companies that have company fleets, we provide a comprehensive review of the existing maintenance programs.

We have the ability to access top management throughout the United States and because of our "sphere of influence" and our large networking capabilities we have the "eyes and ears" of the industry to assist in reducing operational costs.

For clients threatened with extreme confiscatory actions by major creditors and lenders we have been successful in creating "special doomsday" accommodations that provide up to a forty five (45) day "window" of restructuring opportunity, rather than the time and money wasting legal maneuvers of a Chapter 11 action.

All our fees are quoted on a flat charge basis with guaranteed performance provisions.

BANKRUPTCY/REORGANIZATION

Business and personal tragedies occur when an owner files prematurely for Chapter 11 protection. Available statistics indicate that fewer than 10% of transportation companies filing protection under Chapter 11 ever emerge. **Often, owners follow their companies into personal bankruptcy. AHERN & Associates has successfully assisted companies** to avoid that stress and expense. **Our customized restructuring plans** include certain basic elements such as a 45-day “window” during which cash “hemorrhaging” is stopped, critical personal changes are initiated, and operating procedures are dissected to eliminate costs. **Creditors are impacted by the seriousness of the debtor’s intention to repay his/her obligations**, as well as the warning that Chapter 11 would be costly to ongoing revenue and retention of key employees.

Secured and unsecured creditors are briefed. We address their concerns and hostility “head-on”, dealing with their recovery expectations and repeatedly encouraging flexibility and cooperation to achieve optimum results. **We acknowledge the repeated mistakes of our clients** and his/her failures to heed input. **Rapport established, we generally are a short negotiation away** from extended terms which both sides can live with.

Our services include selecting and briefing the best possible tax attorney or accountant ... should the I.R.S. present a problem.

If it’s not possible to avoid the bankruptcy routes, we utilize similar techniques to pre-package the proceedings, so that a client emerges when able to achieve operational and financial health.

EMPLOYEE LEASING (PEO)

AHERN & Associates, Ltd., has been active in the development, marketing and implementation of various Employee Leasing programs (commonly referred to as PEO's). AHERN & Associates, Ltd., represents the customer, not the Professional Employer Organization in reference to establishing and integrating an effective plan. **We assist in selecting a "PEO" whose capabilities,** infrastructure and experience are the best match for each client and jointly "custom build" the right program to meet our clients' specific needs.

Already accepted by, and an integral part of thousands of companies in the United States, Canada and overseas, Employee Leasing is an idea whose time has come. This is a concept that meets the personnel management demands of the millennium years. Personal management and payroll processing, benefits procurement and administration...the total human resources responsibility can now be alleviated...physically removed from your premises and handled by an off-site team of specialists. **You and your management team can save:**

- Time
- Aggravation
- Overhead
- Cash flow

A properly structured Employee Leasing Program can also reduce such direct costs as:

- Worker's Compensation
- Unemployment Insurance
- Health Benefits

If you are like the owners/managers in many businesses, you are already leasing an office, production and/or warehouse space, operating or office equipment and vehicles of various types. For many of the same reasons you initiated these leases, **it is time to explore a Professional Employer Organization.**

AHERN & Associates, Ltd., has pioneered the introduction of Employee Leasing Programs to the owners of a wide variety of transportation businesses throughout the country. We specialize as consultants in the application of Employee Leasing concepts to the needs of various transportation organization.

We understand the concerns of the entrepreneurial owner/manager...analyze their operations and are able to fairly recommend a program, procedures and a PEO that will best enhance a special/worker's relationship necessary for continuing success. **In all instances, we represent the client, not the Professional Employer Organization.**

COST & PROFITABILITY ANALYSIS

Many transportation companies today cannot identify their true cost. In the quest to determine your true operating costs, you may have purchased various software packages that are “benchmark” programs, **but they do not specifically correlate to your own profit and loss statement and balance sheet.** **AHERN & Associates uses and markets customized personal computer software** that measures your company's real total cost, revenues, their allocation and bottom line profitability for any shipment, trip, traffic lane, customer, shipping point, type of equipment, owner/operators or anything else that you want to see.

The software (known as Financial-IQ) calculates revenues and rates required to cover your total costs and profits for any part of your business. You can even enter your competitor rates or any other rates and find out if you can make a profit charging those rates.

The program allocates total costs, including direct, indirect, administrative and overhead, for each shipment, trip or any other party or business that you analyze. The information is shown in a profit and loss format. The software uses 37,000 sophisticated allocation formulas that were developed and tested over a period of more than 25 years. **It is very accurate.**

“Financial-IQ” also has tremendous “what if” capabilities. You can easily adjust costs or revenues and immediately see the bottom line effect of the adjustments. **You can also make “what if” changes in operations, equipment and other aspects of your business** and determine the affect of those changes in costs and profitability. **In other words, this software helps you determine what to do about costs** and indicates when you may increase rate levels to customers.

The software is very accurate, fast and easy to use. It can be carried in a lap top computer. Data entry is quick and simple. The software is very reasonably priced and just may pay for itself the first time you use it. **It is an essential tool for any company who wants to control its costs.**

COMPANY EVALUATIONS

Every privately held transportation company will eventually face estate tax problems upon the death of a major shareholder. If a company is not properly prepared, the tax consequences can be devastating. **In some instances,** the estate taxes and/or evaluation by the **I.R.S. can force a privately held company to:**

- **Liquidate** the company to satisfy the various tax liabilities;
- **Liquidate** the specific assets; or
- **Borrow** funds.

As a management consulting company specializing in transportation mergers and acquisitions, AHERN & Associates has on going and substantial expertise in evaluating privately held trucking companies. With this type of experience/expertise, Ahern can provide benchmarks that are invaluable to your accountant or attorney when reviewing your estate estate plan.

When preparing an evaluation for your company, we provide a complete analysis of your true net worth, "goodwill" and a potential selling price of you business. Our analysis is not based upon benchmarks of publicly traded Transportation Companies. **Our reviews are based upon first hand knowledge** of the selling prices of numerous private transportation companies. Knowledge that is not readily available to Accountants, Attorneys, Investment Bankers or the I.R.S.

The review takes approximately 4-5 days. Once the review is completed, the analysis will be forwarded to you and it will be certified. A.W. Ahern, Chief Executive Officer, has a CPCM designation (Certified Professional Consultant to Management), which is similar to a CPA in the consulting field. **As such, you can be assured** that the analysis provided is no:

- "Blue Sky", but
- "Reflects true industry average", and
- Represents a true "reflection" of what your company should sell for.

An analysis of this kind is invaluable, particularly if you have to contest an evaluation by a regulatory body.

Whether you are intending to sell or preparing an estate plan, an evaluation of this kind is essential.

NEW CAPITAL FORMATION

The investment climate of the approaching millennium years have created a limited number of transportation investors who are responsive to opportunities for immediate term (5-8 years) capital appreciation. AHERN & Associates (because of its sphere of influence) can identify such groups and introduce them to companies whose profiles match their objectives.

We believe that dynamic, creative management teams of niche-oriented transportation companies demonstrate excellent potential for accelerated growth. Ahern can assist these companies in assessing and documenting that potential. Then we will bring these packages to prospective investors. **We will outline and suggest to both parties** the structuring of their relationship in the equity of debt financing arrangements.

This is not a route possible for troubled companies. It is necessary to stabilize operations, enhance results and demonstrate on-going viability and growth potential before seeking equity/debt financing.

GOALS & OBJECTIVES

The AHERN & Associates team recognizes that the people who are running the transportation companies, which they created or took over at an early state, started their search for success with a vision of what they wanted to achieve, how they were going to do it, and what on-going rewards they expected to enjoy.

However, the business world of the millennium years will become a different place from the one in which most of these entrepreneurs started out. We understand where they have been and where they are today. We can help redirect their efforts to get them to the success level that is possible in the near future.

We have established a special niche for ourselves in the transportation arena committed to providing tough-minded, fast track solutions to problems that won't go away...the difficulties that presage entrepreneurial failure. We can stop the downward spiral and turn it up again. **Many companies hire AHERN & Associates simply as a transportation "sounding board" to discuss numerous projects,** projections and/or growth opportunities.

A.W. Ahern (“Andy”) is Chief Executive Officer and founder of the firm. He has four children and is originally from Chicago, Illinois. **He received a Bachelor’s Degree in Marketing and Business Education** from Southern Illinois University and is an accredited member of the National Bureau of Professional **Management Consultants** and holds the appellation of CPCM. **Andy was recognized in the 1997-1998 American Directory Edition of Who’s Who** in Executive Businesses and he publishes his own newsletter (The Ahern Advisory) on a monthly basis that is read by transportation executives throughout the United States.

He has accumulated extensive experience in

- **transportation** mergers/acquisitions/divestitures,
- **restructuring** motor carrier operations; **PHOTOGRAPH GOES HERE**
- **pre and post-petition** bankruptcy work;
- **corporate** insurance programs.

He has appeared on CNN Television, KTAR Radio, and has had numerous articles written about him in published periodicals.

He has successfully rehabilitated some of the larger transportation companies throughout the United States and at one time, was a main speaker for a “special ethics program” for Pepperdine University. **That program gained recognition from:**

- 60 Minutes
- Business Week
- Los Angeles Times
- Las Vegas Review

Andy is also a convicted felon, and spent fifteen months in a federal prison in Las Vegas, Nevada. He speaks frequently to corporations about operating in the “gray zone” and the vulnerability that entrepreneurs have if they become a target of the Federal Government. **His lectures provide a stark reality to the complexity of business today and the ease in which values can be compromised.** He is a much sought after speaker and lecturer and believes that his incarceration period was a valuable learning experience and tool for his business expertise.

Ahern & Associates, Ltd. was founded in 1987, and continues to be one of the most professional and progressive transportation consulting companies in the United States. Andy contributes the companies success and growth to one absolute philosophy, **“caring”**.

If you are a transportation company that wants to expand/acquire, is experiencing operational difficulties, is concerned about exposure to regulatory authorities, is interested in an operational review of any or all of your transportation companies and/or divisions, you should take the time to visit with Andy and his firm. **This could be the most important meeting of your life.**