



## **Small Company**

### **Turnaround of the Year**

#### **Vermont Aerospace**

Jeff Sands, Dorset Partners LLC

Larry Schwoeri, AIAC and Vermont Aerospace LLC

Jon Verbeck, Verbeck Associates, LLC

Kristin Wainwright, Tobin Carberry O'Malley Riley & Selinger PC

The Founder & CEO's death was the linchpin for a torrent of legal, bank, and solvency woes to drop upon the 100 percent ESOP owned Vermont Aerospace Manufacturing Inc. The company had been run up against the rocks of misfortune for six years and this brought everything to a head; revenues had fallen from \$45M to \$10M annually, agencies were circling, the largest customer (40 percent of remaining sales) had recently departed, the accounting was broken, loans were in default, employee pay had been cut 10 percent which killed morale, customers had been mistreated, and the supply chain was locked up.

Jeff Sands with Dorset Partners LLC was engaged as CRO and immediately went to work. The company had no operating cash so all payments other than payroll immediately ceased. Vendors mourning the loss of life turned angry when they realized all open checks had been cancelled. While the CEO's family worked through those tough couple days the restructuring team met with employees to get one very clear message across: the company was fixable but that all their bad habits were the first items which needed to be fixed. Despite the fear and frustration, everyone still took pride in the company's history, pride in their craftsmanship and pride in the precision machined aerospace and defense components they produced. The 100% ESOP owners embraced the challenge of saving their company and fought hard to preserve their jobs.

From there things fell into place; the restructuring team persuaded current customers to stick with the company and enticed the departed (40 percent) customer to come back. As a result, most of the vendors chose to support the company, government agencies promised to tread lightly and protect the company, an emergency loan fell into place the day the power was being turned off and lawsuits were stalled or aborted to protect the company.

Dorset Partners ran a sale process which included visits from four well-qualified strategic buyers, and acceptable offers from two. Just as the turnaround was taking hold the company assets were sold to Vermont Aerospace Industries, LLC (VAI), which is associated with the American Industrial Acquisition Corporation (AIAC) group of companies. Due diligence was led by Jon Verbeck, of Verbeck Associates LLC, who also provided transitional CFO services as the company ramped up operating profits and rebuilt the accounting process. Jon's partnership with the controller led to consistent reporting, tighter internal controls and a streamlined accounting process. The VAI acquisition was led through the legal guidance of Kristin Wainwright of Tobin Carberry O'Malley Riley & Selinger PC.

With a full recovery, consisting of cash and notes issued to all creditors, VAI CEO Larry Schwoeri got the company caught up on deliveries and provided the long-term stability that customers, employees and vendors had all been hoping for. Orders immediately increased and credit terms were restored.

With investment into people, equipment and repairs, VAI completed the turnaround producing a very strong bottom line and a deep backlog of orders. Twelve months later, Vermont Aerospace Industries is now an employer of choice in Vermont's Northeast Kingdom.