

## a**DONE**deal

**Client Name:** MERIT GEAR CORPORATION  
**Other Key Players:** Emory & Co.; First Atlantic Capital Ltd.  
**Type of Deal:** Asset sale and earnout “rescued” from buyer’s later insolvency  
**Size of Deal:** Undisclosed

**Principal WHD Team Members:** John Emanuel, Daniel Galligan, Patrick Howell, Karen Tidwall, Daryl Diesing

**Practice Groups Involved:** Corporate, Litigation, Business Restructuring, Creditors’ Rights & Bankruptcy

Located in Antigo, Wis., Merit Gear Corporation has over 50 years of experience designing and producing high-precision gears and other metal components. The company’s products are manufactured primarily for use in heavy-duty mining and oil exploration equipment, wind turbines, transportation, military and general industrial applications.

When the owners of the highly successful Merit Gear Corporation made the decision to sell the business, they turned to Whyte Hirschboeck Dudek S.C. to assist with the transaction. What they couldn’t have predicted is that they would later also need to call on WHD to enforce and collect the earnout portion of the original purchase terms.

WHD’s advice began with an understanding of the company’s business and of the personal and financial situation of its owners, helping the owners to understand the various strategies open to them to achieve their goals of diversification, liquidity and reduced risk. WHD then assisted in the selection and engagement of investment banking firm Emory & Co. and, working closely with Emory, assisted in marketing the company to potential acquirers. WHD also helped Merit Gear’s owners evaluate the proposals received, negotiated the final terms of the transaction with the

---

## WHD helps sell Merit Gear Corporation

---

acquirer (First Atlantic Capital Ltd., through its portfolio company PPI Holdings Inc.), and documented and closed the transaction.

When a severe downturn in PPI’s other businesses caused its senior lenders to take control of its cash and refuse to permit payment of the deferred earnout still owed to Merit Gear’s former owners, WHD was able to position them advantageously and negotiate full payment of the remainder of the price, along with several other concessions, despite their junior position relative to PPI’s senior institutional lenders.

To this day, Merit Gear employs more than 100 people and continues to provide its customers with “America’s Best Value for Precision Gearing.”

