



**T.E.A.M.
CASE STUDY**

Manufacturing Business Transition

**Daniel Hernandez
CEO of National Plating
Company**



About National Plating Company

National Plating Company has provided plating and finishing services for over 100 years including Tin Plating, Zinc Plating, Electropolishing, and Passivation Services.

National Plating Company is a true job shop serving all markets. They finish parts for first or second-tier part makers supplying parts to many well known end customers including Ford, GM, Honda, Toyota, Oshkosh Truck, HP, Rockwell, John Deere, Harley Davidson, GE, Eaton, Associated Spring, KHS, Evinrude/Johnson, Mercury Marine, Boeing, and many other large companies

 nationalplating.net

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About Daniel Hernandez, CEO

Daniel is a Decorated Infantry Marine Veteran who served two combat tours in support of Operation Iraqi Freedom. He also served as the Platoon Sergeant for 1st Platoon, Fox Company, 2nd Battalion 24th Marines, for the United States Marine Corps. After active service, Daniel founded Cream City Scooters LLC which was the only scooter rental company in Milwaukee, located on the Milwaukee Lakefront. His interest in physical products businesses and working with his hands brought him to his current path of working for, then acquiring an innovative metal plating company with a deep history in Milwaukee.

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About T.E.A.M.

T.E.A.M. — Tools for Equitable Acquisitions in Manufacturing is a project of the **Urban Manufacturing Alliance**, **Concerned Capital**, and **Common Future** to develop the capacity of community-based lenders to support the transitions of manufacturing businesses to new ownership, including to employees, with the goal of increasing racial equity and economic mobility within the manufacturing sector.

Case studies are an important part of this project as they share the personal journey of the buyer of a manufacturing company and include the trials and celebrations that come with acquiring a business. This case study is of a business acquisition which occurred prior to the T.E.A.M. project but is nonetheless illustrative.

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Business Acquisition Overview

Type/location	Metal plating company located in Milwaukee, WI. Buyer purchased the 100+ year old company and the 23,000 square foot building.
Seller/buyer dynamic	Buyer worked with the seller pre-and post-transition and is still in regular contact. Buyer was an experienced entrepreneur with no prior experience in the plating industry. Seller was at retirement age and experiencing health issues.
Financing	Asset purchase primarily for the building. Financing through a local credit union and the Milwaukee Economic Development Council.
Timing	Acquisition completed December 21, 2018 after the buyer worked for the company (with intention to take over) and seller remaining 'on call' for an additional year. The whole process took three and a half years - delay primarily due to environmental contamination on the site which made the real estate difficult to purchase.
Key Takeaway	Extended on the job learning as an employee as he purchased the company benefited the transition.
Post-Acquisition Vision/ Plan	To grow the company to \$20 million in sales.
Point of Inspiration	Learn from your mistakes, don't dwell, just move on. Being an entrepreneur is hard, but having determination and a team that shares your vision will get you there.
How T.E.A.M. Could Have Helped	The program could have provided alternate financing structure options (including seller financing) and helped to craft a letter of intent to guide the extended purchase time.



Daniel's Journey

Daniel Hernandez pairs entrepreneurial spirit with determination to revive a legacy metal plating company in Milwaukee.

Daniel's first foray into entrepreneurship - specifically sales - happened before he reached the age of 10, helping sell ceviche with his mother and grandmother at local swap meets in LA. As a first-generation American, he was aware from a young age the value and importance of hard work, hustle, and following opportunities. From moving to Las Vegas for better family employment opportunities, to joining the Marines out of high school, to managing a scooter shop in the summers of his college years, he has blended purpose and opportunity to make a way for himself and his family.

In 2015, opportunity brought him to explore acquiring National Plating Company in Milwaukee, WI. National Plating provides Tin Plating, Zinc Plating, Electropolishing & Passivation Services on parts for first or second-tier part makers including Ford, GM, Honda, Toyota, Oshkosh Truck, HP, Rockwell, John Deere, Harley Davidson, GE, Eaton, Associated Spring, KHS, Evinrude/Johnson, Mercury Marine, and Boeing. The parts that are plated include springs, chaplets, radiation shields, medical

distillation chambers, pumps, filters, relays, contactors, and other simple (or not so simple) mechanical parts.

The company was in a niche market that Daniel could see how to grow - but it was also in an economically depressed area and was run by owners who were ready to retire and did not have the energy or capital to invest in the business. Daniel did not have plating experience; but, he did have confidence in his ability to learn the business. He proposed an acquisition of the building and the businesses with the understanding that he would work as an employee through the due diligence process and that the owners would groom him to take over. This period lasted longer than either party expected - about three and a half years (primarily due to environmental issues with the site) - but did allow Daniel to obtain a very good understanding of the workings of the business. In particular Daniel learned quickly that the machines and processes were outdated and due for an upgrade.

He financed this acquisition by pairing funds from the Milwaukee Economic Development Council (MEDC), a local economic development organization, with a loan from a credit union. MEDC was interested because of the area the business is in which needed both investment and jobs, and because Daniel was a person of color and a veteran. The local credit union understood the area and had confidence in Daniel's character. Daniel and his wife provided the



downpayment and then obtained a commercial mortgage to purchase the building. Due to the age of the machines, there was not enough asset value to qualify for an SBA 7a loan.

On December 21, 2018, Daniel became the new owner of National Plating Company. Having been a member of the team, Daniel had credibility with the five other workers, so they all stayed on as employees. Daniel made a big move early in his ownership - seeking and obtaining ISO 9000 certification which allowed him to bring in contracts from new clients. He also upgraded machinery and established needed operational and HR systems that allowed him to operate more efficiently and to clearly see areas of growth. He also recognized that he needed a management team and so hired a Director of Operations, which allowed Daniel to be a CEO and keep his focus on the big picture. He has a love for sales and has a goal of growing the company to \$20million. So far he is doing an excellent job - as of early 2023 he is up to 22 employees and is at max capacity for the 23,000 square foot building. He is looking for another building into which to expand.



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Interview

(lightly edited for clarity)



Audra: Thanks for talking with me today. Let's start at the beginning. Tell us about what you did before you owned National Plating Company.

Daniel: I grew up a poor kid, a first generation American (both my parents are from Mexico). I didn't learn English until kindergarten and I went to LA public schools. My parents

were always looking to improve our lives and relocated us to Las Vegas for job opportunities. My mom was a housekeeper and my dad was a cook, and both really extremely hardworking people who essentially passed it on to me. I lived in Las Vegas for about three and a half years before I graduated high school there. Then I went to the Marines. I didn't feel like college was a right fit for me at the time. I learned a lot from the Marine Corps. I was an infantry Marine, did a couple combat tours, came home and used my VA benefits to go to school, achieved my bachelor's degree in business and joined the workforce.

This isn't my first business. I had a small scooter rental company where we leased out mopeds on the lakefront. And that was while I was going

through the University of Wisconsin when I was getting my bachelor's in the summer, I used to run my own scooter shop.

I can remember when I was, you know, eight, nine years old, and my mom and my grandmother used to take me to swap meets and flea markets in LA and they would make these pots of ceviche (which is like a seafood salad that goes on a tostada that is very popular in the Mexican and Hispanic cuisine) and buy a bunch of pistachios and they would take the van down to the flea market, and they would sell it out of the van. It was my job to get customers. So I'd walk around the park, you know, looking for everybody and anybody and I would, we'd always sell out. So I think that's kind of where I got the itch in sales at least. I've always had that entrepreneurial spirit.

Audra: So you've always been an entrepreneur! I get it - in addition to my work at UMA, I'm also an entrepreneur. With the context, can you share more about the business?

Daniel: We're a metal plating company in Milwaukee. The previous owners were a mom and pop duo, Russell and Katherine, both are now in their 60's. They bought it in 1988 for pennies on the dollar, but they had to do a lot of work to bring it back from poor operation. They took it over from a couple of investors who bought it from the original owners, the Mazursky family, who had owned the company since 1909. So this company has been around for over 100 years.



The sale was prompted because of a health issue. Russell wanted to sell to someone who was going to take care of the employees and grow this business - not just to someone who wanted the building. Russell wanted a younger guy to come in, run the business, and take where he believed it could go. I still keep in touch with Russell, we spoke a few months ago and he's really happy to hear about all of the improvements we've made.

Audra: Okay, so the next question is, how was the value of the company assessed when you purchased it? And how did this impact the acquisition process?

Daniel: The value of the company was assessed more on the value of the building because a lot of the equipment in here was very tired. I have a tank in here that is probably older than I am, it's probably forty years old that is actually just being replaced right now. I knew what I was buying so this wasn't a surprise to me. The whole package was really based on the value of the building.

We have 23,000 square feet, and we are bursting at the seams. We are looking for a new place to expand into, and as we continue to grow, we're exchanging a lot of his old tired equipment, and upgrading, but in terms of the value, again, it was more so the value of the building versus the business and equipment. And when we, when I went through this purchase, it wasn't a stock purchase, it was an asset purchase.

Audra: And how was the acquisition structured?

Daniel: I bought the building under one LLC. And then I bought the operating business under a second LLC. So there are two separate entities.

Audra: And how was the acquisition financed?

Daniel: This is where it gets really interesting. I walked into several big banks but they thought this deal was too risky.

In this situation, how do you convince a bank like, "Hey, this guy can do this"? Because what does a former infantry Marine, former real estate broker, kid from LA know about a plating company? Luckily, I was able to convince a community bank, Commerce Bank, to look at my projections, my plan, and the fact that I was learning on the job with the owner. My banker also suggested that I go to the Milwaukee Economic Development Council (MEDC) to see if they would go half and half on the loan.

So I did. I went over to the MEDC and I did my very best to sell them on my dream and they were interested in working with minority individuals. I am a Hispanic male, a first-generation American veteran, involved in the community, and so I was a good fit. Once MEDC was interested, the community bank was more comfortable and so that is how it happened.

And we weren't talking about a very expensive price here - it was under \$500k. My wife and I came up with the downpayment and then we borrowed the rest.



We're in the Menomonee Valley which is an area rich with opportunity. It is densely populated by lower income individuals and we need jobs here. That's another factor to why MEDC was very interested in working with me - because I told them that my whole job here is to keep and create jobs and grow the business. And I have done that. When I acquired the company it had 5 employees and now we have 22.

Audra: Did you or the seller use any intermediaries for support or out of necessity, like a lawyer?

Daniel: That's a very good question. And the answer is yes. The seller did not want to use an attorney but there was no way I was pursuing this without having at least an environmental attorney involved. I credit my father-in-law as he was the one who introduced me to this attorney, as he had worked with other plating companies. This industry is very small, there are not a lot of platers out here. He did a phenomenal job. And, in the future, if other platers do want to sell, well, guess what? I'm available, and I'm interested in the possibility for acquisitions, and my attorney has facilitated some of these connections already.

Audra: Well, okay, wow. So you went from five to 22?

Daniel: Yeah. It took a lot of work. I think people look at entrepreneurship and think it is something that you just do once. It gets glorified. That is not the case, there are a lot of hurdles that you have to go over.

And the biggest thing that I've learned as an entrepreneur is you have to keep on moving forward. When you get knocked down, you get up and keep on pushing. Believe me, there's been times where I've questioned myself, like, "What the heck am I doing? Is this something that I want to continue to do?" But you have to look past it, and just push forward and continue to grow the business. Continue to do right by your employees and customers, and good things will come.

Audra: So back to the process. Can you tell me more about how long it took and some of those barriers you faced?

Daniel: The whole thing was about three and a half years from start to finish, from when we decided to go into contract. A lot of it had to do with environmental issues. The Menomonee Valley has a lot of brownfields because of its industrial history. One of the biggest issues that we ran into was the contaminants that were underneath National Plating's building. You know, when someone tries to sell a plating company, there's gonna be a lot of flags that go up. The environmental company that the previous owner hired did a Phase one and Phase two environmental analysis. During a Phase two, they actually take out samples of the dirt and analyze it.

When they did that, they found contamination. But the interesting thing was that none of that was due to plating operations and National Plating came into this building in the 1960s. So they linked all that contamination to the building



behind us, right to the south of us. And, you know, after that the attorneys talked a little bit here and there, they drew the maps. And the Wisconsin Department of Natural Resources reviewed it and allowed me to go ahead with the purchase without requiring remediation so long as this building stays a plating company or something in that industry. So they gave me a closure letter and I was able to go to the bank and move forward.

But yes, due diligence takes time - whether it be a Phase one or a Phase two environmental study on the property, permitting, everything that goes with the sale of the property - has to get done. That whole process took us almost three years. But, it gave me some time to really learn the business.

Audra: So during that three year process, you were working for the company?

Daniel: Yes, I started part time and eventually transitioned more into a full time capacity. And what's interesting is the employees didn't know I was buying the business. So it was just another guy in here.

When I closed on the business, December 21, 2018, we decided to have a meeting with everybody at the time. There were five employees and I told everyone, "everyone's on holiday, come back January 2, and we'll kick off with new ownership and a new program."

Audra: What were the barriers or difficulties that you experienced through the transition

process? I mean, three and a half years, I'm sure there were quite a few.

Daniel: It was a bumpy road. Initially, one of the issues that this company had was that it wasn't ISO certified. So that was one of my top priorities. That took a lot of money. That took thousands of dollars to put together; it took a consulting team; it took several hours of my time to really put that together. And so that really was one of the biggest hurdles that this company had to go through. And it's also one of our biggest achievements. And once that occurred we were able to open a lot more doors, a lot more customers. Since then we've grown north of 180%, probably closer to 200%.

And then, after we got certified, we moved to implementation. And that was even more difficult because you have employees who have been here more than 10 years that are so used to their ways. In order for us to grow, we have to be able to adapt the new method and essentially move forward with that, otherwise, we're going to be stuck here. And so that was a challenge. And that's where a lot of, you know, transition took place with employees, ups and downs.

Then COVID, the labor shortage, and lately inflation - it has been horrible to us. With all the pricing of raw materials going up. We have had so many issues in the past four years that have really kind of given us a nice jab to chin. However, it hasn't knocked us out, we're able to take those punches. And you know, initially when we started this conversation, as I said, as an entrepreneur, you just have to be able to keep



on pushing forward. And that's what we've been doing.

Audra: Let's talk about the outcome of the transition. Did you have to change your business structure or strategy in any way? Can you talk a little bit about your culture of leadership?

Daniel: The previous ownership was literally a mom and pop shop - not to knock on it. It was impressive - they did everything themselves. They did all their payroll, they did all their taxes, they did all their accounting, they did all of their regulations. Russell did the waste treatment, all the chemistry checks. I learned early on that I can't do it all - there's just no way. I'd be here 18 hours a day, 20 hours a day, 365 days a year. I mean, they never took a vacation.

I implemented key roles. We ended up hiring a Director of Operations. I'm committed to bringing in more work to make sure there's enough money to cover that salary. And so that's how we grew with those positions, and now we have a management team. As the President and CEO, I still do a lot. However, most of the operations are not done by me anymore. It's actually run by my Director of Operations who has been in the manufacturing industry for 27 years now. You know, so he's very well-versed in manufacturing and operations and management. I have two very competent, awesome managers who really just have taken their responsibility and just run with it. They nurture their people, they grow their people, they get products out. They're very much interested in getting to the company's \$20 million sales goal.

What we need is a production team that can handle the sales, because sales is my jam, and I'll bring the work in. But if you can't handle it, then we can't sustain it, then we're not going to get it. So that's what we're working on now, is really developing our two shifts and then opening up our third shift. So we really hit a homerun and bring some more work in.

There's endless opportunities here in Milwaukee. Milwaukee is very strong in manufacturing. So there's a lot of stuff out there that I can essentially pick up and bring to National Plating. But to grow, it's really about developing our team.

Audra: And any innovation when it comes to the products, or any innovation when it comes to the product?

Daniel: No, we are still using the chemistries and the processes that were in place here at National Plating, has been using for years. And so it's still the same thing, where the only thing that is changing is chemicals are getting more efficient, via additives and innovations by our vendors. But as far as our innovation, not so much do we think of easier ways on how to load barrels? Sure, we can think of more efficient ways of doing that. And we've implemented some ways. I guess if you want to call it innovation, I don't really see it as such as innovation, I see it more as you know, it's just making your job a little easier. But it's nothing patentable.

Audra: How did you maintain your emotional health through the process?

Daniel: I had to give myself pep talks. There



were days, especially in the beginning, where I would go home and think, “I don’t know if I can do this.” I was wearing so many hats, and dealing with so many deadlines and had people counting on us. We made costly mistakes - like when we electroplated these very important springs that go into this very important equipment with clear zinc, and it was supposed to be yellow travaillent zinc and I got a bill for \$11,000 because the parts were not usable.

But then there were productive days, exciting days. I just recently took a vacation with my family to Ireland, and I just sat back and thought about how I am blessed to have what I have in Milwaukee, blessed to have the opportunity to just swing at it. Every time you get a pitch, you have to swing at it. And hopefully you get a base hit. And once in a while I get a home run. I have a phenomenal, phenomenal wife who is really there for me. So when I do have those bad days I can talk to her and she understands. It’s crucial to have a partner or significant other that understands what you’re trying to do and is supportive.

Audra: Knowing what you know now, what might you have done differently?

Daniel: It’s a very long list. We learn from your mistakes and I try not to dwell on the past. We’ve implemented processes and ways to avoid those mistakes as much as possible. Because at the end of the day, all those mistakes are costly, they cost you money. But you can’t sit and dwell. There goes 20 minutes you could have worked on to make your company better.

Audra: Is there a type of help or service provider you would recommend for anyone else who might be going through this kind of transition

Daniel: I would say that if you’re a person of color, like myself, go to your local, economical development corporation because they’re full of resources. And they’re willing to loan you at a very low interest rate, to really get you going. But also, the caveat there is be prepared with your financials, be prepared with your business plan before you hire an accountant. If you don’t have the money for the accountant, don’t start your business, go work a job, you know, hustle it out for a summer until you do. Then, when you walk into your local economic development corporation, they’ll look at you like, “This person is prepared.”

Audra: I’m so thankful for your time. Thank you for making some space for the conversation. And we look forward to hearing from you about what’s next. All right, you take care now.

Daniel: Take care.

About the Urban Manufacturing Alliance

UMA works to transform and reshape manufacturing ecosystems into drivers of just and equitable development that puts communities first. We partner with and convene a diverse network of partners to learn, share, co-design, and scale solutions in which people, places, businesses, and the planet can heal and thrive.

Our partners include: manufacturing support organizations, community-based organizations, educational institutions, business owners, workers, and the public sector.

About Audra

Audra is a Co-Director of the Urban Manufacturing Alliance and leads UMA's Catalytic Capital Pillar.

