



Urban
Manufacturing
Alliance

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


Manufacturing Business Transition


**Lucy Minturn
CEO of FosterWorks**



About FosterWorks

FosterWorks' mission is to retain secure manufacturing jobs in Chicago and sustain pathways to the middle class for area residents. FosterWorks' belief is that a strong manufacturing base with opportunities for skill growth and advancement is a vital part of the urban fabric. They seek to cultivate and serve our customers, employees and the community and environment where we work.

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About Lucy Minturn, CEO

Lucy finally has the metal shop she's always wanted. She began her career in finance, first at Lehman Brothers then Morgan Stanley, where she was deeply involved in emerging market equity IPOs, privatizations, and currencies. She left finance to pursue manufacturing at an architectural metal shop in Queens, and went on to spend a decade in high-end finishings for architects, designers, and artists – both as an owner and operator of various companies. Lucy also has experience guiding non-profit institutions in both executive and board capacities. Lucy graduated with honors from Vassar College, and has a Master's Degree in Cultural Anthropology from New York University.

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	Custom sheet metal fabrication shop located in Chicago, IL. Contract manufacturer for custom metal work, primarily lighting.
Seller/buyer dynamic	No previous relationship pre-purchase. A broker helped Lucy find the business. The buyer and Lucy's attorney crafted the Letter of Intent which guided the purchase and sale. Lucy (CEO) and her business partner Liz (CFO) purchased the business together with 50/50 ownership and operating as an LLC.
Financing	SBA 7a loan from a local bank. Financing took three months.
Timing	Purchased in October of 2021; the purchase took eight months.
Key Takeaway	Lucy kept on two of the seller's family members as workers to help train and transition the business. This was important but could have been done in six months instead of a year.
Post-Acquisition Vision/Plan	Immediately, Lucy moved the company to a better location (still within Chicago city limits). She and Liz are now deepening relationships with existing lighting clients while expanding into more component manufacturing. They are also working on obtaining a Disadvantaged Business Enterprise (DBE) certification as well as International Organization for Standardization (ISO) certification.
Point of Inspiration	Lucy retained all workers through pandemic. She also offers flexible schedules to workers, mostly because all of her workforce - with exception of a 19-year-old - have children, including both owners.
How T.E.A.M. Could Have Helped	Lucy would have been paired with a local lender that understood her business and goals. She also likely would have advisory guidance as to how to create a more detailed LOI outlining the criteria for keeping on the seller's children as employees.



Lucy's Journey

Lucy Minturn has long been fascinated by metals. Early in her career as an investment banker, she took a welding class for fun - and ultimately decided to leave Wall Street to assist in running an architectural and artistic welding firm. After being unable to acquire the aforementioned firm, and leaving New York to explore a new life in Chicago, she decided to lean into this lifelong passion with metals and pursue purchasing her own business. Lucy and her business partner and CFO, Liz, looked at a number of businesses and felt the shared frustrations that many acquirers face:

- No central site to search for businesses for sale;
- Lack of information about the businesses once found;
- Brokers were not knowledgeable enough about the operations.

Finally, in mid-2021 - deep in the pandemic - they came across FosterWorks in Chicago, IL. FosterWorks met their criteria of being a custom sheet metal fabrication shop (with a specialty and lighting components) in Chicago proper. The founder wanted to retire and his children, who were employed by the business, did not want to own it.

Lucy and her business partner, Liz, worked with their lawyer to draft a Letter of Intent (LOI)

to purchase the business. The family who was selling the business also owned the building and offered it for sale as well, but as the building was far larger than the area occupied by the business and needed significant repair. As new owners, they decided to only purchase the business and leased the space until they found a new home. Along with the offer amount and the lease decision, the LOI also included information about the due diligence period. It took about eight months from initially seeing the business to obtaining the keys - this included the LOI negotiation and due diligence, as well as about three months to complete the financing (the bank used the SBA 7a loan product). In October 2021, Lucy became CEO of Fosterworks.

Lucy and Liz kept on two family members of the original owners for a finite period of time so they make the transition easier. All other production staff stayed as well, which allowed for consistent operations. This stability in the workforce allowed Lucy to find a new home for the business. After two failed leasing attempts, a third came through; however, it was delayed due to significant electrical wiring upgrade needs and pandemic supply chain disruptions for the utility. The work was underway at the writing of this interview and move date was penciled in for May 2023, a year later than expected.

However, this unanticipated time allowed Lucy to think about how to grow the business. Even though 80% of current sales come from contract manufacturing (manufacturing items for other businesses), Lucy believes there is



an opportunity to fabricate items of their own - which would allow for improved utilization of staff and machines, and a diversification of sales. She is also pursuing Disadvantaged Business Enterprise (DBE) certification which will open up the government and private sector procurement contract opportunities for the business.

Lucy and Liz took a very personal approach to creating a company culture. They are both single mothers and understand the need for flexible scheduling to allow employees to do their jobs and have fulfilling family lives. All but one of their employees have children and they have worked hard to create a production schedule that works for the team. Lucy also believes that innovation and investment are needed in our technical education in order to create the workforce we need to make US manufacturing viable - and she is an advocate in this space which includes employing and mentoring a 19-year-old at FosterWorks.

Lucy has finally found her place in metals and is fabricating a company that reflects her passion and her values. She hopes her story inspires others, particularly women, to keep pursuing what fascinates them.



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Interview

(lightly edited for clarity)



Audra: Take us back to your origin story - how did you decide to buy this business?

Lucy: The story starts way back in New York City when I was an investment banker after graduate school. And although investment banking was fascinating, and I did it for a decade, I found myself really wanting to participate in making something tangible in a way that

pushing money around (although it's necessary) was not fulfilling. I really wanted to be involved in manufacturing in some way and specifically, I was pretty interested in metal. I had taken welding classes on the Lower East Side when I wasn't traveling too much for my Wall Street job. I knew I was never going to be a welder, but I gained a greater appreciation for what it is to make things out of metal and all the processes that there are around making things out of metal.

Being a dyed in the wool New Yorker, I was reading the Times (which I still read front to back every day) and there was a design section article about a man who ran a very storied metal shop in Queens that had started out as a

shop that fabricated parts for the military, like Jeep fence panel faces. Gradually they started doing architectural work and after the Second World War they became very well known in the architecture and design community in New York City and its environs for doing exquisite work. They were everybody's prototype shop, and so all of these amazing artists - Donghia, Philip Johnson, Isamu Noguchi, Maya Lin, Richard Meier, and Barnett Newman - came to know that they could fabricate sculpture.

I read this feature article about the owner, Don Gratz, and I just wrote him a letter and said, "I'm really interested in what you do, and can I come meet you?" Then I followed it up with a phone call and Don said "I got your letter, would you like to come for a visit?" And so we spent three hours together and he offered me a job at the end. And I was like – absolutely.

So I went and helped him run his business, and learned it. When he died from a recurrence of cancer, it kind of broke my heart. I wanted to buy the company, but his widow just couldn't part with enough of the businesses to make it feasible for me to buy it, which was understandable. It was their main source of income for a long time. So we had a long, lovely conversation about it but eventually, I went on to buy part of another business, also in high end architectural fit finishes but in the stone and tile side of things.

Eventually I decided to leave and move to Chicago for personal reasons, and just kind of landed here and did a whole bunch



of other things, a lot of administrative and operational roles, which were interesting, but I just still wanted to be back in manufacturing. I would drive around Chicago, and see all these businesses and stop and look them up. Eventually I found FosterWorks.

Audra: Tell us about Liz, your CFO and business partner. How did this partnership happen?

Lucy: Liz and I had worked together at our kids' Montessori school and just loved it. I said to her, "This is crazy but I want to buy this manufacturing business." When she replied she thought I should do it, I asked "Would you do it with me?" And lucky for me, she said yes. So we looked around at a number of businesses. I mean, I was pretty intent on finding a business that had to do with metal, but we looked at a custom mattress manufacturer, we looked at a metal heat treating company, we looked at another company like ours that was outside of Chicago. But we really both wanted to stay in Chicago proper, and we finally found this place. The negotiation really took a long time, six to eight months, but then we closed. Now we are going to move in about a month to a much more appropriate location.

Audra: Can you tell me a little bit about why the seller was selling and what that process was like?

Lucy: One of the other things that's really difficult about buying a business is the lack of infrastructure, good infrastructure, for even just finding businesses that are for sale between \$1 and \$5 million in the first place. I mean, it is really

just like going to a flea market. There are brokers who represent these businesses, and just like with any kind of broker, some are really good but a lot aren't. It makes businesses of this size very hard to find.

And then, especially for the family-owned businesses, once you do kind of land on something that you're interested in, it's definitely a wooing process on both sides. It's a little bit of a dance. The sellers feel that they have a crown jewel to sell, but they are a little bit reluctant. It's their baby and it's been the thing that they've invested their heart and soul in for a number of years or even decades. So the process of negotiating and buying is very art, and almost no science.

In the end, we found a website where people list their businesses for sale. We just called a broker from one of these sites and set up a meeting. Then they set up more and more and more meetings. Eventually the sellers liked us and we went through a price negotiation and then we finally agreed and closed on the business. As I said, it felt like a long process

Audra: So tell me about the business. What do you make?

Lucy: It's a sheet metal fabricating shop with a specialty in lighting components. But only by the fact that that's what it was before. We are looking to expand the sectors that we service. We make anything out of sheet metal for many different industries. We have great clients and not just in Chicago.



Audra: Tell me about buying the business and about the former owners.

Lucy: We bought the business in 2021, and we also had the option to buy the land and the building. But the space would have been much too big and unwieldy for us. Instead, we're now moving to a much more appropriately sized space in a manufacturing nook of a different neighborhood up further north in Chicago.

It was a classic case of family business that had had its highs and its lows. It was run and staffed by the second generation and their father was the majority owner. He really wanted to sell it, but his children didn't want to take over, so they sold it to us. After the transition, we kept on the two family members, who are also women, for a year to help with the transition. They were great trainers who enabled us to now run it ourselves.

A lot of times the purchase packages include a year or eight months of the owner's time in order to facilitate the transition. But the seller was unwilling to do this within the purchase and sale, so it really just an asset purchase. But these women wanted to be employed and we wanted them to stay to learn about the business. They wound up staying for a year. In hindsight, it could have been six months, but I think that the four of us - me, Liz, and the two of them - did great. And, it's good that everybody's moved on; we were ready now. So off we go.

Audra: After you found the business and agreed to buy, what was your first step?

Lucy: Our first step was to write a Letter of Intent, which I wrote with my attorney. Then we went through the due diligence process, which is fairly standard.

Audra: How did you structure this purchase with your business partner?

Lucy: Right down the middle 50/50. We are incorporated as an LLC.

Audra: What was the financing process like? What financial products did you go with?

Lucy: We liked our banker, but we didn't like their bank. We talked to three banks really seriously about this transaction. We ended up using an SBA 7a loan. Originally I didn't know how much equipment there was to collateralize the loan, but we ended up having enough to collateralize the entire 7a. The whole financial process took three or four months. It's so painful. You can get a mortgage overnight but it takes three months to get a loan to buy a business.

Audra: Did any surprises happen during that process? Or anything that is important to note?

Lucy: You have to make sure you understand what part of your personal finances are on the line for the loan. We were lucky enough not to have to have our houses be collateralizing the loan in any way. People need to know that it is a process which requires you to unveil your finances entirely and requires lots of detailed paperwork that you have to submit over and over again.



Audra: That first day owning the businesses, what was it like when you walked through the doors? Was it everything you thought it would be?

Lucy: (laughs) Yes it was. The thing that we were most concerned about was losing any of the production staff, which we did not. And that was the most important thing. We managed to keep everybody and make them happy. They are staying and it's great.

Audra: And now you're moving. Why did you decide to do that?

Lucy: The sellers had split the sale of the building with the sale of the business but they wanted us to buy the building too. We thought about it, we crunched some numbers, but it was just not an appropriate facility. We have a one story business and it's two stories. It also needs \$800,000 worth of work. So we said no and we started looking right away.

We went down the road with three different spaces. The first two, we got very close on, and then they didn't work out. The last one was the perfect space. We spent a lot of time negotiating on that space. and were so happy when we signed the lease.

Part of the lease negotiation was an electrical upgrade to the facility. We use a lot of power, and there wasn't enough to service our equipment. The updates took eight months longer than anybody expected, due to pandemic supply chain issues. We thought we were going to move in in May 2022, but it is happening in May 2023.

Audra: So 2023 is about moving and operating in your new space. What else do you have planned?

Lucy: In April 2023 we launched some new marketing while we moved into our new space. After we get settled in, we're particularly interested in the electrical grid build-out for new companies, because we make junction boxes every single day. And rather than importing them over from offshore, we could make them right here really easily.

We are also a certified women-owned business and we are exploring being certified as a DBE (Diverse Business Enterprise) because it seems that is the more effective certification for procurement contracts. We also are thinking about getting our ISO 9001 but it may be cost prohibitive. And after that we are looking at an outside sales organization to help us increase sales.

Audra: So it sounds like you are diversifying your customer base?

Lucy: Right. Government agencies seem to buy a lot of "off the shelf" items that we don't currently sell. That's the other goal for this year - to develop a line of "off the shelf" electrical enclosures, for example. They're nothing new, but they come from overseas. If I can stock them, that's the way to get into those agencies. For us, otherwise, you know, normally we're doing contract manufacturing, and that's mostly private industry, custom work.



Audra: So most of your work right now is your contract manufacturing?

Lucy: Yes about 80%.

Audra: If you were to do it again, would you do it differently?

Lucy: I would do it the same way. It has made me realize that while I have spent a lot of time in the high end fabrication world, which is enjoyable in many ways, I really liked just making things that go into other things, too. I really like that component work. Making parts is very interesting.

Audra: Why metal? Why welding? You were a stock broker and took a welding class...I just keep coming back to that.

Lucy: My mother keeps asking me that question all these years later. I really probably should have been a mechanical engineer. Something about figuring out how to make things out of metal and how you form them and attach them. I am just fascinated by that.

Audra: Can I ask for just about being a woman in this field? And what that has been like and if you see any specific things that we should be thinking about for women in this field.

Lucy: You know, I think one of the things that Liz and I have been very clear about is flexible scheduling. Everyone here with the exception of one person is a parent. Liz and I both had kids very purposefully, and they're not incidental to our lives. And, we are both single parents on purpose. We know how flexible parents need to be, and therefore how flexible businesses need

to be. For example, our shop foreman works Sunday to Thursday; our lead forming person works from 6am to 1pm. Not everybody has to work the same shift. And that takes dedication from management, but it's doable.

Also, it starts with education and training and making sure that everyone, especially women, is encouraged to pursue these kinds of fields. There is the absolute dearth of technical education in this country. Educational opportunities have to be open to everyone and people need to be properly trained. Then, the jobs they go into should have good pay, good benefits, and flexible schedules. If we can do this, we can rebuild our manufacturing economy. We try to do our part.

Audra: Thank you again, Lucy, so much for your time today.

Lucy: Oh, it's absolutely my pleasure. Thank you for what you're doing because getting the stories out of how this actually comes to be is really important.

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.

