

Saving the display business

Four employees buy Baird Display Inc., hoping to bring it into the black

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West Allis - At Baird Display Inc., hit celebrity likenesses from Brett Favre to SpongeBob SquarePants roll off the assembly line.

And now that a large burden has been lifted from the company's balance sheet, the hits should keep on coming.

Large colorful cutouts of well-known marketing icons roll out of Baird's laminating and die-cutting machines, ready to be boxed and sent off to stores across America. There they are set up as eye-catching point-of-purchase displays to lure customers seeking everything from beer to deodorant.

"It is a pretty simple operation," said Vice President Timm A. Rutkowski. "Very kindergarten, paste, cut, glue type of stuff." The company also uses crayons to design many of the items it makes.

In recent years, however, debt put more pressure on the West Allis company than any of the large laminators used in its factory could muster. Default was a greater threat to Baird than a costly bad run of Darth Vader cutouts.

That changed in June, as the company underwent a reorganization in which Rutkowski and three partners, all longtime employees, bought the business. In doing so, they saved not only their jobs, but also those of about 30 other people.

That is a shell of the company that employed about 350 about a decade ago. Still, Rutkowski and his partners believe that their industry contacts, knowledge of the company and elimination of the debt that was bogging down the old management will make their machines hum even faster in the future.

They hope to double their sales force and focus on creating and producing temporary displays. In the past, the company made some permanent displays - like cutaway views of mattresses - that weren't as profitable, Rutkowski said.

Baird Display



Photo/[Benny Sieu](#)

Timm Rutkowski is one of four managers who purchased Baird Displays out of a financial reorganization. Baird makes large self-standing point of purchase displays of everything from football players to cartoon characters.

Begun in 1928, Baird's business has always evolved, moving through the production of everything from boxes to pasteboard poker chips.

By 1994, it had become a \$34 million-a-year concern doing mostly point-of-purchase displays for a variety of customers, including many in the beer and liquor industry.

At that time the longtime owners decided to sell by setting up an employee stock ownership plan. The ESOP borrowed about \$25 million, to be repaid by the company's future earnings.

Then things turned sour.

Some large customers left the company. So did some managers. And by 2002, sales had fallen to \$12 million.

Meanwhile, the debt from the ESOP remained, some of which was bought from U.S. Bancorp by Summit Bridge Global Investments in Denver.

Large banks often sell troubled loans to outsiders to avoid the problems involved with trying to collect the money by forcing a sale or liquidation of the business, especially after the banks have written off the loans as worth less than expected.

In this case, U.S. Bancorp "sold it for what they could get, avoiding a variety of administrative hassles," said Fred Brouner, a lawyer with Dewitt Ross & Stevens in Madison who helped Rutkowski and his partners buy Baird.

Once Summit Bridge got the loan, it "began turning the screws," Rutkowski said.

Summit Bridge's Milwaukee attorney, Tim Nixon of Godfrey & Kahn, said its objective was to collect as much as possible. "You maximize the value by selling (the company) for however you get the most money," he said. "Usually that is selling it as a going concern."

Reorganizing

To do so, Summit Bridge used Chapter 128 of the Wisconsin statutes. This allows a company's assets to be sold by a receiver, who distributes the proceeds to the firm's creditors. In Milwaukee County, about 50 businesses a year are reorganized under Chapter 128, which is faster and cheaper than a formal bankruptcy in federal court.

In the case of Baird, the 128 procedure was quick - the filing was May 6, and the company's assets were sold by the middle of June.

In between, Rutkowski, a sales executive for Baird, and his partners had to organize their bid.

Joining him were Mildred Baumler, vice president of purchasing, Terry Krause, the creative director, and Mark Kuehl, the plant manager.

"We saw the business was OK except for the huge debt," Rutkowski said. "But we were smart enough to know we weren't smart enough to do the deal on our own." So they turned to Neal C. Wickert, a business consultant based in Minneapolis.

"I came in for a week straight and banged out financial statements," Wicket said. By Memorial Day, he was done. He was convinced that, relieved of its debt and with some new management practices in place, Baird could be a successful business.

It remained for the potential buyers to come up with the needed money.

Over the Memorial Day weekend, the four considered Wickert's work and came back agreeing to kick in \$50,000 a piece.

They formed KBRK Inc. and went looking for additional financing.

It came from the Marshall & Ilsley Corp., which declined to discuss the matter. But Wickert praised M&I for quickly agreeing to provide financing.

The final price paid by the group was \$500,000 for most of the assets of the company, not including accounts receivable.

Wickert agreed to remain as president and CEO for an undetermined period.

Although several groups looked at the deal, it is no surprise that KBRK made the best bid, said Michael S. Polsky, an attorney with Beck, Chaet & Bamberger who served as Chapter 128 trustee in the matter.

"The management group was in the best position to know, for example, what the company's sales prospects were, what the company's strengths were," Polsky said.

The company can be profitable with \$8 million to \$10 million in sales by dropping some accounts that did not pay enough, Rutkowski said. Sales now stand at \$8 million.

Baird "has a new debt structure, so the expense side of its income statement is extremely different," said Brouner, the Dewitt Ross lawyer. "Expenses will go down, because they have not hired back all the employees."

From 67 at the time of the Chapter 128 filing, the staff has been trimmed to 35, with temporary production workers hired as needed.

Pay in the non-union shop is from \$14 to \$25 an hour, but for now, benefits are scant. For example, health insurance is not being offered until next month, and there is no 401(k) plan.

Even so, the business has survived; something the Wisconsin law helped make happen, said Nixon, the Summit Bridge lawyer.

"If what we are talking about is paying creditors on old debt, the system generally doesn't do a great job of that," he said. "If we're talking about getting assets back into the economy, it does a pretty good job of that."