

# Wire Harness Business & Strategy

## The Brokerage Scam

Harness manufacturers often ask me about frequently receiving letters or emails from entities claiming to have a buyer interested in acquiring their company. Are these communications legit, they want to know. In almost every case, the answer is no. Instead, these letters and emails are being sent by disreputable individuals and firms who are simply fishing—with a very wide net.

The senders do not really represent a buyer—and they might not even be knowledgeable about the wire harness industry. They are simply mass producing blind inquiries to thousands of companies and hoping for a response. Their business model consists of professing to have a buyer, and then if someone responds favorably, scrambling to send thousands of additional letters or emails to companies that might conceivably consider acquiring a wire harness company. In this second wave of communications, the scammers claim to represent the potential seller who took the bait.

The shakiness of this “enterprise” explains what happened to a harness owner I know. She told me she had received a letter from an individual claiming to have a buyer for her business—a buyer who had targeted her industry... a buyer who had selected her company as a perfect fit for its acquisition strategy. But when she contacted the author of the letter asking for a description of the buyer, she never received an answer to her question. Apparently, the scammer was unable to find a potential buyer in a reasonable time. Game over.

It is quite fair to label the folks who engage in these practices as scam artists because they bring nothing to the table, and they are mis-

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representing or lying to both parties. Without industry knowledge, without buyer relationships, without the ability to put together a CIM (confidential information memorandum) and without any knowledge of the M&A process, in the very unlikely event they do put two parties together, the resulting price will not approach the company’s true value.

Although these folks provide no value added, and in some instances do serious harm, nothing they do is illegal—which is why, unfortunately, this unsavory practice exists in so many business sectors. We are awash in folks trying to make a living in this fashion.

Practically every harness owner I have ever dealt with is barraged with these kinds of letters, and my advice is to put these letters where they belong: in the round file. **WHCC**

**Author & Company Profile...Loren M Smith** is CEO and sole shareholder of **Blue Valley Capital LLC**, a position he has held since 2001. From 1976 to 2001, he was CEO and majority shareholder of **MWC**, a manufacturer of electrical wire harness assemblies. During that period, by acquiring and integrating a number of mid-market wire harness manufacturers, MWC became the world’s leading supplier of electrical wire harness assemblies serving the construction equipment industry. Loren eventually sold MWC to a private equity group.

As CEO of MWC and Blue Valley Capital, Loren has spearheaded the sale and purchase of dozens of mid-market (US\$2M-US\$200M) manufacturing companies.

Early in his career, he was with **Texas Instruments (TI)**, rising to general manager of TI’s connector division. Smith earned a BS degree from **Miami University** in Oxford, OH, USA, and an MBA from **Northeastern University** in Boston, MA, USA.  
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