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DEALS

Denver Shop Heads Into Aerospace

SNAPSHOT:

Target: Tronair

Price: Undisclosed

Sponsor: KRG Capital Partners

Seller: River Capital

Financial Adviser: Seller: Dresner Partners

Legal Adviser: Sponsor: Holme Roberts & Owen LLP;
Seller: McKenna Long & Aldridge LLP

KRG Capital Partners entered the complex aerospace sector with its first investment from its \$1.96 billion fourth fund, acquiring **Tronair Inc.** from **River Capital**, an Atlanta-based firm that had owned the company since 2000. The firm plans to keep its eye out for add-on opportunities.

The deal came on the heels of another one that fell apart. River Capital last year had a letter of intent from another private equity firm to buy Tronair, but the deal fell through in the fall because of the buyer's concerns over the health of the aviation industry. Calls to Dresner Partner, which ran the second auction for the company, were not returned.

The Holland, Ohio-based company

makes ground support equipment such as towbars, jacks and hydraulic power units used with both private and commercial jets. KRG Capital was particularly smitten with the company because it sees ample room for international expansion. Although about 70 percent of the worldwide fleet of business jets is based in North America, manufacturers such as Gulfstream and Cessna report that 50 percent of their backlog consists of international orders, said a source close to KRG Capital. "There is a huge appetite for private jet travel in a lot of the world," our source said.

Denver-based KRG Capital doesn't own any aerospace-related companies, but some of its investment professionals, including **Chuck Hamilton**, managing director, had experience in the sector from prior jobs in investment banking and research, our source said. In terms of the M&A market, aerospace has mostly been the domain of strategics, which could offer an attractive

exit for KRG Capital a few years down the line.

Dresner Partners first sent out books back in June or July, our source said. KRG Capital signed a letter of intent on Dec. 12, and needed more time than usual to close in light of the credit crunch. Terms were not released, though **Golub Capital** said it put up \$11.9 million in subordinated debt and equity to fund the transaction. Madison Capital Funding LLC provided senior financing and took a slice of equity, while Bank of Ireland also provided senior debt.

Tronair has a sales and distribution force in Europe and Asia. KRG Capital believes it can add to that presence through acquisitions, though the firm has no targets in mind right now and is focusing instead on what it wants to accomplish during its first 100 days of ownership. The firm typically holds companies anywhere from three to seven years.

KRG Capital closed its most recent fund in August.—B.V.