

St. Louis Business Journal

DECEMBER 16, 2007

Thompson Street divests majority stake in Kele

Thompson Street Capital Partners in Clayton has sold its majority stake in heating and cooling components supplier Kele Inc. to Chicago-based private equity firm Code Hennessy & Simmons LLC.

The sale of Kele, which is based in Memphis, represents Thompson Street's biggest divestiture since its founding in 2001, said Jim Cooper, a managing principal at the equity firm. Kele generated revenue of about \$62 million last year and employs about 200 people.

Thompson Street and Code Hennessy did not disclose terms of the Kele deal, but Cooper said it represents about 4.6 times the amount of capital that Thompson Street used to acquire the company in 2004. Kele -- which manufactures and supplies heating, ventilation and air conditioning control systems -- has grown tremendously and provided its investors with a very good return within a short period of time, he said.

"The business (Kele) has grown and almost doubled in earnings," Cooper said. "Its internal rate of return to investors exceeded 50 percent."

Cooper said Thompson Street will retain a minority interest in Kele because the company is still growing. Other Kele shareholders are members of its management team, including its president and chief executive, Andy Kelly.

In a statement Dec. 10, Kelly said Thompson Street's investment in Kele gave the company financial muscle to expand its operations. Kele currently offers more than 6,000 parts for commercial HVAC systems, distributing parts from more than 80 manufacturers to more than 40 countries worldwide, including Egypt, Saudi Arabia, Singapore and Australia.

"Thompson Street proved to be an excellent partner in fully supporting what we believed the business needed," Kelly said.

With the sale of its majority stake in Kele, Thompson Street will retain a portfolio of nine companies that it fully owns and two in which it has a minority holding.

Thompson Street's most recent investment was made last month when it helped Iron Data Solutions LLC of Atlanta acquire I. Levy and Associates Inc., a Chesterfield-based developer of Social Security benefits management software. Under the deal, Thompson Street obtained a minority ownership in Iron Data, the exact value of which both companies declined to disclose.

The I. Levy acquisition was the fourth investment Thompson Street has made this year, following the close in February of a \$330 million private equity fund that it created. The fund

was the second round of fundraising the firm has made since Cooper and Peter Finley launched it in 2001.

The latest deals include its acquisition in October of a majority interest in DCL Medical Laboratories Inc., an Indianapolis-based company that provides diagnostic and clinical trial testing services, and Thompson Street's acquisition in August of Option 1 Nutrition Solutions LLC, an Arizona company that specializes in providing nutritional therapy services.

In February, Thompson Street also created a new company, CESH Holdings LLC, which in turn acquired three affiliated electrical component manufacturing and distribution companies: Tacoma Electric Supply LLC based in Tacoma, Wash.; and Connecticut Electric & Switch Manufacturing Co. and Parallax Power Supply LLC, which now operate as one entity headquartered in Anderson, Ind.

The other companies in Thompson Street's portfolio are Lebanon, Mo.-based ReNewable Products Inc.; Keystone Printed Specialties of Jessup, Pa.; Columbus, Mont.-based Group Montana Inc.; Assembly and Test Worldwide Inc., headquartered in Dayton, Ohio; and Wright Metal Products of Greenville, S.C.