

# ST. LOUIS BUSINESS JOURNAL

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## Cooper, Finley raise \$300 million in funding

by Patrick L. Thimangu

Thompson Street Capital Partners has closed on a \$300 million private equity fund, which is more than double the amount the six-year old Clayton-based firm raised in its first fund.

Peter Finley and Jim Cooper, who co-founded Thompson Street in 2001, said they were hoping to raise \$250 million, but an influx of institutional investors from around the nation and a few investors from the St. Louis area helped them exceed the goal. They declined to name investors in the deal, which was brokered by Monument Group, a Boston-based investment company. Cooper said Thompson Street already has made an investment with cash from the new fund, known as TSCP II, by creating a new company, CESM Holdings LLC, which has in turn acquired three affiliated electrical component manufacturing and distribution companies. The entities are Tacoma Electric Supply LLC, based in Tacoma, Wash., and Connecticut Electric & Switch Manufacturing Co. and Parallax Power Supply LLC, both headquartered in Anderson, Ind. Cooper declined to disclose terms of the acquisition.

Thompson Street's second fund comes amidst a resurgence in the United States' private equity industry to levels last seen in the technology boom of the 1990s. Last year 322 private equity funds in the country raised a record \$215.4 billion,

according to a new report published by Dow Jones Private Equity Analyst, an industry newsletter that tracks capital markets.

Jennifer Rossa, managing editor of the Private Equity Analyst, said the record fundraising was driven by investor willingness to put more money in private equity funds and an increase in the number and size of acquisitions made by buyout firms. Buyout firms accounted for \$148.8 billion of the private equity money raised in 2006.

"We saw buyout firms willing to put this war chest of capital to work right away and take advantage of cheap debt in the markets as they made sizable deals over the year," Rossa said in a statement Jan. 11. Tacoma Electric, Connecticut Electric, and Parallax Power Supply were solely owned by Randy Mauermann of Tacoma, Wash., and his family. He founded Tacoma Electric in 1981 and acquired Connecticut Electric and Parallax Power in the 1990s.

*Electrical Wholesaling Magazine*, a trade publication based in Overland, Kan., last year ranked Tacoma Electric 151st among the nation's 200 largest electrical components wholesalers, with revenue of \$84.4 million in 2005. Graybar Electric Co., based in Clayton, which had revenue of \$4.3 billion in 2005 was ranked No. 2 on the list, behind WESTCO International of Pittsburgh, Pa., which generated revenue of \$4.4 billion.

Mauermann will retain a minority ownership in CESM Holdings LLC and remain chief executive of the company. He said he struck the deal with Thompson Street because he believes it will be the best way to expand the business of Tacoma Electric and its affiliated companies. That's because the private equity firm has a good capital base, he said.

"We are not restricted; we can grow our business intelligently," Mauermann said. "The timing was right."

Cooper said Thompson Street will continue to invest in privately held companies in the manufacturing, distribution and services industries that have minimum earnings before interest, taxes, depreciation and amortization (EBITDA) of \$5 million. Thompson Street currently has a portfolio of nine companies, which it acquired with its first fund. "Our selection criteria will remain largely the same with TSCP II yet will have the ability to invest in larger deals, potentially up to \$200 million in enterprise value," Cooper said. Finley said Thompson Street is increasing its staff to handle work that will come from the second fund. The company so far has hired five new employees, bringing its total staff to 15. The new hires are Bradley Strahorn, director of operations; Kristen Gulley, vice president of corporate development; Jacob Sturdy, vice president; Robert Hill, vice president; and Matthew Scherrer, vice president.

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## Thompson bids \$1 million for assets of EarthShell

by Patrick L. Thimangu

ReNewable Products Inc., a company owned by Clayton-based Thompson Street Capital Partners, is making a \$1 million stalking horse bid to acquire the assets of EarthShell Corp., a publicly traded Maryland-based biotechnology company that is in bankruptcy.

EarthShell is the company that granted ReNewable Products an exclusive license to manufacture biodegradable paper plates, bowls and other products made from composite materials derived from limestone, potato starch and corn starch in the United States.

A stalking horse bid is an initial bid on a bankrupt company's assets, made by an interested buyer, who is chosen by the bankrupt company. The process is designed to prevent low-ball bids for a distressed company's assets. Once the stalking horse has made its bid, others interested in buying the assets can submit competing bids.

Thompson Street, a private equity firm led by Peter Finley and Jim Cooper, launched ReNewable Products in 2005 by providing the company with about \$14 million in capital to buy commercial manufacturing equipment and lease a 40,000-square-foot facility in Lebanon, Mo.

Cooper said Thompson Street is bidding for EarthShell's assets—mainly comprised of legal rights—to give ReNewable Products the ability to sell EarthShell's biodegradable products worldwide. Thompson Street signed an agreement to buy those assets Jan. 19, the same day that EarthShell filed for Chapter 11 bankruptcy protection in bankruptcy court in Wilmington, Del.

Vincent Truant, chairman and chief executive of EarthShell, didn't return calls seeking comment. Attorneys at Morris, Nichols, Arsht & Tunnell LLP, a Wilmington, Del.-based firm that is representing EarthShell, stated in court filings that EarthShell sought Chapter 11 protection because of economic factors and an inability to obtain long-term funding for its operations.

EarthShell also stated Jan. 5 that it had defaulted on payment of a \$5 million loan provided by Cornell Capital Partners LP, a Jersey City, N.J.-based equity firm. EarthShell listed assets of about \$16,000 and debt of \$11.9 million in the bankruptcy filing.

While ReNewable Products has signed an agreement to buy EarthShell's assets, it's not a sure thing that the equity firm will complete the deal. That's because the sale of assets in a bankruptcy case

are subject to court approval and often are performed in auctions where other potential buyers could outbid ReNewable Products.

EarthShell sought approval Jan. 22, to conduct an auction for its assets, but the bankruptcy court in Delaware has yet to make a ruling on the matter.

Bob Pondo, vice president of sales at ReNewable Products, said EarthShell's bankruptcy has not affected ReNewable Products. "Our customers will continue to receive EarthShell-branded products without interruption," he said in statement. ReNewable Products' dinnerware products are available at more than 3,500 retail stores across the nation, including Schnucks, Pondo said. Essam Khashoggi co-founded EarthShell in 1992. He and his company, E. Khashoggi Industries LLC, and other affiliated entities are EarthShell's largest shareholders with about 13.9 million shares, or a 55.75 percent stake in the company, according to SEC filings.

EarthShell, whose shares are traded on the Over-the-Counter Bulletin Board, posted a loss of about \$6.2 million on revenue of \$183,000 in 2005, compared with a loss of about \$7.3 million on revenue of \$138,000 in 2004.