

BEST FINANCING OR RESTRUCTURING



BUD FORCE

Helping to keep things going at K&D Plastics LLC are, from left, John McGuire, chief operations officer; John Reeser, controller; Jennifer Aplin, associate at Lone Star New Markets LP, and Arthur Hollingsworth, Lone Star managing partner.

WINNER

Lone Star New Markets LP's acquisition of K&D Plastics LLC



In October 2006, Lone Star New Markets LP and Lone Star Growth Capital LP acquired K&D Plastics, a custom plastic-injection molder based in Gainesville, with a total equity investment of \$5.7 million. The buyout not only guarantees K&D future support and growth, but economic gain and a lower unemployment rate for the surrounding community — a secondary benefit that was a driving force behind the deal.

Lone Star New Markets LP is a certified for-profit Community Development Entity formed under the Treasury Department's New Markets Tax Credit Program. As such, it invests in companies located in — or willing to relocate to — low-income areas. In return, investors receive a tax credit, spread over seven years, equal to 39% of their investments.

"When an attractive deal comes up, we make sure to go after it," says Arthur

Hollingsworth, managing partner of Lone Star New Markets LP. "K&D hit all of our criteria."

The company employs more than 130 people in an area with a 25% poverty rate — 1.6 times the national average — and local household income that's just 62% of the median level in Texas. Adding to the appeal was K&D's solid business foundation and promise for growth.

The company is the dominant manufacturer of plastics interior parts for commercial aircraft seats. Products include armrests, cup holders, video shrouds, tray tables and table latch assemblies. Its customer list includes three of the four largest suppliers of passenger aircraft seats in the world. Since Lone Star bought it, K&D has purchased eight new injection molding machines.

President and CEO Russell Fomby, who has 30 years experience in the plastics industry and is the son of K&D's founder, continues to lead the company.

K&D was sold by Dallas-based Arcady Capital Inc., a private company that invests in and manages small to mid-sized businesses.

Lone Star New Markets' lead investor is Dallas-based Town North Bank N.A. Others include Legacy Texas Bank, Re-

gions Bank, Bank of Texas N.A., Inwood National Bank, Amegy Bank N.A. and West Texas National Bank.

Hollingsworth says Lone Star has demonstrated time and again that investing in low-income areas can bring high yields while bolstering community development.

"Our last fund, the North Texas Opportunity Fund, was in the top quartile of returns for the last seven years," he says.

In Gainesville, K&D Plastics has seen a 15% increase in sales since the acquisition and is in the process of adding a third shift. Lone Star's investment in the company has a trickle-down effect in the community.

As K&D's skilled work force grows, so does the amount of money spent in the surrounding area when those employees go out and buy goods and services. What's more, K&D buys domestic raw materials, hires local employees and exports its products to customers around the world.

"We want to continue to develop the company and add investment to the Gainesville community," Hollingsworth says. "At the same time, we're throwing a pebble into the ocean of the trade deficit."

— Stacey Closser

THE PLAYERS

Arthur Hollingsworth

Managing partner, Lone Star New Markets LP

Keith Camp

Principal, Lone Star New Markets LP

Jack Riggs

Principal, Lone Star New Markets LP

Jennifer Aplin

Associate, Lone Star New Markets LP

Russell Fomby

President and CEO, K&D Plastics LLC

John McGuire

COO, K&D Plastics LLC

John Reeser

Controller, K&D Plastics LLC

THE ADVISERS

Bank of Texas

Winstead Sechrest & Minick PC