



Sterling Cleans Up In Tower Systems Buyout

By Joe Christinat
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In the late 1980s, David Gansky and Adam Beck were college students, cleaning beach houses and detailing cars to put themselves through school. By 1998, Tower Cleaning Systems, their Norristown, Pa.-based company was, well, cleaning up. That year, they swept up nearly \$10 million in revenue by inking contracts with outsourced cleaning services and providing one-stop shopping for commercial clients. By 2002, the company had grown tenfold, earning approximately \$100 million in revenue, leading to the inevitable meeting with a private equity firm.

"After thoroughly looking at this business, we wanted to own it," said Charles W. Santoro, a managing partner with Sterling Investment Partners. "But after meeting with the management team, we wanted to partner with them." On Sept. 8, after roughly six months of meetings and due diligence, the Westport, Conn.-based LBO shop acquired Tower, now known as U.S. Maintenance.

The purchase price was undisclosed, but Santoro told Buyouts the deal's debt-to-equity ratio was 55% to 45 percent. Senior debt and working capital was provided by CapitalSource Finance LLC, with Mass Mutual Financial Group and NatCity Investments Inc. providing the mezzanine tranche. Both Mass Mutual and NatCity are limited partners in Sterling Investment Partners LP, the vehicle used for the bulk of the equity in the deal. The \$250 million fund has approximately 60% dry powder remaining, and according to Santoro, equity investments were also made by Tower founders Gansky and Beck, in addition to side-by-side investments from NatCity and Capital-Source. "Bill Green the former chair of Interline Inc., one of our portfolio companies, also has a small investment position," Santoro said.

Hired by the sellers to conduct an auction, Legg Mason contacted Sterling early in 2003 to join the fray. But Sterling looked to side-step the cost-raising auction process. "The key to avoiding the traditional auction process, in effect paying top dollar, was to get ourselves fully integrated into this process before other [potential buyers] could," Santoro said.

Sterling's plan to beat the rest of the bidders to the punch was to quickly present the sellers with a fully-financed deal that would allow Gansky and Beck to roll over their own equity into the deal, equal to 20% of the purchase price, according to Santoro. That's easier said than done, because the target company was not asset rich. "Its assets are the customer relationships and proprietary technology and systems," he said, which are sometimes hard to calculate into dollars. "CapSource was willing to look past the normal benchmarks, and, with a slight uptick in the interest rate, gave us what we wanted."

U.S. Maintenance provides contract management and outsourced facilities maintenance services to large, national customers, including Bed, Bath & Beyond, Banana Republic, CompUSA, Fleet Bank, Gap, Old Navy, Rite Aid, Starbucks and Toys R' Us, among others. The company currently provides outsource contract management services in the area of janitorial services, floor care, landscaping, snow removal and repair and disaster restoration services. It acts as a national contract manager by leveraging its proprietary relationship network of over 2,500 sub-contractors throughout the U.S. and Canada. "We simplify logistics for our clients. For instance, now Starbucks gets one bill for all its locations once a month. Any problem they have, we can solve right away without costing them any time," said Santoro. -J.C.