

INTRODUCING



ELEVATE™

CAPITAL PARTNERS

Investing | Leasing | Asset Management



# Elevating aviation finance

Two industry veterans – Eric Adema and Jared Dowell – have combined forces to launch a new boutique investment and asset management firm that will focus on acquiring and structuring lease for mid-life commercial aircraft. Victoria Tozer-Pennington speaks to the founders on the launch of their new venture.

**B**ased in the San Francisco Bay Area, Elevate Capital Partners (Elevate), began officially trading in January, and is the brain child of two aviation industry peers – Eric Adema and Jared Dowell. Adema worked at Vx Capital Partners for almost 15 years where, as head of origination, he acquired aircraft, restructured leases and made investments in aircraft-related securities. Dowell performed a similar role at Compass Capital for 12 years. Though technically rivals, their similar roles at closely held private partnerships along with shared interests in flying and fly fishing served as common ground that helped foster a long friendship and ultimately inspired them to set up a new venture together.

“We both had very positive prior career experiences and we continue to have very positive relations with those former employers but, inspired by them, we wanted to venture out on our own,” says Dowell.

Adema and Dowell have over 27 years of combined experience in commercial aviation investment and finance, and have acquired, leased, and remarketed over 135 aircraft, ranging from turboprops to large, widebody aircraft, with an aggregate asset value of more than \$1 billion.

Elevate Capital Partners has been formed with the express intention of investing in commercial aircraft and aviation-related transactions, specializing in acquiring and structuring leases for mid-life commercial aircraft

(typically 10-25 years of age). The mid-life aircraft space has attracted many new investors over the past few years as yields have fallen for new aircraft due to the intense rise in competition in that market. The crowded marketplace does not deter the two, however.

“At least initially, we are trying to be a small player in a huge market,” says Dowell. “There is a lot of competition, but many players in the secondary market for mid-to-end-of-life assets tend to focus on portfolio acquisitions and building up portfolios with the express intention of refinancing them in the capital markets. That is not our intention. We plan to find those deals that require a lot of active management relative to their value, which would not be of interest to the larger lessors or to



those securitization platforms, or which don't otherwise fit into the core strategy of a larger lessor or securities portfolio. We have years of asset expertise and the ability to maximize the value of such aircraft."

Elevate plans to invest its own equity jointly with co-investments from a small cadre of family offices and financial institutions with whom the partners have long relationships and who are from both within and outside the aviation arena. Elevate's first two mandates have included advisory and asset management roles for the firm, leveraging the partners' previous relationships and industry contacts. Elevate recently originated, structured and managed a project on behalf of a financial institution, wherein they transitioned a 767-300ER out of a

major airline, and arranged for it to be converted into a freighter and leased to a dedicated cargo operator. The aircraft is currently undergoing cargo conversion and the lease will be managed by Elevate upon re-delivery and commencement of freight service later this year.

"This deal was a great piece of initial business but our longer term strategy is to invest our own equity in the aircraft we acquire, manage them and lease them out," says Dowell.

This principle is in line with other private partnerships that typically acquire aircraft in partnership with third party financial institutions but act on the front of the deal as the asset manager and lessor. As a start-up company, many aspects of the business have been outsourced for now, with the intent to

bring them in-house over time as the company and the portfolio expands. With a team of two principals, the main constraint for the interim will be time and human resources.

The team started with the modest aim to close one or two deals in their first year but have already closed their first deal as of June and have three more mandates secured. "We're not trying to reach any specific targets for now," says Dowell, "but we are trying to leverage our relationships in the industry to seek out those opportunities that make economic sense and that can drive growth."

Their target assets are those that have "some special little challenge to them, and will require more active management" says Adema "We need to find those situations where we can really add value,



so we need to be willing to take on short-term leases, perhaps located in less than ideal jurisdictions, and be willing assume some remarketing risk to secure them.”

Even though there are a number of aircraft portfolios up for sale, they provide little attraction for Elevate since they will not be able to compete strictly in terms of capital costs, and such portfolios will offer little value for the team to extract through just financial engineering. In contrast, Adema comments that “we are searching for the ones that ‘fall out’ of securitizations or portfolio sales, and require a more bespoke, hands-on solution.”

“A 15 aircraft portfolio is likely to be looked at by 30 or more potential bidders, and if the only differentiating characteristic there is who’s got the cheapest cost of capital or who’s willing to be most aggressive on residual assumptions, that’s not going to be us,” says Dowell. “But we might find a single aircraft or two. One of the deals we’re working on presently came out of a larger portfolio.”

The team currently has a re-marketing mandate for a group of Embraer 190s, as well as an additional widebody acquisition under contract. Elevate is also in the process of buying some naked narrow-body aircraft for which they have already found a lessee. Adema indicated that “Elevate will likely be active in both the passenger and converted freighter market going forward, which complements our combined experience in the marketplace.”

“Cargo conversions are obviously an important market segment for us, since they are a productive use for end-of-life aircraft,” says Dowell. Both Adema and Dowell have considerable experience in the 737 and 757 freighter market, and they are already working on a widebody conversion. “We are looking at the new programs like the A321 and A330,” he adds.

Aircraft engines are another area of interest for Elevate – specifically acquiring engines with green-time leases for eventual part out. “We are open to various engine types,” says Adema, “but there is currently good demand for 757 powerplants, as well as 737 Classics and A320CEOs. As we grow and our portfolio expands, we will trade and lease more

engines, allowing us to extract value from these older assets.”

The overarching message Elevate is trying to convey to sellers is to contact them with any aircraft that perhaps don’t fit well in a portfolio sale or securitization for any reason. Elevate’s asset-oriented knowledge and experience, combined

with their customer focused approach, helps set the company apart from the crowded market of funds and other asset managers seeking scale through portfolio acquisitions and targeting capital market refinancing opportunities. So far they seem to be on track to elevate their role within this niche of the industry.

## ELEVATE CAPITAL PARTNERS PRINCIPALS

### ERIC ADEMA

Eric Adema is a founding partner of Elevate Capital Partners. Eric is involved in all aspects of the business, including transaction origination, financing, and managing related technical analyses. Prior to co-founding Elevate Capital Partners, Eric spent nearly 15 years with Vx Capital Partners, where he was a Principal and Executive Vice President. During his tenure at Vx, he was the Head of Origination, and was responsible for the firm’s efforts to acquire aircraft, restructure leases and make investments in aircraft-related securities. He was instrumental in the negotiation and restructuring of various aircraft transactions in the American, Delta, Northwest, and United bankruptcies for the firm.

Previously, Eric was Finance Director at Ocean Power Corporation, an alternative energy company that was based in New York. His earlier experience included various roles with Citigroup in Leveraged Finance in London, and Corporate and Investment banking for industrial, shipping, and oil & gas companies in Oslo, Norway. He also worked in private placements at Deutsche Bank in London.

Eric earned a B.A. from St. Lawrence University and an M.B.A. in finance from the Wharton School at the University of Pennsylvania. An avid outdoorsman and fly fisherman, Eric is the Co-Founder of Lost Coast Outfitters in San Francisco, a member of the board of directors of Western Rivers Conservancy and the Henry’s Fork Foundation, and serves as an Ambassador for California Trout. He is also an amateur pilot, a member of The Guardsmen, and former Bay Area Chair for the Wharton Private Equity Network. Eric resides in Marin County, California.



### JARED DOWELL

Jared Dowell is a founding partner of Elevate Capital Partners. Jared is involved in all aspects of the business, including transaction origination, financing, and managing related technical analyses. Jared has deep relationships with executives throughout the global aircraft leasing and airline industries. He possesses comprehensive knowledge of commercial transport aircraft. Jared has conducted aircraft lease, purchase, and sale transactions throughout North and South America, Europe, and parts of Africa. Prior to co-founding Elevate Capital Partners, Jared was Vice President of Compass Capital Corporation for nearly 12 years. During his tenure at Compass, Jared participated in the acquisition, lease and remarketing of more than 45 commercial aircraft. These transactions included portfolios as well as standalone aircraft acquisitions and employed a multitude of financing strategies.

Jared is an FAA certified Commercial Pilot and Flight Instructor. Prior to his career in commercial aircraft leasing and finance, Jared worked for Bridgeford Flying Services in Napa, California as a flight instructor and first officer of a Cessna Citation 525A corporate jet. Jared also founded Aviation Immersion Experiences, a private flight service providing advanced flight training and support to pilots using their personal airplanes for business travel. In 2003, Jared worked as a volunteer bush pilot for Wings of Hope in Guyana, providing medical aid and supplies to indigenous people.

Jared earned a B.A. in History & Economics, cum laude, from Haverford College in Pennsylvania. Jared is a sports enthusiast and keen fly fisherman. He is President of the Alumni Council and a member of the Board of Trustees of the Urban School of San Francisco. Jared resides with his family in San Francisco, California.

