

# GREATERT FORT WAYNE Business Weekly

Ruffolo steps down from Kitty Hawk

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Fort Wayne businessman Joe Ruffolo has resigned from the board of directors of Kitty Hawk Inc., the ailing Dallas-based cargo carrier that operates a major hub at Fort Wayne International Airport.

In a statement issued by the company Oct. 9, Ruffolo said he "resigned in order to eliminate any possible or perceived conflict of interest as the board considers certain strategic alternatives for the company."

Ruffolo would not discuss whether that implied that he or some entity he is involved with might be seeking to purchase the freight carrier.

"I don't want to do any speculation whatsoever," Ruffolo said.

In July, Kitty Hawk announced its intention to explore "strategic alternatives," including the sale of all or part of the company or a sale of its assets.

Kitty Hawk also said it would also look at the possibility of raising capital and/or altering operations as alternatives to some form of sale. Raymond James & Associates is assisting Kitty Hawk in evaluating its options.

Ruffolo and board member Melvin Keating were appointed to a two-man executive committee that assumed the chief executive officer's duties in April when Kitty Hawk President and CEO Robert Zoller Jr. retired.

Board members Gerald Gitner, Raymond Greer, Myron Kaplan and Laurie Shahon left the board in April, and Zoller left the board at the end of August.

In September, Kitty Hawk received notice from the American Stock Exchange that it faced the delisting of its stock because of its continued losses in two of the last three years and because its shareholders equity had fallen below \$2 million.

The company lost nearly \$20 million in the first six months of the year, according to a delayed quarterly report filed with the Securities and Exchange Commission Aug. 20.

Kitty Hawk's stock has been trading at 9 to 10 cents per share in the last week, and has sold for no more than 36 cents per share since July.

The Texas-based carrier's 240,000-square-foot cargo hub in Fort Wayne employs about 300 people. The company survived a Chapter 11 bankruptcy filing in May 2000, emerging from the proceedings in September 2002.

The airport authority relies on Kitty Hawk's monthly lease payments to cover the cost of repaying the bonds the Fort-Wayne Allen County Airport Authority issued to build the hub.

The authority will be paying for the project until 2020, and terms of the company's contract obligate it to make nearly \$25 million in monthly payments between now and then.

"We hope for the best for Kitty Hawk," said Brandon Fried, executive director of the Air Forwarders Association in Washington, D.C. "They're a vital player for air forwarders."

Fried said he spoke a few months ago with Ruffolo, who assured him that the business was under the control of those with substantial equity in the company and that they intended to make a go of it.

Neither Fried nor Dave Young, vice president of air service development for the Fort Wayne airport, had heard Oct. 10 about Ruffolo's resignation or had any information about a potential buyer for the company.

"They're a good tenant. I hope that whatever it is, is to their benefit," Young said.

Ruffolo is a partner in Ruffolo Benson LLC, a Fort Wayne firm that provides consulting services for a variety of business transactions, including mergers and acquisitions, sales and turnarounds.

Ruffolo also serves on the boards of directors of Steel Dynamics Inc., Tower Financial Corp., Beltmenn Transportation Group, Parkview Health Corp. and DeKalb Plastics. He was the president and CEO of North American Van Lines in Fort Wayne from 1988 through 1993.

Kitty Hawk said in July it did not intend to disclose any developments in its exploration of its strategic alternatives and would have no obligation to do so until the board of directors had made a final decision that would result in a transaction.

The company's cash and cash equivalents had shrunk from nearly \$9.6 million at the end of 2006 to just \$394,000 at the end of the second quarter June 30, according to the Aug. 20 SEC filing. It acknowledged that its continued losses have affected its liquidity.

Kitty Hawk sold six airframes, 11 engines and certain parts in late June for about \$3.5 million. It is leasing the items back from the buyer and using the cash to help pay down debt.