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Oak Hill planning \$4 billion fund

Firm founded by FW financier Robert Bass already has \$1.4B in commitments

BY JEFF BOUNDS | STAFF WRITER

Although large private-equity firms are having a rough year, that isn't stopping Oak Hill Capital

Partners from pushing ahead with plans for a third fund that organizers hope can generate \$4 billion, according to a Securities and Exchange Commission fil-

ing.

The firm, which was formed by Fort Worth billionaire Robert M. Bass in 1999, already has received commitments for at least \$1.4 bil-

lion for what is being called Oak Hill Capital Partners III LP, the Oct. 29 filing says.

FROM THE FRONT

OAK HILL: The company raised \$2.5 billion for its last fund, in 2005

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Oak Hill, with offices in California, Connecticut and New York, says on its Web site (www.oakhillcapital.com) that it manages \$4.6 billion in private-equity capital. A spokesperson for Oak Hill declined comment for this story.



HOLLINGSWORTH

The company raised money for its last fund, worth \$2.5 billion, in 2005. Investors included Microsoft chairman Bill Gates and Nike chair Phil Knight, according to published accounts.

The company's SEC filing does not delineate names of its investors, but it does say that six Texas investors are putting a combined \$262.75 million into the third fund. The minimum investment is \$10 million, the document says.

Part of the money being raised in the new fund is being generated via a parallel investment entity called Oak Hill Capital Management Partners III, which has landed \$115.4 million of the \$1.4 billion pledged so far. Oak Hill declines to comment on its fundraising activity, although it is common in private equity and venture

capital circles for executives of the funds to co-invest their own money via funds set up for that purpose. It's unclear when Oak Hill began raising money for the new fund, or when it will wrap it up.

Experts say that the fundraising climate for private equity firms remains robust, despite a credit crunch that is making it harder for them to close deals. According to the *Dow Jones Private Equity Analyst*, a trade pub, 295 private equity funds raised a total of \$199.4 billion in the third quarter of this year, up 29% from \$154.1 billion landed by 232 funds in the same period in 2006. Another 405 funds are trying to corral an additional \$165.2 billion, meaning that 2007 could surpass the record \$254.3 billion raised last year, *Private Equity Analyst* says.

Arthur Hollingsworth, managing partner of Lone Star New Markets LP and Lone Star New Growth Capital LP in Dallas, says the investors in private-equity funds — pension plans and foundation endowments — are continuing to pour money into the sector because they are “looking through the rear-view mirror at some pretty attractive private equity returns.”

But, he adds, “the big question in the post-July credit-crunch environment is,

‘Can you attract the same (debt) financing that helped get those prior deals done?’ ”

Credit crunch

Smaller private-equity funds, such as Lone Star, haven't been affected by the credit crunch yet, according to Hollingsworth, because they can get traditional bank financing for investing in companies. But at the big-league level, the debt markets have been rough, and large transactions have been put on hold or canceled entirely.

For instance, in October Dallas-based Affiliated Computer Services saw a suitor, Cerberus Capital Management, withdraw a planned \$6.2 billion buyout offer, ostensibly because of the weak debt markets, Cerberus said at the time.

Thus far, Oak Hill has not had a public pratfall like that. The firm specializes in “middle market” companies in the fields of business and financial services, consumer retail and distribution, technology, media, telecommunications, health care and basic industries.

Just how big all of its transactions are isn't clear, as many involve private companies with no reporting requirements. But in November, Oak Hill acquired Firth Rixson Ltd., a supplier of metal products for aero-

space engines, in a deal valued at around \$2 billion.

Other holdings from Oak Hill's first two funds include Coppell's Container Store, Ohio's Butler Animal Health Supply, Cincinnati Bell Inc., and the New York drugstore chain Duane Reade Inc.

At the close of its last fund in 2005, Oak Hill Managing Partner J. Taylor Crandall told Bloomberg that the fund did transactions involving \$50 million to \$250 million in equity.

“In general, what's going to happen is that the billion-dollar deals are going to have a hard time getting the (debt) capital,” Hollingsworth says. But Ryan Burke, a partner in the transaction-advisory services practice in the Dallas office of Ernst & Young LLP, says good deals are still getting done.

“It will take a little while longer now,” he says. “Banks are more conservative ... There are tighter lending standards than what existed three or four months ago.”

But investors in private-equity funds realize they are making commitments of as long as 10 years, he adds. “The folks entering the market, the large institutional investors, they know that.”

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