

Private Equity INSIDER

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THE GRAPEVINE

Executive-recruiting firm **Heidrick & Struggles** has hired **Jonathan Goldstein** to work as a partner in its private equity practice in New York. Goldstein was among the founders of **Sextant Search**, which shut down last July. A month later, he and two colleagues landed at **Korn/Ferry International** — where he remained until a few weeks ago. **Todd Monti** heads Heidrick & Struggles' private equity unit.

The \$100 billion **Government of Singapore Investment** has added a staffer to its New York office. The recruit, **Connie Ma**, spent the past seven years at **American Securities** of New York. She

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Banks Mapping 'Volcker Rule' Maneuvers

As Congress puts the finishing touches on its financial-reform legislation, bank executives are working feverishly to develop a game plan for hundreds of billions of dollars of private equity and hedge fund assets they might have to divest under the measure's "Volcker Rule."

President Obama has said he wants the bill on his desk by the end of this week, ahead of the G-20 summit in Toronto starting on Saturday. The tight timetable sparked an intense lobbying effort by banks to take much of the bite out of the Volcker provision. But if the strict wording survives, it would take a severe toll on 13 large banks that operate 20 asset-management units overseeing some \$450 billion of private equity and hedge funds — vehicles the institutions could no longer be affiliated with (see list on Pages 6-7).

Partly in anticipation of the rule, **Citigroup** has made it known that some of its

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Alaska Permanent Vexed by Investor Status

Is **Alaska Permanent Fund** eligible to invest in private equity vehicles?

For a while, the \$35 billion operation essentially fudged the issue when it came to assuring fund managers that it was an accredited investor under the **SEC's** Regulation D. But it recently put a halt to the practice, leading some firms to reject its commitments.

At issue is wording in Reg D that defines eligible institutional investors as banks, insurers, employee-benefit plans, trusts or charitable organizations. Alaska Permanent, which is funded largely by royalty payments that Alaska receives from oil companies and distributes most of its realized profits to residents as dividends, doesn't appear to fit into the classifications.

Reg D, which is drawn from the U.S. Securities Act of 1933, is intended to protect unsophisticated investors. In this case, however, it's shutting out a hefty player. And it's not that Alaska Permanent wants to stop investing in private equity

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AXA Spreading Out Massive BofA Package

AXA Private Equity wants to syndicate part of the \$1.9 billion portfolio of private equity fund stakes it purchased from **Bank of America** in April.

The effort is aimed in part at paring down AXA's share of the package, which was among the largest to trade on the secondary market in recent years.

While the exact syndication process is still hazy, it appears AXA is going with a traditional co-investment format in which various players are invited to take part in a deal. Only in this case, it's happening after the initial purchase has already closed.

AXA is focusing its pitches on large pension systems and endowments, including those in its own limited-partner base. The firm doesn't plan to take much of a fee on top of what it has already paid for the investments.

While unusual, there is some precedent for the scenario. And there are several

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Duo to Pitch Own Funds of Funds

Two fund-of-funds specialists have joined forces to start their own shop.

Helen Lais and **Mark Regal** teamed up in March to start the operation, dubbed **Arborist Capital**. They're now close to pitching a debut fund.

Lais previously worked as a partner at **AlpInvest Partners**, initially focusing on building up the firm's venture capital holdings. She later moved into an expanded role, but left early this year amid rumors that she had run out of opportunities for advancement.

Regal was a director focusing on venture capital and growth capital vehicles within **Credit Suisse's** customized-funds division. He left in October, after nine years at the bank. Lais is based in Chappaqua, N.Y. Regal is stationed in Chicago. ❖

Early Word Goes Out on Mining Play

Sentient Group is giving investors advance notice on its next mining-company fund.

The Cayman Islands firm plans to set a \$1 billion equity target for Sentient Global Resources Fund 4. It expects to begin a formal marketing push once its prior vehicle is 70% deployed, likely in early 2011. That 2008-vintage fund has so far drawn 55% of its \$816 million equity pool.

Sentient invests in owners of mining properties worldwide that need development to become productive, and seeks to sell the businesses once the mines are generating cashflows. The firm organizes its funds so each new one can make follow-up investments in its predecessors' portfolio companies, potentially speeding up the deal-exit process.

Sentient takes stakes of up to 20% in public companies and up to 49% in private operations. Its first fund, set up with \$126 million in 2001, is producing a rate of return above 25%, while its \$376 million second fund from 2006 is returning more than 20%. The third is running in the mid-teens.

Sentient is led by the Sydney-based **Peter Cassidy**, who earlier managed investments at insurer **AMP Life**. **Nicholas Mead** leads the firm's fund-raising efforts, which will take place without the help of a placement agent. ❖

Startup Appeals for Outside Backing

Kodiak Capital Group is laying the groundwork for its first formal fund.

The New York firm, launched in October 2009, plans to begin marketing the vehicle Oct. 1 under the banner of Kodiak Capital Group 2. It's looking at a capital-raising goal of \$100 million.

The plan is to take minority stakes in up to 20 publicly traded and private companies. The public-company deals would take the form of private investments in public entities, or PIPEs, involving preferred shares or common stock. The

private-company transactions would focus on businesses that need expansion capital, are just getting started or are in distress and hope to go public via reverse mergers.

Even though it plans to own no more than 9.9% of any company, Kodiak intends to be heavily involved in the operations of its investment targets. Its fund would deploy capital over a two-year period, and would have an overall life of five years.

Kodiak got started with \$300 million from its founders and advisors, and has made about 20 investments so far. Its portfolio companies include **cMoney**, **PGI Energy** and **STW Resources**.

Some investments haven't panned out. The firm inked a deal on March 25 to funnel \$15 million into **Milwaukee Iron Arena Football**, but the team filed a notice with the **SEC** on June 4 indicating that it never received an initial \$1 million installment "despite repeated demands for payment." And oil company **EGPI Firecreek** backed out of a \$15 million transaction in March, saying it would dilute shareholders.

Kodiak is led by managing director **Ryan Hodson**, who previously was a managing director at **Blackwater Capital**. The firm's overall staff numbers about 15, and it's seeking as many as five recruits to focus on portfolio-company operations. The shop is unrelated to **Kodiak Capital Partners** of Dallas. ❖

CapStreet Undershoots Equity Target

It turns out **CapStreet Group's** latest fund won't reach its equity goal.

The Houston buyout shop's CapStreet 3 vehicle is on track to have \$190 million to \$225 million on hand when it cuts off marketing on June 30. That's a change from what industry players were predicting as recently as mid-May, when it looked like the offering's final close would come this month at its \$250 million target.

The effort has taken nearly two years. But some limited partners remain bullish on CapStreet, after seeing the firm's first two vehicles deliver decent returns. For example, its 2000-vintage second fund has returned more than two times deployed capital.

Those results have come despite an instance of "style drift," in which CapStreet tried its hand at venture capital deals. "These guys have done some venture in the past, and luckily not anymore, but they didn't even do that bad," one investor said.

The past two years in particular have brought some highly profitable deal exits for CapStreet. Even so, many of those moves came after the firm began pitching Fund 3 — meaning some investors may have written off the shop based on returns that aren't indicative of its current performance. It's also likely that some prospective backers passed on the offering due to pressures from the global financial crisis.

Placement agent **Knight Capital** was brought on late in the process to help round up investors. ❖

Deutsche Auction Plan Riles Bidders

Secondary-market investors are grumbling over a plan by **DB Private Equity** to bid on a package of fund stakes controlled by parent **Deutsche Bank**.

At issue is an offering in which Deutsche expects to shed €500 million to €600 million (up to \$740 million) of commitments to 66 private equity vehicles — holdings the bank took on with its March purchase of **Sal. Oppenheim jr. & Cie** of Luxembourg. Broker **Cogent Partners** is expected to begin showing the package to prospective buyers shortly.

So what's the problem with DB Private Equity taking some or all of the portfolio? Other investors think the operation's connection to Deutsche might give it an unfair advantage in the bidding contest, perhaps in the form of greater insight into the assets. "Obviously the guys internally want to have a crack at it," one secondary-market broker said. "It's not clear if it's a proper process, or if it's being gamed. You don't have to be Mr. Einstein to see that this could be only a phony auction that will ultimately go to the in-house bidder."

But another broker said that while DB Private Equity is interested in Sal. Oppenheim's assets, there's enough of a Chinese wall between the group and its parent to prevent any conflicts.

Cogent's presence also serves as an assurance. Sources deemed it unlikely that the Dallas firm would risk tarnishing its own reputation by engineering a shady auction. Likewise, Deutsche's hiring of a broker suggests a desire to achieve the highest possible price for its offering.

There has been some talk that prospective bidders are playing up the possibility of underhanded dealings as a way of discouraging competing bids.

DB Private Equity is the result of a reorganization that followed Deutsche's Sal. Oppenheim purchase. The €6 billion operation, led by **Chris Minter** and **Rolf Wickenkamp**, encompasses the private equity group from Deutsche Bank Private Wealth Management, **RREEF's** secondary-market team and Sal. Oppenheim's fund-of-funds division, Sal. Oppenheim Private Equity.

The assets Deutsche is putting in play had been run by Sal. Oppenheim Private Equity, but probably haven't moved onto DB Private Equity's balance sheet. Word of the offering has been circulating since March.

Deutsche's secondary-market division got its start by buying holdings from the parent bank. That 2007 transaction entailed the unwinding of a collateralized fund obligation Deutsche created four years earlier, with RREEF using about half of the equity in a \$775 million secondary-market and co-investment fund to take some of the underlying investments — stakes in a mix of private equity vehicles. ♦

IVP Races to 'One-and-Done' Close

Institutional Venture Partners needed just one try to beat marketing expectations for its newest fund.

The Menlo Park, Calif., firm was set to hold a first and final

close for its Institutional Venture Partners 13 this week with \$750 million. That's in line with a recently instituted equity limit for the vehicle, and beats a \$600 million target set when the entity began making the rounds among existing investors in February.

At the time, IVP said it would try to wrap up the effort around this time of year. What wasn't expected was that the shop would attract more commitments than it could take, and would have to either trim some backers' contributions or turn them away altogether.

The strong response in part reflects the fact that that the new fund's 2007-vintage predecessor was booking a gross rate of return of 67% as of yearend 2009, aided by investments in **Twitter** and **Zynga**. That's a strong showing for any private equity vehicle, let alone a venture capital pool created at the beginning of the global financial crisis. It has also helped that investors' overall liquidity positions have improved lately.

However, one investor who passed on the offering said he was skeptical of IVP's ability to put all of Fund 13's capital to work effectively. IVP backs later-stage wireless-technology, Internet, media and business-service companies, often businesses that received seed capital from venture capital firms including **Kleiner Perkins** and **Sequoia Capital**. Its other portfolio companies have included **Netflix** and **Tivo**.

Fund 12 raised \$600 million, double the amount IVP collected for Fund 11 in 2005. While a number of the firm's vehicles have produced especially strong returns, Fund 12 was the first to do so since the 1998-vintage Fund 7. That \$187 million entity was generating a 93.6% rate of return as of yearend 2009, according to **Preqin**. However, IVP's team and investment strategy were revamped for its 10th fund, which raised \$225 million in 2001. ♦

Riverside Taking Final Commitments

Riverside Co. is about to finish marketing its latest Europe-focused buyout fund.

The vehicle, Riverside Europe Fund 4, is expected to hold its final close in the next month or so with about €475 million (\$585 million). While accounts of the entity's equity target have varied, the final haul falls below its limit of €550 million.

Like many private equity shops, the \$3 billion Riverside has seen its campaign drag out as liquidity concerns, capital shortages and long-term economic worries have sent investors to the sidelines. The New York firm held a first close for the new fund at the end of 2008 with €100 million.

That said, Riverside has a solid reputation. Riverside Europe Fund 3, a 2005-vintage vehicle with €320 million, is producing a rate of return around 11%. Its two predecessors are doing just as well or better, although each weighed in below €50 million.

Riverside also is expected to finish raising capital for its first Asia-focused fund in the near future. It has been seeking roughly \$100 million for the entity. The shop's most recent core buyout fund completed its marketing drive a year ago, surpassing its \$900 million target to wind up with \$1.2 billion. ♦

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Organic-Farm Play Makes the Rounds

A San Francisco firm is forming a fund that would buy conventional farms and convert them for organic production.

The year-old operation, **Vital Farmland**, is seeking \$100 million for the vehicle. It's pitching the entity as a private equity fund, although it also has some characteristics of a hedge fund.

The fund, simply called Farmland, would start by locking up capital for three years. After that, any investor could cash out, just as they could in a hedge fund. In those instances, Vital Farmland would attempt to sell the backer's stake to other limited partners, or buy the shares itself. Failing that, it would liquidate assets.

Ideally, the fund's holdings would produce enough cash-flows to prevent most redemptions. Following a private equity distribution format, it's aiming to deliver annual yield payments equal to 7-8% of invested capital. Overall, the goal is to produce a 14% rate of return over the vehicle's 30-year life.

The idea is that organic food and beverage sales have been growing, even in the current recession. They represented about 4% of overall food sales in the U.S. last year. Organic items can sell for up to twice the price of non-organic products. Vital Farmland is looking at properties in Colorado, New Jersey, Oregon, and Pennsylvania.

Former **Cabazon Capital** partner **Alana Aldag** joined Vital Farmland two months ago to lead fund-raising efforts and find deals. The firm was founded by venture capital and real estate specialist **Craig Wichner** and organic farmer **Jason Bradford**. ❖

New Mexico Seeks Investment Help

New Mexico State Investment wants to hire an internal staffer who would help restart its private equity program, and is resuming efforts to find a new consultant.

The new employee would take the title of deputy chief investment officer, and would be responsible for most in-house investment oversight. Meanwhile, the \$14 billion organization's board is looking at the coming months to begin searching again for a private equity advisor.

The new advisor would replace the now-defunct **Aldus Equity**. New Mexico State Investment halted deployments to private equity funds when Aldus was implicated in the **New York Common Fund** scandal in April 2009, and later fired the Dallas firm. But a subsequent search for a new advisor was put on hold as the operation got bogged down scrutinizing investments made on Aldus' recommendation.

In the meantime, general consultant **NEPC** has been counseling New Mexico State Investment on its private equity fund portfolio. On the basis of an NEPC asset-allocation study, the organization last month increased its allocation for such instruments to 9% from 6%. It already had 8% of its capital in the asset class.

New Mexico State Investment runs money for three state endowments and 15 state agencies. ❖

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funds. On the contrary, it has been seeking to more than double the \$945 million it currently has deployed to such vehicles.

The Juneau-based Alaska Permanent has asked the SEC to issue a statement acknowledging that it is a permitted backer. It also has been pushing for inclusion under a 2007 SEC proposal that would broaden the accredited-investor definition to include virtually all government entities. **Alaska Attorney General Daniel Sullivan** discussed the matter at a March 5 meeting with **Kayla Gillan**, a senior advisor to **SEC Chairman Mary Schapiro**. However, there have been no indications of when the SEC might act. "[Alaska Permanent] is not the highest priority for the SEC," one source said. "They are sympathetic, but they are time constrained. They have this financial reform going on."

"It makes no sense," the source continued. "Some dentist can walk in with a net worth of \$2 million . . . But [Alaska Permanent] can't invest."

In the years following the 2004 creation of its private equity program, Alaska Permanent didn't volunteer information about whether it was accredited. If a manager asked, it would state that it exists either to benefit Alaska residents or the state itself. Apparently, nobody objected.

But for reasons that aren't clear, a 2008 SEC investigation of possible investment violations by **Florida State Board** made the system nervous. While the Florida probe was dropped this March, concerns lingered that Alaska Permanent could face SEC action or lawsuits from Alaska residents if any of its holdings went bad. Alaska Permanent has taken a similar stance toward privately placed corporate bonds and hedge funds.

Alaska Permanent invests in private equity funds primarily through separate accounts with **HarbourVest Partners** and **Pathway Capital**, and had tasked the two firms with committing a combined \$500 million during the fiscal year ending June 30. But as of April 9, they had pledged only \$249 million.

Alaska Permanent's head of alternative investments, **Maria Tsu**, said at a May 26 board meeting that the hangups over the system's status as an accredited investor were among the reasons for the slow pace.

For private equity managers, the subject raises another question: If it turns out that Alaska Permanent isn't accredited, could it void commitments down the road? Even as they struggle to raise capital, some of those shops have passed up contributions from the organization rather than face that possibility.

They're puzzled over the matter. "It just doesn't make any sense. If you are a [general partner] and Alaska Permanent Fund is proposing to give you \$50 million or \$100 million, you are highly motivated to figure [it] out," said one manager who runs money for the system. "This is all a shock to me."

Other U.S. investment vehicles that might have a similar status to Alaska Permanent include **New Mexico Land Grant** or **Texas Permanent School Fund**. But Alaska Permanent is especially large, and it's unknown if the other entities have considered their accreditation. ❖

'Volcker Rule' Targets: Units That Banks Might Have to Shed

Bank	Unit	Assets Under Mgmt. 3/31/10 (\$Mil.)	Hedge funds	Private equity	Real estate	Fund of funds	Comment
Bank of America	BAML Capital Partners	\$5,000		●			Formerly known as Merrill Lynch Global Private Equity, the unit acquires controlling stakes in companies through equity and mezzanine-debt investments.
	BAML Global Strategic Capital	16,600		●	●	●	Makes direct investments and operates fund-of-funds unit Capital Access Funds, which backs vehicles focusing on underserved markets in the U.S. In April, sold \$1.9 billion portfolio of stakes in private equity funds to AXA Private Equity.
Bank of America, PNC Bank and Barclays	BlackRock		●	●	●	●	The three banks hold a combined 79% stake in BlackRock: 34.2% for BofA, 24.6% for PNC and 19.9% for Barclays. BlackRock is the world's largest asset manager, with \$3.4 trillion across virtually all aspects of the investment world, including alternative investments. It's unclear whether the Volcker Rule was intended to force banks to divest such holdings. BofA's stake was reduced from 49% and PNC's from 24.6% in December, when BlackRock completed its purchase of Barclays Global Investors from Barclays.
Bank of New York	BNY Mellon Asset Management	62,000	●		●	●	Operates hedge funds, funds of funds and private equity vehicles through 20 investment units. Also seeds new fund managers wishing to establish track records before marketing to others.
	Mellon Global Investing	3,500				●	Holds 15% stake in Optima Fund Management, a \$3.5 billion fund-of-hedge funds operation.
Citigroup	Citi Capital Advisors	14,700	●	●			Even as financial-reform legislation threatens to force the divestiture of Citi Capital Advisors, the unit seeks to raise \$3.5 billion for hedge funds and private equity vehicles. It employs nearly 170 investment staffers and manages \$3.9 billion in hedge funds, \$7.4 billion in private equity funds and \$3.9 billion in infrastructure vehicles. Earlier this year, Citi sold two alternative-investment units. Apollo Management bought real estate division Citi Property Advisors in March and SkyBridge Capital bought Citi's fund-of-hedge-funds operation in May. A third unit, Citi Private Equity, remains on the block.
Deutsche Bank	DB Private Equity	7,500		●		●	Deutsche formed the unit in April, combining the private equity operations of its wealth-management team, the private equity secondary-market part of its RREEF unit and the private equity fund-of-funds operations of newly acquired Sal. Oppenheim jr. & Cie.
	RREEF	54,000		●	●		The bulk of its assets are in real estate investments, but the unit also manages private equity infrastructure vehicles.
	DB Advisors Hedge Fund Group	Under 1,000	●			●	In the final stages of shutting down a business that at one time oversaw \$4.5 billion in funds of hedge funds. It also operates smaller, single-manager funds.
Goldman Sachs	Goldman Sachs Asset Management; Merchant-Banking Division	147,000	●	●	●	●	The two units oversee \$98 billion in private equity funds and \$17 billion-plus in hedge funds, which include Goldman's well-known Global Alpha quantitative investment vehicle. Goldman's merchant-banking division oversees its own private equity investments.
HSBC	HSBC Capital (USA)	1,000		●	●		The decade-old unit, formerly known as Midland Montagu Private Equity, is one of five private equity groups worldwide that the bank is thinking about selling. The other four are non-U.S. businesses not covered by the Volcker Rule. It invests directly in companies through buyouts and mezzanine financings. It also pursues real estate opportunities.

Continued on Next Page

'Volcker Rule' Targets: Units That Banks Might Have to Shed (continued)

Bank	Unit	Assets Under Mgmt. 3/31/10 (\$Mil.)	Hedge funds	Private equity	Real estate	Fund of funds	Comment
J.P. Morgan	J.P. Morgan Asset Management	\$25,000	●	●		●	Operates a 20-year-old fund of hedge funds business with \$7.6 billion of assets and an \$18 billion private equity fund-of-funds unit.
	One Equity Partners	8,000		●			Invests directly in private companies, largely through an Asia-based team that pursues emerging-market opportunities.
	Highbridge Capital Management	21,000	●	●			Largest bank-owned hedge fund operation, which also has around \$5 billion of private equity investments. In 2004, J.P. Morgan bought its first stake in Highbridge from founders Glenn Dubin and Henry Swieca. It completed the transaction in July 2009, when it bought its final stake in the unit. The bank is awaiting the outcome of the Volcker Rule debate on Capitol Hill before finalizing talks to purchase Gavea Investments, a \$5 billion-plus hedge fund operation in Brazil.
Morgan Stanley	Morgan Stanley Asset Management	24,000		●	●		Includes \$15 billion of real estate assets and \$4 billion of investments in infrastructure projects. The investment bank only recently started re-establishing its presence in the private equity business after selling buyout unit Metalmark Capital to Citigroup's Citi Capital Advisors in 2007.
	Morgan Stanley Alternative Investment Management	43,000	●			●	Includes hedge fund-seeding unit FrontPoint Partners, which Morgan Stanley bought in 2006. In January, the bank said it was contemplating the sale of FrontPoint, as well as its minority stakes in fund operators Abax Global Capital, Avenue Capital, Hawker Capital, Lansdowne Partners and Traxis Partners.
Northern Trust	Northern Trust Global Advisors	3,000		●		●	More than a dozen of the unit's investment professionals run a fund of hedge funds.
PNC Financial Services	PNC Equity	1,000		●			The largely autonomous unit runs buyout and mezzanine-finance vehicles capitalized by the bank and outside investors.
	PNC Capital Advisors	Under 1,000				●	The unit operates three small funds of hedge funds assumed via its 2006 acquisition of Mercantile Bancorp.
State Street	State Street Global Advisors	6,300	●	●		●	Manages a combined \$6.3 billion on behalf of clients in hedge funds and private equity vehicles.
US Bancorp	Wealth Management Group	7,000	●	●	●	●	Its investments in hedge funds and private equity vehicles are "tiny by comparison" to the unit's traditional holdings, a bank spokesman said.

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private equity units are for sale. But don't expect a wave of fund-management units to go on the block anytime soon. Banks including **Goldman Sachs**, **J.P. Morgan** and **Morgan Stanley** would likely attempt to exhaust all other options before selling units to outsiders. By spinning off their alternative-investment businesses to their current management teams, for instance, banks would be able to keep those highly profitable units out of the hands of competitors.

Goldman and Morgan Stanley have yet another option: shedding the bank holding company status that they assumed in the wake of the failure of **Lehman Brothers** in September 2008.

By all accounts, Goldman oversees the world's largest private equity portfolio and thus has the most to lose from having

to divest its alternative-investment holdings. The bank was managing a whopping \$93 billion of private equity holdings as of March 31 — more than 11% of its total assets. It has another \$54 billion in other alternative-investment strategies, including hedge funds and mezzanine-finance investments, all within its asset-management and merchant-banking divisions.

"For the Wall Street investment banks and some of the insurance companies, they would have to at least consider de-banking or conversion as an option," said **Greg Lyons**, co-chairman of the financial-services practice at **Debevoise & Plimpton**. "If it's not a substantial part of your operations, as a fiduciary duty to your shareholders, you have to consider if getting rid of the bank is a better option."

But while such a move might seem like an easy way to

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sidestep the effects of the Volcker Rule, de-banking might be tantamount to jumping from frying pan to fire. The Senate bill contains a provision for institutions that elect to drop their bank holding company registration and be regulated as non-bank companies. The proposed **Financial Stability Oversight Council** — an 11-member regulatory panel — would have the power to deem any such institution as being important enough to the system to warrant its own set of regulations.

“Companies that opted into holding-company status . . . might have wanted to get out from under bank-holding company status,” said **Mark Nuccio**, co-head of the banking practice at **Ropes & Gray**. “But the new law will subject those who de-register . . . to continued regulation by the **Federal Reserve**, albeit with customized rules to be determined.”

Even an outright sale of a fund-management unit wouldn't necessarily be as straightforward as it might appear. Giving up management of a fund or withdrawing capital could spur staff departures that trigger so-called key-man provisions, which in turn could allow limited partners to pull out.

Some limited partners also might be unwilling to invest in future vehicles without an anchor contribution from the bank, making the fund-management unit a tough sell. And any sale of fund stakes would require the approval of a majority of investors in the vehicle, which can be hard to secure.

“No one on Capitol Hill is focused on the way the funds are structured and operating,” said **Lawrence Kaplan**, a lawyer in the bank regulatory group at **Paul Hastings** of New York. “If they are forced to liquidate, you could get fire sales, but there are so many possible unintended consequences it's hard to say.”

As for Goldman, most in the private equity arena would agree it's hard to imagine a natural buyer of such a massive fund-management business.

Until recently, many bank executives were in denial about the ramifications of the Volcker Rule, which is the brainchild of former Federal Reserve chairman and Obama advisor **Paul Volcker**. Other bankers have remained optimistic, believing the Volcker Rule will be watered down, if not before the legislation is signed into law, then by regulatory actions during the three-year lead-in period. Some seem convinced that they ultimately will be allowed to retain their alternative-investment units as long as they aren't investing bank capital.

Such optimism may help to explain Citi's pronouncement last week that it plans to add another \$3.5 billion of private equity and hedge fund assets, regardless of what happens in Congress. Yet at the same time, the bank is rumored to be close to inking a deal for the sale of its \$10 billion Citi Private Equity fund-of-funds portfolio. ❖

AXA ... From Page 1

reasons AXA would want to spread its purchase among other investors. For one, a single-shot deal of that size comes with a lot of risk. And by offering the holdings as co-investments

rather than plowing them into a fund with higher fees, the shop stands to generate some goodwill among its backers.

There's also the issue of capacity. AXA's most recent secondary vehicle, AXA Secondary Fund 4, has \$2.9 billion of equity overall. According to **Preqin** data, the 2006-vintage entity had a little more than \$2 billion of dry powder left when the deal was struck.

However, AXA likely didn't have to pay the full amount for the BofA portfolio up front, and could have spread the purchase across more than one fund. Managing director **Vincent Gombault** said at the time that AXA still had \$1 billion left for future deals. That was just days after AXA agreed to buy a \$718 million secondary-market package from **Natixis**.

Still, the BofA transaction could position AXA to begin its next fund-raising drive. “Our impression is this is going to kind of tap out their current fund and then some, and this gives them the ability to start raising a new fund and give some co-investments to their investors,” one secondary-market manager said.

One possible obstacle for AXA is convincing buyers that the BofA investments are worth what it paid, an estimated 90 cents on the dollar or more. Along the same lines, it has to find takers who can grasp secondary-market values in the first place. “I think it's really hard to syndicate a deal broadly like that because not a lot of people have the expertise to understand it,” another source said.

A few big buyout-fund operators run a large portion of the vehicles in the pool.

Separately, another wrinkle has emerged in the deal. It turns out that a group of BofA personnel who agreed to spin off to New York hedge fund manager **Sterling Stamos** are the same ones running the portfolio AXA just bought. The Charlotte-based crew, encompassing group head **Jason Cipriani** and about 10 others, negotiated the move as part of the sale. They will continue to oversee the investments on AXA's behalf and will collect a small fee for doing so. They will also manage some private equity fund interests that BofA didn't sell. ❖

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CALENDAR

Main Events

Dates	Event	Location	Sponsor	Information
Sept. 27-30	SuperReturn Asia 2010	Hong Kong	ICBI	www.icbi-events.com
Sept. 28-29	Private Equity Analyst Conference 2010	New York	Dow Jones	www.dowjones.com
Nov. 16-19	Super Investor 2010	Paris	ICBI	www.icbi-events.com
Jan. 25-26, 2011	Private Equity Analyst Outlook 2011	New York	Dow Jones	www.dowjones.com
Feb. 28-March 3	SuperReturn International 2011	Berlin	ICBI	www.icbi-events.com
March 3-4	Women's Private Equity Summit	Half Moon Bay, Calif.	Falk Marques	www.falkmarquesgroup.com
March 21-23	ACG InterGrowth 2011	San Diego	ACG	www.acg.org

Events in US

Dates	Event	Location	Sponsor	Information
June 29-30	Investment & M&A Opportunities in Healthcare	Chicago	iBIG	www.iibig.com
June 29-30	REFF Wall Street	New York	Euromoney	www.refwallstreet.com
June 30	Asset Management Thought Leadership Symposium	New York	RCA	www.rcaonline.org
July 12-13	Private Equity Forum	New York	PLI	www.pli.edu
July 13	Private Equity Investing in Education Companies	New York	Capital Roundtable	www.capitalroundtable.com
July 19-21	Waste to Energy Finance & Investment Summit	San Diego	Infocast	www.infocastinc.com
July 21-23	Family Office & Private Wealth Management Forum	Newport, R.I.	Opal	www.opalgroup.net
July 22	Investing in Government Services & Defense Companies	New York	Capital Roundtable	www.capitalroundtable.com
Sept. 13-14	Distressed Debt Conference 2010	New York	Deal Flow Media	www.dealflowmedia.com
Sept. 13-15	Utility Scale Solar Finance & Investment Summit	San Diego	Infocast	www.infocastinc.com
Sept. 15-16	Private Equity Summit for Institutional Investors	San Francisco	Opal	www.opalgroup.net
Sept. 21-22	Alternative Investments Summit	San Diego	IMN	www.imn.org
Sept. 22-24	Investing in Distressed Debt	New York	IQPC	www.iqpc.com
Sept. 23	Private Equity Portfolio Companies	New York	Capital Roundtable	www.capitalroundtable.com
Sept. 23-24	Mergers & Acquisitions 2010	Chicago	PLI	www.pli.edu
Sept. 23-24	Distressed Commercial Real Estate Forum	New York	IMN	www.imn.org
Sept. 29-Oct. 1	Healthcare Deal Making Summit	Nashville	Infocast	www.infocastinc.com
Sept. 30	Private Equity Investor Relations	New York	Capital Roundtable	www.capitalroundtable.com

Events Outside US

Dates	Event	Location	Sponsor	Information
June 28-30	SuperReturn Emerging Markets 2010	Geneva	ICBI	www.icbi-events.com
July 6-7	Infrastructure Investor: India	Delhi	PEI Media	www.peimedia.com
July 14-15	International Wind Financing Summit	London	Hanson Wade	www.hansonwade.com
Aug. 30-Sept. 1	Infrastructure Investment World Brasil 2010	Rio de Janeiro	Terrapinn	www.terrapinn.com
Aug. 31-Sept. 3	Infrastructure Investment World Asia 2010	Hong Kong	Terrapinn	www.terrapinn.com
Sept. 15-16	Private Equity Intl. CFOs & COOs Forum	London	PEI Media	www.peimedia.com
Sept. 15-17	Capital Creation 2010	Monte Carlo	WBR	www.wbresearch.com
Sept. 22-23	PEI Turkey Forum	Istanbul	PEI Media	www.peimedia.com
Sept. 22-23	Investing in Distressed Debt	London	IIR & IBC	www.informaglobalevents.com
Sept. 30	National Summit on Private Equity	Toronto	Canadian Institute	www.canadianinstitute.com
Oct. 5-6	Private Equity Int'l. India Forum	Mumbai	PEI Media	www.peimedia.com
Oct. 12-13	Private Equity Indonesia Summit 2010	Jakarta	IQPC	www.iqpc.com.sg
Oct. 17-20	SuperReturn Middle East 2010	Abu Dhabi	ICBI	www.icbi-events.com
Oct. 18-21	Private Equity World Africa 2010	Johannesburg	Terrapinn	www.terrapinn.com
Nov. 8-10	Infrastructure Investment World Africa	Johannesburg	Terrapinn	www.terrapinn.com
Nov. 15	Canadian Private Equity Markets Summit	Toronto	Insight Information	www.insightinfo.com

To view the complete conference calendar, visit [The Marketplace](http://TheMarketplace) section of PEinsider.com

FUND-RAISING ACTION

Manager	Fund, Key Executive	Type: Focus	Placement Agent	Target Amount (Mil.)	Action
Linden, Chicago	Linden Capital Partners 2, Anthony Davis, Eric Larson and Brian Miller	Buyout: Healthcare	Park Hill Group	\$300	Held final close with \$375 million.
Partners Group, Zug, Switzerland	Partners Group European Mezzanine, Rene Biner	Mezzanine finance: Europe		€500	Held final close with €553 million.
Vital Farmland, San Francisco ← See Page 5	Farmland, Craig Wichner	Buyout: Organic farmland	(None)	\$100	Just started marketing.

To view all past Fund-Raising Action entries, visit [The Marketplace section of PEinsider.com](#)

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THE GRAPEVINE

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most recently held the title of vice president. She's set to take her new post in mid-July, assisting in evaluating and monitoring investments in buyout, growth-capital and distressed-asset funds.

Placement agent **MVision** has hired a managing director for its New York office. **Lina Russo's** duties at the London firm include raising capital for private equity funds around the world and finding marketing assignments from managers in North America. Russo most recently worked within the placement-agent group at **Merrill Lynch**, whose two-dozen personnel broke off last year to form **Mercury Capital Advisors** amid the bank's takeover by **Bank of America**. She chose not to move to the new operation. Separately, MVision hired **Carrie Coulson** to pitch real estate funds. She came from **JT Partners**.

Crosscut Ventures is talking to investors about a second fund. The firm, formed

in 2007 by **Palomar Ventures** alumni **Brian Garrett** and **Rick Smith**, hopes to raise about \$50 million for the vehicle. The effort comes after the duo scaled back plans for their first fund, which held its final close in 2008 with \$20 million. Crosscut invests in seed- and early-stage digital-media and entertainment companies, and so far has 10 portfolio companies in its debut pool.

BlackRock is seeking a junior private equity analyst for its fund-of-funds group, BlackRock Private Equity Partners. The recruit would work within the operation's portfolio-management division in Plainsboro, N.J. His or her duties would include investment monitoring and reporting. BlackRock Private Equity formed in 1999 and manages \$6.3 billion. It is led by **Russell Steenberg**.

Placement agent **Mallory Capital** has hired **Scott Gregory** to raise capital for private equity funds as a managing director in its Darien, Conn., headquarters. Gregory previously headed institutional sales and investor relations as a partner at energy-focused

buyout firm **Abatis Capital**, which has been trying to raise \$1 billion for its first fund. He has also held fund-raising roles at **AllCapital**, **Morgan Stanley Alternative Investment** and **State Street Global**.

Morgan Stanley Alternative Investment has openings for two new staffers on its secondary-market team, which currently numbers eight. The recruits would take the title of associate or analyst, with one working in West Conshohocken, Pa., and the other coming on board in London. Morgan Stanley Alternative finished marketing its first stand-alone secondary fund in May with \$585 million, beating its \$500 million goal.

Alternative-investment specialist **Gerard Pilgrim** has been caught in a round of layoffs at financial-advisory firm **Duff & Phelps**. Pilgrim assigned values to private equity and hedge fund portfolios, working in Duff's Washington office. He was among about 30 mid-level staffers let go over the past month as the New York shop coped with disappointing revenues.

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Mairin Burns	Managing Editor	201-234-3985	mburns@hspnews.com
Chad Weihrauch	Senior Writer	201-234-3988	cweihrauch@hspnews.com
James Prado Roberts	Senior Writer	201-234-3982	james@hspnews.com
Suchita Nayar	Contributor	201-659-1700	snayar@hspnews.com
Andrew Albert	Publisher	201-234-3960	andy@hspnews.com
Daniel Cowles	General Manager	201-234-3963	dcowles@hspnews.com
Thomas J. Ferris	Editor	201-234-3972	tferris@hspnews.com
T.J. Foderaro	Deputy Editor	201-234-3979	tjfoderaro@hspnews.com
Ben Lebowitz	Deputy Editor	201-234-3961	blebowitz@hspnews.com
Michelle Lebowitz	Operations Director	201-234-3977	mlebowitz@hspnews.com
Evan Grauer	Database Manager	201-234-3987	egrauer@hspnews.com
Kevin Pugliese	Database Assistant	201-234-3983	kpugliese@hspnews.com
Mary E. Romano	Advertising	201-234-3968	mmromano@hspnews.com
Joy Renee Selnick	Layout Editor	201-234-3962	jselnick@hspnews.com
Barbara Eannace	Marketing Director	201-234-3981	barbara@hspnews.com
JoAnn Tassie	Customer Service	201-659-1700	jtassie@hspnews.com

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