



Berkeley Private Equity Network

info@berkeleypenetwork.org

March 2010

Get Involved:

- Plan or sponsor an event in your city
- Volunteer to present at the Haas Private Equity Speaker Series
- Contribute financially to support the growth of the BPEN
- Send us feedback/comments on how to make the BPEN most valuable for you

Message from the Co-Chairs:

Hello BPEN,

Our apologies for the significant delay in getting the third edition of our newsletter out. Sadly, the full-time job called which slowed things down a bit.

That said, the time hasn't been completely wasted. We've been busy continuing to expand the BPEN with several exciting new initiatives and accomplishments including:

- Roll-out of the mentoring program— successfully paired 24 mentors and mentees across the world.
- Creation of a BPEN LinkedIn Group - go to the Groups section in LinkedIn and search, "Berkeley Private Equity Network"
- Initiated plan to further expand BPEN to include select top tier

intermediaries (see article below)

In this edition we are happy to provide an update on the current financing environment. While signs of loosening are starting to take shape, lack of liquidity in the loan market will continue to adversely impact availability and terms.

We also feature in this edition Steve Etter, Partner at middle market investor Greyrock Capital, with an overview of his impact on the undergraduate business program at Cal, not to mention all he's done to support us in our launch of the BPEN. Thanks to Rachel Senko for contribution on this piece.

Lastly, for those of you thinking about fundraising this year, definitely check-out the Perspectives section where John Coehlo of the



StepStone group provides his thoughts on trying to raise fresh capital in 2010.

As always, we welcome feedback and greatly appreciate your support. See the "Get Involved" box on the left of this page to learn more about opportunities to get involved.

Go Bears!

Your Co-Chairs,
Tom Beerle, Bertram Capital
Tim Heston, Bertram Capital

BPEN Expanding to Include Top Tier Intermediaries

We are excited to announce that the BPEN is growing! We have decided to selectively expand the BPEN to include Berkeley alumni from top tier intermediaries focused exclusively on private equity (banks, lawyers, LPs, lenders, consultants, accountants, etc).

We believe these changes are fundamentally in line with the overall mission of the BPEN: build long lasting and valuable relationships with fellow Cal alumni in the private equity industry. We are excited to welcome

them to the group and look forward to their contribution.

Expansion is easier said than done. We very much could use your help with this initiative. Please let us know if you have any contacts that are Cal alumni working in the private equity industry. As mentioned before, this can include investors, intermediaries, lawyers, etc. If you are not sure, just email us and we can discuss

You can either email us their contact information or have them contact us directly— info@berkeleypenetwork.org.

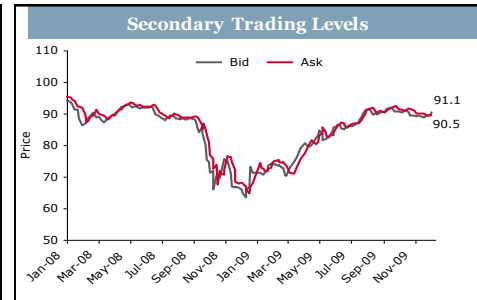
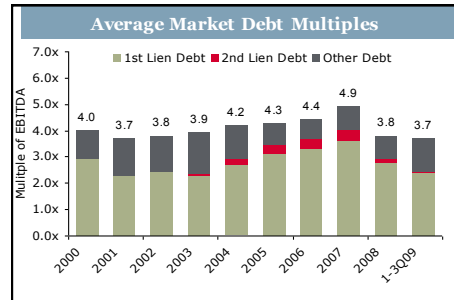
It is also important to highlight that your contact information is always kept in the strictest of confidence. Intermediaries will not have access to the BPEN database.

Thoughts?

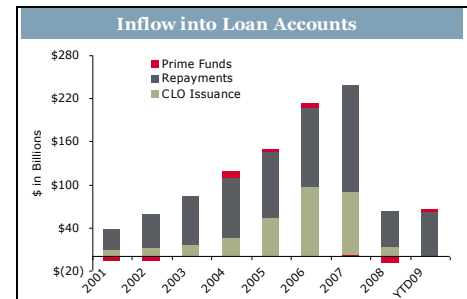
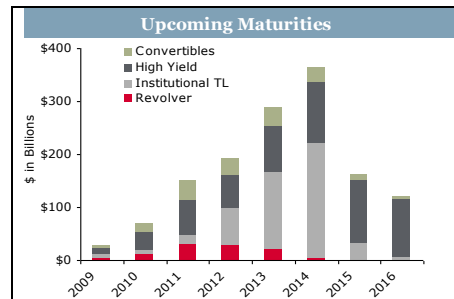
“Massive debt issuance in the last several years has created significant scheduled maturities”

Credit Market Update: Still Not Out of the Woods

- 2009 dominated by covenant relief & self help refinancings such as amend/extend amendments
- Leverage multiples have decreased from 2007 peak levels, but improvements in secondary levels have re-opened the institutional new-issue market



- Massive debt issuance in the last several years has created significant scheduled maturities
- Lack of liquidity in the loan market will continue to adversely impact financing availability & terms



Source: Wells Fargo Securities, LLC / S&P / LCD

Related Happenings around UC Berkeley:

- Dean Lyons has unveiled the new strategic plan for the Haas School of Business
- Haas ranked #1 full-time MBA program by the Economist magazine
- Prof. Chesbrough, PhD '97, Honored with Haas Leading Through Innovation Award
- Haas to honor Richard Blum, BS '58 and MBA '59, with the 2009 lifetime achievement award at the annual Haas gala on Friday, Nov. 6th at the Palace Hotel in San Francisco
- Haas professor, Oliver Williamson, wins Nobel Prize in Economic Sciences for his work on organizational structures

Haas Undergrads Get a Practical Glimpse of Private Equity

by Rachel Senko, Associate, Weston Presidio

A common connection shared among Haas undergrads, MBAs and alums is the name Stephen Etter. From the moment students enter the undergraduate business program, it becomes clear that Etter's course is a must take prior to graduation. Steve's class is titled "Corporate Finance," a bland name for what should be called "Turning Theory into Practice: How to Look at Investments and Think on Your Feet (don't show up late)." Steve's class is one of the most mentally stimulating, academically challenging, practically useful and hardest to get into. It is also Cal's primary training ground for aspiring young private equity professionals.

Corporate Finance forces students to see the meaning behind the numbers and formulas, to build a story and strategy out of a 10K, to escape the confines of answers that are either right or wrong, and to value and practice common sense. Most importantly, Steve's class forces students to make clearer career decisions. Steve takes students from the well known ABCs (accounting, banking and consulting) to the next step: what's possible when you combine solid business fundamentals with an entrepreneurial spirit. Now with exposure to private equity, these soon to be accountants, bankers and consultants have a few more years of their "5 year plan" sketched out.

By day, Steve is a partner and co-founder of Greyrock Capital, a mezzanine and equity investor in the middle market. The remainder of his time that is not spent with family seems to be reserved for Cal. He is a guest lecturer for both the undergraduate and the MBA program, a case competition coach, an active mentor for students and alums, and a trustee on the UC Berkeley Foundation. Steve has been an early and avid supporter of the BPEN, and his commitment to giving back to Cal embodies the BPEN mission of developing a Cal community within private equity. Chances are many of us not only share an alma mater, but also the unique impact that Etter has made on our Cal experience.



Perspectives: John Coelho, VP at StepStone Group

StepStone is a leading global private equity advisor for institutional investors with offices in La Jolla and New York.

If LPs are looking to increase their allocation within their private equity portfolio, what types of funds or strategies seem to be most favored (industry vs generalist; target size; etc)?

JC: At StepStone we are active throughout the private equity asset class, from early stage venture capital to mega buyouts. In our view, the most attractive strategies in this fund cycle include equity and debt restructuring funds and certain sector-focused buyout funds where the GP has significant operational expertise, especially in the middle (below \$5 billion in fund size) and small end (below \$1 billion) of the market. We tend to favor industry specialists over generalist strategies, and are particularly bullish on healthcare, education, financial services and energy. Lastly, in addition to the core private equity markets of the US and Western Europe, emerging markets funds have over time become a major focus for LPs, especially opportunities in China, but also Brazil, Eastern Europe and other areas.

Are you seeing terms between LPs and GPs change? Should the industry expect changes in fee arrangements, oversight, interest in co-investment, etc?

JC: Given the difficulty many funds have had in raising capital in recent months, the pendulum has certainly swung back in LPs' favor for now. A number of prominent GPs have sweetened fund terms, reducing fees and carried interest and offering other LP-friendly terms, in order to attract more institutional interest. This is certainly a favorable, albeit temporary, development for LPs. In terms of pre-investment due diligence and post-investment monitoring and oversight, these areas are more of a priority than ever for LPs, especially given most institutions' more limited appetite for new fund relationships, and the recent lessons learned from the Madoff situation and other financial scandals.

(cont'd on page 4)

"A number of prominent GPs have sweetened fund terms, reducing fees and carried interest..."

Perspectives (cont'd)

What will fundraising for the industry look like in the near term?

JC: According to research firm Preqin's data, \$246 billion was raised in 2009, a 61% decrease from 2008. We expect private equity fundraising to increase relative to 2009, but to remain well below the historic levels of 2007 and 2008, when over \$600 billion was raised for new funds annually. There are hundreds of billions of dollars in unfunded commitments to private equity funds yet to be called, which will continue to constrain LP interest and GP's fundraising needs. LPs are generally being more selective about new fund commitments and many are reducing GP relationships. The length of time most GPs require to raise new funds has lengthened considerably as well.

How would a new fund manager looking to raise their debut fund get StepStone to recommend them?

JC: As you can imagine, we have a preference for GPs with stable investment teams and many years of investment experience. That said, we do selectively consider emerging managers and have committed to a number of such funds. Younger firms often seek to execute more innovative investment strategies, have more limited legacy portfolios to manage and have economic incentives which are more closely aligned with LPs. To the extent we have backed emerging funds, the GPs have nearly always been highly experienced investors, often spinning out of their prior investment platforms. In order for emerging managers to generate institutional interest, they need to demonstrate the cohesiveness of their team, but also articulate and demonstrate the uniqueness of their investment strategy and why it is well suited to current market environment.

BERKELEY PRIVATE EQUITY NETWORK

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BPEN Mission: "Developing a Cal Community within Private Equity"

The Berkeley Private Equity Network strives to foster the network of Berkeley alumni working in Private Equity and to mentor current students interested in pursuing a career in the industry. To achieve these aims, we

- organize mixers of PE alumni in SF and other cities
- provide a directory (for alumni only) of Cal alumni PE professionals facilitating networking efforts among the alumni
- mentor current students interested in PE by assisting in the development of a personalized search plan, reviewing resumes, and establishing contact with the most appropriate alumni
- develop targeted curriculum at UC Berkeley (e.g. speaker series) to foster the continued education of students pursuing PE careers