
General Partners: Buyout

Huntsman Gay's Charitable Pledge Convinces LPs It Means Business

By Rimin Dutt

When Jon Huntsman, founder and chairman of chemicals company Huntsman Corp., called ex-Bain Capital LLC executive Robert Gay in 2007 about starting up a new buyout firm, he had three conditions.

The first had to do with the firm's name; the second related to how big a contribution the general partners would make to the fund. But it was the third condition that caught Gay's attention.

"He called me at 10:30 at night and said 'I have three conditions,' said Gay, who had only just returned from a church mission to Africa. "The last requirement was 'you and I, we take everything we earn and we give it away...we don't need to make any more money, we need to help the causes.' I said, 'That's the first thing you have said tonight that makes sense.'"

The two agreed they would donate their entire share of the firm's 20% carried interest to charities including the Huntsman Cancer Institute and Unitus, a microfinance outfit co-founded by Gay. Other executives, including former National Football League player Steven Young, are donating varying shares of their carried interest to charities of their own as well.

Gay wasn't the only one whose attention was caught by Huntsman's carried interest proposal – limited partners liked it too. **Huntsman Gay Global Capital LLC** raised \$1.1 billion for its debut fund in 13 months, ahead of its \$1 billion target, without using a placement agent. Its capital came from a tight group of about a dozen institutions, including big Middle Eastern and European investors, as well as U.S. pension funds. The firm avoided institutions like college endowments that have been hard hit by the downturn.

"I think it is a pretty strong statement that their foundation is charitable," said Joncarlo Mark, senior portfolio manager of alternative investments at **California Public Employees' Retirement System**, which came in early as the anchor investor with a \$180 million commitment. "If they don't generate capital for their charities, it reflects on their commitment to these charities."

The firm also took a number of other steps to convince LPs of its ability to do strong deals. For one, it emphasized its principals' track record of working together, which makes it different than many firms just starting out. A number of professionals in addition to Gay hail from Bain, while others, like Young, worked together at **Sorenson Capital**, which has ties to Bain, too.

Additionally, the firm's professionals came in with a big GP commitment of \$120 million, representing more than 10% of the fund's ultimate size. "They demonstrated that they are willing to put big bucks in to show they are fully committed," Mark said.

Calpers also liked Huntsman Gay's encouragement of an open dialogue. "It is not always easy to pick up the phone and get an update on what is going on," said Mark. "They have been willing to talk to us about anything."

And finally, the firm is solidly focused on helping mid-market companies grow through operational improvements, rather than on leveraging its financial expertise. That operational focus is something LPs believe will be increasingly important in a post-Lehman Brothers Holdings Inc. world.

"Fundamentally, we have grown in this industry as business people, not Wall Street people," said Gay. "You want to invest in a business that you can get your hands around and work with the right strategy toward success and not worry about multiple arbitrage." ■

Huntsman Gay Global Capital LLC

The Firm

Huntsman Gay Global Capital LLC was launched by Jon Huntsman and Robert Gay in 2007. It is targeting mid-market transactions involving \$25 million to \$125 million in equity and is largely sector-agnostic.

The Fund

Huntsman Gay Capital Partners Fund I LP closed in July on \$1.1 billion, ahead of target. Its limited partners include institutional investors from the Middle East and Europe, as well as U.S. investors like California Public Employees' Retirement System and California State Teachers' Retirement System. It charges a standard 20% carried interest and 2% management fees.

Deals To Date

Since founding, the firm has done three deals: taking a majority stake in home fashions company Hollander Home Fashions Corp.; conducting a secondary buyout of industrial-services company Turner Bros. Holdings LLC; and taking a majority stake in offshore oilfield maintenance services company Grand Isle Shipyard Inc.