



From top to bottom Fraser Bullock, Richard Lawson, Tim Layton and Ron Mika. Not Pictured Steve Young.



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Sorenson Capital Enters the Market in a Big Way

By Colin Kelly Jr.

Although Sorenson Capital is relatively new, it didn't take Managing Director Fraser Bullock and the rest of the all-star Sorenson Capital team long to effectively turn it into the largest private equity fund in Utah.

The firm (officially launched in February 2003) raised \$250 million within its first 14 months of existence. The initial \$75 million in the fund came from the James LeVoy Sorenson family with the remaining \$175 million raised through other private equity sources in May 2004.

Sorenson Capital will primarily work in the leveraged buyout (LBO) space. LBO deals often are leveraged at a three-to-one ratio yielding an effective \$1 billion of deployable capital available to the firm.

While Sorenson Capital's work will benefit the fund's investors, it also has an altruistic purpose — Sorenson Capital hopes the fund will allow more local companies to remain in Utah instead of being sold and moving out of state.

Forming the Fund

Sorenson Capital's five founders and managing directors are Fraser Bullock, Ron Mika, Tim Layton, Richard Lawson and

Steve Young. It's a well-rounded team with experience across many areas of finance and business management. The five managing directors were united with James Lee Sorenson via a common link, Bain Capital Managing Director Bob Gay.

Bullock was a key player in the Salt Lake City 2002 Olympics as CFO, COO and eventually CEO of the Salt Lake Organizing Committee. Bullock has worked at Bain Capital in Menlo Park, Calif. and in 1996 founded Alpine Consolidated in Utah.

Mika was at Bain Capital from 1989 until joining Sorenson Capital. He brings a chemical engineering background to the team.

Layton offers his M&A and executive background to the project with his experience running InStar Services, MC2 and Medeco Security Locks. Layton also worked with Bullock at Alpine Consolidated

Lawson started out at the Investment Banking Division of Morgan Stanley Dean Witter. He moved on to work at Warburg Dillon Read and then spent some time working with Young, first as CEO of the Utah-based software company, Found, then helping to start San Francisco-based IRR Partners before coming to Sorenson Capital.

Young was a star quarterback both for Brigham Young University and the San Francisco 49ers. He'll likely go down in history as one of the most famous NFL quarterbacks of all time. While playing in San Francisco, he earned a J.D. degree from BYU and also became interested in angel and private equity investing. He was involved with Lawson at Found and helped Lawson form the private investment firm, IRR Partners.

Bullock is optimistic about Sorenson Capital's future and the capabilities of its staff. "We believe this is a market that is very attractive with highly talented people," he says. "There is a strong entrepreneurial spirit here to tap into. We believe Utah is an underserved market in the LBO space."

The Typical Sorenson Capital Deal

Though mainly working in the LBO space, Sorenson Capital will occasionally fund growth equity deals. In fact,

its first term sheet was as growth equity placement in Salt Lake-based Starbridge Systems.

The firm aims to work with a wide variety of companies across many different industries. So what kind of company is the "ideal" deal for Sorenson Capital?

"For us it starts with a great management team," says Bullock. "We like to invest in people. If there is a strong management team, that is our first attraction. The second component is size — we typically look at companies with \$20 million to \$300 million in revenues. We like to see companies with EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) of at least \$5 million to over \$20 million."

"We are somewhat industry agnostic, we'll look at any industry including manufacturing, service and technology companies. We like companies that are in our region, we like to be close to our companies. Not to manage them, but to clearly add value as a partner."

Sorenson Capital is also open to different scenarios when it comes to structuring its LBO deals including partial and full buyouts for company owners wishing to stay involved with the company or those wishing to get out entirely.

"We like forming partnerships with company owners," Bullock continues, "Some owners may decide to sell 100 percent of their business and that's fine. But we also like the situation where the owner only wants to sell half of the business and still stay in the game while getting some liquidity."

"The first thing we want to understand from an owner is, 'What do you want to accomplish?' We sit down and say, 'How can we structure a deal that allows you to accomplish all your objectives?' Sometimes that means they sell 50 percent of the company or all of it."

Keeping Companies Close to Home

One of the problems that has plagued the local business community is the recent trend of businesses being acquired and moved out of state. There are many reasons for this, including a lack of mid-stage venture capital; investors looking for an exit; a small number of local buyers;

and not many major LBO players in the region. Bullock sees this problem as a great opportunity for Sorenson Capital to step in, buy local companies and then keep them close to home.

"We now have the opportunity to buy companies that would otherwise go to California or somewhere else. Now we can buy them and keep them here. This will provide opportunities for the kids and the community, as well as see overall growth in Utah's economy."

"Owners can get some liquidity without having to move their companies. Before now, the best option for some of these companies was to go to a strategic buyer who may move them to say, Florida. We say no, you can keep the company here and continue to grow it. If we need to put more capital into the business, we can do that. It gives owners another alternative to look at — one that we think is highly attractive given that we are local."

"I think what we are trying to do in particular is bring a higher level of confidence to this industry. We know that most funds focus exclusively on the monetary return, but we care about more than that. Obviously we have to provide returns for our investors, but we care about the companies we buy, we care about the owners — we care about Utah. So we are trying to differentiate ourselves from that perspective and do something somewhat unique within our industry and derive a reputation that when people come to us, they know they can trust us, have confidence in us and that we can form a partnership going forward that benefits everybody. That is a unique approach that we think will do well in this region."

"The idea to build a fund like Sorenson Capital in this State came from the observation that there are great business opportunities here and the community has been underserved," said James Lee Sorenson. "I've seen several great Utah companies over the years receive funding from out of State, only to be subsequently relocated. With this fund, we have a chance to not only keep innovative companies, talented individuals and future jobs within the state of Utah, but to also bring such opportunities here." ■