

Quadrangle's Debut Fund Exceeds \$1B Target

By Simon Sheppard

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New York-based private equity startup Quadrangle Group announced today it closed its debut media and communications fund, Quadrangle Capital Partners, L.P., on \$1.08 billion, slightly exceeding its original \$1 billion target in the teeth of a well-publicized slump in the telecommunications sector and a steep drop-off in advertising spending that has battered publishers, broadcasters and Internet companies.

"There is no way that another first-time fund in this fund-raising environment is going to raise \$1 billion. That's not going to happen," John McLaren, managing director of Boston-based Monument Group, which served as the placement agency for the fund, said. "What accounts for it is these guys are extremely well connected, and have a phenomenal depth of understanding of the media and communications markets. They know everybody and everybody knows them. It was a pleasant experience to work with such professionals."

"We continue to believe that the media and communications industry not only offers some of the best investment prospects today, but also will grow faster than the economy as a whole over the next five to 10 years," Quadrangle said in a statement.

Monument Group was able to allay investor concerns over the declining positions of many media and communications companies by quoting the perspective of Quadrangle's founders: "They would tell you that that spells opportunity," McLaren said, "And they're happy to see the pricing correct."

Quadrangle plans to make investments in approximately 20 companies in the U.S. and Europe over the life of the fund. Quadrangle seeks to invest \$20 million to \$150 million in each late-stage funding and leveraged buyout deal, and with co-investments from its limited partners can invest considerably more.

Peter Ezersky, Steven Rattner, Joshua Steiner, and David Tanner, all former managing directors with Lazard Freres & Co, formed Quadrangle in March 2000. Despite the fact the four founders have virtually no private equity experience, they had little difficulty attracting limited partners – the firm raised \$445 million just twelve weeks after setting up shop, and before even launching the formal fundraising process.

High-net-worth individuals contributed \$300 million to the fund. The high profile names that have committed to Quadrangle include chairman of USA Networks Barry Diller, president of Comcast Brian Roberts, co-founder of Netscape Marc Andreessen, *New York Daily News* publisher Mort Zuckerman, *New York Times* chairman Arthur Sulzberger Jr., CBS News president Andrew Heyward, Teligent chief executive officer Alex Mandl, and entertainment industry moguls Harvey Weinstein and Michael Ovitz.

"The minute [Ratner] told me he was going to set up an investment fund, I asked for documents and sent him a check," Ovitz told *Talk Magazine* in April. "I have no idea what they're doing, and I don't care." McLaren said he had never encountered that attitude from potential limited partners in his career.

The balance of the fund was contributed by college endowments, funds-of-funds, and state pension plans.

To date, Quadrangle has invested \$110 million in three companies: Access Spectrum, which leases airwave capacity to wireless providers; Pathfire Inc., a Georgia-based designer of software for movie and other digital media distribution formerly called Video Networks, and Publishing Group of America Inc., publisher of a weekly magazine insert for community newspapers.

The firm also formed Access Spectrum, a band manager that leases its 700 MHz capacity, in conjunction with the Industrial Telecommunications Association and Motorola.

Quadrangle also is advising Comcast Corp. on its recently rejected \$40 billion bid for AT&T Corp.'s cable television assets. Rattner has a long-standing relationship with the Roberts family, which runs Comcast.

The board of advisors of Quadrangle includes Craig McCaw, who owns Nextel; Amos Hostetter, founder and former chairman and chief executive officer of Continental Cablevision; Brian Roberts, the president of Comcast; and Barry Diller, the chairman and chief executive officer of USA Networks.