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NEWS BRIEFS

Walpow, Rehnert Leave Bain to form Own Shop

Geoffrey S. Rehnert and Marc B. Wolpow have stepped down as managing directors of **Bain Capital Inc.**, the Boston buyout firm, to launch **Audax Group**, Boston, and to raise a \$500 million middle-market buyout fund.

Their departure comes as Bain strives to maintain its golden reputation for deal-making—a reputation that helped it win a 30 percent profit-share on a majority of **Bain Capital Fund VI, L.P.**, a \$1.5 billion fund raised last year.

Mr. Rehnert described the parting as amicable—Bain partners may invest in the first Audax fund—but he acknowledged that differences of opinion emerged last year over how Bain Capital should handle its migration toward larger deals.

Mr. Rehnert, unlike other managing directors in the firm, felt that Bain Capital should have a dedicated mid-market buyout group with expertise in the management challenges and financing sources of smaller deals.

Mr. Wolpow, meanwhile, painted the departure in terms of two successful investment professionals leaving a large organization that uses a “consensus process for deals in order to “captain their own ship.”

“As lucrative as the Bain partnership is, the substantial wealth creation generally falls into the people, who [launch] companies and who act as risk taking entrepreneurs,” said Mr. Wolpow, who, like Mr. Rehnert, is 41.

Both executives plan to remain special limited partners of Bain Capital, and maintain significant

personal stakes in its funds. They said that Audax would share deal flow and sponsor deals jointly with their former firm.

Audax plans to set out later this month, without benefit of a placement agent, to raise its buyout fund. Mr. Wolpow said the fund would exhibit “some innovations,” but declined to talk in detail about fund would be structured.

Discretionary advisor **Grove Street Advisors LLC**, Lexington, Mass., described Audax in its June report to the board of the **California Public Employees’ Retirement System**, suggesting the pension fund may consider a future commitment to the fund.

Mr. Wolpow said that Audax eventually might raise funds geared toward high-yield debt and mezzanine financing, which were his specialties at Bain Capital.

Mr. Rehnert was one of four partners on hand for the start of Bain Capital in 1984. The others are CEO W. Mitt Romney and Managing Directors Joshua Bekenstein and Robert F. White.

Mr. Rehnert’s role at Bain has centered largely on sourcing deals and guiding portfolio companies. Mr. Wolpow joined Bain in 1990 after working for now-defunct Drexel Burnham Lambert Inc., the high-yield bond pioneer.

Last year, Mr. Wolpow helped lead Bain’s entry into high-yield investment management, a business that has grown to five funds with \$2 billion under management.

Bain Capital’s recipe for high returns has included a close affiliation with **Bain & Co.**, the Boston consulting firm, which Bain Capital often calls in to work on portfolio companies. Bain Capital also has an unusually large staff of 16 managing directors (not including Mr. Rehnert and Mr. Wolpow), and some 80 investment professionals

NEWS BRIEFS

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altogether.

Nevertheless, sources close to Bain said that they weren't surprised by the departure of Mr. Rehnert and Mr. Wolpow.

"There's a lot of people at Bain," observed one limited partner. "They're all very smart. They have pretty healthy egos. I've always sensed that as a place where there's a natural dynamic tension."

The same limited partner believes that Mr. Romney was the "With a strong person at the top, that tension was not necessarily a problem," the limited partner said.

Earlier this year, Mr. Romney took a leave of absence from Bain to head the organizing committee of the 2002 Winter Olympics.

Last year, Bain invested approximately \$350 million in about eight or nine new transactions, collectively valued at more than \$1.9 billion, according to data provided by the firm and **Securities Data Corp.**, New York.

The firm has invested in three new transactions so far in 1999, including the acquisition of Integrated Circuit Systems.

Sources close to Bain give mixed reviews on the performance of Fund VI, but executives at Bain say that they all appear to be on track.

A review of the most recent 10Q filings of three companies that Bain invested in last year—Alliance Laundry Holdings, Anthony Crane Rental Holdings, L.P., and Dominos Inc. —finds mainly flat revenue growth, amid sharply lower net income due to newly placed leverage. However, buyout investments often last five years or more, and it is far too early to assess these investments.