DOW JONES REPRINTS

WHERE IT ALL BEGAN

Key private equity firms and the dates they were formed.

1966 -- Warburg Pincus
1974 -- Thomas H. Lee Partners
1976 -- Kohlberg, Kravis, Roberts & Co.
1976 -- Tracinda Corp.
1984 -- Bain Capital
1985 -- Blackstone Group
1987 -- Carlyle Group
1990 -- Apollo Advisors
1993 -- Texas Pacific Group; Madison Dearborn Partners
1999 -- Silver Lake Partners

Read more about major private-equity firms.¹

The Rise of Private Equity
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Some of America's top private-equity firms have been around for decades, but in the past five or 10 years the business has grown substantially, with ever larger investment funds and deals. Review key milestones in the industry's growth since the mid-1990s.

December 1995 -- Buyout funds had by year's end attracted $18.3 billion, 28% more than in 2004 and a record as of that date, according to Private Equity Analyst,
an industry newsletter that tracks the figures. Venture-capital funds raised $4.7 billion, steady from a year earlier.

**February 1996** -- Thomas H. Lee Co. and Bain Capital Inc. agree to pay $1.01 billion for 84% of Experian, the credit-data subsidiary of TRW, in a still-unusual cooperative project. Nine months later, just seven weeks after the deal closes, the companies sell the stake to Great Universal Stores of England for $1.7 billion.

**June 1996** -- Forstmann Little makes minority investment in telephone equipment manufacturer, Cidco, and fellow buyout firm Clayton, Dubilier & Rice Inc. makes its first minority investment, in Kinko's, indicating flush leveraged-buyout firms are looking for newer ways to put the money to work.

**December 1996** -- Kohlberg, Kravis, Roberts & Co. closes a $5.7 billion investment fund, the largest of its kind, despite complaints from investors about transaction fees and unfair division of profits. The firm chalks up its most lucrative year thus far, with $1.1 billion gross cash proceeds from deals.

**January 1997** -- Data indicate financiers had set a new record for leveraged buyout and venture-capital fundraising: $35.3 billion. In addition, 1996 was a record year for venture capitalists taking companies public; 260 such offerings were made in the year, raising $11.8 billion, up 44% from a year earlier, according to VentureOne Corp., a San Francisco research firm.

**October 1997** -- Blackstone Group creates $4 billion buyout fund, its first new fund since a $1.3 billion one in 1993, in a sign that some institutional investors, apprehensive about the soaring U.S. stock market, are increasingly turning to other investment arenas.

**November 1998** -- KKR announces plans for an office in London, its first overseas outpost, and lifts its internal cap on foreign investment to 33% from 20% -- as part of an effort to sniff out more deals in Europe. Around the same time, Clayton Dubilier, Hicks Muse and Texas Pacific also increase commitments in Europe, opening offices there and parceling off parts of current funds for European investments.

**July 1999** -- Charter Communications pays $2.1 billion in cash and stock, plus assumption of $1 billion in debt, for Bresnan Communications, in which a Blackstone fund held a 40% stake. In just five months, Blackstone made a profit of about $600 million on a $140 million outlay.

**September 1999** -- Ripplewood Holdings agrees to buy Long-Term Credit Bank Ltd. -- later renamed Shinsei -- from the Japanese government. Separately, Newbridge Capital agrees to buy a controlling stake in nationalized Korea First Bank. The deals bring private equity to the distressed Asian arena in the wake of
the region's financial crisis.

**December 1999** -- Warburg Pincus invests $293 million in Bharti Tele-Ventures in India, in one of that firm's most successful investments. Other firms don't start discovering India as an investment outlet until 2005.

**March 2000** -- Investment banker Wilbur Ross quits his job at Rothschild to form his own investment firm focusing on distressed assets. Over the next three years, he cobbles together International Steel Group, combining LTV Corp., Bethlehem Steel and Acme Metals. In a $345 million December 2003 IPO, the company offered an 18% stake; the stock rose 26% on the first day of trading. In 2004, after adding Weirton Steel, Ross sold the company to Mittal Steel for $4.5 billion.

**October 2001** -- Former GE CEO Jack Welch takes on "special partner" position at Clayton, Dubilier & Rice, focusing on major issues, such as the firm's strategic future and its expansion into Europe.

**July 2002** -- Final approval of Sarbanes-Oxley legislation tightens oversight of public companies; the law is seen as making it more costly for small companies to remain publicly traded, encouraging privatization and buyouts.

**April 2002** -- Warburg Pincus raises first fund, $5.3 billion, under two young new co-presidents, successfully moving leadership at the long-established firm to the next generation.

**October 2002** -- The investment arm for Texas's $13.3 billion university endowment discloses individual financial returns for nearly 150 private equity funds in which it has invested, jolting the traditionally closed-door venture-capital industry. In later years, this disclosure and others like it make some venture funds reluctant to accept investments by public institutions.

**November 2003** -- Thomas H. Lee buys mattress-maker Simmons for $1.1 billion, becoming the fifth private-equity firm in succession to buy the company and highlighting a trend of deals between private-equity firms.

**June 2004** -- Blackstone buys industrial-chemicals maker Celanese Corp. for $3.4 billion, contributing $650 million of the purchase price. In the nine months after the closing, including after its January 2005 IPO, Celanese pays Blackstone $1.3 billion in dividends.

**July 2004** -- A consortium of hedge funds mounts a bid for Texas Genco, in a sign of growing convergence, but is defeated by a group led by Texas Pacific.

**October 2004** -- Irish pharmaceutical maker Warner Chilcott agrees to be purchased by Waren Acquisition Ltd. -- funds managed by divisions of Credit Suisse First Boston and J.P. Morgan Chase -- after a hotly contested auction over
Texas Pacific, KKR and Blackstone.

December 2004 -- CSFB says it will split off its main private-equity fund business.

March 2004 -- J.P. Morgan Chase says it will spin off its private-equity arm; CSFB cancels its plan to do the same.

January 2005 -- A group of buyout firms including Apax Partners and Permira Advisors acquire Intelsat; less than a week later the satellite company announces a $300 million debt offer on top of a $2.55 billion offering already held to help fund the $3 billion transaction. The later offer effectively gives the new owners a dividend that cuts to $200 million from $500 million the cash they put up for the purchase.

March 2005 -- Ripplewood lists a newly created fund on a Belgian stock exchange. SunGard agrees to sell itself to private-equity firms led by Silver Lake Partners for $10.8 billion plus assumption of debt; at the time, the deal was the second-largest private equity transaction ever. A day later, Carlyle Group unveils a $10 billion fund, the largest ever raised, inaugurating the era of super-large deals and funds.

April 2005 -- Goldman Sachs announces an $8.5 billion fund.

May 2005 -- Warburg Pincus and Texas Pacific set a deal to acquire luxury icon Neiman Marcus for about $5.1 billion, the latest in a line of big-ticket buyouts in the retail sector. The deal also is notable because of the way it was financed: Warburg and Texas Pacific went to the bank market for $1.975 billion to help finance the purchase in a "covenant-lite deal," or one that is free of customary lender restrictions intended to protect bondholders.

September 2005 -- Scott Stuart and Edward Gilhuly, the presumed successors to the head of KKR, leave the firm to start their own private investment fund.

November 2005 -- Apax Partners, Blackstone, KKR, Permira and Providence Equity Partners engineer Europe's largest-ever leveraged buyout, the $15 billion purchase of 88% of Denmark-based telecoms company TDC.

December 2005 -- Thomas H. Lee founder quits his namesake firm, plans to launch rival.

April 2006 -- General Motors agrees to sell a majority stake in finance unit GMAC to a consortium led by Cerberus Capital management for $14 billion.

May 2006 -- KKR sells shares in an investment fund in Amsterdam, raising $5 billion. Separately, a group of investors including Goldman Sachs's private-equity unit and Carlyle Group announce a $13.55 billion acquisition of Houston oil-pipeline operator Kinder Morgan, in the second-largest private-equity transaction
ever, behind KKR's 1988 buyout of Nabisco.

**July 2006** -- Permira raises a buyout fund of $14 billion, the largest ever in Europe. Blackstone says its latest global buyout fund has closed with total commitments of $15.6 billion -- making it the world's largest, and highlighting an unprecedented boom in investor demand for private-equity funds. Texas Pacific and KKR are looking to raise about $15 billion each for their latest funds, as well.