

Private Equity Week: Thursday, November 17, 2003

Farb launches buyout fund, New America Fund

By Dan Primack

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Got a private company hampered by the high cost of manufacturing in the United States? If so, Thomas Farb may be interested in making an investment.

Farb is a general partner with The New America Fund (NAF), which plans to lead buyouts of mid-market companies that might benefit from moving their manufacturing efforts to China. He helped launch the nascent firm last month, after quietly resigning his general partner and chief financial officer positions with Summit Partners.

"There are a lot of benefits to moving manufacturing to China," Farb says. "Including the low cost of labor, there's a large rural economy, a very disciplined workforce and a business environment in which China is building strong infrastructure. There are obviously a lot of challenges when relocating manufacturing to China, but I feel that they can be overcome."

Initial NAF investments are expected to involve private, low-tech companies, although Farb hopes to eventually expand the firm's industrial breadth. Average investment sizes will be between \$3 million to \$5 million, which would be designed to give NAF a controlling interest.

The question is whether institutional investors would be willing to participate in a fund that could be confused for a political hot potato. Farb acknowledges widespread concern about moving domestic manufacturing jobs overseas, but says that NAF is dedicated to a doctrine of social responsibility.

"We have formalized a set of approaches that will include the dedication of resources like job retraining for workers who lost their jobs," he explains. "We also will have certain standards in place for the Chinese workers. All of these costs would be factored into our expected IRR for a deal."

NAF has received one cornerstone commitment from an institutional investor, which should help the firm close its first investment before year-end. An additional limited partner also may be close to coming aboard prior to NAF's formal fund-raising drive, which is scheduled to begin next spring.

"I think a lot of institutions are interested in exposure to China, and we are providing

it in a conservative way," Farb says.

He declined to provide a target capitalization, except to say that it should be in line with other mid-market buyout firms. He also refrained from naming his partner, who is still officially employed by another private equity firm.

NAF will feature a team of professionals in China, plus two domestic offices. The first will be in the Boston suburbs (probably Waltham), while the other could be located somewhere in the Midwest.--D.P.

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