



ACQUIRING MINDS

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40 UNDER 40

(From left) Ken Hao,
Mike Bingle, Greg
Mondre, Egon Durban

Inside the Deal Shop

SILVER LAKE'S NEW FOUR AMIGOS

A QUARTET OF INVESTING LEGENDS FOUNDED SILVER LAKE EIGHT YEARS AGO. NOW A NEW FOURSOME, NONE YET 40, LOOKS TO CONTINUE THE FIRM'S TECH DOMINANCE

BY ERICA COPULSKY

We should have been out celebrating. That thought was on the minds of Greg Mondre and Egon Durban, two young partners with Silver Lake, as they holed up in an empty conference room in the firm's office on 57th Street in Manhattan two years ago this past March, the sunset view over Central Park doing little to quell their uneasy feeling that a blockbuster transaction had suddenly fallen apart.

It had seemed like a done deal: the buyout — by a seven-firm private-equity consortium led by Silver Lake — of software technology vendor SunGard Data Systems for \$11.3 billion, which would have been, at the time, the second-biggest LBO ever (behind only Kohlberg Kravis Roberts's legendary RJR Nabisco buyout). After four months of grueling back-and-forth negotiations, the deal was all but wrapped up, an announcement set for later that week. But when news broke the previous morning about the impending buyout, SunGard's stock soared, and now five members of the consortium were balking at the

price. Mondre, 31 at the time, and Durban, 32, who had quarterbacked the deal since its inception, had just received word from SunGard's board: Accept the price within 48 hours or the deal is off the table.

Left with just KKR's muscle to help make the deal happen, the Silver Lake team began "dialing for dollars," as one insider puts it. From late that evening into the next morning, they worked the phones. Mondre called the banks asking for more money, while Durban tried to round up additional private-equity firms to fill the vacant seats. They brought all hands on deck, an indication of the SunGard deal's importance to Silver Lake: Mondre and Durban drew on the expertise and contacts of fellow partners Mike Bingle and Ken Hao, who were involved in early due-diligence meetings and familiar with the intricacies of the deal. Even the buyout firm's cofounder Glenn Hutchins made a few calls on the fly.

By the time the deadline arrived, Silver Lake had brought back all but two original members of the team — the Carlyle Group and Thomas H. Lee Partners — and replaced them with deep-pocketed Goldman Sachs Capital Partners and Providence Equity Partners. "It was a great moment in Silver Lake's history," says one executive who worked on the transaction. "These guys stuck to their price rather than adhere to the pressure, and within two days were

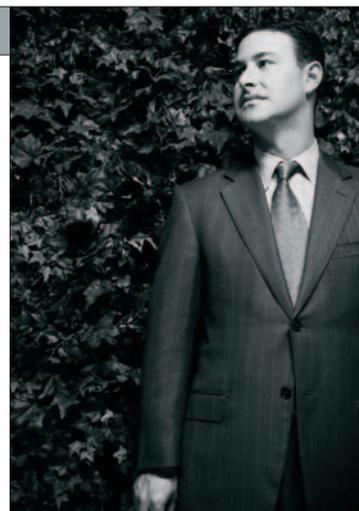
able to line up new partners to salvage the deal."

Silver Lake's success in pulling off a feat worthy of Houdini is a testament to the firm's credibility as the leader in the technology-buyout space. It also underscores the newfound clout and capabilities of the quartet of young executives — Mondre, 33; Bingle, 35; Durban, 34; and Hao, 39 — all of whom have been at Silver Lake from, or near, the very beginning. (Mondre recalls picking out office furniture with Hutchins and setting up phone lines; Durban was at cofounder David Roux's house shooting baskets with his kids while creating the company's slide presentations.) The four have grown up with the firm, and in turn they rate among the most-touted players on *Dealmaker's* 40 Under 40 list.

"By virtue of Silver Lake's structure and the unique culture of the firm, our experience is a lot greater than our age would suggest," Mondre says.

Outsiders agree. "I would compare the Silver Lake folks with the best of the best dealmakers, from originating transactions to bringing them to fruition," says Boon Sim, Credit Suisse Group's merger chief for the Americas, who has sat across the table from them on deals including SunGard. "The difference between them and their contemporaries is they're strategic in their thinking, very patient and mature beyond their age."

Increasingly, the foursome is taking the reins for the firm's



most important deals — helping line up investors, creating complex financial structures and leading the deal negotiations on behalf of the company — and taking on day-to-day operating responsibilities within the organization, as Silver Lake's founders look to manage a larger and increasingly global business. Last month, the firm's top brass assigned geographical oversight of various businesses to the young partners: Mondre and Bingle will oversee North America; Durban, London; and Hao will soon relocate to Hong Kong to take charge of Asia. "We pride ourselves on being a strict meritocracy," Roux says. "If you're good at what you do, you're going to get a chance to do more, and if you contribute to the success of the firm, you're going to get more responsibility."

While these stars have skyrocketed through the private-equity ranks to become among the most accomplished and talented in their industry, their ascent dates to the firm's origins, when it first hit the buyout scene eight years ago. Founded by Hutchins, an LBO maestro from Blackstone Group; Roux, a one-time senior executive at Oracle and Lotus; former investment banker James Davidson, of



tech boutique Hambrecht & Quist; and Roger McNamee, a top Silicon Valley investor (who has since left the firm), the first-generation “four amigos” cemented their partnership just before Christmas 1998 on a ski trip to Deer Valley, Utah, while on a run above Silver Lake Village. By May 1999, they had raised \$2.3 billion from an all-star lineup of tech heavyweights such as Larry Ellison, Michael Dell and Bill Gates, as well as corporate pension funds and university endowments. They built their firm on a new approach to technology investing: LBOs of underappreciated — yet mature — tech companies.

Silver Lake is known for its innovative focus on technology, at the time an underserved market for private equity. “The original plan was to hire a group of people who thought of their next job as their last job,” Roux says. “The criteria were to have smarts, a great attitude — because personal chemistry is really important — and passion for technology. The shorthand for what we were looking for was *BIA* — best young athletes.” As part of their approach, the founding partners made a conscious decision to have no middle layer between them and the junior employees, choosing instead to occupy that function themselves until their staffers matured.



They began cherry-picking young talent to join their junior ranks. Durban, one of Silver Lake’s founding principals, came from Morgan Stanley’s West Coast tech team, where he had trained under Frank Quattrone and later catered to private-equity clients. (“He’s sort of like the fifth Beatle — he just moved in and never left,” Roux jokes.) He in turn helped recruit Mondre, who had been one of his buyout clients at Texas Pacific Group. The following year, the firm added Hao, a protégé of Davidson’s at H&Q, and Bingle, a Duke engineering-school graduate who had been executing buyouts at Apollo. Soon enough, this new team of rising buyout stars — who some have taken to calling the New Four Amigos — were drawing on one another’s expertise and collaborating on deals whenever they could.

“What’s good about this,” Durban says, “is that from the outset, each of us had exposure to every aspect of the investment process — from sourcing and investment analysis to deal execution and portfolio-company management. It’s instilled in the firm’s DNA, as opposed to other firms, where there’s a risk of becoming pigeonholed.” Even so, each of the four has developed his own niche based on his particular interests and expertise. Mondre, for example, handles many of the telecom investments, while Hao works on semiconductors and electronics assets, Durban focuses on European plays and Bingle assumes much of the financial-services work. “But we also make sure each person has exposure to other areas,” Hutchins says. “We



cross-train them as well as move them internally.”

Steering clear of the investment-bank model of internal competition and short-term compensation incentive that many private-equity firms have adopted, Silver Lake operates under the premise

that everyone needs to work together to be successful. That ethos is embedded in the firm’s compensation scheme, in which everyone generally is paid based on the fund’s overall performance rather than by who works on which deal. As Hutchins says, “[Client] relationships are part of the firm, not the individual.”

Even Silver Lake’s offices, in New York and Menlo Park, California, are designed to foster teamwork. Contemporary and well-appointed with light wood that lends a clean, informal feel, the spaces feature glass offices with an open core. The open, airy, welcoming environment is intended to promote interaction among colleagues.

SILVER LAKE: THE NEXT GENERATION

MIKE BINGLE, 35, a former principal at Apollo Advisors, has worked on several of Silver Lake’s financial-services deals and was a key figure in its Instinet buyout and subsequent sale. “Silver Lake’s Instinet LBO should go down as one of the greatest of all time, and Mike Bingle made it happen,” says Evercore Partners’ Jane Wheeler. Bingle, an Indianapolis native, serves on the boards of Gartner and IPC Systems.

EGON DURBAN, 34, based in London, is in charge of heading Silver Lake’s European investments. Durban, a Silver Lake founding principal, helped lead the firm’s \$11.3 billion buyout of SunGard Data Systems. He started his career as a technology banker at Morgan Stanley.

GREG MONDRE, 33, is the youngest of Silver Lake’s New Four Amigos. But the partner, who led the \$8.2 billion buyout of networking-equipment maker Avaya and the \$5 billion deal for travel-systems operator Sabre Holdings, has been at the firm since its inception eight years ago. Mondre started his private-equity career at TPG after working as an investment banker at Goldman Sachs. The Wharton graduate currently serves on the boards of IPC Systems, Network General and Sabre Holdings.

KENNETH HAO, 39, is in charge of Silver Lake’s Asian operations. The Harvard graduate joined the firm in 2000 from boutique Hambrecht & Quist, where he was a managing director. Hao, whose first LBO was Seagate Technology, is a director of Avago Technologies and Network General.

<p>That the New Four Amigos have been able to ascend so quickly is due in part to their tech expertise, which helps level the playing field for those who don't have decades of industry experience. "Tech is entrepreneurial by nature, very meritocratic," says Hao, noting that Silver Lake's partners are typically viewed more</p>	<p>"We're the call of first choice by private-equity firms when tech assets come up for sale," Hao adds. The fund's flexibility allows the partners to invest all over the capital structure — from minority investments to full-scale buyouts — and be nimble in any market. Finally, because of their unique on-the-ground train-</p>	<p>conduct better due diligence, work better with our portfolio companies and truly understand the businesses we're investing in," Bingle says.</p> <p>Such relationships win business, as evidenced by Silver Lake's purchase of UGS, a division of Electronic Data Systems. Silver Lake established a rapport with the design-software firm in 2000, when it first tried — unsuccessfully — to bring about a sale. When UGS was put on the block three years later, Silver Lake, which teamed with Warburg Pincus and Bain Capital, submitted an offer that was neck-and-neck (a difference of only \$10 million) with a competing bid from a group led by KKR, TPG and Golden Gate Capital. Reportedly, UGS management broke the tie by begging its parent to sell UGS to the Silver Lake-led team. "It</p>	<p>was important that we worked with individuals who had an in-depth understanding of our business and the products UGS develops," explains UGS chairman and CEO Tony Affuso.</p> <p>These four are "extraordinary both as stewards of our limited partners' capital and as representatives of our firm," Roux says. "They're thoughtful, mature and often more experienced than people who are years older, because they've had more time in the trenches." While the founders have no plans to go anywhere anytime soon, they're clearly grooming the quartet for bigger things. Adds Roux: "When we hired these four, our hope was that they would have the skills to be great investors and the management talent to help lead the firm. And my expectation is that when we're old and gray, they'll run the joint." ▣</p>
<p>"OUR NOTION IS THAT WHEN WE'RE OLD AND GRAY, THESE FOUR WILL RUN THE JOINT."</p>			
<p>as technology investors than buyout pros. This tech savvy gives the firm an enormous competitive advantage in auctions — it was, after all, founded on proprietary deal flow from networking and referrals in the highly specialized technology industry.</p>	<p>ing, the New Four Amigos have credibility with their portfolio companies' management teams and other corporate executives. "The theme of operational experience was instilled in our culture — the need to be closer to each underlying business so we can</p>		

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