

Oak Street Gets \$260M In Loan Money

BY DANIEL HAYS

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A firm which provides capital loans to insurance agencies said it has arranged to bulk up its own capital by \$260 million.

Oak Street Funding in Indianapolis said the capital was secured with loans from Frankfurt/Main-based DZ Bank AG, Deutsche Zentral-Genossenschaftsbank and Boston-based NewStar Financial.

Susan Miller, an Oak Street spokesperson, said the company, in business since 2003, has helped 427 agencies who would rather take a loan out than sell a book of business to raise capital. Borrowing agencies redirect their policy commissions to Oak Street until they have repaid the loan, she explained.

The company, she said, is currently on track to exceed \$100 million in loans. Oak Street said its transaction positions the firm to expand and accelerate its commission-based lending services to financial service professionals throughout the United States.

“Our decision to fund Oak Street was based on the integrity of Oak Street Funding’s management team and the vigorous growth of their high quality loan portfolio,” said Patrick F. Preece of DZ Bank in a statement.

Oak Street said it has pioneered the concept of commission-based lending for insurance agencies succession planning, mergers, acquisitions and working capital.

“Financial services professionals have demonstrated a tremendous appetite for this type of financing. Insurance agencies in particular represent an industry segment that has been historically underserved by commercial banks and thus often limited in their growth potential,” noted Richard S. Dennen, president and chief executive officer of Oak Street.

Thomas M. Calhoun, managing director of NewStar Financial, said his firm “worked closely with Oak Street’s management team to insure that the transaction provided adequate capital to satisfy market demand for commission-based lending solutions without compromising the integrity of the transaction.”

Oak Street said its latest transaction represented Oak Street’s third round of funding in as many years, due to the success of Oak Street’s lending model.

“The competition between investors to provide this funding is proof of the confidence and enthusiasm the investor community has for Oak Street Funding,” said Steven Alonso, board chairman.

Mr. Dennen said that the financing will enable Oak Street Funding to conveniently structure larger lending transactions and meet the overall demand that exists. “As the Baby Boomers enter retirement and succession planning programs are implemented, there will continue to be an unprecedented need for capital within the insurance community,” he noted.

NewStar Financial, Inc. was formed in June 2004 by a group of senior banking and capital markets executives from leading financial institutions, including FleetBoston Financial, Citigroup and JP Morgan Chase, and leading institutional investors including Capital Z Partners, JP Morgan Corsair Capital Partners and Och-Ziff Capital Management Group. NewStar is focused exclusively on providing customized financing solutions to mid-sized borrowers in three lending groups: Middle Market Corporate, Commercial Real Estate, and Structured Products.