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CLOSER LOOK

Firm raises \$600M for 'unloved' loans

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O'Brien-Staley Partners, an investment firm co-founded by former Cargill Inc. CEO Warren Staley, has closed on \$600 million for a fund that will target credits tied to "unloved" business loans.

The fund is OSP's second devoted to commercial and industrial credits and focuses on transactions in the \$5 million to \$20 million range.

OSP hones in on loans that businesses are paying, but have blemishes: a restructuring under bankruptcy protection, for example, said Gerald O'Brien, president, CEO and chief investment officer of the Edina-based firm. "They're performing, but imperfect." (O'Brien uses the term "unloved" largely because such credits aren't of interest to traditional institutional investors.)

OSP's strategy has led it to some unusual investment targets over the years. One deal, for instance, involved a loan secured by the world's fourth-largest yacht, which a business operated as a floating art gallery at the time, O'Brien said.

After closing on the most recent fund, OSP has more than \$1 billion in assets under management.

Overall, OSP's approach has



Jerry O'Brien

generated strong returns for investors, O'Brien said. The company's flagship fund, which totaled \$490 million, attracted 20 investors. Nineteen of those backers contributed to the new fund. Investors include university endowments, corporate and government pension plans, foundations and hospital systems.

O'Brien, a former executive at Cargill's CarVal Investors unit, teamed up with Staley to launch OSP after a couple informal conversations,

including one at Staley's corporate retirement party. Staley said he wanted to pursue something entrepreneurial after stepping down from the agribusiness giant, O'Brien said. Today, Staley serves as OSP's chairman and chair of its audit, risk and compensation committees.

OSP initially launched to focus on commercial and industrial loans, but it has branched out into other arenas in recent years, including impact investing. Impact investments aim to benefit society in addition to delivering investor returns.

OSP's impact investing unit has invested \$36 million in 10 deals, O'Brien said.

The firm also owns California-based loan servicer AmeriNational Community Services, which has about 110 employees.

O'Brien is among several CarVal vets who have built independent investment firms in the Twin Cities after departing the company.

Others include Minneapolis-based Värde Partners, which recently raised \$1.74 billion for an alternative-investment fund, and Castletlake. Former CarVal executive Rory O'Neill started Castletlake in 2005 and that firm now has more than \$10 billion in assets under management.