

KKR Founder Jerome Kohlberg Dies at 90

Financier was an architect of the leveraged buyout and built a leading private-equity firm with Henry Kravis and George Roberts

By MARIE BEAUDETTE

Jerome Kohlberg, an architect of the leveraged buyout and co-founder of private-equity giant KKR & Co., has died. He was 90.

Mr. Kohlberg died at his Martha's Vineyard home on Thursday after a long battle with cancer, according to Kohlberg & Co., the firm he founded after he left KKR in 1987.

"Jerry led an amazing life and leaves a tremendous legacy in business, philanthropy and family," Samuel P. Frieder, Kohlberg & Co.'s managing partner, said in a note to the firm's investors on Friday.

Mr. Kohlberg founded Kohlberg Kravis Roberts & Co. in 1976 with Henry Kravis and George Roberts. The three men, who worked together in Bear, Stearns & Co.'s corporate-finance division, launched the firm with just \$120,000 in capital, according to the book "Merchants of Debt: KKR and the Mortgaging of American Business," by former Wall Street Journal reporter George Anders.

"Jerry was a real visionary, having played an important role in developing the private equity model in the 1960s, and he was a true mentor to George Roberts and me," Mr. Kravis said in a statement emailed on Saturday.

While at Bear Stearns, Mr. Kohlberg developed the so-called bootstrap deal, a type of buyout of companies owned by older founders. The structure allowed families to avoid huge estate taxes upon the founder's death while still keeping a stake in the business.

In the early 1970s, Mr. Kohlberg expanded the bootstrap deal to buy the unwanted units of old-line industrial companies that made products like bricks and wires, a history chronicled in the 1990 book "Barbarians at the Gate: The Fall of RJR Nabisco." He used banks loans to cover a large portion of the purchase price, much the same way a family would use a mortgage to buy a house.

After its founding, KKR began targeting bigger fish. The firm completed the first buyout of a major publicly traded company in 1979.

KKR grew rapidly in its first 10 years amid the takeover boom of the 1980s. By 1985, it accounted for about a third of the entire leveraged buyout business, the Journal reported in 1986. It did \$6 billion worth of deals that year, including the buyouts of broadcaster Storer Communications Inc. and Union Texas Petroleum, the firm's first foray into the energy industry.

The next year, KKR completed the largest leveraged buyout then on record: the \$6.2 billion acquisition of Chicago-based food and consumer



Jerome Kohlberg, shown last year, founded Kohlberg Kravis Roberts & Co. in 1976 with Henry Kravis and George Roberts. PHOTO: KOHLBERG FOUNDATION

products company Beatrice Cos.

As KKR's star climbed, Mr. Kohlberg grew uneasy with his partners' desire to pursue companies more aggressively, according to a 1988 Journal article. A champion of friendly deals, he also was wary of Mr. Kravis's plan to begin quietly buying small stakes in target companies.

Mr. Kohlberg left the firm in 1987. "It was a divorce," a friend of all three men told the Journal. Their disagreements "just caused them to grow apart." Mr. Roberts in a statement emailed on Saturday said he and Mr. Kravis are "proud that our firm's name is Kohlberg Kravis Roberts. Jerry will be missed and remembered by many."

Mr. Kohlberg and his son, James Kohlberg, founded Kohlberg & Co., which went on to specialize in buying

midsize companies. He also continued to invest in KKR's deals, including the \$25 billion RJR Nabisco buyout, according to "Merchants of Debt."

In 1989, Mr. Kohlberg sued KKR, claiming Messrs. Kravis and Roberts illegally reduced his stake in four companies KKR bought between 1979 and 1985. The suit was later settled and terms weren't revealed.

Mr. Kohlberg continued to keep a low profile after leaving KKR. A father of four, he was a "homebody" who "dressed simply, led a quiet family life, and spent his free time playing tennis or reading thick volumes of fiction or biography," Bryan Burrough and John Helyar wrote in "Barbarians at the Gate."

He retired from Kohlberg & Co. in 1994. His son, James, is the firm's

chairman but devotes most of his time to outside activities including venture capital investments, according to the firm's website.

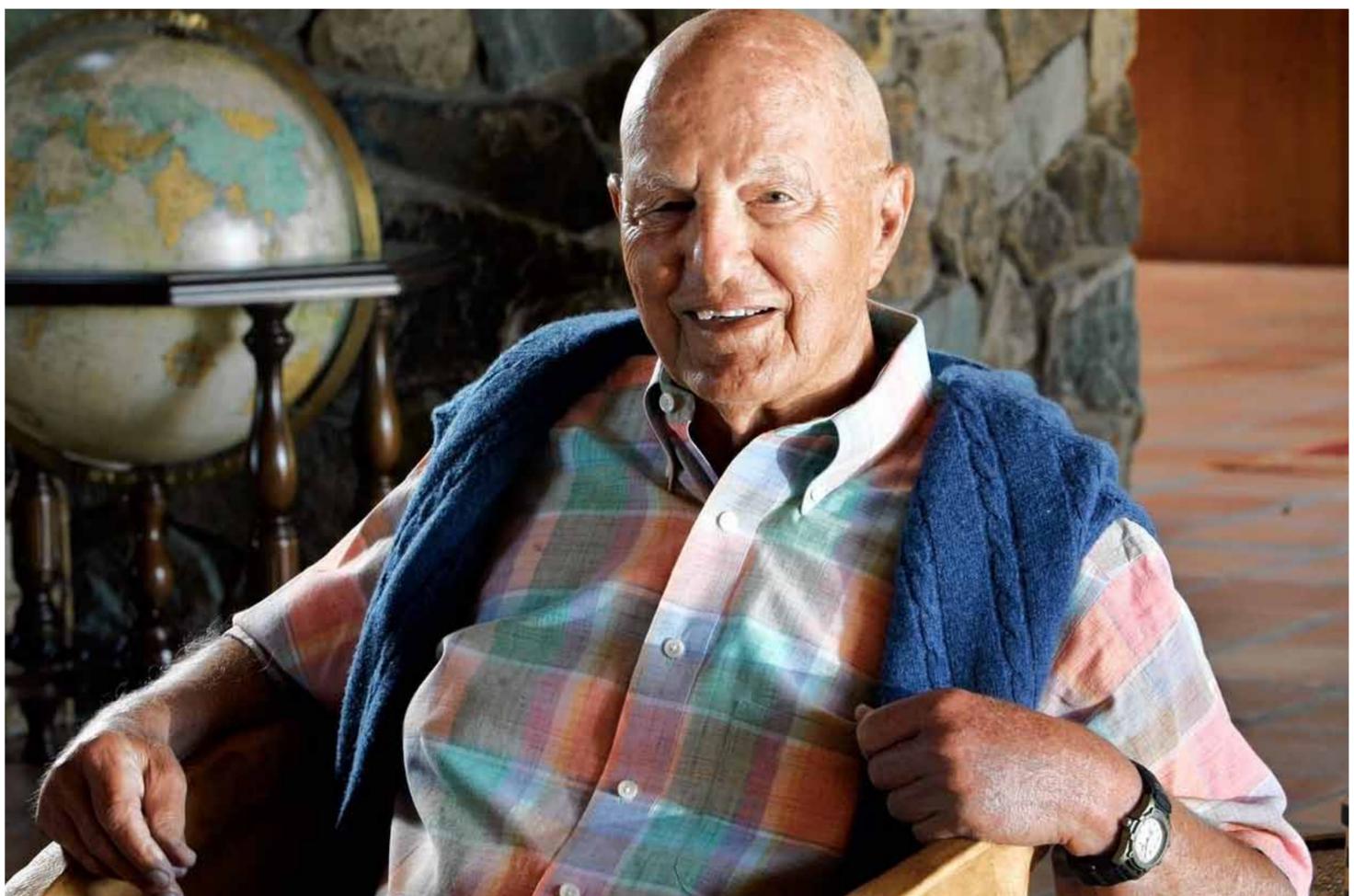
An active philanthropist, Mr. Kohlberg supported a broad array of causes with his wife, Nancy, but they shunned public announcements of their donations. "If you put your name on a building, you feel a little self-conscious, a little tasteless," Mr. Kohlberg told the Journal for a 2008 story on anonymous giving.

Still, he was passionate about the causes he supported. In the aftermath of the financial crisis, Mr. Kohlberg took up the cause of people who were in danger of losing their homes to foreclosure and worked with banks to get troubled loans refinanced, he told the Vineyard Gazette, the Martha's Vineyard newspaper he bought in 2010.

He also was a longtime supporter of an effort to change campaign finance laws.

Mr. Kohlberg, who served in the Navy during World War II, urged lawmakers to beef up the GI Bill to fully fund the education of veterans returning from the wars in Iraq and Afghanistan. In a 2008 Wall Street Journal op-ed, he credited the GI Bill with allowing him to earn a bachelor's degree from Swarthmore College, a business degree from Harvard University and a law degree from Columbia University.

"I deeply believe that we have a moral responsibility to provide today's returning veterans with the same educational opportunities that my generation received," he wrote.



Jerome Kohlberg, seen in California in 2008, was 90 years old. PHOTO: EDUARDO CONTRERAS/U-T SAN DIEGO/ZUMA PRESS