

## **A Profile of Success** **The Entrepreneurial Spirit...** *Turning a Possibility Into Reality*

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*A Profile of John Delaney, Founder, CEO & Chairman, CapitalSource*

**S**uccessful entrepreneurs have an innate ability to build a series of prosperous enterprises evolving out of an opportunity that everyone else missed. Smart, ambitious and tenacious, these individuals turn possibility into reality. As risk takers not content to simply rest on their laurels, they build on that original idea, raising the bar higher and higher — and not only meeting it, but exceeding it.

This is who John Delaney is.

John Delaney — founder, CEO and chairman of the Chevy Chase, MD-based middle-market lender CapitalSource — saw the opportunity while working as a corporate lawyer. Only ten years later, Delaney has already founded three companies, brought two public and now manages a portfolio valued at \$5 billion in loans outstanding.

### **Not Just Another Lawyer**

Upon graduation from Georgetown University Law Center in 1988, Delaney embarked on what began as a typical career in law. He became an associate in a large Washington, DC, law firm. After a year drawing up deals on behalf of clients, Delaney decided he would rather be doing them himself.

“I greatly admire the legal profession but felt like I wanted to both have more control of my destiny and be more creative with respect to my career,” says Delaney. “The logical move was to venture into the business world, which I felt was a manageable risk considering my age and responsibility at the time.”

### **The Opportunity — Healthcare**

In 1989, Delaney founded his first business, a small home healthcare services company. Working with two other partners, he learned the healthcare business from the inside in preparation for his next step — healthcare finance.

Founded in 1993, HealthCare Finance Partners became a leading healthcare lending business and within three years went public. “Financing for small healthcare companies was much underserved because of the reimbursement and clinical complexities. We saw this as a large opportunity and built a business to meet the need,” said Delaney.

It was the right mix of market demand, business acumen and leadership. Three years after going public, HealthCare Finance Partners was

sold to Heller Financial, Inc. in 1999 for \$500 million or three times its IPO price.

### **Growing the Idea**

After HealthCare Finance, Delaney took almost a year to plan his next move, saying, “I wanted to take what I had done in healthcare, which was to create an industry or sector focused lending model, and expand it. In addition, the year 2000 felt like a very good time to start a large-scale commercial lending platform based on the trends in the credit markets, which were in part driven by middle market lending being less strategic to the banks. I felt the model we successfully executed in the healthcare sector would translate well in corporate and structured finance.” With that idea, he joined forces with Jason Fish and founded CapitalSource in 2000.

**“What makes us different is our flexibility and speed, which is driven by both our business model and our insights in our chosen markets. We work with a company to quickly match their needs with the right solution.”**

A leading commercial finance firm, CapitalSource makes senior and mezzanine loans generally ranging in size from \$1 million to \$100 million and has the capability to underwrite transactions up to \$200 million. Its healthcare and specialty finance business is the leading provider of a variety of financing products to small and mid-sized healthcare, security industry and other general businesses. Its structured finance business is a leading provider of structured debt products to companies active in the real estate and finance industries. And its corporate finance business partners with private equity and leveraged buyout firms to deliver senior and mezzanine financing to their portfolio companies.

CapitalSource became a public company in 2003 and now has a market capitalization of more than \$2.5 billion.

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### Credit Keys to Success

CapitalSource, like all of Delaney’s prior businesses, operates on a “credit first” approach, meaning the company sticks to its established lending discipline and makes decisions based only on complete and accurate information. Loans are only made when secured by a business or asset.

“CapitalSource originates loans offering high returns versus the risk profile. We do this by targeting inefficiencies in the debt markets, offering customized debt products and an experienced staff, but most importantly by maintaining a strong and disciplined credit culture,” says Delaney.

One control the company uses to manage credit risk is also one of its unique characteristics — its unmatched speed. Unlike many other lenders, CapitalSource has a flat operating model where all departments report directly into a single credit committee. This streamlined structure integrates the key decision makers in the process from beginning to end, allowing CapitalSource to close many transactions in less than 14 days.

“When I took my companies public, I understood how important it was to work directly with the people making the final decisions because that led to better execution. We replicate that experience for the middle market companies, which are not often accustomed to that level of service from the capital markets,” says Delaney.

### Customized Credit

Delaney recognized that middle-market companies, more so than those at either end of the capital spectrum, lacked access to credit products that truly fit their needs. “On the one hand these companies don’t have the vast capital needs that would lead them to the public markets, but on the other they’re much more complex than a small business,” he says. “I’ve run companies along this credit spectrum myself and saw a dearth in credit products for the middle market because of their complexity, among other things.”

Delaney’s instincts are a key reason why CapitalSource is so successful today. The same flat structure that generates the company’s trademark speed also allows it to create credit solutions customized to meet specific client needs.

“Our team is the best in the business because they’re the most creative,” he says. “With over 75% of our people holding CPAs, MBAs or JDs, our professionals come to underwriting with prior experience that in many cases closely matches that of our clients. This synergy is the foundation of our close client relations.”

Delaney seeks to partner with his client in a real way. In addition to sometimes investing alongside a client in a transaction, CapitalSource serves clients on matters beyond lending, including acting in an advisory capacity, alerting them to potential acquisitions, or making business community introductions. Many CapitalSource professionals worked directly in client industries, including healthcare, retail, media and commercial real estate. Clients benefit from the shared experiences they have with the firm’s professionals as well as the universe of new contacts they can connect with. It’s a business model that leads to success for both parties.

“Partnering with our clients benefits everyone. We see an increase in reoccurring business, our clients reach a level of success beyond what they originally envisioned, and the third parties we often bring into the situation have access beyond what they could have achieved without introduction,” he says.

### The Next Chapter

John Delaney has made a career out of building companies — from both sides of the lending transaction. And it’s clear given CapitalSource’s success that the lessons he learned seeking financing speak to the experiences his client’s face today. But ever the entrepreneur, what are his next steps?

“CapitalSource is a terrific platform,” Delaney says. “I’ve created the business I wish I had to work with earlier in my career, but we’re by no means finished. At only four years old, CapitalSource is still new and still developing its market footprint. We will continue to look for new opportunities that can add value for our clients and shareholders. As long as the opportunity to do what we do better exists, we’ll continue to seek out that next level of success.” **abfj**

## **PROFILE:** **CapitalSource**

### **Headquarters:**

4445 Willard Avenue, 12th Floor  
Chevy Chase, MD 20815

866-876-8723

www.capitalsource.com

info@capitalsource.com

### **Association Membership:**

American Financial Services Association  
American Resort Development Association  
Association for Corporate Growth  
Commercial Finance Association  
International Business Brokers Association  
International Council of Shopping Centers  
Mortgage Bankers Association  
National Alliance of Buy Here, Pay Here Dealers  
National Independent Auto Dealers Association  
National Investment Center  
Turnaround Management Association

### **Number of Employees:**

426 (as of March 31, 2005)

### **Products Offered:**

Senior Term Loans, Asset-Based Revolvers, Mezzanine Term Loans, Mortgages, Private Equity Co-Investments, Turnaround Financing, Restructuring Financing, Recapitalization Financing, Stord Acquisition Financing, Debtor-In-Possession Financing

### **Geographic Scope:**

United States, Canada and Europe

### **Executive Management:**

John K. Delaney, *Chairman & Chief Executive Officer*

Jason M. Fish, *President & Director*

Bryan M. Corsini, *Chief Credit Officer*

Thomas A. Fink, *Chief Financial Officer*

Steven A. Museles, *Chief Legal Officer*

Dean C. Graham, *President,  
Healthcare & Specialty Finance Business*

Joseph A. Kenary, *President, Corporate Finance Business*

Michael C. Szwajkowski, *President,  
Structured Finance Business*

Donald F. Cole, *Chief Operations Officer*

Steven I. Silver, *Chief Marketing Officer*

Chris J. Woods, *Chief Technology Officer*

James M. Mazingo, *Chief Accounting Officer*

### **Target Markets:**

A specialized commercial finance company providing loans generally between \$5 million and \$150 million to small- and medium-sized businesses with annual revenues ranging from \$5 million to \$500 million. Works with borrowers from a variety of industries with specialties within three business units:

- Corporate Finance — specializes in retail, consumer products and services, business services, value added manufacturing, media and communications and other general businesses
- Healthcare & Specialty Finance — specializes in healthcare and specialty industries including security lending and other general businesses
- Structured Finance — specializes in companies active in the real estate and finance industries