

A10 Capital Sells Controlling Interest to Venture of Asset Manager, Private-Equity Firm

Commercial Real Estate Direct Staff Report

A10 Capital, a major middle-market lender, has sold a controlling interest in itself to a venture of Schroders and Gemspring Capital.

Schroders, a London asset manager with \$604 billion of assets under management, made a 20 percent equity investment and provided financing to the Boise, Idaho, lender. Gemspring Capital, a Westport, Conn., private-equity firm with \$355 million of assets under management, acquired a majority equity interest in the company.

Existing shareholders in A10, which include H.I.G. Capital as well as company management, will retain a minority interest. H.I.G., a private-equity firm with \$25 billion of assets under management, [made a \\$100 million equity investment in the company in 2012](#).

[Three years ago](#), A10 lined up additional investor capital from BlackRock, Thomas H. Lee Partners' THL Credit unit and a major insurance company that the company would not identify.

A10, which is led by chief executive Jerry Dunn, who co-founded the company in 2007, began writing loans after the market's collapse a year later. It typically pursues bridge and permanent loans of \$1 million to \$30 million. Since its inception, it has written loans against 43 million square feet of commercial real estate.

The company said the investments from Schroders and Gemspring Capital will allow it to diversify its balance-sheet loan programs. Schroders said it would also help A10 originate more loans that would go into Schroders' managed funds.

"That provides an economic benefit for them and helps them diversify their funding sources, so they're not solely reliant on the securitization market," said Jeff Williams, a fixed income portfolio manager at Schroders. "There will be times going forward where the securitization market could shut down again. Having us there provides them with another outlet to fund loans, which was important to them."

Gemspring Capital had no prior connection to A10. But Schroders and A10 have had a working relationship since 2013, when Schroders provided capital for A10 to aggregate middle-market bridge loans in a private warehouse facility. Schroders manages close to \$9 billion of securitized assets, including CMBS.

Schroders eventually created credit bonds from A10 loans and placed them with their institutional investor accounts. The company also bought B-pieces and mezzanine loans that A10 could not securitize and put on its balance sheet.

"What prompted us to take an equity ownership stake in the company was we're seeing a lot more demand on the investors' side for alternatives to the levered loan market and corporate bonds," Williams said. "We consider them to be a source of very high-quality, relatively low leveraged commercial real estate loans, which will be extremely valuable to our investors in the funds that we manage."

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