

BUSINESS

2 REIT veterans plan new venture

By Russ Wiles
The Arizona Republic

The third time should be a charm for Valley financiers Christopher Volk and Morton Fleischer. The first two certainly were.

Volk and Fleischer, who previously grew and sold two real-estate investment trusts in multimillion-dollar deals, have started a new firm, STORE Capital, with a similar model of extending financing to single-tenant properties such as chain restaurants, drugstores, supermarkets and other retail businesses.

Volk and Fleischer announced Wednesday that they have raised \$500 million in private equity, with proceeds used to fund the Scottsdale company's initial real-estate investments.

That includes a \$400 million commitment from OCM STR Holdings, a subsidiary of Oaktree Capital Management, a Los Angeles firm managing \$85 billion in assets.

STORE, which stands for Single Tenant Operational Real Estate, was organized as a REIT. Volk and Fleischer previously led Franchise Finance Corporation of America until its sale for \$2.1 billion in 2001, and Spirit Finance, which sold for \$3.5 billion in 2007.

REITs don't pay income taxes and thus have a relatively low cost of capital.

"The strategy is similar to what we used to do at Spirit," said Volk, the entity's chief executive officer, adding that he believes now is a good time to form a firm like STORE.

"Banks are less active, especially in lending to the middle-market area," he said. "While the economy is fragile, companies that are surviving have good prospects for the future."

Fleischer is chairman of the new company.

Other members of the senior management team, several of whom have worked together since the early 1980s, include Catherine Long, executive vice president and chief financial officer; Michael Zieg, executive vice president of portfolio management; Michael Bennett, executive vice president of operations; and Mary Fedewa, executive vice president of acquisitions.

The Volk-Fleischer team has invested nearly \$10 billion in more than 7,000 properties over the past three decades, raised about \$3 billion in capital and paid more than \$5 billion to investors.

Volk said he expects STORE to begin financing properties by early 2012 and anticipates the firm to have about 40 employees. It is looking for people in accounting, finance, sales and credit analysis.

Potential job or financing applicants should visit storecapital.com.



Christopher Volk



Morton Fleischer

PAST SUCCESSES

STORE Capital is the third venture of Morton Fleischer, Christopher Volk and a small group of senior executives. Here's what happened in two previous businesses:

» Franchise Finance Corporation of America

This Scottsdale-based firm went public in 1994 and focused on arranging sale/leasebacks and other types of financing, mainly to chain restaurants. As a real-estate investment trust, or REIT, FFCA didn't pay income taxes and thus enjoyed a low cost of capital. Fleischer served as chief executive officer, with Volk the chief operating officer. The firm was sold to a unit of General Electric in 2001 for \$2.1 billion, at which time it employed about 200 people.

» Spirit Finance

This Scottsdale company, also a REIT, pursued a similar game

plan but also extended financing to movie theaters, auto-parts stores, travel plazas, drugstores and other entities. The company sold shares in a \$300 million initial public offering in 2004, at which time Fleischer was chairman and CEO, with Volk the president and chief operating officer. Volk later assumed the CEO post.

Spirit Finance was sold in 2007 in a \$3.5 billion deal to an Australian securities firm and an Icelandic bank, at which time Spirit had more than 40 employees.

— Russ Wiles