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Subject: Fwd: wsj article on DJ
Date: Mon, 07 Dec 2009 06:08:22 +0000

This was done on DJ by wall street They called David for a comment but I didn't allow him to Sultan

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From: "Sarah Lockie" <[REDACTED]>
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Here it is

Dubai Crisis Snags American; Deal Maker David Jackson's Portfolio Becomes a Symbol of Emirate's Ambition
WSJO000020091207e5c70015p Business By Craig Karmin, Vanessa O'Connell and Rachel Dodes
1091 Words
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The Dubai debt crisis is billed as a distinctly Middle Eastern affair. But it turns out there is an American in the middle of the action: 43-year-old deal maker David Jackson

Mr. Jackson is chief executive officer of Istithmar World Capital, the private-equity arm of Dubai World, the government-owned fund whose debt woes have caught the attention of investors worldwide. A former Saks Fifth Avenue assistant buyer who is friendly with fashion designer Diane von Furstenberg, Mr. Jackson has acquired a number of high-end properties: upscale retailer Barneys New York, Manhattan's chic Mandarin Oriental Hotel and the landmark Fontainebleau Hotel in Miami, site of the James Bond "Goldfinger" film.

"If it wasn't a high quality asset in a major market, you shouldn't even bother calling him about it," says Anthony Orso, a real estate banker who helped Mr. Jackson acquire several New York properties. Mr. Jackson declined requests for comment.

In all, Istithmar has laid out nearly \$20 billion in a variety of investments, using less than \$3 billion in cash and the rest in borrowed capital, according to estimates from Roubini Global Economics. Much of it was spent at the market peak in 2006 and 2007. His roster of deals includes New York boutique investment bank Perella Weinberg Partners and Cirque du Soleil, the Montreal-based entertainment company.

Istithmar is segregated from Dubai World's debt restructuring process, which is focused on the parent company and two other subsidiaries, primarily property developer Nakheel. But Mr. Jackson's high-profile portfolio has become a symbol of Dubai's once-grand—and now flagging—ambitions.

For instance, Standard & Poor's recently gave its designer apparel discounter Loehmann's Loehmann's Holdings Inc. a low junk-bond rating, indicating it is "highly vulnerable" to default. Valued at about \$300 million when Istithmar assumed majority control of the retailer in 2006, it is worth about \$100 million today, retail industry bankers say.

Istithmar invested \$42 million in Grand Ave.—a corridor of shops, parks and a luxury hotel billed as the Champs-Élysées of Los Angeles—which has postponed the start of construction several times.

Meanwhile, the Mandarin Oriental was valued at \$340 million when Istithmar bought a 73% stake in 2007. Since then, with occupancy rates falling, its annual cash flow plunged to \$3.6 million from \$21.6 million, according to Realpoint LLC, a credit rating company that says the hotel is now worth \$123 million—less than its outstanding debt. Another Manhattan property, the W Hotel Union Square, is the target of foreclosure hearings by one of its lenders.

The results are a comedown for Mr. Jackson, who was beginning to cut an outsized figure in finance circles. Mr. Jackson was picked in 2008 by the New York Observer as one of the most powerful people in New York real estate.

Mr. Jackson was born in Boston and educated at Princeton and Yale, where he got a masters in business.

After his MBA, he worked for Lehman Brothers in the merger and acquisitions and private equity departments. He later joined New York-based Marco Polo Partners, a firm focused on emerging markets. There Mr. Jackson advised Dubai on entering the private equity business, a person familiar with the matter says. Dubai officials asked Mr. Jackson to help in their search for the first CIO of Istithmar, and in in 2003, Dubai picked him for the job. Three years later, he was named CEO, reporting to the board of directors of Istithmar World, where Sultan Ahmed bin Sulayem is chairman.

"He's not your typical financial person," says Ms. von Furstenberg, who met Mr. Jackson years ago at a conference and has dined with him in Dubai. "He's very flamboyant, nice, very talkative."

In a talk at Yale's School of Management in 2007, Mr. Jackson said the unfolding subprime real estate crisis "has caused some anxiety for your standard private equity firm, not necessarily us. Thanks to all of you, oil goes to \$80. I don't really worry where I am going to get the money for my next deal. So keep buying your SUVs and keep going to the gas pumps," he said.

"We are not battering down the hatches. We are putting more money to work, because we see more value than we did six months ago," he said.

Mr. Jackson has had some winners. Istithmar bought New York's Helmsley Building for \$705 million in 2005 and sold it two years later for \$1.15 billion. And some bankers say Mr. Jackson's preference for iconic names may protect him over time. "While values have declined over the last few years, theirs have probably declined less because they stuck with high-quality assets," says Mr. Orso.

Yet as Istithmar's losses have mounted, Mr. Jackson's staff has been shaken up. His co-chief investment officers, both private equity bankers he knew from Lehman Brothers, recently left the firm to pursue other opportunities, according to people familiar with the matter.

Mr. Jackson's control over some Istithmar companies appears to be in flux, too, say people knowledgeable about the firm. Late last year, Dubai World removed Mr. Jackson from managing Barneys and replaced him with a top executive from Nakheel Retail, another unit of Dubai World, these people say. A couple months later, Mr. Jackson resumed his role at Barneys.

The American chief also has had a tough time filling the year-and-a-half vacancy at Barneys CEO spot. That's left the company without a CEO while Istithmar explores a possible restructuring of the 42-store high-fashion chain. Industry bankers now value the company around one-third the \$942 million price paid in June 2007.

One of Mr. Jackson's acquaintances, Washington D.C.-based investor Teresa Barger, met with him in Dubai last January. There, she says, Mr. Jackson extolled Dubai's infrastructure. He said he wasn't concerned about Dubai's falling property prices and slumping markets, she says. "He seemed unusually optimistic about the markets when others were articulating concerns," Ms. Barger recalls.

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