

First Business Bank fills gap with mezzanine financing

By Eric Decker

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First Business Bank-Milwaukee is partnering with Chicago-based Aldine Capital Fund L.P. to offer mezzanine financing to clients in southeastern Wisconsin.

First Business Bank-Milwaukee claims to be the only Wisconsin-based bank offering mezzanine financing. It is an independent bank owned by First Business Financial Services Inc., which also owns First Business Bank-Madison and several other financial firms. The bank is based in Brookfield. It has about \$118 million in assets and 15 employees.

Aldine Capital Fund typically invests in small to middle-market companies with between \$10 and \$150 million in revenues. The fund typically invests between \$2 million and \$8 million.

Mezzanine financing is a tool that can fill a financing gap between an investor's equity and a traditional bank loan. The tool is often used to help fund growth, a recapitalization, acquisition by strategic or private equity buyer or other ownership change.

The new service reflects First Business Bank's goal of serving the owners of privately held companies.

"We want to go deeper with our clients and client base," said David Vetta, president and chief executive officer of First Business Bank-Milwaukee. "We looked at the life cycles of our clients. We want to help them buy businesses or build them. And it made sense to partner with someone who has already built this solution."

Adding mezzanine financing through the partnership with Aldine gives First Business Bank-Milwaukee one more tool to differentiate the bank from its competitors, Vetta said.

"We want to be a consultant and advisor to our clients," he said. "We need to understand their objectives, then act. We can distinguish ourselves with products, services and service levels. This is another added offering that we can bring to the table."

Mike Revord, managing partner with Aldine Capital Fund, said partnering with a business-focused bank in southeastern Wisconsin will help the fund gain access to businesses here.

"We're in the market for lower middle-market businesses," Revord said. "And we're in the same market that First Business Bank serves. Their laser-like focus of serving privately held middle-market businesses – Aldine targets those for investment."

One scenario where the bank might steer a client toward mezzanine financing is when the client is considering selling a minority share of the business to pull out some equity, said Frank Cheswick, partner at Aldine Capital.

“Mezzanine is a good use for that, when they want to take some of the chips off of the table,” he said. “We’re not a control investor – most private equity firms want to have a controlling block. We’re a logical first stop when (business owners) are looking to sell a minority share.” Offering its clients access to mezzanine financing is part of First Business Bank-Milwaukee’s goal of being a one-stop shop for business owners.

“The name wouldn’t necessarily infer the case that we care for their personal needs,” Vetta said. “But we are a boutique for the business and business owner, and we need to be sure we address both ends of that.”