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Mason Wells' Coffers Swells With Fund II

SNAPSHOT

Firm: Mason Wells

Headquartered: Milwaukee, Wisconsin

Fund: Mason Wells Buyout Fund II

Fund Size: \$300 million, target was \$250 million

Target Industries: Engineered products and services, specialty packaging and paper and outsourced business sources

Target region: Upper Midwest

The upper Midwest gets no love. Even if a quarter of the U.S. GDP is manufactured or at least headquartered in a broad definition of the upper Midwest, only about 12% of the nation's private equity capital is based in the same region.

So claims **Thomas Smith**, principal at Milwaukee, Wisc.-based **Mason Wells**, which has just raised its second fund, worth \$300 million. "It's an underserved market. There's more deal opportunities in this region than equity capital that's raised here," said Smith.

Being based in Milwaukee and focusing on the 10-state region bordering or near to the Great Lakes is key to the firm's success and its strategy, differentiating itself from coastal firms that can often turn off the family-owned businesses of the area, said Smith. "We don't fly in from across the country, lob a letter of intent, kick tires, then say, 'This isn't what we're looking

for.' A family owner isn't accustomed to a lot of people coming in, asking a lot of questions and then walking out the door with a lot of information," he said.

The firm's knowledge of the area also gives them an occasional edge on sourcing, getting to deals before there is an auction process. In fact, auction processes are often shunned altogether in the region. "We find we don't have to chase deals in very, very broad auctions. A lot of the time, family owners shy away from broad based auctions. Top dollar isn't necessarily the end all in their transactions," said Smith. However, Mason Wells also has strong contact with advisory shops in the area including, **Robert W. Baird, Piper Jaffray** and **Greene Holcomb & Fisher**.

Case in point was buying family-owned **Converting Inc.** last year, the first investment out of Mason Wells' new fund. That Clintonville, Wisc.-based firm, which employed about 170 at the time of the November deal, manufactures disposable paper products such as napkins and cups. Senior financing on that deal came from the former parent of Mason Wells, **M&I Marshall & Ilsly Bank**. Mezzanine financing came from **Prudential Capital Partners II**.

Along with its helpful regional contacts, "We ultimately got the deal because of our focus on specialty paper and packaging. We've done a number of deals in that sector," said Smith.

Smith, a former banker at great lakes-region advisory shop **Robert W. Baird**, is a fan of the region, referring to its, "strong work ethic and straight forward approach

to business activities." Smith thinks Mason Wells is also known for being straightforward, buying companies every time it issues a letter of intent, with only the rarest exception.

Mason Wells's first fund had \$175 million in capital commitments. Targeted industries remain engineered products and services, specialty packaging and paper and outsourced business services, which will need to have between \$15 million and \$40 million in equity capital and sales of between \$50 million and \$250 million. Mason Wells manages about \$500 million in buyout, and \$50 million in venture, commitments.

While the target for the second fund was \$250 million. At \$300 million, it is said to be the largest fund ever raised in Wisconsin. Part of the aim of the fund was to broaden Mason Wells's investor base. L.P.s include **AXA Equitable Life Insurance Co., Bank of Scotland, BP America Inc., Green Bay Packaging Inc., Key Capital Corp., Prudential Capital Partners, St. Paul Travelers Cos., SunTrust Equity Partners** and the **School Employees Retirement System of Ohio**.

This time around, the fundraising market was competitive and Mason Wells had to work hard to stand out during its 18-month fundraising effort. Working with placement agent **Forum Capital**, the two main selling points were the firm's contacts in the region's middle market, and its history of working together. Of the team's five partners, four have worked side by side for 15 years.—M.C.

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