



Mason Wells raises \$525 million for new fund

By Kathleen Gallagher of the Journal Sentinel

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Mason Wells Inc. has raised \$525 million for a third buyout fund, creating the state's largest such fund ever and making the Milwaukee firm one of the region's biggest investors in midsize private companies.

Investor interest pushed the final closing higher than the \$400 million organizers initially sought to raise for Mason Wells Buyout Fund III LP, said John Byrnes, executive managing director.

More than 30 institutions invested \$500 million, and individual investors put in \$25 million, said Tom Smith, senior managing director.

Only 7% of the funding came from Wisconsin-based institutions and 15% came from investors outside the U.S., Smith said. One of the state's biggest investors, the State of Wisconsin Investment Board, didn't participate, Byrnes said.

"Up until we formed this fund, most of the people who wanted to raise serious buyout capital had to go outside of the state. Not any more," Byrnes said.

The new fund will invest in eight to 12 Midwestern companies in the packaging, consumer packaged goods, business services and industrial products sectors. Several of the fund's portfolio companies should be based in the state, and fund managers are talking with a number of Wisconsin firms, Smith said.

The fund's size makes Mason Wells "one of the most substantial middle market private equity funds in the Midwest," said Ron Miller, president of the Association for Corporate Growth's Wisconsin chapter and managing director at Cleary Gull Inc.

Middle market funds focus on mergers, acquisitions and other deals valued at \$5 million to \$1 billion.

Mason Wells' new fund will allow it to write equity checks of \$50 million or more, Miller said. If equity represents one-third of the typical deal, that means the fund can work with companies whose values are as high as \$100 million to \$300 million, he said.

Mason Wells raised the money in a difficult environment for private equity funds, and the fact that the firm exceeded its target amount "is a tribute to their strategy and performance," Miller said.

It's been a slow period for fund raising, relative to the mid 2000s, David M. Toll, editor-in-charge of Reuters Buyouts Magazine, said in an e-mail. About 41 U.S. buyout shops raised \$8.8 billion in the first quarter, Toll said.

Mason Wells invests in Midwestern companies where it sees opportunities to create value with profitable growth and margin improvement initiatives rather than aggressive leverage or other financial engineering techniques, Byrnes said.

Focusing solely on the Midwest at this point in the cycle doesn't hurt either. "There's a belief in the institutional investor community there are opportunities in the region," he said.