



## **BUYOUT AND MEZZANINE FUNDS TOP \$86.2 BILLION IN 2005**

**By John L. Nelson**

**FACT:** In 2005, 159 Buyout and Mezzanine funds raised \$86.2 billion; the largest yearly total for these kinds of funds ever recorded, reports Thompson Venture Economics. Together, 2005 Buyout and Mezzanine funds represent a 67% increase over 2004, when 129 combined funds raised \$51.6 billion. Business owners can tap into these sources of ready capital. Believe me; Buyout and Mezzanine fund managers are actively looking for you. A *Business Intermediary* will provide access, expertise and expedite the process.

Buyout funds seek to acquire between 70% and 100% equity ownership in a company, generally in exchange for cash flowing to the stockholders. Owners can elect to stay-on in a senior management role, setting themselves up for a second payday that is often larger than the first. Or, owners can simply walk away, retire with their American dream satisfied and piles of money safely tucked away. In today's seller market, the option to stay-on vs. retire is typically left to the business owner's preference.

Mezzanine funds provide a financial bridge; not an endless Interstate highway. The bridge duration can range from a few months to a few years. Eventually, Mezzanine capital fund managers want to recoup their investments, plus a return, resulting from the company moving into its next growth stage; i.e., merger, acquisition, divestiture, IPO. A capital infusion provided by a Mezzanine fund can be quiet substantial, having the effect of removing financial barriers to an otherwise fledging business. Mezzanine capital has been the catalyst for catapulting many "also ran" companies to big league super stars.

This is NOT a situation you want to be "learning from your mistakes". A *Business Intermediary* is worth their weight in gold, particularly if they will work on a success based compensation plan plus a reasonable up front retainer. Another fact. The overwhelming majority of successful Buyout and Mezzanine capital transactions are led by *Business Intermediaries*.

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