

\$50 million to fuel growth

Fund to supplement bank loans for businesses, developers

By Jill Lerner
STAFF WRITER

A group of high-profile Atlanta executives is raising a \$50 million fund to finance corporate growth, acquisitions, recapitalizations and real estate projects.

Nancy Creek Capital, formed by banking, real estate and corporate finance veterans Barrington Branch, Charles Shelton III and Ed Sims Jr., already has closed on the first \$25 million of its \$50 million inaugural fund.

The fund is intended to bridge the gap between the amount a bank can finance for its customers, and the customer's total needs to fund such undertakings as corporate growth, acquisitions, recapitalizations and, in the case of developers, real estate projects.

Banks, unlike private equity firms, often cannot lend the full amount needed by business customers because of lending policies designed to guard against risk.

Nancy Creek is the idea of Sims, who's been involved in Georgia's banking industry for more than 30 years.

During his banking career, Sims noted that his banks' best customers would "grow out of capital" and would want to expand to acquire another company or start a new real estate development.

Often banks couldn't meet their customers' full investment needs because of their inherently conservative lending formulas. "I began to realize there was a huge need and I talked to other bankers in Georgia who had the same problem," Sims said.

Even established real estate developers generally can get only 65 percent to 80 percent of their financing from banks, said Branch, who formed private investment banking firm The Branch-Shelton Co. in 1998. He previously served as president



BYRON E. SMALL

Heavy hitters:

Barrington Branch, Ed Sims Jr. and Charles Shelton III have raised \$25 million of their \$50 million goal.

and CEO of Dutch Institutional Holding Co., which owned a \$1.3 billion portfolio of class A office properties in Atlanta and other major U.S. cities.

Nancy Creek's advisory board members are as notable as its principals. They include Marcus Bromley, former chairman and CEO, Gables Residential Trust; Jeffrey Hughes, vice chairman, The Cypress Group; banking industry executive Robert Mason;

and Walter Moeling, senior partner and head of the financial institutions group at Powell Goldstein LLP.

Investments will range from \$1 million to \$5 million, with an average investment of \$2.5 million in mezzanine debt or equity. The partners say Nancy Creek also can lead syndications of up to \$20 million with co-investors.

Mezzanine debt is a layer of financing between senior debt, or bank loans, and equity. It is more risky than senior debt because if the lender defaults, the senior lender has first claim on the collateral securing the debt.

So far, Nancy Creek has committed, but not closed, on a \$2.5 million loan to a real estate developer who is receiving a \$13 million to \$15 million bank loan.

The company said it expects to make about 20 investments from its first fund, which should take about two to three years to allocate. When the fund is 75 percent committed, the partners say they will go back to the market and begin raising another fund, and plan to raise funds continually. The fund will be managed by Branch-Shelton.

The need for such a fund is potentially vast.

In the eight-state Southeastern region, there are more than 21,000 private companies with annual revenue between \$10 million and \$250 million, according to Nancy Creek.

There also are more than \$60 billion in annual real estate projects, many of which rely primarily on commercial banks to meet their financing needs.

However, while the largest banks in the Southeast have established mezzanine and equity funding sources, through



Moeling
Powell Goldstein LLP

affiliates, their minimum investment size is generally above Nancy Creek's planned average investment of \$2.5 million, say the principals.

Many of the other approximately 1,200 commercial banks in the Southeast have no formal affiliated mezzanine or equity debt sources and thus cannot always help their customers obtain additional sources of funding. Target partner banks for Nancy Creek will have assets in the \$100 million to \$5 billion range.

Sims, who was chairman of First Capital Bank from its formation to its 2004 merger with Chattahoochee National Bank, then director of First Capital until the November merger with Flag Bank, conceived the idea for Nancy Creek about a year and a half ago.

Sims is and will remain senior counsel in the corporate law department of McKenna Long & Aldridge LLP, although Nancy Creek will be his focus.

Looking for expertise in real estate and corporate finance, Sims hooked up with Branch and Shelton.

Prior to forming Branch-Shelton, Shelton served for 21 years as managing director and senior executive of the corporate finance department of what is

now SunTrust Robinson Humphrey.

The name "Nancy Creek" refers to something all three principals have in common. It's the street on which Shelton and Sims live and on which Branch grew up.

The company, which operates from office space in Vinings, has since hired two other professionals. Chief Financial Officer Robert Watts is former CFO and vice chairman of EIS Inc., an electronics manufacturer and distributor. Nancy Creek director O. Logan Ide previously was managing principal of the CrestRidge Group, a boutique consulting and investing firm.

Additionally, the company plans to hire an analyst in the first quarter.

Moeling said he got involved because the fund is likely to help his own clients, banks, help their customers.

"The bank doesn't owe the borrower anything, but a good loan officer is always looking for a way to help," he said.

Added Moeling: "There are very, very few small businesses or real estate developers who have ever been accused of being overcapitalized."

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