

## New fund to leverage \$75M

BY NICOLE GARRISON-SPRENGER  
STAFF WRITER

In April, Bob Kjelden and his partner Dan Frederickson took greater control of their business and secured growth financing for its future.

The co-founders of UV Color Inc., a Roseville-based specialty printer that produces gift and phone cards for companies such as Target Corp. and AT&T, received a \$3 million sub-debt and warrants investment from Marquette Capital Partners Inc., a Minneapolis private-capital investment firm and licensed Small Business Investment Company (SBIC).

Officials at Marquette Capital plan to make more than a dozen similar investments over the next five years now that they have secured a total of \$23.2 million for their Marquette Capital Fund I, following a recent close on \$7 million. Under the SBA debenture program — which enables Marquette to borrow up to \$2 at low interest rates for every \$1 it raises — the fund should total nearly \$75 million.

The firm launched Marquette Capital Fund I, a mezzanine fund, to invest in closely held or family-owned companies in the central United States with annual revenue of \$10 million to \$100 million. Money invested can be used to finance internal growth, acquisitions, recapitalization or buyouts.

Founded in 1997, Marquette Capital is a subsidiary of Marquette Financial Cos. The firm, led by managing principals Tom Jenkins and Greg Dames, announced its intention to raise \$25 million for the fund in November 2003. It is the first time Marquette Capital has accepted investments from individuals other than Carl Pohlad and his family, the owners of Marquette Financial.

Negotiations on two additional portfolio investments, which could total up to \$5 million, are expected to close by the end of month.

SBICs are public-private partnerships created to bridge the gap between entrepreneurs' need for capital and traditional financing sources. The SBIC program, established in 1958, invests across the spectrum of private equity, including venture, buyout and mezzanine funds. There are about a dozen licensed SBICs in Minnesota.

"We've made three investments in our first nine months since licensing," said Jenkins, Marquette Capital Partners' president and CEO. "We expect to invest in 20 companies over five years. Three out of 20 are out of the way. I'd say that's pretty good."



GLENN HALVORSON THE BUSINESS JOURNAL

**President and CEO Thomas Jenkins, left, and Managing Director Gregory Dames plan to invest in a dozen small firms in five years.**

Investors to date include Marquette Financial Cos., nine regional banks — including Bremer Bank and Highland Bank in St. Paul and Excel Bank in Minneapolis — and 20 families and individuals.

Jenkins said he expects the fund to generate returns of 18 to 20 percent. Because Marquette Capital borrows two-thirds of its money from the government, costs are low, so investors likely will see similar returns, he said.

Beyond the return, the fund is an attractive option for investors, particularly banks, for a number of reasons.

"First of all, the reputation of the people involved in the fund was a plus," said Rick Wall, CEO of Highland Bank, which invested \$1 million. Both Jenkins and Dames are former Marquette Capital Bank executives.

It also helps banks diversify their assets, something that Highland Bancshares Inc., Highland Bank's holding company, has not done until now. "If you don't have all your eggs in one basket you're a bit safer in case there is a problem with any one of your investments," Wall said, adding that Highland will likely make additional non-banking investments in the future.

### MORE...

**Marquette Capital Partners Inc.**

**Location:** Minneapolis

**President & CEO:** Tom Jenkins

**Business:** Private capital investment firm

**Year founded:** 1997

**Web site:** [www.marquette.com](http://www.marquette.com)

Lastly, investing in the fund gives banks the option to connect their business customers who need debt financing with a trusted partner, so they can enjoy the same benefits as UV Color.

"When we decided we wanted to do something like this, one of our key advisers recommended Marquette Capital," said Kjelden of UV Color. "We also talked to our banking advisers, but we chose Marquette because they understood the entrepreneurial-driven company and we thought they'd provide us with a better board adviser."

[ngarrison@bizjournals.com](mailto:ngarrison@bizjournals.com) | (612) 288-2112