

## Bush O'Donnell's Eagle Fund takes flight

Lands SBA backing, creating a \$75 million fund for small businesses

BY PATRICK L. THIMANGU  
pthimangu@bizjournals.com

Clayton-based Bush O'Donnell Capital Partners has expanded an investment fund into a \$75 million powerhouse by converting it to a company that qualifies for government-backed financing.

Bush O'Donnell Capital got a license from the U.S. Small Business Administration Dec. 18 to operate the fund as a small business investment company (SBIC). The fund is known as Eagle Fund I LP.

Bush O'Donnell Capital is a subsidiary of Bush O'Donnell & Co. Inc., a private financial holding company founded in 1986 by long-time St. Louis resident William Bush, who is an uncle of President George W. Bush.

Wayne Smith, president of Bush O'Donnell Capital, said the firm has been working to expand the Eagle Fund since March when it applied for an SBA license. As an investment company, or SBIC, the fund can access federal-backed matching dollars for the money it invests in small businesses.

While there are other SBA-licensed investment firms in the St. Louis area, including three funds managed by Gateway Associates, and RiverVest Venture Partners — a fund launched by bankers Andy Craig and Tom Melzer in 2000 — Eagle Fund I will be one of the largest SBICs in the region, said Bob Andrews, SBA director for the St. Louis district.

Smith said the Eagle Fund will provide mezzanine financing and equity capital to businesses in the St. Louis area and throughout the Midwest.

Mezzanine financing is a type of debt financ-

ing that fills the gap between issuing stock and senior debt loans. The debt is repayable only after senior debt has been paid and usually carries a higher interest rate than senior debt to compensate lenders for taking greater risk.

Smith said the Eagle Fund will make \$1 million to \$4 million investments in profitable businesses with compelling business plans.

"We won't do real estate, we won't be making many investments in high tech, and we will probably not fund leasing companies," Smith said. "We will fund manufacturing, distributors, business services and retail."

Smith said Eagle Fund is already in negotiations to fund four local companies, but he declined to disclose their names or amounts they are seeking.

"With the current improvement in the economy, we are seeing many exciting investment opportunities and expect to close several investments in the first few months of the fund," Smith said.

The Eagle Fund was initially operated by Mississippi Valley Bancshares, the parent company of Southwest

Bank of St. Louis. The fund — then a \$5 million fund — was spun out as an independent entity in October 2002 when Milwaukee-based Marshall & Isley Corp. bought Mississippi Valley.

Scott Fesler, then president of the Eagle Fund at Mississippi Valley, and Andrew Baur, chairman at Southwest Bank, approached Bush O'Donnell to join in the management of the fund and help expand it, Smith said. Bush O'Donnell invested in Eagle, alongside Baur, Fesler

and 20 other limited partners.

Besides Baur, William Bush, Fester and Smith, other principals for the Eagle Fund are James



JEREMY DEWESE

Bush O'Donnell's Wayne Smith says the fund will invest in manufacturing, distribution and retail



Scott Fesler