

# CEO CFO



**Monroe Capital**<sup>®</sup>  
*Innovative Capital Creating Value*

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**CEOCFO Magazine - The Most Powerful Name In Corporate News and Information**

Having Pioneered Unitranche Financing for the Middle Market, Monroe Capital LLC  
Is helping CEOs and CFOs achieve their Growth Goals as a "One-Stop Shop"  
With their product that combines the Senior, Mezzanine, Junior Debt  
And Equity Co-Investment into One Document

**Financial  
Investment**

**Monroe Capital LLC**  
311 South Wacker Drive, Suite 6400  
Chicago, Illinois 60606  
312.258.8300  
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**Thomas C. Aronson**  
Managing Director & Principal

**BIO:**

Role at Monroe Capital:  
Head of Originations

Joined the team: 2004

Education: DePaul University, M.B.A. in Management Accounting; Indiana University, B.S. in Finance and Marketing

Experience: Hilco Capital LP, Head of Originations; Cole Taylor Bank, Senior Vice President & Group Head, Business Banking Group; Barton Chemical Corp, Chief Financial Officer; American National Bank (now JP Morgan Chase), VP – Commercial Lending.

Organizations: Association for Corporate Growth; Commercial Finance Association; Turnaround Management Association; President, Midwest Chapter of the Small Business Investment Alliance (SBIA)

**About Monroe Capital LLC:**

Monroe Capital is a leading provider of senior and junior debt and equity co-investments to middle-market companies in the U.S. and Canada.

Investment types include unitranche financings, cash flow and enterprise value based loans, acquisition facilities, mezzanine debt, second lien or last-out loans and equity co-investments. Monroe Capital prides itself on its flexible investment approach and its ability to close and fund transactions quickly. Monroe is committed to being a value-added and user-friendly partner to owners, senior management and private equity sponsors.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFO Magazine**

**CEOCFO:** Mr. Aronson, what is Monroe Capital?

**Mr. Aronson:** Monroe Capital is a unitranche debt fund. We have just under a billion dollars of assets under management. We were formed in 2004 and focus on providing unitranche financing to the middle market businesses which we define as companies with revenues starting at \$20 million with EBITDA between \$3 million and \$25 million.

**CEOCFO:** Within that dollar range, are there types of companies on which you focus?

**Mr. Aronson:** Most CFOs and CEOs want to know our areas of concentration and which industries we specialize. However, it is easier to tell you what we do not do rather than what we do because we have experience financing a broad spectrum of industries. What we stay away from are venture, start-ups, real estate development and other high-tech busi-

nesses. Monroe diversifies itself with its verticals. We recently formed an ESOP (Employee Stock Ownership Plan) practice. I do not know of any other independent finance business like us that has an ESOP vertical. We also have a healthcare affiliate that we established recently to do small ticket ABL healthcare transactions. Lastly, we have a debt placement group called Monroe Credit Advisors. We established this group to help businesses locate financing partners throughout the country. Many CFOs and CEOs go to their local commercial bank, but outside of that they do not know which financing sources are best suited to meet their needs. We provide this expertise and knowledge to the CEO and CFO because of our history of completed transactions. If a transaction does not meet Monroe Capital Fund's credit profile, we are able to provide the assistance through Monroe Credit Advisors. As you can see, we are unique in that we are able to provide a broad spectrum of services to the middle market businesses.

**CEOCFO:** When you look at a company to provide financing what is most important?

**Mr. Aronson:** We look at many factors when making an investment decision. First and foremost, we are an enterprise value investor. We look for our investment to be between 60% - 75% of the value of the business. Critical components of the value of a business and thus our decision making are the quality of the management team, their business plan and the expected free cash flow of the business.

If a company hit a bump in the road in the recent past, this can be mitigated with a quality management team and a strong business plan. We have always focused on rolling up our sleeves and understanding all aspects of a business. We like to invest in businesses where the perceived risk may be very high however, when we learn more about the business, the actual risk in the investment is low. The only way you find that out is by visiting the company and doing the proper due diligence. That is something we pride ourselves on and there is nobody who of our size and with our and capacity nationwide doing what we do in the market.

**CEOCFO:** How much input do you have with a company once you are doing a financing?

**Mr. Aronson:** We will provide as much input as the CFO and CEO needs or wants from us. If we are solely a debt provider, we typically do not take a board seat or have a significant role on a daily basis however, many of our opportunities will include an equity co-investment. In this case, we may take a board observation seat and provide a more active advisory role, as desired by the CEO and CFO. Each transaction is unique, we will provide our services as dictated by the investment.

**CEOCFO:** Would you expand on the unitranche?

**Mr. Aronson:** Unitranche financing is a relatively new product which combines the senior, mezzanine, junior debt and equity co-investment into one document. What this means is we are a "one-stop shop." This allows the CFO and CEO to avoid working with multiple attorneys and multiple sets of documents. Monroe brings a coordinated effort all under one set of documents. This document is very flexible when the CFO and CEO are experiencing periods of change whether due to expansion through internal growth or acquisition. When you deal with multiple parties, it is difficult to amend and grow your busi-

ness but under a unitranche document with Monroe as the agent, it is very easy to amend the document or expand a credit facility to meet the ever changing needs of a business. The unitranche product has been extremely well received within the middle market nationwide. It is a product that many CFOs and CEOs are not aware of. When they are making an acquisition or looking for growth financing, having the ability to work with one financing source makes managing the business much easier. As CEOs and CFOs learn more about the unitranche product, they realize the advantages over conventional multi-tranche financing vehicles.

**"We have pioneered unitranche financing for the middle market. We are experienced and have completed over four hundred transactions in the space. We like a cross section of industries. It is a people business and we take the time to understand the needs of our clients and perspective borrowers to provide an appropriate financing solution. Our unitranche structure is flexible and can assist a company when looking for growth capital, acquisition financing or even assist if a current lender is no longer interested or able to meet the financing needs of a particular business. At the end of the day, we are great partners and we can help CEOs and CFOs achieve their growth goals. This is why they should pay attention to us."**

**- Thomas C. Aronson**

**CEOCFO:** When you are making a decision, where does gut feeling and experience come in matching what you see on paper?

**Mr. Aronson:** That is a great question and an integral part of our business. Our core team has been together since 2000. Most of our management team has been in the industry for over twenty-five years. We have talked to many management teams and a lot of CEOs and CFOs. As I mentioned earlier we pride ourselves on being able to roll up our sleeves to understand the strengths of a business. The gut-feel is all about perceived risk versus actual risk. Many lenders that do not have our experience level or are sit-

ting behind a desk trying to make an investment decision will pass on an opportunity because it does not meet their initial deal screen. This will often provide us an opportunity to dig in and understand the particular needs of a business and in some cases, how a strong management team responded to a difficult business cycle to come out stronger on the other side. Often these are our best investment opportunities. Our track record proves our ability to make sound investments. It is all about experience and gut-feel.

**CEOCFO:** How do potential clients find you?

**Mr. Aronson:** Along with our headquarters in Chicago, we have origination offices in New York, Boston, Charlotte, Atlanta and Los Angeles. We work very hard at knowing the referral sources and decision makers in cities throughout the United States. Much of our origination effort is face to face calling on investment bankers, turnaround professionals, commercial lenders and private-equity sponsors. Our banking partners and referral sources often make direct introductions to CFOs and CEOs. In order to be successful in the middle market, you must take a hands-on approach and be willing to meet face-to-face. We are constantly on airplanes travel-

ing to meet with CFOs and CEOs, management teams and business owners. More information can be learned by visiting our website at [www.monroecap.com](http://www.monroecap.com).

**CEOCFO:** What are the most important factors in understanding how the economy might be a year or two from now so that you make the right decisions today?

**Mr. Aronson:** The lower middle market is in many cases unaffected by some of the day-to-day headline news that we see on television. In terms of the economy, it is important to understand the trends so that we can properly assess the effects of a changing economy on a business. One of the

advantages we have is we invest throughout a number of industries in addition to managing a portfolio of over 165 investments. This provides us the benefit of understanding trends in particular industries which we can use to evaluate an investment opportunity in the middle market. Many times, this information is more applicable than the headline news. Daily news is important but it is more essential to have an understanding how these trends may affect particular businesses. For example, we may see trends occurring in industries such as oil and gas, auto or healthcare which

we are able to use when evaluating investments in various business sectors.

**CEOCFO:** Why should the business and investment community pay attention to Monroe Capital?

**Mr. Aronson:** We can provide a service in the financing space that others cannot - we are unique and innovative. We have pioneered unitranche financing for the middle market. We are experienced and have completed over four hundred transactions in the space. We like a cross section of industries. It is a people business and

we take the time to understand the needs of our clients and perspective borrowers to provide an appropriate financing solution. Our unitranche structure is flexible and can assist a company when looking for growth capital, acquisition financing or even assist if a current lender is no longer interested or able to meet the financing needs of a particular business. At the end of the day, we are great partners and we can help CEOs and CFOs achieve their growth goals. This is why they should pay attention to us.

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