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Investor to pump \$150M into Metropolitan Bank

Metropolitan Bank Group, the bank holding company headed by animal welfare supporters Paula and Peter Fasseas, will receive \$150 million in equity capital from an outside investor.

It's among the biggest private equity investments in a privately held bank in the Chicago area since the economic slowdown began.

"It has been a long road the last few years as the Great Recession hit our industry, but we couldn't be happier to announce that we just reached agreement with an investor group to bring \$150 million of capital into our company," Peter Fasseas, chairman of \$2.9 billion-asset Metropolitan Bank Group, said in an e-mail obtained by the Tribune. "This is a remarkable occasion, as four years into this economic crisis, only a handful of these recapitalizations have been completed in the entire United States."

The deal was struck with BXM Holdings Inc., whose chief executive is Chicago banker Roberto Herencia.

"Metropolitan Bank Group will retain the community focus that has been so important to us since we first bought North Community Bank in 1978—at the time a one-office, \$16 million in deposits, 16 employee bank in Wrigleyville," Metropolitan said in its statement.

Metropolitan is the privately held parent company of Archer Bank, Metropolitan Bank, North Community Bank, Oswego Community Bank and Plaza Bank. Metropolitan has been among several mid-size lenders in the Chicago area that are under financial stress.

BXM is a fund specializing in community bank investments. BXM has been talking with several Chicago-area banks about investing in them.

"Our investors are pleased to have this opportunity to invest in a community banking franchise with such deep roots in the Chicago metropolitan market and a strong core deposit base," Herencia said in a statement. "We look forward to helping strengthen this institution for the benefit of all its stakeholders, so that it can continue serving its loyal customers and supporting its community partners."

The Fasseas family is the force behind Paws, the animal shelter. Its banks, which have combined assets of almost \$3 billion and 92 branches, have been ordered by regulators to raise capital.

Peter Fasseas, and his wife, Paula, and daughter work at the bank.

Metropolitan has been deferring dividends on the \$71.5 million it received in TARP money and is behind on nearly \$2 million in dividend payments. Banks may defer their dividend payments without risk of penalty.

The deal is subject to regulatory approval and certain closing conditions, including the agreement by the U.S. Treasury Department to redeem for cash at a discount all shares of preferred stock issued by Metropolitan under the Troubled Asset Relief Program, or TARP.

The additional equity capital resulting from the recapitalization will allow Metropolitan and its subsidiary banks to meet and exceed mandated minimum regulatory capital ratios and support future growth, the company said in a statement.

Herencia was the longtime president of Banco Popular North America and went on to head Midwest Banc Holdings Inc. Last October, Puerto Rico's First BanCorp. named Herencia as non-executive chairman of its board of directors. He's also a director of SKBHC Holdings, a bank holding company whose lenders include AmericanWest Bank and First National Bank of Starbuck.

Other BXM principals include Alberto Paracchini, Lindsay Corby and Sandy Thoms.

River Branch Capital LLC is serving as financial advisor and Wachtell, Lipton, Rosen & Katz is serving as legal counsel to Metropolitan Bank Group. Sullivan & Cromwell LLP is serving as legal counsel to the investor group.

*By Becky Yerak
Tribune reporter*