



The Deal
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ResMAE closes on \$25M
By Cheryl Meyer in Los Angeles

Wholesale specialty mortgage company ResMAE Financial Corp., which offers loans to higher-risk individuals looking to buy residential property, said Wednesday, Oct. 15, it has received about \$25 million in funding from TH Lee Putnam Ventures. ResMAE of Brea, Calif., which was founded in January, will use the money to fund its national expansion plan and support balance-sheet growth.

Eugene Weil, Michael Austin and John Nelligan at Milestone Advisors LLC, a middle market investment bank, arranged the financing, and undisclosed principals at Milestone also invested a small amount in the mortgage company, according to Ed Resendez, ResMAE co-founder, president and co-chief executive.

David Sands at Sheppard, Mullin, Richter & Hampton LLP provided legal counsel to ResMAE.

TH Lee Putnam Ventures will take an unspecified equity stake in the company. The firm, which is focused on technology and has \$1.1 billion under management, is affiliated with buyout firm Thomas H. Lee Partners and with money manager Putnam Investments.

Other potential investors expressed interest in the mortgage company, but ResMAE opted in this first outside funding round to work with the New York-based private equity firm because it wanted a "a strong capital partner that understands the potential of our business" said company co-founder, chairman and co-CEO M. Jack Mayesh, in a statement Wednesday.

TH Lee said it decided to invest in ResMAE because of the company's strong management team in the non-prime mortgage sector. The management team has longstanding relationships with mortgage brokers and a solid reputation on Wall Street, TH Lee Managing Director Jim Brown said in a statement.

Resendez said the sub prime mortgage market is also ripe for investment, particularly since the down economy made it more imperative for individuals to get home loans.

ResMAE, through its licensed entity, Residential Mortgage Assistance Enterprise LLC, began originating non-prime loans in the specialty mortgage sector in January. The company, which uses a network of independent mortgage brokers to originate loans, was founded by Resendez, Mayesh and Bill Komperda, the former executive management team at Long Beach Financial Corp., a public specialty residential mortgage company. LBFC was sold to Washington Mutual Inc. in 1999 for about \$350 million.

Approved by the U.S. Housing and Urban Development agency, ResMAE is licensed or qualified to conduct business in 14 states and currently originates loans in California, Colorado, Illinois and Utah. It uses a Web-enabled technology platform that allows the company to do faster turnarounds and help with the loan submission process. That technology attracted TH Lee, since quick communication with brokers is often key in the aggressive mortgage business.

"ResMAE is an excellent example of our strategy of investing in companies that leverage technology to create a competitive advantage," Brown said. "The company's next-generation loan production platform will drive low origination costs while delivering what brokers want — speed of turnaround and high service levels."

Resendez said ResMAE may opt to go public or sell the already profitable company in three to five years. The company does not expect to seek any additional funding.

"We haven't really decided," remarked Resendez. "Obviously, venture funds don't make an investment without a notion of a liquidity event. We'll look at an IPO or something to that effect — whatever makes sense for all shareholders we will consider. The plan is to have a lot more than the \$25 million [when] the liquidity event will occur."

Milestone adviser Austin said he expects to see more equity deals in the wholesale specialty mortgage sector over the next few months. "We're working on a few ourselves," Austin said. "There's opportunity, especially when you have management teams of the caliber that ResMAE has."

Austin said ResMAE could choose to eventually go public or sell, as its founders did with Long Beach Financial Corp. The path "hasn't been determined, but they are very, very comfortable running a public company," he said of ResMAE's founders.

The company's primary competitors are New Century Financial Corp., Accredited Home Lenders Holding Co., Saxon Capital Inc., and Option One Mortgage Corp, a subsidiary of H&R Block Inc.