



Venture capitalists hold tight

BY JEFF BOUNDS | STAFF WRITER

Fundraising by local companies rebounded in the first quarter, although venture capitalists remained tight-fisted with their cash.

Local businesses raised about \$109.6 million between Jan. 1 and March 31. That's up from \$82.7 million in the fourth quarter of 2007, but off from \$149.2 million in the same period last year.

The fourth-quarter tally was the worst since the *Dallas Business Journal* began its Private Investment Survey in the first quarter of 2000.

Venture capitalists invested \$70.5 million in nine deals during the first quarter, up from \$49.3 million in the last quarter of 2007, but roughly half of the \$141.2 million from the year-ago time frame.

"It looks to me like Dallas-Fort Worth

On the venture side, a single company's first-round funding: Dallas' Merlin, which nailed down \$10 million from a group called Udata Partners. Merlin makes Web-enabled candidate assessment

is continuing to not have much activity," says Mark Sinclair, director of the strategic growth markets practice in North Texas at Ernst & Young.

"The level of deals is pretty flat, quarter-to-quarter, over the last two-and-a-half years. The dollars will jump around a bit, and we will have some later-stage investments that are at a higher (investment)

but fundraising up slightly during the first quarter

the current quarter is the lack of first-round institutional deals. On the venture side, a single company landed first-round funding: Dallas' Merlin Technologies Corp., which nailed down \$10 million from an East Coast venture firm called Udata Partners. Merlin makes software for hiring, such as Web-enabled candidate assessments.

Nationally, venture investments fell to \$6.84 billion, down 7% compared to the year-ago period, according to Dow Jones VentureSource, a national survey done by Dow Jones & Co. The number of deals reported nationally, 603, was the lowest since the first quarter of 2005, VentureSource says.

The information-technology sector, where the Metroplex excels, posted what VentureSource calls a "strong" quarter, with \$3.88 billion invested in 373 deals, compared to \$3.24 billion in 358 deals in the first quarter of 2007. Life-sciences investments, an area in which North Texas isn't as strong, were down to \$1.74 billion in 142 deals, compared with \$3.06 billion in 175 transactions in the year-ago period.

Overall, VentureSource says, Texas companies nailed down \$325 million in 24 transactions for the first quarter.

Same story in private equity

While the debt markets remain difficult for multibillion-dollar private equity transactions, players at the lower end of the spectrum report that they are still getting deals done.

"I would say that lenders look a bit more closely than they did a year ago," says Paul Bureau III, managing partner at Venquest Capital Partners, a Dallas private-equity shop. But, he adds, debt financing is available for good deals.

"We're still seeing fairly good deal flow," Bureau adds. "We're having to look a little harder at things to find the quality transactions we want."

Bureau, whose firm does middle-market buyout transactions with enterprise



LIGHT ON: Alpha Med-Surge President and CEO Austin Crowder lined up \$2.475 million for his medical-device company in the first quarter. Alpha Med-Surge, based in Frisco, makes headlamps for surgeons.

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values of \$20 million to \$100 million, don't seem concerned about a possible recession. "A lot of the things we're looking at now are in sectors not susceptible" to a downturn, such as oilfield services, Bureau says.

Enterprise value is a hypothetical "sale price for a company, including its market capitalization minus cash and cash equivalents, plus preferred stock and debt.

Across town from Venquest, Dallas-based Teakwood Capital is revving up after not doing any deals in 2007 because its executives did not like the investment climate. "We didn't like what we were seeing," says managing director Shawn Kelly.

But as baby boomers retire, Teakwood will start snapping up the companies they run with \$30 million in revenue or less. To help in that effort, it recently brought

aboard a new partner, Rich Beckert, who previously was an executive vice president at Dallas' Clubcorp.

Highlights of this quarter's survey include:

■ Dallas' eGistics, a supplier of data-storage technology, received at least \$6.11 million of a planned \$7.61 million fifth round of funding, according to a Securities and Exchange Commission filing. Founded in 1994, the company's major investors include South Dakota's BlueStem Capital Partners and California's Trident Capital, the document says.

■ In Irving, ePartners underwent a recapitalization, or a change in its ownership structure. The technology consulting and services firm's largest stakeholder is now Mobius Venture Capital of Colorado. Other terms of the deal weren't

disclosed, although an SEC filing says the company raised at least \$1.5 million in the quarter.

■ Exeter Finance of Irving received up to \$20 million from Atlanta's Navigation Capital Partners. Exeter is slated to receive up to \$40 million more from Navigation, which now holds a controlling stake in the company. The Goldman Sachs Vintage Fund co-invested with Navigation in the deal. Exeter buys and services auto-finance contracts for consumers with spotty credit from franchised auto dealerships in the United States. Founded in 2006, Exeter says it will use the capital infusion to open at least 11 branch offices in several "major" cities over the next two years.