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Austin Business Journal

From the August 8, 2005 print edition

Focus Strategies launches venture fund

Targets number of industries
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For [Focus Strategies LLC](#), there's a first time for everything.

The merchant banking firm has had a first close on its first fund. The amount was not disclosed.

Austin-based Focus Strategies was founded in 1999 and advises middle-market and financial services companies and helps them raise funding.

Now, the company is looking to get into private equity and debt investment funding. Gary Valdez, president of Focus Strategies, says the fund will target Texas-based later-stage companies and those looking for expansion capital.

"We'd really like to provide more merchant banking services, so our hope is that this fund will formalize that part of our business," Valdez says.

The fund will focus on growth capital financing, expansion capital, leveraged buyouts, consolidations and recapitalizations.

The fund will invest between \$2 million and \$10 million in loans to companies that have revenues between \$5 million and \$100 million. The fund will probably team up with other institutional investors to invest in a company, Valdez says.

The fund will target companies involved in a number of industries, including financial service and banking companies, software services firms, technology hardware and equipment, real estate services, healthcare equipment and services, and telecommunication services, among other industries.

Ideally, Focus will work with portfolio companies through its corporate finance advisory services and then invest in the companies. That way, Focus will already have some familiarity with each company's business model, management team and market, Valdez says.

Later-stage companies tend to go after debt equity, as opposed to venture funding, to grow their businesses, says Ehud Ronn, a professor of finance at the University of Texas at Austin's McCombs School of Business.

"If you're confident as a company that you're well on your way, then debt is the way to go because you'll pay less," says Ronn. "If you're not sure, then equity funding shares the risks and rewards with someone else. The disadvantage of that is your investor will expect and receive a higher payout when things go well."

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