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## Investment firm to raise \$50M to grow companies

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Yet another Atlanta firm is prepping to plow millions of dollars into the next generation of tech companies.

Atlanta-based Buckhead Investment Partners LLC will launch a \$50 million venture capital fund, just three years after raising its first fund.

The latest capital raise comes as two other Atlanta groups are raising funds, which combined, would put up to \$200 million to work.

With its second fund, Buckhead Investment Partners (BIP) hopes to capitalize on a “substantive investment pipeline,” Managing Partner Shawn Welch said, noting current deal flow has been the strongest since 2004.

Local capital pools not only help seed the next generation of companies, they ensure that existing entrepreneurs and their companies remain and grow in the region.

Entrepreneurs are more likely to risk launching new ventures in a city, if there’s a greater likelihood of getting funding locally, said Scott Allen, attorney in the tech practice at Morris, Manning & Martin LLP.

The alternative — raising money from out-of-state investors — increases the odds the company ends up moving, because the investors’ network of industry and customer connections is likely to be elsewhere.

“The more funding we’ve got locally, the more likelihood of getting some of our early-stage companies funded,” Allen said. “Historically, such companies have had to go out of market in order to get the funding they need to go to the next level.”

Robust M&A and IPO markets are juicing venture capital investment activity. Venture firms make money for their investors (limited partners or L.P.s) when they “exit,” either through mergers or acquisitions or taking their portfolio companies public. That, in turn, allows venture firms to raise a new fund and reinvest.

The first quarter marked the strongest quarter for U.S. venture capital fundraising since the third quarter of 2008 and the best annual start for fundraising in the United States since 2001, according to Thomson Reuters and the National Venture Capital Association. Thirty-six U.S. venture capital funds raised more than \$7 billion in the first quarter of 2011.

Atlanta-based Fulcrum Equity Partners Inc. is raising an up-to-\$100 million fund to leverage, as one partner put it, “the best deal flow that we’ve ever seen in our collective experience.” The Fulcrum fund is aimed at health-care and tech companies.

Atlanta-based venture capital firm TTV Capital is raising a \$100 million fund, according to a Securities & Exchange Commission filing. TTV,



**Capital idea:** Mark Buffington, Shawn Welch and Scott Pressly of Buckhead Investment Partners, which is raising a \$50 million venture fund.

formerly Total Technology Ventures, invests in technology-enabled financial services businesses.

The brisk fundraising comes as investors have parked their money on the sidelines since the market collapse of 2008.

“The worst part of being an investor in an economic time like now is to feel like you’re going to miss the boat,” said Jamie Hamilton, an Atlanta angel and operating partner at BIP.

Investors are anxious to put that money to work, Hamilton said.

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“They don’t want to miss out, and wake up tomorrow and say “maybe I should’ve [gotten back] in earlier,” he noted.

### Innovation sectors

BIP Opportunities Fund II will invest in early-stage firms in the health-care IT, digital media (two growing industry clusters in Atlanta) franchising and specialty finance sectors.

“We are opportunistic and wouldn’t be limited to these specific sectors if early-stage opportunities arise where we believe we can be value added,” Welch said.

BIP plans to do 10 to 14 deals, investing \$4 million to \$5 million in each, over a two- or three-year period, Welch said.

BIP plans to raise small funds and do it often.

“Our goal is to lunch a series of \$50 million funds and put the money to work over shorter time horizons,” Mark Buffington, managing partner, said. “Staying smaller eliminates a lot of the pressures to put money to work, which oftentimes leads to hasty decisions.”

Health-care IT and digital media are both markets ripe for innovation, Welch said.

“We try to find areas where there’s a lot of innovation that’s occurring and where we have good contacts in the space that can bring revenue opportunities to some of these businesses,” he said.

The health-care industry is a decade

behind in its adoption of technology and sophisticated business management practices, Buffington said.

“Whether you agree or disagree with Obamacare, what it’s really done is put some focus on innovation and technology,” he said. “When we speak with hospital executives and physician management executives, they are all focused on innovation and technology to improve their operations.”

### Roll-up-the-sleeves investing

BIP typically does deals without investment partners. The solo approach allows BIP to “move more quickly and efficiently, because you’ve got less parties that are making decisions,” Welch said.

BIP takes a hands-on approach, taking board seats in its portfolio companies. The investment group offers operational expertise, access to management talent and potential business partners and customers, noted BIP Managing Partner H. Scott Pressly.

“We tend to spend a lot of time with the businesses on a daily [and] weekly basis trying to sift through the revenue opportunities, what are the contacts that we can bring to bear, [and] helping building out sales and marketing,” Welch said.

BIP partners, who have a combined 40-plus years of investment banking, private equity and operational expertise, have collectively invested \$200 million of equity. The team has funded several companies, including Vendor-



**Allen**  
Morris, Manning  
& Martin LLP



**Hamilton**  
Buckhead Investment  
Partners LLC

## By the numbers

**\$50 million** – Size of Buckhead Investment Partners second fund

**\$4 million to \$5 million** – Individual deal size

**10 to 14** – Estimated deals

**\$1 million to \$5 million** – Average annual revenue of target companies

mate Inc., Ingenious Med Inc., and PlayOn Sports.

Welch expects the \$50 million fund to be raised mostly from wealthy individuals, foundations, endowments and family offices.

Raising the new fund, which BIP expects to complete early next year, could be a challenge as investment portfolios have gotten bruised by a roiling stock market.

Welch waved away such concerns: “The last time we raised a fund was during the worst economic recession ... in my career. So, I can guarantee you it’s going to be easier this time.”

BIP might, in fact, get a boost as a stalled stock market sends investors in search of portfolio diversification and growth.

“The American investor is fed up with the stock market,” Buffington said. “It’s been over 10 years since they’ve made real money.”

Raising a second fund is also easier because there is a track record. BIP has generated a roughly 45 percent annualized return on its investment portfolio (both pre-fund and fund investments) since its inception in late 2006.

“Dollars coalesce around dollars,” Hamilton said. “If you have had success with the first fund, your next deal, your next fund should be easier.”