

## Dallas Business Journal

# Private equity firm aims to fill a gap

## Teakwood will put \$2M to \$4M into each deal

BY JEFF BOUNDS | STAFF WRITER

A new, \$26 million private equity fund run by two Austin Ventures alumni has made its first investment.

The fund, Teakwood Capital, did not disclose the size of its infusion into Global Acceptance Credit Co. of Arlington, although the Dallas concern plans to put in roughly \$2 million to \$4 million per deal.

Unlike most private equity firms, which tap pension funds and other institutions for investment capital, Teakwood raised its fund exclusively from 40 wealthy individuals.

Shawn Kelly, a managing director at Teakwood with general partner Dan Shimer, says the fund's investors are successful entrepreneurs who are helping find potential deals, perform due diligence, build companies that Teakwood invests in, and, eventually, sell them.

Teakwood is looking for Texas-based businesses that are cash-flow positive, have revenue of between \$5 million and \$15 million a year, and are growing.

Teakwood will take a board seat in its businesses, but more often than not will purchase minority stakes rather than acquire control. Teakwood executives stress that while they and their investors will help out portfolio companies with issues like sales and marketing, operations or securing debt financing, they do not want to run the businesses.

Teakwood is trying to fill what



KENNETH BROCK

**OPEN FOR BUSINESS:** Shawn Kelly, left, and Dan Shimer launched Teakwood Capital to supply \$2 million to \$4 million in equity capital to profitable, growing businesses with annual revenue between \$5 million and \$15 million.

its executives perceive as a funding gap between traditional private equity firms—which generally want to put in at least \$5 million—and wealthy individuals, who generally will invest about \$1 million to \$1.5 million, and often less.

Kelly and Shimer like financial services, business services, health care and health care services, information-technology services, distribution and other service-related fields.

A key, according to Kelly, is for the business to need one round of funding—which Teakwood would like to provide exclusively—instead of several.

“Our future portfolio companies have done two things well,” Shimer says. “One, they’re good at customer acquisition. And two, they’re good at delivering products or services.”

Most prospective Teakwood portfolio companies have not put as much time, effort or resources into bigger-picture things that could help them grow, such as investing in back-office technology systems, he says. Teakwood’s cash will go toward those ends.

### Cashing in

Like most private-equity funds, Teakwood will spend roughly five years making investments, and another five cashing them in. It typically will maintain a stake in a given company for three to five years, about par for the industry.

In most cases, Teakwood will sell its stake in the businesses, either to larger private equity firms or to companies in the same field that would do the deals to gain customers, market share, product lines or other

things they need.

Mike Varrichio, president of Global Acceptance Credit, says the 60-employee company has been doubling its revenue almost every year since its November 1997 founding, but wanted to grow faster.

Global Acceptance purchases consumer debt that is 180 days delinquent or more and has been written off by creditors. The creditors sell the debts on the open market, and General Acceptance buys them to collect on the obligations or re-sell them.

“The industry is capital intensive. You need capital to buy product,” Varrichio says. In the past, the company raised money by forming limited partnerships of investors.

jbounds@bizjournals.com | 214-706-7122

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