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# Marking Milestones

## Fund for women-led businesses readies to raise \$20 million

By SHERYL JEAN / Staff Writer

Published Apr 18, 2011 11:52 PM

Texas Women Ventures Fund is preparing to raise \$20 million — its biggest fund yet — to triple its size.

The Richardson-based private equity fund will unveil the plan Wednesday at its annual investor meeting. Dallas businessman Ray Hunt's company has already made the first commitment of \$2 million as lead investor.

Texas Women Ventures also reached another milestone: Last month, its second of five investments repaid the fund early.



Whitney Johns Martin (left), chair of Texas Women Ventures Fund stands with CEO JoAnn Brumit of KARLEE, a contract manufacturer company, in front of an optic laser cutting machine at the KARLEE manufacturing plant in Garland. The Texas Women Ventures Fund invested \$1 million in growth capital in KARLEE in 2006. SONYA N. HEBERT / STAFF PHOTOGRAPHER

“We’ve tested the model, and it works,” said managing member Whitney Johns Martin. She co-founded the group with Valerie Freeman, Cynthia Pharr Lee and Carol Nichols.

Texas Women Ventures invests in women-led businesses by making mezzanine loans, which are subordinate to senior debt and act like equity without the company founders giving up control. It focuses on Old Economy companies that generate profit and annual revenue of \$7 million to \$70 million. It seeks repayment in three years to five years.

Texas Women Ventures needs more capital to invest in more companies.

Its first fund — \$5 million raised in 2005 — is fully invested. In 2009, it raised \$5 million in a sidecar fund, which invests alongside a base fund.

“We’re very anxious to launch our second fund to take advantage of the deal flow on our plates,” Martin said.

Texas Women Ventures made its last investment in 2009.

Last year, companies weren’t interested in taking on debt or capital to expand because of the uncertainty around their business or the economy, Martin said. This year, the group is starting to see more activity.

“We’re seeing deals with revenue of between \$50 million and \$100 million,” Martin said. “It’s exciting because the perception in the marketplace is that if you’re investing in women-owned businesses, then they’re startups, service businesses or mom-and-pop-style businesses.”

Since 2006, Texas Women Ventures has invested about \$6.1 million in five companies in the food, construction and manufacturing industries. So far, the group has seen two exits, meaning two of its portfolio companies have repaid their investment in full — and ahead of the loan maturity.

Karlee Inc., a Garland contract manufacturer, last month repaid a \$2 million investment (\$1.2 million from Texas Women Ventures) from 2006.

Back then, Karlee needed working capital after business fell from a \$120 million annual run rate to a \$12 million run rate, chief executive Jo Ann Brumit said. Since then, employment has grown from 200 people to 500 and revenue has jumped from \$18 million to an estimated \$50 million this year, she said.

“We really became very good friends through this whole process, and not everyone’s story is so positive when they have outside investors come in,” Brumit said of Texas Women Ventures. “I learned a lot. Their mission is more than just giving money.”

Texas Women Ventures’ first exit was in 2009, when Warrior Group, a DeSoto construction services company, repaid a \$2 million investment (\$1 million from Texas Women Ventures) from 2007.

CEO Gail Warrior’s experience was so good that she become an investor in Texas Women Ventures to help other female entrepreneurs. She invested in its sidecar fund in 2009 and said she plans to invest in the new fund.

Texas Women Ventures has attracted investors because its internal rate of return is higher than that of a traditional mezzanine fund, Martin said. She declined to specify the rate.

“They’re doing a great job on behalf of the [limited partners],” said Chris Kleinert, president of Hunt Consolidated Investments Inc.. Hunt invested \$2 million as lead investor in Texas Women Ventures’ first fund and committed a smaller amount to the sidecar fund.

Hunt likes Texas Women Ventures’ focus on helping women-owned businesses largely in Texas, its mezzanine financing strategy and its track record of prudent investments, Kleinert said.

Texas Women Ventures is bucking the national trend for mezzanine funds, which were the only investment category where fundraising fell in the first quarter of 2011 from last year, according to Dow Jones LP Source. Fundraising fell to \$1.1 billion by five funds from \$1.4 billion by six funds in the first quarter of 2010.

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## **MAKING THE INVESTMENT**

Texas Women Ventures Fund has invested in five women-led companies since 2006. The amounts reflect only Texas Women Ventures’ portion of each investment.

**Company: Karlee Inc.**

Location: Garland

Industry: Contract manufacturer

Amount: \$1.2 million

Year: 2006

Repaid: March\*

**Company: Warrior Group**

Location: DeSoto

Industry: Construction  
Amount: \$1 million  
Year: 2007  
Repaid: 2009\*

**Company: Joy Foods Inc.**

Location: Dallas  
Industry: Food manufacturer  
Amount: \$1.3 million  
Year: 2007-08  
Repaid: Not yet due

**Company: Joy Products Corp.**

Location: Dallas  
Industry: Food supplier  
Amount: \$600,000  
Year: 2008  
Repaid: Not yet due

**Company: Gourmet Kitchens Inc.**

Location: Chicago  
Industry: Food manufacturer  
Amount: \$2 million  
Year: 2009  
Repaid: Not yet due

\*Repaid before loan maturity

SOURCES: Texas Women Ventures Fund; *Dallas Morning News* research