

San Francisco BUSINESS TIMES

SAN FRANCISCO • OAKLAND • EAST BAY • PENINSULA • NORTH BAY

VOL. 18 NO. 42

MAY 21-27, 2004

TheNews

New private equity firm calls S.F. home

BY MARK CALVEY
mcalvey@bizjournals.com

Fundamental Capital, a new San Francisco private equity firm, is targeting transactions focused on small and mid-sized businesses.

The firm plans to invest \$2 million to \$10 million in companies with annual revenue of \$5 million to \$50 million.

Unlike many private equity firms focused on buyouts of big companies — an increasingly competitive business — Fundamental seeks transactions involving smaller companies where current management usually remains in place and holds a sizable stake in the business.

The firm also differs from traditional private equity firms in that Fundamental isn't backed by capital commitments from institutional investors. Instead, the firm's investors are wealthy individuals with broad operating experience who will invest as the opportunities arise.

"We've built this firm around individual investors," said Kevin Keenley, managing

principal of Fundamental Capital, based in San Francisco's financial district.

The firm expects to make just a handful of investments every year, perhaps a reflection of how much operating assistance Fundamental expects to give portfolio companies.

Keenley concedes that one of the challenges it faces is convincing a business owner that ownership of a smaller piece of a bigger pie could be quite favorable.

And the chemistry has to be right between the firm and company management since both are essentially entering into a partnership to grow the business.

"Good companies that recognize the value of bringing in outside expertise, as well as capital, usually make excellent investments," said Dan Lufkin, a founder of Donaldson, Lufkin & Jenrette and an investor in Fundamental Capital.

Other investors include Don Reinke, a partner in the law firm Reed Smith; Vicki Willock, founder of Willock Partners; Peter Molloy, former CEO of Farmhouse Foods Co.; Bill Oldenburg, executive vice



NAJIB JOE HAKIM

KEENLEY: Building for individuals.

president at Dreyer's Grand Ice Cream; and Mel Stuckey, CEO of CEO Jumpstart.

Mark Calvey covers banking and finance for the San Francisco Business Times.