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Moving the Needle – VCs Focus on the Hispanic Demographic

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As investors scour the landscape for new themes and ideas, a group of new funds have looked to macro indicators such as population growth and disposable income to generate deals. As a result of this analysis, these funds have focused on the Hispanic community and the companies that target the tremendous growth and wealth the demographic will have in the coming years.

Growth Statistics

According to U.S. Census Bureau, the Hispanic population in the United States will rise from 36 million in 2005 to 59 million in 2025¹. More importantly, this constituency's disposable income is approximated to be \$700 Billion² and growing. With this type of buying power, it is understandable why companies as large as Ford Motor Company and Qwest Communications are paying attention and paying for targeted advertising.

Venture Capital Funds Targeting the Sector

Firm Name	Fund Size (\$ MM)	Minimum Deal Size (\$ MM)	Maximum Deal Size (\$ MM)	Location	Website
Central Valley Fund	\$80	\$2	\$5	Davis, CA	http://www.centralvalleyfund.com/
Darby-BBVA	\$175	\$15	\$40	Washington, DC	http://www.darbyoverseas.com
Goldman Sachs Urban Inv. Grp	NA	\$5	\$25	New York, NY	http://www2.goldmansachs.com/client_services/urban_investment_group/index.html
Hispania Capital Partners	\$125	\$5	\$10	Miami, LA and Chicago	http://www.hispaniapartners.com/
Ibero American Investors Corp	NA	\$0.05	\$0.50	Rochester, NY	http://www.iberoinvestors.com/
Nexos Private Equity	\$225	\$10	\$25	New York, NY	http://nexoscapital.com/
Nogales Investors I	\$99	\$5	\$20	Los Angeles, CA	http://www.nogalesinvestors.com/
Palladium III	\$500	\$15	\$50	New York, NY	http://www.palladiumequity.com/
Pinto American Growth Fund	\$75	\$5	\$10	Houston, TX	http://pintoamerica.com/
RC Fontis	\$150	\$5	\$10	Pasadena, CA	http://www.rusticcanyon.com/
RGG Capital Partners	NA	NA	NA	Fort Worth, TX	NA

As of: 1-23-07

Portfolio Companies

Some of these fund's recent investments include:

Hispania Capital Partners³

- **Hispanic Yellow Pages of America, Inc.** (<http://www.hypa.info/>) - The leading publisher of Spanish-Language yellow pages directories in top U. S. Hispanic Markets. HYPA's mission is to become the largest Hispanic directory publisher in the U.S.
- **Rossi Publications, Inc.** (<http://www.laraza.com/>) - In October of 2004, Hispania completed the sale of PrensAmerica Holdings Corporation, publisher of La Raza Newspaper, the #1 Spanish-language newspaper in Chicago, to ImpreMedia, LLC, the nation's leading publisher of Spanish-language newspapers.

Pinto American Growth Fund³

- **Progreso, LLC** (www.lamichoacanameatmarket.com) - Progreso, LLC is the owner of existing stores and rights to open new stores for La Michoacana Meat Markets in

select regions of Texas and all regions outside of Texas. Progreso provides marketing and other operational services to Michoacana stores not owned by Progreso. La Michoacana Meat Market is the largest chain of neighborhood “carniceria” grocery stores in the United States. PAGF invested in Progreso, LLC in October 2006

Palladium Equity³

- **PROMÉRICA Bank** (www.promericabank.com) - PROMÉRICA Bank is a full-service commercial bank, offering local decision making for all the financial needs of businesses and their principals, including real estate and construction loans, lines of credit, term loans, and SBA loans as well as a full complement of deposit products and business services. The headquarters and first location, at 888 S. Figueroa Street in downtown Los Angeles, began operations on November 7, 2006.
- **Taco Bueno** (www.tacobueno.com) - Taco Bueno is a premium quality, quick service restaurant chain offering fast casual quality Mexican cuisine at fast food price and convenience. Founded in 1967 and based in Dallas, Taco Bueno is an established market leader, distinguished by the high quality and freshness of its food, scope of menu, speed and convenience of its service, and reputation for consumer value. With 146 restaurants in four states — Texas, Oklahoma, Kansas and Arkansas — operations are currently clustered in Taco Bueno's primary markets of Dallas/Ft. Worth, Abilene, Oklahoma City and Tulsa.

Conclusion

These venture funds have dedicated themselves to sourcing and investing in business that target the Hispanic community. However, there are other, multi-strategy, funds such as Carlyle and Vestar who have invested in businesses with similar missions. And while this VC group is small and intimate now, as the growth and buying power of the Hispanic community materializes, it seems logical to assume many more investors will enter the fray.

1) Based on US Census Bureau Projections

2) The Business Journal of Phenix, “Telecom Providers Focusing on Hispanic Market” July 2005

3) All portfolio company information sourced from VC fund website.