

# Buyouts

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PUBLISHED BY VENTURE ECONOMICS, A THOMSON FINANCIAL COMPANY

VOL. 17, No. 13 • JUNE 21, 2004

## National Firm With Long Island Roots

By Ari Nathanson

*Never forget where you came from:* a timeless piece of advice whose origin has most likely—and most ironically—been lost in time. Nevertheless, the phrase enforces the importance of a strong foundation and provides its adherers with a more clear vision of where next to go. Long Island, New York-based **Topspin Partners LP** is a case-study in how the proof of this philosophic counsel is in the pudding.

Two months from its fourth birthday, the successor of the \$12 million **Long Island Venture Fund**, Topspin, is currently investing out of a 10-year, \$213 million fund that was raised in the autumn of 2000. The firm was founded as a venture fund by its Chairman and CEO, **Leo Guthart**. His goal was to build and strengthen the underserved business arena in Long Island. Two years ago, the success of Topspin's venture vehicle provided the firm with enough capital to expand into buyouts, and enough momentum to expand geographically. Having seized the opportunity, today Topspin's assets pepper the United States.

"But Long Island will always be our home. It is part of our continuing philosophy to stay close to the Long Island community. We feel that we have a niche here—on both the venture capital and buyout sides—that proves to be healthy for us and the area," Topspin Principal **Leigh Randall** said. Of Topspin's 23 portfolio companies, seven are in Long Island.

Before founding Topspin, Guthart, who has 40 years of executive experience in Long Island, was President, CEO and Chairman of **Ademco**, a manufacturer of electronic security systems. Under Guthart, Ademco became Pittway Corp. Security Group, a \$1.5 billion enterprise that was acquired by **Honeywell Corp.** in 1999. Guthart, who then became a consultant to Honeywell, had time on his hand, which set the stage for Topspin.

The firm first purchased Honeywell's stake in Cylink Corp., a public company that works in network security. Eighteen months later, Topspin sold it to strategic buyer SafeNet Inc. for a 4x return.

"I have a good sense of what it takes to successfully operate and grow an enterprise. Perhaps the most important factor is good management," Guthart said. "We take an operator's perspective in evaluating and overseeing investments, an approach that has attracted strong management teams looking for an equity partner who can speak their language."

The firm's current investments are just about equally balanced between buyouts and venture capital investments, Topspin Principal **Stephen Lebowitz** said. Active in the smaller end of the middle market, the firm primarily invests in technology companies that produce between \$2 million and \$7 million EBITDA. The firm typically invests between \$5 million and \$20 million of equity in buyout deals.

Topspin's LPs are wealthy individuals based on the private contacts of Topspin partners. Debt backing comes from regional and super-regional banks such as Citizen's Bank and B of A now.

On the buyout side, Topspin has thus far closed three deals: Long Island-based Tiffen Co., a manufacturer of glass filters for still, video, motion picture and television photography was purchased out of bankruptcy last August; Long Island-based Terk Technology, a producer of reception solution products such as XM Radio and HDTV antennas was purchased directly from the Terk family in June 2001; and Delray Beach, Fla.-based Coastal Security Co., a burglar alarm systems and monitoring service was acquired from a private equity fund early in 2003.

"Because of Leo's operating background, we are able to successfully work with all of our companies and are able to make each one better than it was," Lebowitz said.

Topspin's vision for the future is to grow—to continue investing nationwide, while keeping its home close to its heart.

"With Leo, we have a life long presence on the Island," Lebowitz said. "When you look at the suburbs of New York as a whole, Long Island seems underserved. Having a foothold in Long Island, we are in a unique position to serve the area by strengthening its businesses. And given Leo's background, there is no reason why we should not go down that path."