

## Venture Capital Dispatch

An inside look from VentureWire at high-tech start-ups and their investors.

### Turnaround Firm Fills Coffers To Fund Troubled Start-Ups

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By Timothy Hay

After reversing the fortunes of communications software company [Avotus Corp.](#) - transforming it from a money-loser to a business doing \$30 million in annual revenue - turnaround specialist [ConJoin Group LLC](#) has rounded up commitments of \$240 million from a network of friends and investors to pump into troubled start-up companies.

In the next two years, ConJoin – which started up this year and is half-owned by Canadian venture firm [Jefferson Partners](#) – plans to take on as many as 12 new projects, and is ready to put as much as \$12 million into each struggling start-up in exchange for a minority equity stake. With the market for IPOs barely showing a pulse and low valuations making M&As less attractive to companies seeking exits, VCs and their portfolio companies need to consider “extreme transformation” to get through the doldrums, said Richard Garnick, chief executive of Boston-based ConJoin. Garnick owns a 51% stake in ConJoin to Jefferson Partners’ 49%. “The market is not going to be coming back in a big way anytime soon,” he said.

What Garnick did for Avotus – and what ConJoin seeks to do for other struggling companies – is outsource hundreds of jobs to India. Garnick said he is well-connected in Bangalore and elsewhere because of his years at IT-services company [WiPro Ltd.](#), which is headquartered there.

Mississauga, Ontario-based Avotus is a Jefferson Partners portfolio company. Garnick [took over](#) as chief executive in 2007, with the VC firm’s blessing.

“We were shoulder to shoulder with ConJoin, day in and day out,” said David Folk, managing general partner at Ontario-based Jefferson Partners.

Avotus, which was “bleeding cash,” according to Garnick, was brought to break-even in 90 days, he said, after hundreds of software development jobs were moved to India. Jefferson Partners then invested \$9.5 million in ConJoin Group.

ConJoin has turned \$9.5 million into commitments of \$240 million after tapping an extensive network of friends, angels and high-net-worth individuals. And the firm is ready to put that money into play.

But will VC firms that have no business relationship with ConJoin or Jefferson feel comfortable letting the turnaround firm – half-owned by a VC firm – take the helm at their portfolio companies?

Garnick believes so. “We are actively pursuing 10 new deals,” he said, adding that the firm is looking for health care, telecom and financial-services start-ups doing \$50 million to \$250 million in yearly revenues.

Here’s a video of Garnick talking to Vator.TV recently about his firm’s strategy: