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Raptor opens Austin office

Focus is on startup sales; new pipeline to capital?

Premium content from Austin Business Journal - by Christopher Calnan, ABJ Staff

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A Boston hedge fund operator is putting his money where his mouth is, and Central Texas entrepreneurs could become the beneficiaries. **James Pallotta**, managing director of the Raptor Group, has launched in Austin a new consulting business providing sales and advisory services to early-stage companies.

The announcement comes just months after Pallotta gained a measure of attention when he told Gov. **Rick Perry** that Austin could evolve into another Silicon Valley.

The new consulting business, called RaptorAccelerator, is targeting companies operating in the sports, media, entertainment and content technology sectors. In addition to consulting with such companies, the firm plans to get involved with the startups in which the Raptor Group invests.

The Raptor Group operates Raptor Capital Management LP, and officials said RaptorAccelerator operates independently from the Raptor Group's investment activities.

Still, Raptor Capital could make investments in RaptorAccelerator clients.

Raptor Group is "always looking for appropriate investment opportunities," said **Mark Pannes**, managing director of RaptorAccelerator in Austin. He declined to discuss potential investment ranges.

Raptor Group is the latest in a series of alternative sources of capital becoming more accessible to early-stage companies in Central Texas.

Austin has one dominant investment firm, Austin Ventures, and several boutique firms with two or three partners apiece. More fertile investment environments such as Silicon Valley and Boston are dotted with scores of investment firms — venture capital and growth equity — that typically operate with a dozen or more partners.

Relatively crowded investment scenes such as those create more competition and more aggressive investing, which in turn attracts more entrepreneurs and provides the incentive to be more innovative.

A need for more legitimate sources of capital is likely to grow as Austin's economy evolves in coming years, said investment banker **Jason Klann**, managing director of Austin-based Tolarus Capital Advisors LLC.

“I certainly think there’s room for more sophisticated investors,” he said. “There is a gap in opportunity above the angel seed round and below the larger venture capital investment.”

Although the RaptorAccelerator launch wasn’t announced until recently, the Austin office was opened in March, Pannes said. That’s about the time Pallotta was making his Silicon Valley comparisons to Perry.

It’s too early to tell how many workers would staff the local office after it reaches full-blown operations during the second half of 2012, Pannes said, but the office is expected to remain small. Pannes, a former director of the London-based HSBC Private Bank’s global sports group, is leading RaptorAccelerator with **Sean Barror**, the former senior vice president of sales for Madison Square Garden.

Pallotta is a well-known hedge fund manager with strong connections to the elite of the business and sports worlds. He’s also a minority owner of the Boston Celtics.

In 2009, he announced the closing of his Raptor Global Funds just six months after spinning it out from Tudor Investment Corp., the Connecticut-based hedge fund firm that he managed for 15 years. In 2010, he returned to the hedge fund industry with Raptor Evolution Fund, which raised about \$200 million, according to published reports.

Perry encouraged Pallotta to open a Raptor Group office in Austin just as he would with most companies considering such a venture, Perry spokeswoman **Catherine Frazier** said.

“The more venture and private equity capital firms we have in Texas, the better and easier it is for entrepreneurs and startups to come here and create jobs,” she said.

Pallotta’s spokeswoman said he wasn’t available to comment.

Although Pallotta is a frequent contributor to Republican Party causes and candidates, he hasn’t made any contributions to Perry, campaign records show.

Courtesy of JB Goodwin