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ON THE MONEY / By Mark Calvey

It's Fundamental: Invest in pizza and ice cream

Fundamental Capital's latest investment focuses on two long-time favorites at the dinner table: pizza and ice cream.

The San Francisco private equity firm took a majority stake in Pint Size Corp., a Hawaiian distributor of Nestle's Dreyer's ice cream and Kraft's California Pizza Kitchen, Tombstone and DiGiorno pizzas.

The company, which began almost three decades ago as a Haagen-Dazs franchisee in Honolulu, now distributes frozen food throughout the Hawaiian Islands.

"Logistics are key," said Rich McNally, managing director of Fundamental Capital. McNally sees big opportunities for Pint Size by extending its distribution services in Hawaii.

Due diligence on the deal took about 10 months, reflecting in part the need for the new owners to strike distribution deals with the major foodmakers involved. It helped that Bill Oldenburg, one of Fundamental Capital's founding investors, is the former executive vice president of operations at Dreyer's Grand Ice Cream in Oakland.

Terms of the deal were not disclosed. Deal financing was provided in part by

Prudential Capital Group, which extended mezzanine financing and took a small equity stake. Senior financing was provided by American Savings Bank, one of Hawaii's largest financial institutions.

Vicki Willock, a principal at San Francisco-based Willock Partners, advised Pint Size. Clayton Kim, CEO and co-owner of Pint Size, retains a small stake in the company and will continue as CEO during a transition period.

"We chose Fundamental Capital as our investment partner because of their operational expertise, knowledge of our industry and their demonstrated ability to grow businesses profitably," Kim said. "They will provide a springboard for further growth."

Fundamental Capital focuses on established companies with \$5 million to \$50 million in revenue. The firm hasn't raised an investment pool. Instead, it draws on



MAJIB JOE HAKIM / SFBT FILE 2004

Second helping: Keenley expects other deals will follow Pint Size Corp.

32 wealthy investors for their operational expertise and checkbooks to finance deals as they arise. Kevin Keenley, managing director at Fundamental Capital anticipates closing on one or two more transactions this year, but he's not tipping his hand on those deals.

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