
LBO WIRE

Blackford Capital Seeks Sophomore Fund for Michigan-Based Businesses

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Blackford Capital has begun raising a sophomore fund for a strategy focusing on the firm's home state of Michigan, said people familiar with the matter.

The Grand Rapids, Mich., firm is targeting \$150 million for the fund, Michigan Prosperity Fund II, the people said. Fund II is triple the size of its predecessor, Michigan Prosperity Fund, which raised \$50 million in 2012.

Blackford is one of many firms that have raised or are marketing new funds that are significantly larger than their predecessor vehicles—a phenomenon that, in general, doesn't sit well with investors but is viable if the manager can demonstrate an ability to generate quality deal flow to deploy the additional capital. New York-based Searchlight Capital Partners, for instance, is about to close a sophomore fund that will be more than double the size of its maiden fund because it is seen as having built a solid pipeline of deals, among other things.

Blackford is somewhat unique because of its Michigan focus, which some investors may find too narrow. Blackford on its website estimates there are more than 1,600 Michigan-based companies that roughly match its investment criteria.

Michigan Prosperity Fund targets low-tech manufacturing, distribution and business services companies that generate \$1 million to \$10 million in earnings before interest, tax, depreciation and amortization on annual revenue of \$15 million to \$100 million. Typically, the companies have been owned and run by entrepreneurs who can use the resources a private-equity firm has to offer.

Companies its maiden fund has invested in include Mopec Inc., a maker of autopsy tables, body bags and body trays; Grand Transformers Inc., a provider of power transformers, and line and load reactors; and Burgaflex North America Inc., a maker of tubes and hoses used in industrial applications. The fund hasn't yet exited any of its investments.

Blackford founder Martin Stein previously worked as a consultant with Mercer Management Consulting. Mr. Stein, who serves as a managing director, is joined by three other managing directors: Jeff Helminski, who worked at Campus Village Communities, a developer of student housing; Jack Kolodny, previously an investment analyst at hedge fund First Q Capital; and Jeff Johnson, who was a managing director and founding principal at New York-based private equity shop Gilbert Global Equity Partners.

In addition to the Michigan-focused strategy, Blackford also manages what it calls a "national growth practice," which invests in U.S. and Canadian manufacturing, distribution and service companies located outside Michigan. The national growth practice invests out of a separate pool of capital.

<http://www.blackfordcapital.com>

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