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Bow River funds flow

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Bow River Capital Partners is looking for more money — and more young companies to invest it in.

The 3-year-old Denver private equity fund recently began raising its second fund, with a minimum target of \$50 million and maximum of \$75 million. The closing date is Nov. 30.

The fund's investment strategy will be similar to that of Bow River's first fund, raised in 2003. It will target Rocky Mountain-based companies involved in manufacturing, distribution, transportation, business and consumer services, financial services, natural resources and real estate.

Bow River generally doesn't invest in biotechnology or high technology companies, preferring "old-world economy businesses that aren't going away," said Managing Partner Blair Richardson.

Current investments in Colorado companies include First Western Financial Inc., the parent company of First Western Trust Bank; CJS Denver Holdings LLC, which owns the Embassy Suites Hotel and the Athletic Club at Denver Place; Matrix Bancorp Inc., the parent company of United Western Bank; and Bank of Choice Holding Co., parent of Bank of Choice.

The fund's other holdings include Petro Andina Resources, a Calgary-based oil exploration company; CFC Property Holdings LLC, which owns a marina complex and golf club near Tampa, Fla.; and Apex Aviation Corp., which owns fixed-based operations at two airports in the San Francisco Bay area.

Bow River looks for companies in the small and lower middle-market cap sector, typically with revenues of \$10 million to \$100 million per year. The usual term of each investment is two to seven years, during which time Bow River hopes to help manage the company to greater profitability and then exit the investment, generally through a private sale or leveraged recapitalization.

The goal, as with the first fund, is to return

two to two-and-a-half times invested capital on each investment.

"I've always said that when things are successful, don't dust the furniture," Richardson said. "Just continue to do what you're doing."

Bow River's first fund had an internal rate of return (IRR) of 22 percent as of June 30, and Richardson said he expected the IRR to reach 25 percent by the end of the fund's life. IRR, a time-weighted return expressed as a percentage, is the standard benchmark for private-equity investment performance.

The fund's investors are all wealthy individuals, as opposed to institutions. Most, if not all, are expected to invest in the new fund, he said.

In recent years, lackluster stock-market performance and low interest rates have led many investors to look for alternative ways to put their money to work, contributing to a surge in private equity fundraising. All that money has in turn helped fuel a rising number of mergers and acquisitions and pushed up prices for the businesses being sold.

For the red-hot private equity market, "the biggest risk is lots of money chasing fewer deals," Richardson said.

To some extent, Bow River avoids that risk by operating in a less-crowded space, typically investing \$3 million to \$5 million in smaller companies.

"Thousands of funds want to do \$50 million to \$100 million; not so many want to do \$3 million to \$5 million," he said.

The fund keeps a low profile in other ways as well, relying on referrals for most of its investment tips. "I like being under the radar," Richardson said. "You don't get deals that are highly shopped."

Canadian-born Richardson worked for Goldman Sachs in New York before becoming managing director of Morgan Stanley & Co.'s fixed-income department in 1987. He later became president of Morgan Stanley Japan in



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Blair Richardson is managing partner at Bow River Capital Partners.

Tokyo, then went to Hong Kong as vice chairman of Morgan Stanley Asia.

After moving to Denver, he started B.E. Richardson Investments in 1996 and over the following 10 years made about 30 investments totaling \$40 million.

Richardson and his wife Kristin are active philanthropists, giving time and money to organizations such as the Denver Public Schools Foundation, Denver Academy, Colorado Uplift and The Children's Hospital. They recently gave \$1 million to The Children's Hospital to help fund construction of its new hospital and to establish a new endowed chair in general pediatrics.

Richardson co-founded Bow River with Bernard Darré, formerly a principal at CapEx LLC, a private equity fund, and Eric Wolf, who previously worked for B.E. Richardson Investments. Rick Pederson serves as a partner and strategic consultant. Edward Black joined Bow River this past summer as a partner.

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