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Equity firm shops with \$85M fund



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Minneapolis is no longer the flour-milling powerhouse it was in the early 20th century, but [Darren Acheson](#) sees plenty of opportunities to invest in a mix of industrial businesses born from that legacy.

Acheson, who has a history of leading investments in food companies, co-founded private-equity firm Mill City Capital last year. Joining him are veteran investors [Michael Israel](#), [Lisa Kro](#) and [Gary Obermiller](#).

Minneapolis-based Mill City plans to split its investments between industrial businesses and consumer-oriented companies, such as food distributors and restaurants.

The firm has had a busy fall since raising its flagship \$85 million fund in August.

This month, it bought Minneapolis-based Wholesale Produce Supply from Stone Arch Capital, another Minneapolis private-equity firm. That deal followed Mill City's October acquisition of Union Tractor Ltd., a Canadian parts distributor that serves the construction-equipment industry. Terms of both purchases weren't disclosed.

Mill City, which spun out of [Goldner Hawk](#) Johnson & Morrison Inc., will target companies based in the Midwest, and the Upper Midwest in particular.

"[That's] where we think economic conditions are actually pretty good relative to other parts of the country," said Acheson, whose background includes serving on the board of **Houlihan's Restaurants Inc.**

Mill City's co-founders all have strong ties to [Goldner Hawk](#). Kro was most recently Goldner's chief

financial officer, and Israel used to hold that position, too. Obermiller is a former managing partner at Goldner.

Mill City's broader investment strategy focuses on buying controlling interest in businesses with between \$7.5 million and \$25 million in EBITDA (earnings before interest, taxes, depreciation, and amortization).

When it comes to consumer-oriented investments, Mill City plans to target firms that market products or services that are more likely to withstand tough economic conditions.

"Our focus has been on non-discretionary consumer categories. We've got a fairly defensive view of the consumer in today's economy," Acheson said. Those businesses could include quick-service restaurants or makers of packaged foods.

Wholesale Produce fit into that category, as people are likely to continue buying fruits and vegetables even in a down economy, he said. "It's hard not to root for produce, and [the business has] a good management team."

On the industrial side, Mill City will pursue a wide range of firms, including distributors of equipment and testing- and measurement-products manufacturers. The firm's first industrial portfolio company is Missouri Basin Well Service Inc., a Belfield, N.D.-based provider of services to oil field operators. Missouri Basin is well positioned to take advantage of the oil boom in North Dakota, Acheson said.

It took Mill City more than a year to raise the money it needed to make investments. The firm closed on part of the fund in July 2010 before wrapping up fundraising this summer. Still, the firm was able to draw capital commitments from several big-name investors, including **Thrivent Financial for Lutherans, U.S. Bank** and the Pohlad Family of Cos.

Minneapolis-based Thrivent backed Mill City due to the firm's experienced management team and its focus, said [Jen Wilson](#), who works for Thrivent's private investments group.

Mill City's focus on the Midwest also was a plus, she said. "We think that area is full of good opportunities that aren't sought after by private-equity firms on either coast."

Thrivent's private investments group has about \$1.8 billion in capital committed to private-equity firms nationwide.

Initially, Mill City's team expected their fund would operate under the umbrella of Goldner. But they opted to spin off instead, allowing Goldner to pursue investments through the U.S. Small Business Administration's Small Business Investment Company (SBIC) program. Goldner is in the process of securing an SBIC license, so it can borrow money at low interest rates through the SBA.

Goldner's managing director, [Van Hawn](#), said the firm plans to raise about \$75 million in capital from private investors. Its status as an SBIC fund will give it access to a total of \$225 million in financing.

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Mill City Capital

Headquarters: Minneapolis

Business: Private-equity firm

Fund size: \$85 million

Co-founders: Michael Israel, Lisa Kro, Gary Obermiller, Darren Acheson Portfolio companies:

Wholesale Produce, Union Tractor Ltd., Missouri Basin Well Service Inc.

Investment focus: Industrial and consumer-oriented firms

Web: millcitycapital.com

Katharine Grayson covers med tech, clean tech, technology, health care, and venture capital, and she writes the Innovation|Minnesota blog