

Private equity firm that focuses on small companies inks 12 deals since 2018 launch

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From left, partner Tom Shaw, Vice President of Marketing and Investor Relations Holly Sandlin, and partner and Chairman and CEO Glenn Scolnik are three of Monument's nine employees. (IBJ photo/Susan Orr)

When five experienced local deal-makers launched the private equity firm Monument Microcap Partners in 2018, they did so with a belief that they could carve out a niche in buying small companies, then helping them grow.

"It's an area of the private equity world that a lot of people overlook," said Rick Larkin, who is one of the Indianapolis-based firm's seven partners. "A lot of people want larger and larger and larger deals."

The concept seems to be working out for Monument, which, in its first 3-1/2 years of existence, has closed on 12 transactions, with three more expected to close in coming weeks. The firm has added three partners and two other employees, plus a branch office in the metro Detroit area.



Rick Larkin

Monument acquires companies with EBITDA—earnings before interest, taxes, depreciation and amortization—of \$2 million to \$8 million. (The firm started out with a target range of \$1 million to \$5 million.) Few private equity firms are willing to acquire companies with EBITDA of less than \$5 million.

Of Monument's 12 deals to date, five have been acquisitions of so-called platform, or portfolio, companies, which Monument hopes to grow, then sell. The other seven deals have been purchases those platform companies completed themselves as part of their growth strategies.

Monument's five portfolio companies are in California, Florida, Texas and Utah, spanning industries ranging from roofing to private investigations. Monument's first platform acquisition closed in December 2018. It closed another in 2019, two more in 2020 and its most recent one last November.

The firm's goal is to realize a 20% return on its investment in the companies.

"It's too soon to say we're there," said Monument Chairman and CEO Glenn Scolnik. "We're going to get there. We're optimistic—cautiously optimistic."

Monument operates as an independent financial sponsor, meaning the firm raises money for each deal separately as opportunities arise, rather than creating a single, large fund and using that fund to finance multiple deals.

One of the advantages of operating as an independent financial sponsor is that Monument is not under pressure to do deals quickly. Investors in private equity funds typically expect to recoup their investment in five to seven years, which creates a limited window in which the private equity firm must acquire companies, improve their performance and sell them at a profit.

Although deal-making can happen at a slower pace at an independent-sponsor firm, that hasn't been the case at Monument—in large part because of the decades of experience the partners brought to the firm.

"The number of deals they've done in a short period of time is certainly very high for an independent sponsor," said Indianapolis attorney Jim Birge, a partner at Faegre Drinker Biddle and Reath LLP. "Most of this team has long-standing relationships with the investment community and a proven track record through their time at Hammond Kennedy Whitney."



Jim Birge

Of Monument's seven partners, five are veterans of Hammond Kennedy Whitney and Co. Inc., a well-known Indianapolis private equity firm. Scolnik and Roy Whitney both served as chairman and CEO at HKW. The other HKW alums include Jim Futterknecht, Tom Shaw and Monument President Tim Hildebrand.

Coincidentally, though the two firms are totally separate and could potentially be competitors on certain deals, they are across the hall from each other in an office tower at Keystone at the Crossing.

"The Roy Whitneys and Glenn Scolniks are probably the fathers of private

Dave DeGraene

equity in Indiana, if not the Midwest,” said Dave DeCraene, national sales director of sponsor finance at Muncie-based First Merchants Bank. “They’re just some of the best at what they do.”



The total value of Monument’s 12 deals is about \$150 million, with funding coming from a variety of sources. Just more than \$84 million has come from Monument’s seven partners, its investors and the management of the companies being acquired. The remaining financing comes from debt, mostly bank loans. First Merchants has provided financing for all five of Monument’s portfolio-company deals.

Scolnik said Monument has sought outside investors for more than half its deals to date—and found more money than it needed each time. “We’ve gone out to our investor base eight times and been oversubscribed every time.”

“Our partners, they have a lot of connections. They’ve been doing this a long time,” said Holly Sandlin, Monument’s vice president of marketing and investor relations.

One of the firm’s younger partners is Shaw, who joined Monument last month from HKW. Shaw said he liked the idea of working at a company with growth potential. “There’s a lot of expertise that is here to help grow the firm.”

Monument Microcap Partners LLC

Service: private equity firm

Acquisition focus: North American companies with earnings before interest, taxes, depreciation and amortization (EBITDA) of \$2 million to \$8 million

Headquarters: 8888 Keystone Crossing

Secondary office: Detroit metro area

Founded: August 2018

Transactions to date: 12, with a total value of \$150 million. Five were company acquisitions; seven were made by those five portfolio companies.

Pending deals: three, expected to close within a month or so

Portfolio companies

Command Investigations LLC, a private investigation firm in suburban Orlando, Florida

Kelly Roofing, based in suburban Fort Myers, Florida

Montgomery DME, a medical equipment provider in suburban Los Angeles

SBS Holdings, a northern Utah-based company that sells building products under the San Benito Shutter and Lewis Cabinet Specialties brands

Synergy IOM Holdings LLC, a medical technology company in the Dallas-Fort Worth area

Personnel

Tim Hildebrand, president and partner

Glenn Scolnik, chairman, CEO and partner

Cosmin Dordea, associate

Jim Futterknecht, partner

Rick Larkin, operating partner

Holly Sandlin, vice president of marketing and investor relations

Tom Shaw, partner

Rob Troxel, partner

Roy Whitney, partner

Source: Monument Microcap Partners LLC

The mix of experience levels was a big part of what convinced Larkin to join Monument last May. Several of the firm’s nine employees have more than 40 years of experience in private equity, while others are much newer to the field.

“It’s an interesting combination of people,” Larkin said. “We can each learn something from the other folks. It’s fun.”

Larkin said he also enjoys the hands-on opportunities that come with owning small companies. At previous jobs, he had been involved in buying large companies, which are more likely to have professionalized their operations and which contain a certain level of in-house staff expertise, he said. In contrast, small companies might need more help with things like managing and financing growth plans.

As the operating partner at Monument, one of Larkin’s key roles is to serve as a day-to-day resource for the firm’s five platform companies.

A Monument representative also serves as board chairman at each of those companies. That includes four current partners, plus Monument's former CEO and founding partner, Bob Erwin. Erwin left Monument for a private equity job in his hometown of Pittsburgh, though Monument kept him in place as board chairman of Florida-based portfolio company Command Investigations LLC.

Because Monument's strategy is to take a hands-on role in its portfolio companies—and because the firm is actively looking to acquire more firms—Scolnik said Monument might well need to bring on additional partners as the firm grows. "We will run out of bandwidth as we add more platforms."•

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