

Richard Knop

The Evolution of Bliss

When children contemplate what they want to be when they grow up, they are often told that they should follow their bliss, and young Richard Knop was committed to doing just that. "Growing up in Indiana, I was absolutely fascinated by the fossils hidden in the limestone quarries in our town," Rick remembers now. "I decided I would become a paleontologist."

This resolve held, and through his freshman year at Indiana University, he did indeed major in geology with a focus in paleontology. Pursuing a well-rounded liberal arts curriculum, however, he also sampled courses from other disciplines, including several prelaw classes. His mother had always urged him to consider law, as her father had been an attorney, and his father in turn had been the first patent lawyer in America.

Rick was doing fairly well in school during his sophomore year when he received the sudden and tragic news that his mother had died. "I can't say why exactly, but I turned on a dime," he recalls. "Frankly, it was the catalyst that changed the rest of my life." Rick immediately switched his course of study from paleontology to prelaw, and his performance rocketed from average to impeccable. It was safe to say that his bliss had evolved.

"I decided I wanted to go to law school, so I buckled down and spent the rest of my college career earning the A's that would allow me to do that." Now a managing partner of FedCap Partners, LLC, Rick may not be pursuing his original childhood dream job, but his remarkable success, fulfillment, and impact are a testament to the idea that passion need not be stagnant, but should instead continue to expand and enrich just as we, as people, do.

Launched on February 7, 2010, FedCap is a small private equity fund with \$30 million in assets exclusively focused on making minority equity

growth capital investments in government defense contractors drawing between \$10 and \$75 million in revenue. They serve an array of clients from diverse fields that include cyber security, intelligence, battlefield digitization, healthcare, IT, energy and environment, all of which provide very high-end solutions in areas in which FedCap predicts the budget will be stable or increasing. "There's never been an equity fund like this," Rick says proudly.

In what ways, exactly, is FedCap so unique from its competitors? The answer is rooted deep in the organization's history, extending back to a time when it was nothing more than an idea. Then the owner of The Windsor Group, among the leading investment banks in the defense contracting industry, Rick had spotted a vacuum. "Private equity groups had been very much focused on that industry, but they all want to take controlling or 100 percent ownership positions," he points out. "None of them were interested in making minority growth capital investments, especially for smaller government contractors, and none of them have really taken the time to know the industry like we do."

Rick's background is in the transactional financial side of the business, while his partner, Leslee Beluccie, focuses on the company's operations management. Prior to coming to FedCap, she held prominent positions with IBM, setting her apart as a senior executive in the government contracting industry. Both Rick and Leslee bring over 20 years of expertise in the government contracting industry to the table and together own FedCap Advisors, which is the managing partner of FedCap Partners.

"The kind of company we're focused on investing in is very solutions-oriented and doing important work for the country," Rick describes.



"Ideally, the owner would also like to sell within two to five years." FedCap, then, offers minority equity growth capital and advice that can take these companies to the next level and prepare them for the ultimate liquidity event—an opportunity that doesn't happen easily in today's financial services climate. "Typically, these companies earn between \$20 and \$40 million in revenue, and in order to advance beyond the small-business mold, they must remake their infrastructure," he continues. "We take the mystery out of how to do this, providing both the capital and the advice needed to make it happen."

Since their doors officially opened on March 1, Rick and his team have reviewed over 200 companies. They made their first investment in September of that year in a company called IntelliWare Systems, which performs mission architecture for counter-terrorism initiatives. Essentially connecting the dots between law enforcement and intelligence, and their principle clients are homeland security and the FBI.

Since then, FedCap has closed on an investment in a \$40 million Department of Energy IT company (GAITS), and another in a \$15 million intelligence agency contractor (GRS). Additionally, FedCap purchased 100 percent of Point One, a cyber security company for intelligence and defense.

Just as FedCap isn't your average equity fund, Rick isn't your average equity fund manager. A true self-starter, he has always been one to find his own way, and while that path has been anything but straight, it's as if each stage added an important feature to his repertoire and expertise that have led him to where he is today, so far from the little house in the little town in which he was raised.

A Midwesterner in heart and spirit, Rick's humble upbringing and friendly nature exude from his tone and mannerisms. He mowed lawns every summer to earn money for college, supplementing that income with additional revenue from his own painting contracting business and from construction jobs. Rick also worked his way through law school when he enrolled at George Washington University, where his mother's father and grandfather had received their legal educations. He secured a job with the legal advisor of the State Department, which he held from his first year's second semester to his third year's end.

Upon graduation with a J.D. with honors, Rick initially focused on international law and, as a supplement to his legal education, earned acceptance to Harvard's MBA program. He was wrapping up with his third year coursework, and the future seemed secure and promising when he rang his father to tell him the good news. Mr. Knop, however, delivered tidings that would again forever alter the course of Rick's life. "The Draft Board had a lottery yesterday, and your number was called," explained Mr. Knop, a World War II veteran. "Like me, you're going to have to serve your country."

With a young wife, a child on the way, and law school loans to pay off, Rick joined the Army Reserve and earned a commission as a first lieutenant and spent six years in the Reserves. He later assumed a position as a Legislative Assistant to the then-ranking Republican on the Foreign Affairs Committee—what he refers to as his first "real" job.

"I have been called the quiet catalyst, and that's how I've always viewed myself," Rick reflects. "On Capitol Hill, I had the opportunity to synthesize complex issues, personalities, and viewpoints and to unite them on a common ground. I weave a web that brings people together without putting me in the middle and help parties agree on complex issues." Highly skilled and creative at assembling legislation and accruing bipartisan support, he developed a thirst and passion for the entrepreneurial act of creation that would serve him well in years to come.

After six years on the Hill, Rick uprooted his family and moved to Florida at the invitation of the Congressman he was working for at the time. The Representative planned to run for governor several years later, and he wanted Rick to work at his law firm in Orlando with the intention of appointing him his Secretary of Commerce if he were to be elected. The Congressman never actually ran, but Rick had the opportunity to practice law for the first time. He eventually accepted a position with a DC-based firm called Wyatt and Saltstein, and the Knops returned North once more despite the comfortable life they had built for themselves in Florida.

While the international law he studied in school proved fascinating yet sometimes ephemeral and his Capitol Hill experience imparted expertise on a wide scope of subjects, it wasn't until he was actually on the job in the 1980s

that Rick earned a solid working understanding of business, performing a number of international business transactions. "I became extremely interested in business as I became involved in complex business transactions," he reports. "You pick up by osmosis what the drivers are in such situations."

Once he had worked in law for a decade or so, it dawned on Rick that the fundamental process of law was more about documentation and technicality than it was about catalyzing and synthesizing. "As I practiced law, I found myself constantly looking for opportunities to put businesses together and create things," Rick explains. "I really wanted to be involved in the transactions from day one. That's why I decided to launch a company that would allow me to be a full-time dealmaker."

The company that resulted from this desire—the Windsor Group—was established in 1992 and truly flourished into a business paradigm that has withstood the test of time. Helping clients as they sought to sell, refinance, recapitalize, expand, or take a company public, it has shaped the industry into what it is today and continues to be a widely replicated model. "In the middle market like this, you're essentially creating new companies and new paradigms out of whole cloth," says Rick, words rich with the electricity of the process. "It's highly creative, multidisciplinary, nuanced, and academic. It's a little different than a large investment bank on Wall Street."

When BB&T approached Windsor in 2005 with a proposal to turn it into the preeminent investment and commercial bank focusing on the government contracting industry, Rick and his partner agreed, and Rick stayed on until his last earn-out payment was made in 2009. Feeling a true affinity for the government contracting industry after so many years of immersion in it, he noted that his wife also had extensive executive leadership in the field and began to synthesize a fresh next step. "I wanted to stay active, I had a very good investment thesis, I wanted to combine my wife's and my backgrounds, and I wanted to do something with my colleagues who are interested in the defense industry," he explains. "Not only are we doing this, but we're doing it with many of the government contracting industry's leaders involved."

Though FedCap Advisors currently

manages a single FedCap portfolio, Rick reports that it's only a matter of time before the forging of a second FedCap fund. He believes this endeavor may mark his last hurrah; whether or not this is true, it is safe to assume that the bliss that has driven his professional path to this point will continue to evolve.

"Don't get pigeonholed early in your career," Rick stresses to young entrepreneurs entering the business world today. "Your first jobs in the working world should be jobs where you're developing capabilities and skills. The first five or six years should be adding to your education and broadening your horizons; then you can decide which path you want to pursue and focus on."

Expanding on this, he recalls the advice his father gave him before leaving for college, which affirmed the importance of taking risks. "My father spoke with a trace of regret because he felt he hadn't taken enough risks in his life, and that resonated with me," he reports. "Whether for the worse or the better, I certainly haven't hesitated to enact change along my career path, and that has truly shaped the person I am."

Not only did risk-taking allow for greater reward, but it also allowed Rick to adjust his direction and momentum to remain true to his inner sense of calling. "I followed my bliss in terms of what I found interesting and challenging and exciting, and it was often with those things in mind that I acted, as opposed to focusing on building a solid foundation," he explains. "Forming the Windsor Group had felt so natural that I knew I had found my bliss, and that turned into something with lasting value. FedCap is the next stage of evolution of that bliss."

"And frankly," says Rick, "we're having a lot of fun."

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About Gordon J. Bernhardt
President and founder of Bernhardt Wealth Management and author of *Profiles in Success: Inspiration from Executive Leaders in the Washington D.C. Area*, Gordon provides financial planning and wealth management services to affluent individuals, families and business-owners throughout the Washington, DC area. Since establishing his firm

in 1994, he and his team have been focused on providing high-quality service and independent financial advice to help clients make informed decisions

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