

Riverlake Equity Partners Holds First Close

*Kenneth MacFadyen, Buyouts Newsletter
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The newly formed Riverlake Partners LLC held the first close on its inaugural Riverlake Equity Partners Fund I, closing on \$15 million after roughly four months of fund raising. The firm, with offices in Chicago and Portland, is targeting a final close of between \$25 million and \$50 million, according to Erik Krieger, managing director and co-founder of Riverlake, and expects to reach that objective "within several months."

The Riverlake fund comes to market at a time when the fund raising environment is notably difficult. And as a new firm raising its first fund, with no historical performance data and no past relationships with institutional investors, Riverlake has an even tougher fund raising trail than most. Despite this, the firm decided to go it on its own and not hire a placement agent.

Riverlake is targeting high net worth individuals for investments, and foregoing the traditional institutional investors, such as pension funds and universities. "With our first-time status, we [didn't want to be] banging our heads against the institutional wall," Krieger said. "But because we've got a fresh outlook and a solid track record from an operating standpoint, we've met with some success."

Prior to Riverlake, Krieger served as chairman at Pacific Crest Securities, an investment banking boutique focused exclusively on technology. Joining Krieger at Riverlake is Co-founder and Managing Director Jim Lawson, who also co-founded Lincoln Partners, a Chicago-based M&A investment banking firm. Riverlake will try to capitalize on Lawson's ties to Lincoln Partners, which Krieger referred to as a strategic alliance partner and is expected to be a source of deal flow for the firm.

Through its debut fund, Riverlake will concentrate on buyouts of traditional economy companies, with an industry focus on consumer products, packaging, specialty chemicals, electronics, transportation and building materials, among others. The firm will pursue control positions in businesses with annual revenues of between \$15 million and \$100 million.

Despite its status as a new firm on the block, Krieger noted both he and Lawson have experience in leveraged buyouts "on a club basis," having participated in a number of acquisitions with other investors. Among those investments, Krieger cited acquisitions of Wholesome and Hearty Foods Inc., Cleanpak International, Morrow Snowboards and Applied Research.

The debut fund will have a traditional 80/20 carried interest split and an 8% hurdle rate. Additionally, the fund will allow for co-investments. "Our investors are co-investing on top of the fund's capital, which provides much more capacity than a typical fund our size," Lawson said in a statement.

With the \$15 million close, Riverlake is now pursuing its first transaction, and expects to close a deal in the third quarter of this year. "Timing for our fund launch is excellent," Krieger said. "Economic downturns have historically proven to be very smart times to invest in traditional buyout funds. We're already seeing tremendous quality deal flow at price-levels that are very compelling."