

From the October 4, 2002 print edition

## Krieger turning back to Old Economy

Robert Goldfield Business Journal Staff Writer

As chairman of Pacific Crest Securities, Erik Krieger championed the firm's emphasis on high-tech companies. Now, leaving Pacific Crest to form a private equity fund, he is refocusing on Old Economy businesses.

Krieger and a Chicago partner have formed Riverlake Partners LLC, a fund that will conduct leveraged buyouts of traditional companies in a variety of industries. Krieger said he hopes to obtain commitments of at least \$25 million for the fund, which will look for investment opportunities across the country.

Krieger was one of the founders 16 years ago of Pacific Crest, a Portland-based investment banking and securities research and trading firm with 100 employees. As chairman, he helped lead Pacific Crest's late '90s evolution from a traditional, regional investment banker and research house into one that concentrated solely on sectors related to the internet. However, Krieger never lost his interest in buying and leveraging businesses, something that is easier to accomplish with traditional manufacturers than with high-tech companies.

"I was one of the advocates of Pacific Crest's technology shift, but it doesn't mean that I haven't been interested in more core businesses," Krieger said.

In fact, in recent years Krieger has steered some investment opportunities in private, Old Economy businesses to other Pacific Crest principals, who have invested as individuals. Now he'll be scouting similar opportunities for Riverlake (future web site, <http://www.riverlakepartners.com>) on a full-time basis.

With Krieger's departure, Pacific Crest's Scott Sandbo, previously CEO and president, becomes CEO and chairman. George Glass, already vice chairman, also becomes president of the firm, which operates satellite offices in Boston and the Silicon Valley. Krieger remains on Pacific Crest's board of directors and retains a stake in the company.

"This is something Erik's wanted to do for a long time," Sandbo said. "We talked about whether his fund should be affiliated with Pacific Crest, but the best opportunities were in doing a more broad-based fund, broader than just technology." And no one wanted to dilute Pacific Crest's reputation as a specialist in high-tech, he said.

Riverlake will be headquartered in downtown Portland, with Krieger serving as managing partner. Jim Lawson will serve as a general partner in Chicago. The two met years ago, when they both worked in a Chicago-based mergers and acquisitions unit of Paine Webber.

Krieger said Riverlake has obtained commitments of several million dollars from general and limited partners, and that it will shortly relaunch fund-raising efforts. He also expects to name an advisory board by year's end.

Lawson will continue to serve as a principal in Lincoln Partners LLC, a Chicago-based investment banking firm focused on selling mid-sized businesses.

"Now is a very good time to form a private equity fund because if you analyze what determines good performance by a buyout fund ... the best predictor is the vintage year," Lawson said.

Specifically, he said, the best performing funds of the '90s were those that bought companies in the recession years of 1991 and 1992. The best performing funds of the '80s were those that bought companies in the recession years of 1981 and 1982. The current economic slump should yield similar results.

Earnings of companies, and valuations based on earnings, are depressed now, Lawson said. By buying companies now, a buyout fund obtains better potential for increases in earnings and valuations when the economy improves. That's especially true if the fund can leverage the assets of the companies it owns in order to buy additional businesses and fold them into the previous holdings, building larger companies.

While Lincoln Partners sells client companies and Riverlake seeks to buy companies, Lawson said there will be no conflict of interest. Lincoln widely markets its clients and basically sells them to the highest bidder; Riverlake will avoid bidding wars, looking instead for opportunities to buy companies that aren't seeking the highest sales price, he said. Examples might include management-led buyouts. If Lincoln learns of such companies, it might refer them to Riverlake, but it won't represent them, Lawson said.

Riverlake—the name reflects Portland's rivers and Chicago's Lake Michigan—will pursue companies with annual revenue of \$10 million to \$100 million, a range that includes about 85 percent of domestic private corporations. It will focus on non-core divisions of Fortune 1,000 companies as well as family-owned businesses. Industries of interest include materials, material handling, packaging, transportation, specialty chemicals, consumer products and general industrial products.

The fund, or at least an investment group led by Krieger and Lawson and backed by investors expected to participate in Riverlake, has already made one purchase. In early 2001 the group acquired Portland's Cleanpak International from Sinko Kogyo Co. of Japan. Cleanpak produces air handling equipment used in ultra clean work environments, like clean rooms for semiconductor and pharmaceutical makers. With Riverlake's help, Cleanpak recently acquired Servicor Inc., a designer and manufacturer of portable clean rooms, located in the Bay area.

© 2002 *American City Business Journals Inc.*

All contents of this site © American City Business Journals Inc. All rights reserved