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## PE firm puts money in Freestone Capital Management

Thomas Coyle - 15 January 2008

Seattle-based wealth-management firm **Freestone Capital Management** has received a \$40-million infusion from the **Sienna Group**, a Seattle-based private-equity firm. Freestone says the tie-in with Sienna gives it funding for expansion on the U.S. West Coast and access to expertise in structuring and managing a growing business.

"This is a great opportunity for us to become, in eight or nine years, one of the bigger players on the West Coast in wealth management," says Freestone's CIO **Gary Furukawa**.

Freestone is a one-office RIA that manages or advises on about \$2 billion. The firm provides counseling on traditional and alternative investments as well as estate, trust and tax planning to private clients with between \$2 million and \$100 million in investable assets.

Furukawa will come out of the deal with Sienna still owning a large part of Freestone, which he founded in 1999 after spending 11 years at **Smith Barney**.

For Sienna the deal means linking up with a firm its CEO **Scott Svenson** calls "one of the most respected wealth management companies in the nation" and getting the chance "to partner with the Freestone team to provide the capital and other resources necessary to support the company in its next phase of growth."

Svenson is a Seattle native. In the late 1980s and early 1990s he worked as an investment banker for **Drexel Burnham Lambert** and **Apax Partners** in the U.K. before serving as deputy CEO of London-based **CrestaCare**, a nursing-home operator.

As those things were going on, Svenson and his wife **Ally Svenson** founded **Seattle Coffee Company**, a coffee retailer for the U.K. market that had 75 locations by the time they sold the company to **Starbucks** in 1998.

Sienna has various-size stakes in **Carluccio's**, a chain of Italian sandwich shops in the U.K., **Ivey Imaging**, a Seattle-based company that makes big display ads for high-end retailers, Liberty Lake, Wash.-based ad firm **Banner Retail Marketing** and **Redwood Real Estate**, a joint venture with real-estate investor **Carl Chang**.

With cash and strategic input from Sienna, Freestone plans to open new offices or acquire existing firms on the West Coast -- starting, later this year, with a new office in southern California.

### Good position

From there though, further expansion will occur as opportunities present themselves and market conditions permit -- not in accordance with a pre-set or by-the-numbers growth plan, says Furukawa.

**Elizabeth Nesvold**, managing partner of New York-based M&A consultancy **Silver Lane Advisors** (which advised Sienna on its investment in Freestone), says Freestone is in position to realize its expansion plans.

Besides the demographic forces working to make more millionaires in most major U.S. markets, the Pacific Northwest is an especially lucrative patch with a profusion of tech-co stake holders, entrepreneurs and well-heeled professionals, says Nesvold. Despite its attractions, however, outsiders can have trouble making headway there.

Freestone stands to advance as a locally known and respected firm that offers boutique services in a market dominated by wirehouses on one side and a few super-high-end multifamily offices like Gig Harbor, Wash.-based **Threshold** on the other.

"They've got a lot of room to play in," Nesvold says of Freestone. "That's true for them in the Northwest and on the West Coast generally."

Freestone chose to partner with a long-term private-equity investor rather than one of the wealth-firm aggregators because its management wanted time to grow the business in a controlled manner, according to Furukawa.

"We've certainly talked to them, and we understand the motives of a private-equity-backed aggregator," says Furukawa.

"The idea is to build out fast and then sell. That wasn't the right fit for us. We felt there were other ways to expand, and so we knew we wanted someone to partner with us for a long time."

Though a transition to a new-generation management team led by Freestone's president **Erik Morgan** was in the works before Sienna arrived on the scene, the private-equity firm's involvement stands to improve the process and sharpen the result, according to Furukawa.

And it isn't hard to imagine that Sienna's investment and the prospect of accelerated growth will give further incentive to Freestone's senior staffers.

Freestone's management re-structuring isn't a prelude to Furukawa's departure, however. Rather the firm's founder plans to stay on for the foreseeable future. He says he simply recognized that there were people on hand with superior day-to-day management skills than his.

Working with Sienna will also give Freestone a chance to enhance its investment offerings to include ideas from Sienna Redwood Real Estate affiliate, says Furukawa.

Sienna has a hybrid investment platform that features in-house management of fixed income and core and concentrated long-only equity along with access to outside managers (directly and through a fund-of-funds program).

The point of providing in-house asset management is to distinguish Freestone from some of its purely open-architecture rivals and to keep its hand on the market's pulse as a direct participant. "Managing money makes us better at picking outside managers," says Furukawa.

The financial details of the transaction between Freestone and Sienna weren't made public. The firms expect to seal the deal before the end of March 2007. -FWR

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