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## Riverside Co. co-CEO says his firm won't 'stray from our roots'

By **ARIELLE KASS**

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Despite the interest of private equity firms in distressed debt, turnaround deals and secondary markets, The Riverside Co. will not be making headway in those arenas, co-CEO Stewart Kohl said Thursday.

"We're not going to stray from our roots," Mr. Kohl said. "Those things are all going to be style drifts. People didn't invest in you to do that, and I think it's risky."

Speaking to a crowd of nearly 200 at a breakfast meeting of the Association for Corporate Growth at the Union Club in downtown Cleveland, Mr. Kohl said a lot of private equity money is focusing on those areas as large firms look for places to invest their capital. About \$1 trillion in investors' money is available, he said, but with large deals difficult to close, big firms are looking elsewhere.

Mr. Kohl said Riverside, which is headquartered in Cleveland and New York, is doing "OK" in this economy and was "slightly profitable" in the fourth quarter of 2008 and the first quarter of 2009.

"We're kind of treading water, we're holding our own," he said.

Mr. Kohl predicted that private equity returns likely would be lower in coming years because of the weak economy, and that as many as half the nation's private equity firms could go out of business.

Still, he said right after a recession is the best time to invest as those deals tend to have the highest returns.

"What it requires you to do is run into a burning building when everyone's running out," he said. "Running out of the building when everyone's running into it, that's equally hard to do. It's a big challenge for our industry."

Private equity still has a "critical" role to play in the economy and in helping to reallocate capital, Mr. Kohl said. And while lenders such as banks are lending less and charging more, there still is money available for good deals.

"They're recognizing there are some new realities in the amount that they'll lend," he said. "But they're lending — at least they are to us."

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