

DEALS & DEALMAKERS

EP Wealth
Acquires
Dallas Firm

The move doubles the firm's total assets in the region.

TORRANCE

By STEVEN CRIGHTON

Torrance-based registered investment adviser **EP Wealth Advisors**, led by Chief Executive **Ryan Parker**, recently announced its acquisition of the Dallas-based **Sloan Investment Management LLC**, more than doubling its total assets under management in the region.

EP Wealth said the partnership adds approximately \$700 million in assets under management in the Dallas area, bringing its total AUM to over \$1 billion in the region and \$25.2 billion nationwide. The financial and legal terms of the deal were not disclosed.

Sloan's founder and managing partner **Frank Sloan** will remain at the helm of local operations as EP Wealth's new regional director and partner. Support staff will also remain in place.

"Partnering with EP Wealth gives us access to significant additional resources to evolve the way we serve our clients, providing both a more robust client experience and growth opportunities," Sloan said in a statement.

Southern California companies have recently had a strong interest in expanding operations into Texas or moving them over entirely, noted **Chris Manderson**, a transactional attorney specializing in mergers and acquisitions and private equity. But the EP Wealth deal isn't likely related to that trend, Manderson added, as acquisitions like this are a pretty standard business move for RIAs.

"It's become very common for private equity in the last few years, where they'll back these rollups of various RIAs in order to increase their total assets under management," said Manderson, who chairs the corporate department at the Beverly Hills-based **Ervin, Cohen & Jessup LLP**. "It's all built around multiple arbitrage."

Manderson said it's no surprise roll-ups are popular with private equity players, as the market generally tends to reward scale with a higher valuation. If the company benefiting from the roll-up itself ends up being sold off, investors reap significant benefits from that scaling.



EP WEALTH ADVISORS

HEADQUARTERS: Torrance

YEAR FOUNDED: 1999

BUSINESS: Wealth management

EMPLOYEES: 140

CEO: Ryan Parker

ASSETS UNDER MANAGEMENT: \$25.2 billion

NOTABLE: Berkshire Partners backed EP Wealth in 2020, purchasing a \$7 billion stake in the company.



Boss: Dean Kim of William O'Neil + Co., said bank had "valid reasons" to call the loan.

East West Bank Sues
Over a \$40M Loan

Firm alleges Irwin Naturals did not meet loan terms.

LOS ANGELES

By STEVEN CRIGHTON

Just a few short weeks after its chief executive warned of a potential bankruptcy, Playa Vista-based health supplements maker **Irwin Naturals Inc.** will be heading to court with Pasadena-based **East West Bank Corp.** over numerous alleged defaults on a \$40 million loan.

Los Angeles County Superior Court Judge **David S. Cunningham III** last month scheduled an initial status conference on August 8 for the case, stemming from a loan made to Irwin Naturals, a manufacturer of natural remedies, CBD gummies, and supplements that has invested heavily in North America's burgeoning marijuana and psychedelics industries, in February 2023.

East West filed a complaint in May alleging numerous payment and covenant defaults, including Irwin's failure to obtain insurance endorsements, to meet terms for availability and to timely deliver financial statements.

Chris Manderson, a transactional attorney specializing in mergers and acquisitions and private equity who is not involved in the case, said banks typically include these covenant defaults as a reliable way to monitor the financial health of a loanee.

"Lenders use these companies as an indicator of internal quality control. A company might make an error or misstep here or there, but when term breaches are piling up, that's a good sign that something is off," said Manderson, who chairs the corporate department at the Beverly Hills-based **Ervin, Cohen & Jessup LLP**.

Banks don't like pursuing litigation on defaulted loans when alternatives exist, noted Manderson, especially for companies in California, where local lender liability laws make for especially unfavorable venues.

"That's all to say if they are pursuing this option, it's because they smell something's really off. This is not your normal sort of failure, or a company that's suffering some simple financial distress," Manderson said.

In its complaint, the bank accuses company Chief Executive **Klee Irwin** of "blatant acts of self-dealing," claiming he's siphoning company funds to support his own personal expenses and lifestyle. The bank said that not long after the company was forced to lay off several employees around April, Irwin was diverting funds to



IRWIN NATURALS INC.

HEADQUARTERS: Playa Vista

YEAR FOUNDED: 1994

BUSINESS: Therapeutics, health supplements

CEO: Klee Irwin

EMPLOYEES: 100 (according to LinkedIn)

REVENUE: \$19.07 million (as of September 2023 financial statement)

NOTABLE: The company announced plans to expand into THC and psychedelics industries in 2021

his family by adding his wife, sister and goddaughter to Irwin Naturals' payroll.

East West Bank claims his family was spending the company's funds on gifts, to pay landscapers and make mortgage payments, among other misappropriations.

While it's likely the bank was preparing for action ahead of its initial filing, a threat to declare bankruptcy issued by Irwin on May 7 could have represented a turning point according to **Dean Kim**, head of product research at **William O'Neil + Co.**, who is not involved in the case.

"In today's environment, where very high interest rates are making it hard for companies to service their debt, it's very difficult for a business to recover when it ends up in trouble," Kim said. "But at the same time, it seems like the bank had a number of valid reasons for calling the loan based on the accusations made."

Irwin Naturals peaked at a value of nearly \$4 a share in July 2022. The stock has entered a steady and rapid decline it has failed to recover from, declining in value from \$3.18 in February to \$0.34 July 12.

At the time of the filing, the bank claimed it was owed \$18.5 million from Irwin Naturals and related companies and \$7.6 million from Irwin himself.

"It's relatively low stakes compared to the asset size of the bank — East West Bank has around \$51 billion in loans on their balance sheet. But it would otherwise have to be reported as a charge off which would have some impact on their earnings," said Kim.

Representatives for Irwin Naturals and East West Bank did not respond to requests for comment.