

CHERRY TREE

# THE NEXT CHAPTER

## 40 YEARS AND STILL GROWING

A business partnership that lasts 40 years is remarkable. But a partnership that thrives throughout the 80s stock market boom and crash, a dot com bubble, a financial crisis, and a global pandemic? A partnership that grows and expands to include new members, new ideas, and new directions—while remaining true to its original principles? That's unique. That's Cherry Tree.

by *Tim Woessner*



### A formula for success

So what's their secret? What has enabled this small firm to punch so far above its weight? It's a combination of things that have built a culture of success. A clear mission. An enduring business partnership. Deep experience in key industry sectors. Hard-earned insight into the day-to-day realities of operating a business. A fierce attitude toward client service. The foresight to adapt to shifting economic conditions. The ability to build and maintain positive working relationships. Creating a work environment where people have the support to learn and grow—and the autonomy to do their best work.

Those attributes have served the firm well—not only fostering consistent growth but laying a foundation for a bright future. And, the original partnership between Gordon Stofer and Tony Christianson, while still going strong, now includes others who will take up the mantle of leadership in the future.

### A mission built around business owners

Both Christianson and Stofer feel their mission is to help business leaders “get where they want to go.” This was a favorite phrase of Charley Oswald, one of the firm's founding investors and a 30-year mentor to both Gordon and Tony.

“That's always worked for us,” Stofer explains. “It says a lot about serving the client's wishes and adapting to their time frames. That's also my own personal outlook. If you do that, it generally comes back to you in a positive way.”

To make it happen, Cherry Tree has assembled an experienced team of like-minded professionals who bring the mission to life every day. They work with self-driven, financially accountable business executives with strong leadership attributes. They listen to CEOs and other business leaders, find out what they want to do, and then try to focus Cherry Tree's strengths and resources toward that goal.

### CHERRY TREE & ASSOCIATES Investment Banking

#### 40 years of experience

Cherry Tree was originally founded in 1980 and evolved from managing a series of venture capital funds in the 1980s and 1990s into what is now a well-regarded investment bank, Cherry Tree & Associates (CTA). With deep sector expertise and a national profile in key areas including education, technology, industrial, and consumer products, the firm has

carved out a niche as a go-to group for lower middle market deals—particularly for family-owned or founder-led businesses (\$10M– \$200M of enterprise value).

Because of Cherry Tree's long, exciting and successful tenure in working with entrepreneurial owners and managers, the firm is in tune with the difficulties of growing businesses and the challenges that CEOs and senior managers face. That experience has fostered a patient, approachable, and supportive relationship with clients, and a professional and determined approach in their engagements when dealing with buyers, investors, or others. Interestingly, many of the firm's key people have served in C-level positions and led businesses before joining Cherry Tree.



For Managing Partner Chad Johnson, who leads the firm’s education practice, the founder’s values play a big role. When it comes to interactions with clients and staff, Johnson says, “They’re both insightful and practical. Working with Gordon and Tony, you never have to question their ethics or their integrity.”

“For two people to be partners in anything for 40 years is amazing,” says Managing Partner Dave Latzke. “They recognize each other’s strengths and weaknesses, and they work together very well. Plus, I really believe that Tony and Gordon would do almost anything in their power to make each one of us as individuals successful.”



“Specializing in industry sectors gives us a huge edge. Pitching potential clients is competitive and it really helps to know who the buyers are. I know what their motivations are, and I know what the value drivers are in the industry.”

— CHAD JOHNSON  
Managing Partner

### Focusing on key industry sectors

One area where Cherry Tree & Associates sets itself apart is through its specialization in industry sectors—education, technology, industrial, and consumer products. For a firm of Cherry Tree’s size, specializing is a powerful way to differentiate from other investment banks.

“Our Managing Directors have a ton of credibility in their space,” says Latzke. “Even if they don’t have a pre-existing relationship with someone, after just a few minutes, people realize how experienced and informed they are in that space.”

Once Cherry Tree establishes itself in an industry segment, it takes hard work to maintain that position. “We’re doing research and publishing it to help show that we’re on top of things,” says Johnson. “And when you are active in a space, you’re talking to the potential buyers, you’re talking to the CEOs and the business managers and you understand what’s going on competitively. You understand what’s happening to revenues, margins, and other key metrics that create strong businesses.”

### Putting client needs first

Helping clients get where they want to go is the mission, and the firm’s attitude toward client service reflects that.

“We offer a level of service that is exceptionally high,” says Johnson. “We are known for our Managing Directors staying involved throughout the process. We really become that trusted advisor to our clients. We hear that from attorneys all the time, ‘Wow, you guys stay way more involved than a lot of banks.’”

CFO Jane Bortnem agrees. “We work in teams on every client we have. We always have a well-staffed team in addition to a senior leader.”



“People skills are really important at Cherry Tree. Our younger people interface with clients from day one so we need analysts and associates that are confident and have good communication skills.”

— DAVID LATZKE  
Managing Partner

### WHAT OUR CLIENTS SAY ABOUT US:

*“We were extremely happy with Cherry Tree in the sale of a majority stake in our business. Their process led to a higher valuation than other advisors told us to expect, and most importantly they never lost focus on our personal goals and our desire to ensure a good outcome for all our stakeholders.”* — Gary Nelson, Creative Learning Systems

*“The Cherry Tree team ran a really disciplined and professional process, creating a competitive situation that resulted in several strong options for our Board to consider. We were able to partner with a great buyer who is an excellent strategic fit with us.”* — Jim Horn, Packaging Incorporated

### Building long-lasting relationships

In the investment banking business, it’s hard to overstate the importance of relationships. Trust, respect, and accountability are paramount—especially for the family or founder-led businesses that Cherry Tree serves.

Latzke explains, “In our market, relationships are really important. In many cases we’ve previously developed long-term relationships either with business owners or lawyers or accountants, and it gives us an advantage. We work to earn their trust before the transaction is even considered.”

### Building a positive culture, where people can do their best work

Cherry Tree’s fundamental business mission—*helping people get where they want to go*—applies internally, too. A key goal of Cherry Tree and Associates is to create a great place for Managing Directors to build an investment banking practice of their own, and for other employees to launch or continue fulfilling careers. This recognizes both a respect for the autonomy that key personnel want (and deserve) and a willingness to help them get where they want to go.



Minneapolis, Minnesota

**2020 YEAR IN REVIEW | 12 TRANSACTIONS, INCLUDING 11 SINCE COVID**

DEAL TYPE: Sell-side (9) • Buy-side (2) • Financing (1)

INDUSTRY: Education (3) • Technology (3) • Industrial (3) • Consumer (3)

GEOGRAPHY: MN (5) • CA (2) • WI (2) • PA (1) • IL (1) • AZ (1)

“When I started here,” says Johnson, “I knew within the first week that I’d never worked at a company like this. The people are really smart. It’s a fun and engaging culture with really strong values.”

This philosophy extends throughout the organization—to analysts, associates, and administrative staff. CTA has a robust on-boarding and training program for new employees, and looks forward to these employees taking on responsibility as fast as they can digest it.

### Hiring the best people and embracing balance

Cherry Tree’s leaders also recognize that employees may have personal and professional goals beyond their current roles. So it openly supports them in continuing their education, learning new things, and expanding their responsibilities. But it’s worth the effort and expense. It helps Cherry Tree build an organization of engaged employees, and positions the firm well to rapidly fill vacancies. And, of course, there are solid and exciting long-term career paths at Cherry Tree for those that want to stay in investment banking.



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“As CFO for Cherry Tree, I work with both the investment bank and wealth management. I like the variety and I appreciate the life balance that the firm embraces, so that family can come first.”

— JANE BORTNEM  
Chief Financial Officer/Partner

“The culture is great,” says Johnson. “People share credit, they give credit. They don’t take credit. And the people that work behind the scenes, do a lot of work on financial analysis, research, and creating a professional environment—they contribute a ton, and they’re very much appreciated.”

### Adapting to changing circumstances

This ability to adapt was really tested during the Covid-19 pandemic of 2020. Cherry Tree has utilized remote work protocols to keep serving clients until a return to normalcy. During 2020 the firm completed 12 deals—eleven were closed after Covid. How did they accomplish this when the rest of the world

seemed to just stop? “We had a great group of growing clients and had matched them up with reliable and high-quality parties on the other side,” Stofer explains. “The buyers were professional enough to look beyond the extreme circumstances of March and April 2020. All the deals closed without changes in valuation.”

### CHERRY TREE WEALTH MGMT Individual & Small Business

#### “In Life and Legacy” — Helping clients reach their financial goals

Cherry Tree’s expansion into wealth management in the early 2000’s flowed directly from the firm’s client-first philosophy. After selling his company, Charles Oswald, a friend and mentor of Cherry Tree, moved his operations to Cherry Tree and worked with Tony and Gordon to develop a “best practice” family office.

“We determined the right way to go was a modern portfolio theory approach, where you deliver returns via low cost index funds,” says Christianson. “And that strategy turned out to work really well for that family, and we thought to ourselves, ‘This would work for a lot of families, and for 401(k) customers.’”

Cherry Tree Wealth Management was born.

#### The right leader, The right growth strategy

They recruited Keith Tufte, a former Wall Street analyst and mutual fund portfolio manager, as President of Cherry Tree Wealth Management. Tufte saw the potential of this new venture and encouraged the firm to think even bigger and build a more lasting wealth management capability at Cherry Tree.

Since then, Tufte has taken that small company and added to it through both organic growth and acquisitions. “Keith is uniquely qualified to bring in new clients” says Christianson. “Everyone trusts his investment judgment, his respect for the client, and his careful nurturing and managing of his investment team.”

#### Serving clients with a time-tested approach

For Tufte, the success of the wealth management business is about doing some simple things, but doing them extremely well. “We’re a fiduciary for our clients and always have to act in their best interest. Our investment strategy is somewhat boring, but very effective and safe. We focus on time-tested strategies that keep costs low, keep portfolios very diversified, and ensure we’re investing for the long run. Lastly, we’ve got really good advisors. Recently, five of us were named *Twin Cities Business* Five Star Wealth

Managers. And I am proud to say that the son of the founder of the business Cherry Tree acquired in 2004, John O’Connor, has stayed with us and is now a key part of our senior management.”

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“In the Wealth Management business, we are always looking for good team players. You have to have a thinking-of-other-people first attitude: ‘What can I do today to take care of my clients, and how can I help my teammates?’”



— KEITH TUFT  
CTW President/Advisor

### Wealth Advisors are key

What started as a family office for one business owner has since grown into a thriving wealth management practice that has over \$360 million under management.

What’s the way forward for Cherry Tree Wealth Management? Continuing to do what works, and looking for the right opportunities to grow. “We want to keep a reasonable number of clients per advisor and ensure that our clients are getting great service,” Tufte says. “One way we’ve grown is through acquisitions of smaller advisory firms, usually one or two person shops. The seller advisors typically stay with us for some time after the acquisition. It’s been a very effective strategy for spiking our growth, and we will look for opportunities to continue that.”

CFO Jane Bortnem adds, “We’ve had nice steady growth over the years. I see that continuing. Our clients are really spreading the word, and that speaks volumes.”



## CHERRY TREE | A 40 YEAR TIMELINE



### THE CHERRY TREE FUTURE

#### Building Infrastructure

The Cherry Tree story is one of careful, purposeful adaptation and reinvention. That spirit of reinvention continues, with clients' interests always at the center of any change. For example, Cherry Tree is making significant investments in technology—to operate the business and to provide clients the level of service the firm is known for. Infrastructure assets include online research tools, the S&P Cap IQ database, Hubspot CRM, Tamarack portfolio software, cloud-based project-management tools, and advanced cybersecurity protocols – and a redesigned and upgraded office space to accommodate the working environments needed in the age of Covid.



“We look for Managing Directors that have an in-born tendency to positively engage with people. CTA is a great platform

for Managing Directors who want to be part of a growing organization, but also desire the autonomy and support to build their own practice.”

— GORDON STOFER  
CEO/Managing Partner

“I feel we’re doing a really good job keeping up with change,” says Bortnem, who also leads the firm’s administrative, compliance, and operations functions. “We’ve moved our server and email to the cloud, and have a goal of keeping up with technological advances.”

#### A thoughtful succession and leadership strategy

Forty years in, Christianson and Stofer still enjoy working, but they recognize that an

intelligent succession plan makes sense for everyone—and that involves both handing over managerial duties and including key personnel in the ownership structure.

In the investment banking operation, they have already moved two of their seasoned deal makers, Chad Johnson and Dave Latzke, into important leadership positions on the Executive Committee, along with Jane Bortnem, the firm’s Chief Financial Officer. Latzke and Johnson now share management duties as Managing Partners of Cherry Tree and Associates, and both have made investments in the firm.

The new leadership structure will provide continuity and stability as Cherry Tree moves forward. But in truth, it really was a form of recognizing what had already been happening at the firm. Latzke, Johnson, and Bortnem have been assuming more responsibilities, and along with Gordon Stofer they have melded into an effective team.

On the wealth management side, Keith Tufte and John O’Connor continue to add seasoned wealth advisors to their team to handle a growing number of clients and more assets under management (AUM).

#### Looking ahead to a bright future

Stofer expects careful, organic growth. “We will continue to add more Managing Directors, and incrementally become stronger in each of the existing industry verticals. We are always on the lookout for proven executives who want a friendly and professional platform upon which to grow their own practices. Hopefully, this will result in more and larger transactions in the M&A group and more and larger families and 401K clients in our wealth management firm.”

Johnson agrees: “If we have more Managing Directors in each of our sectors, we’re going to win a lot more deals. We want to add more people, but we don’t want to add just anybody. We want to be purposeful about it.”

### THE NEXT CHAPTER

Across the board, the current leadership team expects Cherry Tree to become an even more significant player in both M&A transactions and wealth management. With Cherry Tree’s forty-year track record of success, there’s no reason to doubt the firm’s ability to reach that goal and more.

“Gordon and I love what we do, but the longevity of Cherry Tree will weigh heavily on the next generation of bankers and wealth advisors. I am always thinking about moving forward, and this year’s record results gives us flexibility to set up for the next decade.”

— TONY CHRISTIANSON  
Chairman/Managing Partner



Christianson summed up the future pretty well, “We have built a great company over 40-plus years. The future strength of Cherry Tree will rely heavily on the next generation of bankers and wealth managers and we want to make that transition in a thoughtful and intentional way.”



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