

## SMITH BARNEY LOSES 15 ADVISORS TO BAIRD

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Baird<sup>1</sup> has built up its new Baltimore-area private wealth management office overnight by hiring 15 Smith Barney<sup>2</sup> advisors with more than \$1 billion in prior client assets. The move continues the Milwaukee-based brokerage's efforts to grow its national reach, an effort buoyed of late by the market turmoil that is shaking wirehouse advisors loose from their longtime homes.

Baird opened its office in Towson, Md., last summer with the hire of James Furletti, senior v.p. and branch manager, and has now managed to staff the office with experienced advisors in one fell swoop, says John Mabee, national director of branch development and director of the branch offices on the East Coast.

"We had hoped we could make a pretty big splash out there, and this turned out probably as good as we could have expected," he says of the hires from last week.

Furletti and various executives from Milwaukee, including Mabee, had carefully laid the groundwork to bring over the advisors – who were part of several different teams or had been practicing solo – in one group. It helps that Furletti, a 22-year industry veteran, had left a post last year as a financial advisor and assistant branch manager for Smith Barney in Baltimore. He had arrived there via Smith Barney's acquisition of the Legg Mason Wood Walker business, part of a 2005 swap that sent Citigroup asset management units to Legg Mason<sup>3</sup>. Most of the 15 advisors who made the move were Legg Mason veterans as well.

Last year's financial markets collapse and the ensuing troubles for the wirehouse brokerages have put many talented advisors, who otherwise would not have considered leaving their firms, into play for Baird, Mabee says. The firm has more than 600 advisors across 60 offices who oversee about \$49 billion in assets.

"At Baird, we're still smaller, still a more personable firm," Mabee adds. "We're employee-owned and privately held, and advisors are seeing a lot of advantages pertaining to that because we can think more strategically in the way we do business. We don't operate by simply seeing how large we can get. And now we're attracting more good, solid-quality [advisors] than we ever have in our history."

Independent brokerage firms overall are well-positioned in the current market to attract wirehouse advisors, says **Tyler Resh, principal at Echelon Partners**, a consultant and investment bank in Manhattan Beach, Calif.

"In general, there has been an uptick in advisor movement related to the recent market volatility," Resh says. "And we anticipate over the next couple of years we'll see more, both from the breakaways who want to leave their firms but also from the 'pushaways' – the brokers that don't meet the new, higher production standards that the wirehouses have set and feel forced to leave. The independent broker-dealers stand to benefit because they offer a model that's familiar and able to integrate the typical [wirehouse] advisor's hybrid practice of commission and fee-based business."

The Towson office hires make for the biggest milestone in Baird's recent expansion efforts, which since 2007

have included new offices in San Francisco and Sacramento, Calif., along with new hires in Phoenix and Minnesota. Those advisors hailed from Wachovia Securities<sup>5</sup> and Morgan Stanley<sup>6</sup>, among other competitors.

Mabee says that growth spurt should continue soon in Philadelphia, where the firm had hired a counterpart leader to Fulleff last summer as well. Baird brought aboard Brian McGrath as senior v.p. and branch manager and E. Howard "Howdie" Goodwin Jr. as senior v.p. and financial advisor. Both had come over from Wachovia.

Baird is now in talks with several advisor teams about joining that Philadelphia office in the coming months, Mabee says. Further targets for expanding into new regions include Richmond, Va., and the Carolinas, as well as San Jose, Calif., on the West Coast, he adds. But the firm isn't planning on growing indiscriminately.

"If we stayed at the number we're at, we would be pleased, but over a reasonable period of time we could see growing to 700 or 750" advisors, he says. The firm will continue to use its model of hiring a branch office leader first and relying on that person to anchor the recruiting efforts in the new region. "We think using that strategy over the next year to three years, we could have substantial opportunities in Northern California and the Mid-Atlantic."

Mabee says another factor that smoothed the recruiting effort for the 15 advisors in Maryland is their roots in Legg Mason, which had been a brokerage with a corporate approach similar to Baird's own. "It absolutely matched up very closely with our culture," he adds. "But we're talking to people at a number of different firms – Wachovia, legacy A.G. Edwards, Merrill [Lynch]."

Mabee says ideally Baird could end up with three to five offices in the Baltimore region over the long term. It also has a Reston, Va., office near Washington, D.C., with 50 advisors.

The 15 advisors who joined the firm are Joe Fuggi, Jeff Graham, Tim Hargest, Mike Levin, Jim Mugele, Steve Welsch, and Rich Zink as senior v.p.'s; Jerry Marquez, Walter Noto, and Rich DuVal as first v.p.'s; Jason Harris, Keith Levitt, and Marco Sacca as v.p.'s; and Mike Johnson and Bob Manankil as financial advisors.

Baird advisors have a mix of commission and managed-account business, and the firm also offers financial planning, asset allocation, tax management, and wealth transfer services to high-net-worth clients.

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