

PE PLAYER BUYS STAKE IN \$18B WEALTH MANAGER

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This is shaping up as another banner year of heightened M&A activity in wealth management. Helping to fuel such growth, say industry analysts, is an influx of private equity players.

The latest case is Hartland & Co., a Cleveland-based wealth advisor and institutional consultant that oversees nearly \$18 billion. On Monday, the 28-year-old privately-held firm is planning to announce a deal to sell a "significant" equity position to Rosemont Investment Partners, a private equity specialist in asset and wealth management.

The agreement represents a minority stake in Hartland, confirms David Fulton, the wealth manager's chief executive. He declined to disclose financial terms of the Rosemont deal.

"We've been able to grow our client base over the years mainly through organic means," Fulton tells FA-IQ. "But we've also made several key strategic acquisitions along the way."

Those purchases of smaller RIAs helped to boost Hartland's assets by several billion and gain a national footprint in more than 30 states, he adds. But it hasn't been active in the M&A marketplace for nearly two years. Hartland last made an outside transaction in 2015 when it bought the former Lancaster Pollard Investment Advisory Group, an institutional consultant which helped to oversee about \$1 billion.

The new deal by Hartland comes on the heels of a record 2016 for the industry. As previously reported, M&A consultant **ECHELON Partners** estimates at least 138 independent advice firms changed hands in 2016. That represented a 10% jump from a year earlier in terms of deal activity.

In its full research piece, ECHELON Partners credited a rise in mergers and acquisitions to an aging advisor workforce and improving overall market conditions. A key driver in such an uptick, notes ECHELON, are private equity players.

Hartland serves as an advisor to some 500 affluent families and individuals, according to the firm. It also works with about 150 institutions as both traditional and discretionary investment consultants to retirement plans, endowments, foundations and healthcare organizations.

The advisor currently has 72 employees and besides its headquarters location, Hartland also operates offices in Portland, Maine, and New York.

Besides opening part of the company to a PE player, Hartland is also recapitalizing by offering shares to employees. It's part of a succession planning move by the firm, Hartland CEO Fulton explains.

Indeed, 28 current and new Hartland "employee-owners" will invest with Rosemont, he adds. "Over the last seven years we've started transitioning from our founders to our employees," Fulton says. "This is really the final step in that succession planning process."

He adds that employees will now hold a "sizeable" majority of Hartland's equity and that Rosemont's minority ownership represents a "distinct minority" of the company's overall ownership.

"There's a certain culture that we want to maintain in terms of showing clients we're really operating in a transparent and objective environment," Fulton says. "In our view, a big part of preserving that sense of independence is to make sure that our leadership remains in the hands of our employees."