

HOW THE ERIC CANTOR HIRE IS REALLY ALL ABOUT KEN MOELIS, AN ORIGINAL WALL STREET 'WOLF', AND HIS \$963 MM NON-CLASSIC RIA

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Brooke's Note: This is an RIA story at the top and deep down — but not so much in between. Eric Cantor is joining an RIA, but not one of our kind with retail clientele. Still, the pairing of Ken Moelis and Eric Cantor says something about the current Wall Street culture. While changes to the “independent” advice model are occurring there, it's still a muscular, Darwinian world. Note that although Ken Moelis describes how Cantor will help his firm, he does not use words that extol Cantor's character.

One of the original 'wolves' of Wall Street — and still its tip-top workaholic — has joined forces with another lupine operator out of Washington D.C., who was recently ejected from his own pack, to turbo-boost the success of a hyper-ambitious start-up investment bank and “non-classic” RIA.

Ken Moelis, 56, got his start as a lieutenant to the infamous financier Michael Milken during Drexel Burnham Lambert's glory days in the 1980s. Moelis has now mounted a fourth sequel to that effort as chief executive of publicly held New York-based investment bank Moelis & Co., which holds a registered investment advisor, Moelis Capital Partners LLC.

Moelis's RIA manages \$963,771,056, according to its ADV. Both the brokerage and the RIA have a market capitalization of about \$1.9 billion. Since weathering the economic crisis of 2008-'09, the firm has been booming in its niche below the largest Wall Street investment banks. Moelis & Co. completed its IPO in April and its shares have since spiked over 40% based on the \$25 IPO price.

DC Office

This week, Moelis brought aboard former House Majority Leader Eric Cantor (R-Va.) to serve as vice chairman and managing director of Moelis & Co. and to sit on the firm's board of directors. Cantor will work out of the firm's soon to be created office in Washington, D.C.

Though Moelis & Co. has been characterized in the media as a boutique investment bank, the moniker is somewhat misleading.

"It has never done business with small fry," says **Dan Seivert**, chief executive of Los Angeles-based **ECHELON Partners**, who was with the Los Angeles office of Skadden Arps Slate Meagher & Flom LLP, a New York-based firm that handled Drexel deals in the early days. Moelis has been big in gaming and gas production deals, for instance, which explains why Carl Icahn and Donald Trump are past clients. But he has also been known to do business with companies like Google and Yahoo!

Comeuppances

Cantor, meanwhile, joins Moelis as he comes off one of the biggest electoral upsets in American history — losing to a Tea Party challenger, David Brat, in Virginia's 7th District earlier this year after 13 years in the House of Representatives. Brat is a small-time economics professor.

Moelis knows from upsets himself after four decades of stratospheric ups and equally rapid earthward descents in the Wall Street world. The 1990 bankruptcy of New York-based Drexel Burnham Lambert Inc. — which was known for sub-prime corporate loans known as junk bonds — landed him at New York-based investment bank Donaldson, Lufkin & Jenrette Corp., where he ran the Los Angeles office and made the Century City district into the seat of investment banking power in the United States. The company was heavily peopled by ex-Burnham types who brought their smarts, creativity and 24-7 work ethic to the task and invented a middle market of deals in the \$100 million to \$1 billion range.

From DLJ, Moelis moved to UBS in 2001 and proceeded to poach 70 investment bankers during his first three months from rivals like Morgan Stanley and Credit Suisse. While there, he took UBS to the top of the investment banking heap as the leader of initial public offerings and to seventh-largest in advising global mergers in 2006, according to Thomson Financial.

Frequent flier

Moelis left UBS in 2007 to found his own firm after clashing with his higher-ups in Switzerland, according to a New York Times article. [The report](#) cited repeated cases in which Moelis promised deals to clients only to have UBS decline to approve the transactions. It was Moelis, known as a fierce competitor and workaholic, who became frustrated with his conservative bosses and chafed to break away and do things his own way.

Moelis has not lost the work ethic that fired up Milken's Drexel boiler room. "He's probably burnt out five generations of investment bankers," says **Seivert**.

Indeed, while Ken Moelis still lives and works in Los Angeles, he is known to think nothing of jetting back and forth to New York City four times a week while his firm is working on major deals. Much of his investment banking army operates from New York.

Newer, better model?

Cantor cites his new firm's role as an independent advice-giver as a reason he came aboard.

"When I considered options for the next chapter of my career, I knew I wanted to join a firm with a great entrepreneurial spirit that focused on its clients. I have known Ken for some time and having followed the growth and success of his firm. I have long admired his vision and leadership. The new model of independent banks offering conflict-free advice, in a smaller, more intimate environment, was a place where I knew my skills could help clients succeed." Cantor said in the statement released by Moelis & Co. Tuesday.

But Moelis, whose reputation is based far more on his work ethic and savvy than any political leanings, appears drawn to Cantor's history of favoring Wall Street-friendly legislation during his tenure in Congress. Cantor is also known for speaking against Dodd-Frank Wall Street Reform and Consumer Protection Act.

"Eric has proven himself to be a pro-business advocate and one who will enhance our boardroom discussions with CEOs and senior management as we help them navigate their most important strategic decisions," Moelis says in the same statement.

'Modest' payday

Cantor won't exactly be working pro bono. The deal with Moelis includes a \$1.4 million signing bonus and at least a \$2 million annual compensation package, according to published reports.

While Cantor's paycheck has been the focus of a great deal of media attention, it's nothing extraordinary by Wall Street standards.

"It's not low, but it's definitely not high," says **Seivert**. "We're talking about deals that are making firms millions of dollars." Indeed, **Seivert** says firms like Moelis's often have a minimum success fee of \$2 million.

Still, Cantor's cozy ties to the pro-business faction on Capitol Hill combined with this Wall Street payday have given rise to [much gnashing of teeth on the Left](#).

Not a lobbyist

Cantor and other former legislators “head straight out into the industry, not because they bring great expertise and insight, but because they’re selling access back in to their former colleagues who are still writing policy, who are still making laws,” said Sen. Elizabeth Warren (D-Mass.) in a Yahoo! interview.

Hiring ex-politicians is a practice pioneered and mastered by The Carlyle Group, the Washington-based, private-equity giant. But financial firms benefit from these politicians’ fund-raising efforts and their help with client retention — often not because of any lobbying work they perform. Moelis & Co. said that Cantor will be doing no lobbying whatsoever but declined to comment further for this article.

ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as “investment product developers and distributors” (IPDADs). Since that time, ECHELON’s professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON’s business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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