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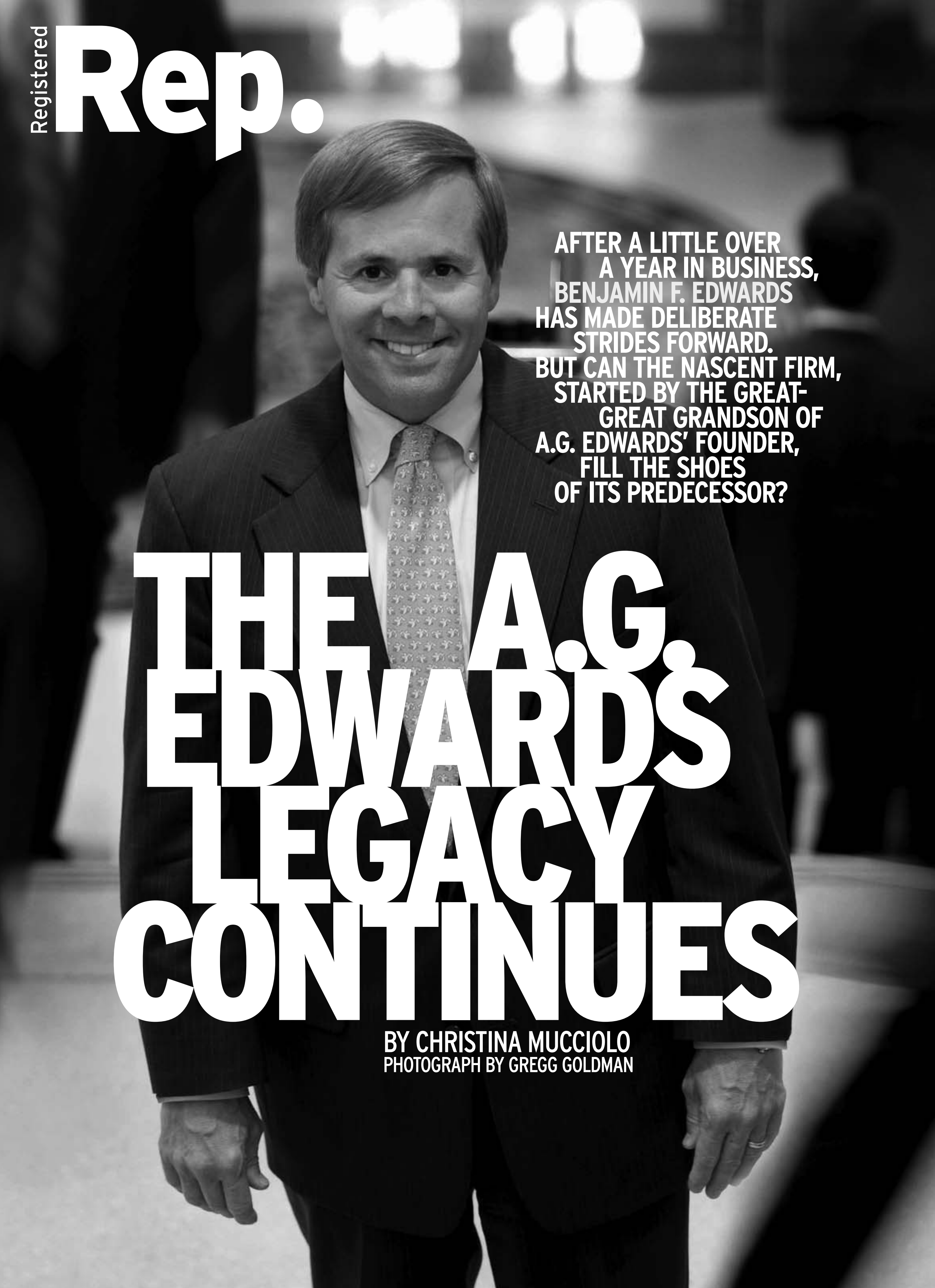

AFTER A LITTLE OVER A YEAR IN BUSINESS, BENJAMIN F. EDWARDS HAS MADE DELIBERATE STRIDES FORWARD. BUT CAN THE NASCENT FIRM, STARTED BY THE GREAT-GREAT GRANDSON OF A.G. EDWARDS' FOUNDER, FILL THE SHOES OF ITS PREDECESSOR?

THE A.G. EDWARDS LEGACY CONTINUES

BY CHRISTINA MUCCIOLO

PHOTOGRAPH BY GREGG GOLDMAN

In the spring of 2008, a year after Wachovia Securities announced its landmark takeover of 120-year-old A.G. Edwards, Benjamin "Tad" F. Edwards IV resigned from the newly merged firm to start his own version of A.G. Edwards, the firm he literally grew up with. He gave his startup the family name, handed down over four generations, Benjamin F. Edwards, and set up headquarters in the library of his 92-year-old family home in Ladue, MO., a wealthy suburb eight miles west of the former A.G. Edwards headquarters in St. Louis.

Tad Edwards is the son of Benjamin F. Edwards III, the popular former chairman and CEO of A.G. Edwards, who passed away in April of this year. He is also the great-great-grandson of the company's founder, Albert Gallatin Edwards. Tad spent 31-years at A.G. Edwards, working as a broker, director of sales and marketing, and branch manager. But when Wachovia acquired the firm in 2007, both he and his father, who retired in 2001, received well over a thousand unsolicited phone calls from advisors and others urging them to carry on the Edwards legacy. "It was a culture that was very meaningful to a lot of people, and a lot of people want to see that continue," says Edwards. The idea for Benjamin F. Edwards the firm was born.

Benjamin F. Edwards is, of course, still in its nascent stages. The firm says it "launched" in May of 2008. In August and September of this year, it opened its first two branch offices — in Springfield, MO., and White Plains, NY. Benjamin F. Edwards now has a home office staff of around 40 people, all but one of whom are veteran A.G. Edwards employees, and six financial advisors, most of whom started out with A.G. Edwards two decades or more ago. Edwards says he expects to open "a handful" of branches by the end of this year.

That's not a bad start, but in order to survive, Benjamin F. Edwards will have to grow a lot more quickly in the year to come. These days, small firms are difficult to sustain. Richard DeSalvo of Richard DeSalvo Consulting, a national consultancy for financial services firms, thinks Edwards will need at least 30 guys producing half a million dollars in annual revenue just to break even. To make a decent return, he'd need at least 120 of those half-million producers, he says. But even then, "I don't know," he says. "With liability insurance and other costs, that's a lot for a commoditized business."

Becoming another A.G. Edwards is another matter all together. In 2006, before it was sold, A.G. Edwards boasted roughly 7,000 advisors with average annual revenue of $430,000 per advisor, total client assets of around $350 billion and a pre-tax profit margins of 15 percent. In the 19 years *Registered Rep.* has been surveying broker satisfaction in its Annual Broker Report Cards, A.G. Edwards consistently placed second, and it received many accolades in other workplace rankings.

Start Up or Rebirth?

Can Edwards recruit over 100 half-million producers in the coming year? It's possible. "I think the $300,000 to $700,000 space would be their sweet spot," says Mindy Diamond, the CEO of Diamond Consultants. And there are plenty of unhappy wirehouse advisors out there, she says, who long for the days of A.G. Edwards and similar family-owned brokerages. But still, she has her doubts.

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"The fact is, without a track record, I think a lot of people might be skeptical of it."

Of course, Edwards feels the track record is there if you look for it: His staff is full of veterans from A.G. Edwards. "We've got an advisory panel of 50 people who all have an average of 30 to 40 years of experience, a lot of former key leaders from A.G. Edwards, who are interested and involved," he says. So far, Edwards has managed to attract all legacy A.G. Edwards brokers, but he wants to attract advisors from other b/ds as well. "I think currently and over time our average [producer] would be north of the industry averages, but we would never compromise character and integrity to get there. We want people to have a positive outlook, who want to be a part of something private and growing—it's a family culture." While the firm is currently targeting producers with solid books of business and several years of industry experience, Edwards says that down the road he would be interested in developing a training program.

The success of the firm may hinge on whether Edwards can convince prospects that he will, in fact, be able to replicate the A.G. Edwards model, and on what he can offer his recruits in the meantime. Without providing figures, the firm says it is offering some modest transition packages—but Edwards seems to be counting more on the lure of the firm's culture than on upfront cash.

Edwards says the new firm will adhere to a philosophy that puts the firm's clients first, employees second, and shareholders third—the same client-centric business model advocated by his father. And like A.G. Edwards, the firm will be committed to integrity, character and trust in its employees, he says. A.G. Edwards probably hired one out of every 50 people that came to interview at the firm, Edwards says, and he expects to do the same. Clearly, Benjamin F. Edwards is rooted in the Edward's family brokerage tradition. The firm's logo is even the Edward's family crest: a knight's helmet atop a shield together with a lion and the word Integritate—integrity in Latin.

As for its product offerings, Edwards says the firm will operate on an open architecture platform with mutual funds, separately managed accounts, insurance products, a managed wrap mutual fund program and an ETF wrap program. Otherwise, many details of the new firm's business model remain closely held—like its source of capital, the average production of the advisors now at the firm, how many clients it has and assets under management. Some in the industry have speculated that the new firm has a buy-in ownership structure, but Edwards declined to comment directly on this possibility. He would say only that Benjamin F. Edwards is owned by members of the Edwards family, formerly retired leaders from A.G. Edwards and a handful of other people. He also declined to say how many assets, advisors or offices he ultimately wants to have, or the kind of revenue he expects to generate.

Still, Edwards has some enthusiastic supporters. "There is a significant opportunity for smaller boutique-like full service investment firms that have a client first business model to do very well—that service model is what attracted clients for many many years, and is likely to do that again in the future," says Tim Reese, co-manager of the first Benjamin F. Edwards branch in Springfield. Reese joined A.G. Edwards in 1987 because it had "a long reputation of doing right by the client," he says. He met Edwards on an A.G. Edwards awards trip in the early 1990s, something offered to advisors who had reached certain production levels. Reese says he had no doubts about joining the new startup and contacted Edwards. "It's only new in terms of its age—in terms of the people in the executive office, interfac-

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ing with us everyday—you've got more industry experience in that group than many other places," says Reese. "The Edwards name is very well known and very well respected, so that part of the transition was never a concern for me."

Edwards has even surprised one former skeptic. Gene Diederich, former director of the eastern division of Wachovia Securities Private Client Group and current CEO of Moneta Group, says he was "very skeptical," when he heard Edwards was leaving Wachovia Securities to start a brokerage firm from scratch during a meltdown in the financial service industry. But his opinion has changed.

Diederich, who has known Edwards for 20 years and now works across the street from him, says some of his skepticism early on was about whether advisors would be attracted to a brand new start up. But now he thinks, with all of the mergers and acquisitions upheaval in the industry, some advisors are looking for a privately-held company with an intimate culture. "There is an audience in terms of brokers out there looking for kind of a throwback to the good old days," he says. What's more, Diederich says he initially thought the firm would only appeal to lower-end advisors because of its inability to provide upfront cash. But so far, the firm has recruited the opposite: Both the back office people and the advisors he's hired "are exceptional and very top caliber… I don't think he's hired anyone that does less than $600,000 or $700,000 in production."

Indeed, the firm is still getting calls from interested advisors instead of having to seek out recruits. Martin "Marty" Altenberger, SVP and manager of branch services at Benjamin F. Edwards, says he has been spending the majority of his day talking to recruits. "So far we've been very fortunate, and the majority of conversations I've had with recruits have been reactive rather than proactive," he says. The true test will come over the next several months, as the firm opens subsequent branch offices and reels in new hires. ●

2009-0045
Exp. 1/27/11