

Investment

THE VOICE OF INDEPENDENTS

ADVISOR

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Leading the Way

THE CHIEFS OF THE 2007 INVESTMENT ADVISOR
BROKER/DEALERS OF THE YEAR

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From left to right:
Eric Schwartz, Cambridge Investment Research;
Christopher Ranney, Brecek & Young Advisors;
Eric Meyers, Capital Financial Group/H. Beck;
Nick Sondel, Harbour Investments.

THE LEADERS OF THE 2007 BROKER/DEALERS OF THE YEAR REFLECT THEIR REPS: OPTIMISTIC, OPINIONATED PROFESSIONALS WHOSE BUSINESS SAVVY IS GROWING IN A CHALLENGING ENVIRONMENT

BY JAMES J. GREEN PHOTOGRAPHY BY JEFF SCIORTINO

Leading the Way

THE REPRESENTATIVES OF INDEPENDENT BROKER/DEALERS ARE FIERCELY independent people who utterly reject the drawbacks (and benefits) of the wirehouse employee broker model. As independent reps, they want to run their practices their own way, develop their unique business models, and mine their personal client niches to match their needs while providing top-notch service to their clients. Their business acumen has increased by necessity over the years, sharpened by competitive pressures and rising expenses prompted, especially over the last few years, by what they perceive as sometimes clueless regulatory and compliance pronouncements promulgated at the federal and state levels and by SROs. These reps feel some satisfaction at the success they've enjoyed over the years, and are optimistic about their future despite the competition, rising costs, and margin pressure. They willingly join with key partners who are necessary to run their businesses, but they keep a close watch on those partners, making sure they provide the products and services reps need, at a good price, without cramping their independent style and growing businesses.

In other words, successful independent B/D reps are much like the people who run the successful broker/dealers with which they affiliate, people like the leaders of the 2007 Broker/Dealers of the Year.

Eric Schwartz of Cambridge Investment Research, Eric Meyers of Capital Financial Group/H. Beck, Christopher Ranney of Brecek & Young Advisors, and Nick Sondel of Harbour Investments have different backgrounds and education, run different-sized broker/dealers, rely on different revenue sources, are even headquartered in different parts of the country. Yet in a wide-ranging joint interview that lasted for the better part of a sultry August afternoon in Chicago on August 7, these four men displayed common concerns—especially when it came to compliance issues, with each voicing frustration with the current regulatory structure and support for one super-regulator. They also displayed a shared passion for the business and the independent B/D model. They spoke similarly about the familial corporate cultures they try to foster, and about the kinds of reps they want to first attract and then retain over time.

The IA editorial staff will be picking these leaders' brains from

time to time throughout the coming year and sharing those ratiocinations in articles in the magazine and in podcasts on the Web while the four men serve a term as the Investment Advisor Broker/Dealer Advisory Board. Their very diversity, which can be measured in more ways than just their differing sizes, and the high esteem in which their reps hold them qualify these gentlemen for that position.

While taking some satisfaction from being named Broker/Dealers of the Year, having gained the highest average rating in their respective divisions from at least 10% of their producing reps in the 17th annual balloting that took place online at www.investmentadvisor.com (see "How You Picked Them" sidebar on page 54), they're also acutely aware that reps are always asking what their broker/dealers have done for them *lately*.

Despite the fact that all four have been in business since around the dawn of the independent B/D age, two of the four are first-time winners (Harbour Investments in Division I and Capital Financial Group/H.Beck in Division III); and another won only once before this year (Cambridge Investment Research won Division III in 2003; it won in the largest division this year, Division IV). The final firm in 2007's ring of honor is now a five-time winner: Brecek & Young won Division II this year; it had a three-year-in-a-row run from 1999-2001, and returned to the winner's circle in 2005.

Knowing the orneriness of independent B/D reps, and their tendency to resist when told how to say, think, or do anything, the winning Broker/Dealers can feel great satisfaction in their achievement this year. So how do they get those high marks? It starts with turnout. First, they need to reach a threshold of getting that minimum of 10% of their producing reps to cast a valid vote to get into the final round. Second, since reps who vote tend to give their B/Ds high marks, those B/Ds that are successful in getting their reps to vote tend to score well. Third, they do need to listen to the needs of their reps and respond to them in order to keep them satisfied. Nothing is more important to reps than feeling like they're valued members of a team, or in the words of the winning broker/dealers, part of a family that treats all its members with respect.

DIVISION I

HARBOUR INVESTMENTS, INC.

Founder, CEO, and President Nick Sondel

Founded: 1987

Producing reps: 187

2007 estimated gross revenue: \$27 million

2006 average annual gross production per rep: \$130,000

Ratio of reps to home office staff: 8.5 to 1

What's notable about leader/firm: He started in real estate business; the family atmosphere; valued relationships; controlled, organic growth, not acquisitions; listens "very carefully" to reps

Company data self reported as of April 1, 2007

Notables voiced by leader during August 7, 2007 interview



How You Picked Them

AS THE POPULARITY of the Broker/Dealer of the Year competition has grown, so has scrutiny of the process from reps, home offices, outside observers, and IA readers in general. We thus present full disclosure of the process. Warning: Your eyes may glaze over by the time you reach the third paragraph.

Since 1991, the editors of *Investment Advisor* have invited their readers who are producing, independent contractor representatives of broker/dealers to rate their own broker/dealers in a number of discrete categories, and provide an overall rating.

This year, as in 2006, all votes were cast online at www.investmentadvisor.com (in earlier years, we accepted only faxed or mailed ballots). There were 5,799 valid votes cast in the 2007 balloting; in 2006, there were 4,813 valid votes. Balloting was held from June 1, 2007, to July 1, 2007. All prospective voters were required to provide full contact information and provide a numerical rating to their broker/dealer in 14 discrete categories (such as marketing support, compliance, payout, and communications with the home office) and on an overall category, in which we asked them to rate their B/D for its "overall performance and service."

The validity of a vote is determined by members of the IA editorial staff, who validate that the individual rep's and broker/dealer's CRD numbers are valid (using NASD's BrokerCheck), and were correctly entered on the ballot. Multiple votes by the same person are disallowed. In addition, nearly 150 random voters—including some from each broker/dealer whose reps participated—were contacted by IA staff by telephone to confirm their identities and affiliations.

Then a program is run on the votes that produces an average rating for each B/D, using a formula that gives a stronger weighting to the overall rating category. The B/Ds that receive the highest average rating over all from their reps in 14 separate categories are declared Broker/Dealer of the Year in four divisions. Those four divisions are based on the number of producing reps reported by the B/Ds for the June issue of *Investment Advisor* as of April 1 of the same year.

In order for a broker/dealer to become eligible to win, a minimum 10% of its producing reps (again, as reported in the June IA directory) must cast valid ballots.

This year, there were 76 broker/dealers listed in our June 2007 directory. Of that number, reps from 42 B/Ds cast valid votes; of those 42, 14 B/Ds did not meet the minimum 10%-of-producing reps threshold.

About halfway through the monthly voting period every year, we alert each broker/dealer's home office as to whether or not they have reached the 10% threshold. When doing so this year, the editors noted two troubling developments. First, we had heard from many individual reps, and many B/D home office staff, that some voters were confused as to how to mark their ballots, and were worried that they had inadvertently given a low rating when they meant to provide a higher one, or vice versa. The second development was our error: a programming glitch resulted in the voting software application failing to capture consistently the ratings provided by voters on a single category—that of "communications with the home office."

We urged those confused voters to contact us individually and directly, saying that once we had confirmed their bona fides, we would change their votes at their direction. We also fixed the programming error. But in order to reach additional potentially confused voters, we then sent out an e-mail to all those who had voted as of mid-June, inviting them to confirm their original votes. When only 40% of the original voters came back to their individualized ballot pages at www.investmentadvisor.com to confirm their original votes, we decided that, rather than penalize any voters, we would accept all valid votes as originally made or that had been confirmed or changed by the voters themselves, and we would exclude the incomplete "communications" ratings from the final scoring formula.

We thank the individual voters for taking the time to vote, and the broker/dealers' home office staffs for encouraging their representatives to participate.—**James J. Green**



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