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## Two NE Ohio money managers merge

Shaker, Beachwood advisers see value in combining resources, eliminating redundancy

By MICHELLE PARK

4:30 am, February 6, 2012

Already a collaborating duo that met weekly to share strategies, two investment management firms in Northeast Ohio have taken their teamwork to an entirely new level: They've merged.

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The employees and clients of Tower Wealth Management in Shaker Heights joined Carnegie Investment Counsel in Beachwood, effective Jan. 1. The move creates one of the larger money managers in the region with 19 employees and more than \$450 million in assets under management.

"It's getting harder and harder to be a small firm," said Richard Alt, principal and chief investment officer of Carnegie.

Regulatory compliance costs are skyrocketing, he said, and clients also

want to see operations of more depth.

The merger affords the combined firm's people better resources and better access to research, said Ensign Cowell, a principal of Tower Wealth who now is director and senior wealth manager for Carnegie.

"It's a much more complex investment world in terms of choices and things to deal with, investment issues," Mr. Cowell said. "The larger firm that's got more depth ... has more resources to deal with those things."

Mr. Cowell and S. Sterling "Ted" McMillan, who formed Tower Wealth in 2008, had worked with Mr. Alt, majority owner of Carnegie, years back at another investment firm.

When Messrs. Cowell and McMillan formed Tower Wealth, they did it expecting they would join another firm at some point, Mr. Cowell said. Now was the opportune time for a combination, he said, because new leadership at Carnegie had transitioned comfortably following Mr. Alt's joint purchase with Gary Wagner of 38-year-old Carnegie in 2009.

### Getting to know you

Members of the two firms actually have gotten together in weekly investment meetings for the past six months, sharing research, discussing strategy and doing general planning

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the past nine months, sharing research, discussing strategy and doing general planning.

"We had worked with (Mr. Alt) ... so we knew his capability," Mr. Cowell said. "We knew his philosophy."

The feeling is mutual, Mr. Alt noted.

"We certainly realized we benefited having those guys in the room," he said.

So instead of both firms paying rent and other business costs, they became one. Carnegie needed more people to handle its business, as its assets under management grew roughly 30% in each of the past two years, Mr. Alt said.

The most recent documents filed with the Securities and Exchange Commission show Tower Wealth had more than \$158 million in assets under management and Carnegie had more than \$313 million as of Dec. 31, 2010. According to the list of largest Northeast Ohio money managers that *Crain's* published last April, Carnegie was the 11th largest firm in the area and Tower was ranked No. 18; their combined assets under management would put the merged firm among the seven largest money managers in the area.

Mr. Alt anticipates another combination for Carnegie before the year is up, this time with Hurley Investment Counsel in Lancaster, a city southeast of Columbus. He said he has been co-managing accounts with the head of that firm for the past four or five years.

### Size does matter

"We're not pushing acquisition as a growth strategy at all," Mr. Alt said. "It's kind of coming to us.

"I do believe we need to be at a certain size to properly serve our clients in the coming future," he added, citing the \$750 million threshold a trade magazine suggested. "Research is getting more expensive.

"To have the depth and talent of employees that clients demand, you can't do that on a small budget," he said. "It won't be this year, (but) we'll be there in a few years."

Messrs. Cowell and Mr. McMillan have signed a 10-year contract with Carnegie, Mr. Cowell said.

Tower Wealth still exists, but only in that Mr. Cowell and Mr. McMillan are continuing their venture consulting business. They, like their other employees, work out of Carnegie's office.

"This frankly permits all of our guys to be less involved in the operations of a business and more involved in clients and investment work," Mr. Cowell said. "We're more accessible to them."

The number of SEC-registered investment advisers declined by 104 — less than 1% — to 11,539 in 2011, according to an annual report by the Investment Adviser Association and National Regulatory Services. Though small, it was the first year-over-year decline in the total number of advisers since the organizations began compiling the reports in 2001.

"The reason for the decline is not readily apparent, although we note that it is attributable to a significant decline in the number of advisers with \$25 (million) to \$100 million in assets under management," the report said. "Some anecdotal evidence points to two possible contributing factors to the reported decline.

"First, some investment advisers managing less than \$30 million in assets may already have transitioned to state registration in anticipation of Dodd-Frank rules. Second, there have been reports of increased consolidation among small investment advisers."

While the report stopped short of predicting any future trend, it did note that the previous year's 11,643 SEC-registered advisers may serve as the high-water mark for years to come,

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considering, for one, that the Dodd-Frank Wall Street Reform and Consumer Protection Act increases the threshold for SEC registration as an investment adviser to \$100 million from \$25 million.

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