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## Banyan reels in two more RIAs pushing its assets across the \$4 billion line -- now comes the challenge

Peter J. Raimondi gets closer to his dream of creating a national firm with acquisitions of firms with a combined billion in AUM

Friday 8.23.13 by [Lisa Shidler](#)

**Brooke's Note: Eating five hot dogs in five minutes, not so hard. Digesting them like a cup of lemon yogurt, more difficult. Banyan now has its work cut out for it in making a company out of some very impressive but quickly consumed calories.**

In eight short months, Banyan Partners LLC has more than tripled its assets from \$1.2 billion at the start of the year to more than \$4 billion after pulling off three acquisitions.

The Palm Beach Fla.-based RIA announced Wednesday that it is buying Dallas-based Rushmore Investment Advisors, a firm with close to \$900 million in assets, and Madison, Wis.-based Holt-Smith Advisors, a firm with a little more than \$100 million in assets. In total, the two firms add about \$1 billion in assets and bring 400 clients to Banyan. Rushmore and Holt-Smith will take Banyan's name and stay in their current locations.

These two deals come on the heels of Banyan's whopping purchase of Silver Bridge, a wealth manager with \$1.9 billion in assets that allowed Banyan to more than double its size in that deal alone. See: [How Scott Dell'Orfano is helping to double the size of Banyan Partners just six months after leaving Fidelity.](#)

The firm wooed away Scott Dell'Orfano from Fidelity eight months ago and he's been instrumental in closing these deals. See: [Scott Dell'Orfano lands at a \\$1.4 billion RIA with plans to deal its way to \\$10 billion.](#)

### 7 in 4

Banyan founder and chief executive Peter J. Raimondi knows this deal-making spree will entail hard work ahead. "We knew if we were successful with all three of these deals it would require herculean transition efforts," he says.

This is Banyan's seventh deal since it was founded in 2009 and the company has gone from 38 employees to

Raimondi founded The Colony Group in 1986 and sold it in 2006 after it had grown to about \$900 million in assets under management from 600 clients. It was subsequently sold to [Focus Financial Partners, LLC](#) See: [A look inside Focus Financial's big deal with The Colony Group](#).

Rushmore, founded in 1996, has focused on institutional business. The firm uses a comprehensive investment process, quantitative analysis and fundamental review to manage portfolios for growth equity portfolios for institutions, endowments, foundations and high-net-worth individuals.

Founded in 1987, Holt-Smith is run by Marilyn Holt-Smith and the firm offers several proprietary equity strategies including large cap value and midcap growth and diversified portfolio management services for individuals, institutions, pension plans, endowments and foundations.

Both deals are expected to close in October.

## Non-traditional PE infusion

These two deals marked the first time that Banyan has tapped into equity from Toronto-based Temperance Partners, which was founded in April 2012 by Kevin Tice and Paul Sorbara. The cash is not traditional private equity in the sense that it was raised from Canadian families and the firm won't exert control over the company. See: [What five things LPL president Robert Moore told investors that stood out for me](#).

Tice says he was impressed with both of these firms that Banyan is buying. "It did not take long too appreciate the value they could add to the business. It's the job of Peter and his team as executives to drive the business strategy — and they have been doing a stellar job.

Tice also feels that Banyan's success is in the integration of people. "The Banyan team puts immense effort into the integration planning when acquiring a business and they are very thoughtful and focused in the post-deal for many months to preserve and promote the best of the newly combined businesses."

Tice has big hopes for Banyan. "We will always be supportive investors. That said, Banyan has plenty of firepower to achieve its goals. Our view is that Banyan is different from its peer group and that's why we invested. We don't talk in term of roll-ups, we discuss building an integrated national business that is best in class. That means world-class people and world class capabilities delivered to our clients through a single, powerful brand and culture."

## Hurdles to clear



Timothy Welsh: You're buying people and people aren't plug and play.



Marilyn Holt-Smith: That's what has changed over the years having expertise in

Industry insiders are impressed by Banyan's quick succession of acquisitions. Timothy D. Welsh, president of [Nexus Strategy](#) LLC

specific strategies doesn't help you to grow.

says there's no question that Banyan has made a significant footprint in the RIA arena this year

"I think they've cracked the code on how to acquire firms," he says.

But Welsh points out that a once you've hammered out the deal, there's much more work involved and it can cause lots of wrinkles.

"It's hard to grow fast by acquisition and the process of bringing someone in and integrating your processes with theirs is difficult and determining all of the details," Welsh says. "It's not like some of these technology firms that can roll up dozens of firms a year. In wealth management, it's much more difficult to roll in a lot of firms. You're buying people and people aren't plug and play." See: [How, strangely, money gets downplayed in RIA deal making and why it helps explain an anemic flow.](#)

Welsh thinks it can take up to two or three years before a merger can be deemed a success. "It's easy for people to focus on headlines around a merger, but in reality there's so much work to do."

## **No overlap**

Raimondi says these deals are so attractive because the firms are complementary to Banyan.

"What's really good about these deals is the synergies. We walked away from three other deals that were almost complete because of last-minute changes in personalities and changes where you realize it's not the right fit. It's easy to buy assets, but it's harder when you're looking for people and culture to allow us to expand on a national basis. See: [What I learned from four failed attempts to find a successor for my \\$1.5-billion AUA RIA.](#)

Banyan has an open custodial platform with many of its advisors custodying assets with TD Ameritrade, Fidelity or Schwab. The company uses [Advent Software](#) as its technology partner.

About half of Rushmore's business is institutional relationships and before this deal, Banyan didn't have any institutional clients. Raimondi believes his firm can grow the institutional business now that it has some experts on staff in this field.

"There's no overlap in the firms we've bought," Raimondi says. "The employees feel safe and productive and clients feel this is great. Rushmore has a really articulate international equity portfolio and it's invested in equities that are international."

RIABiz was unable to reach John Vann, president and chief investment officer for Rushmore.

## **National empire**

But Steven M. Levitt, managing director and co-founder of Park Sutton Advisors LLC who advised Rushmore

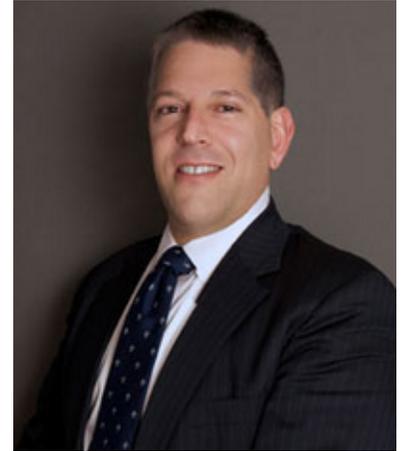
on this deal, says that Vann will continue working with Banyan.

“What Rushmore liked about Banyan is the two are a very good strategic fit. Rushmore wants to join a firm that offers it broader capabilities and resources,” Levitt says. “Rushmore had a variety of choices. We had a number of discussions with a number of potential buyers. It was a good fit.”

Rushmore wanted to team up with someone with more capabilities and resources who really brought something to the table. The firm on its own is doing very well, but they wanted to partner with someone with deeper capabilities and resources.”

Levitt says he’s also impressed with Raimondi’s growth of Banyan and his focus on build a national empire.

“I think Peter is very ambitious and they really want to build a big asset manager and a big wealth manager,” Levitt says. “I think they’re a good group to watch. We’ll see them doing more deals.”



Steve Levitt: Rushmore wants to join a firm that offers it broader capabilities and resources.

## **Different ways to play**

Marilyn Holt-Smith has done well with her firm’s 125 clients with a little more than \$100 million in assets but she feels that she wanted a partner to grow more rapidly.

“We’re investment managers but we like Banyan in terms of their capabilities to handle back-office and they are much more skilled on the marketing side than us. They also have additional strategies that is very interesting to us,” she says.

“I think the biggest issue is offering a broader capability to the high-net-worth market place. In the past, we had a couple of very particular strategies. That’s what has changed over the years having expertise in specific strategies doesn’t help you to grow.”

Holt-Smith’s firm has custodied its assets with Schwab and TD Ameritrade and she says that will remain the same.

“I’m an entrepreneur and so when I first talked to Peter it was a very entrepreneurial-like discussion — which immediately appealed to me,” she says. “I like the idea of creating something new and better — not just becoming a part of something that is old and stale.”