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## NEWS RELEASE

### *YOUR Q&A: DOES SELLING A STAKE JOLT CLIENTS?*

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#### **Question**

*When a traditional institutional investment manager - which is privately held - sells a minority equity stake in the firm, how is this typically viewed by the manager's clients?*

*Third-Party Marketer, Institutional, East Coast*

#### **Answer**



*Daniel Seivert is CEO, managing partner and founder of ECHELON Partners.*

There are six reasons why institutional managers typically sell equity stakes in their firm (aka, private placements): 1) To start a new firm; 2) Increase growth by investing in more professionals, more products and more distribution channels; 3) To conduct acquisitions; 4) To provide liquidity to founders; 5) For one group of owners to buyout another group of owners; 6) Different combination of the above.

Most managers typically alert their clients directly or indirectly through the consultant community. Client reactions can run the entire spectrum, from total elation to utter disappointment. Where a client falls in this spectrum depends on four key things: 1) What the manager is going to use the money for; 2) Who the manager is getting the money from; 3) The relationship (complimentary or conflicting) the clients have with the investor and their other portfolio companies; 4) How the various consultants analyze and communicate the change to the clients of the manager.

Managers should be aware that even situations that are largely viewed as positive can generate a significant need to provide information and answer questions. The questions typically center on whether and how the private placement might impact the investment professionals and investment process. There could also be concerns on how it will affect the delicate balance of ownership between the company's founders and those professionals adding the most value.

### **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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