



ROSEMONT

KEY INSIGHTS

“For employee-owned investment firms, having proper alignment and active engagement across the shareholder base is critical, and a focused, knowledgeable experienced partner like Rosemont can be invaluable. With our experience, insight and capital, we were able to not only solve Clearstead’s immediate needs but also provide compelling and actionable guidance that made a difference to its bottom line.”

– Brad Mook, Rosemont Managing Director

CASE STUDY

OWNERSHIP



Ownership issues are a common source of existential risk for investment management firms. Given the importance of a firm’s human capital—“our biggest assets go down the elevator every day”—keeping key contributors motivated and appropriately rewarded is essential. Firms that get offside from an ownership standpoint—where the economics are siphoned off to non-contributing owners—are at risk of losing talent and underperforming. On the other hand, firms that are proactive and thoughtful about ownership can position themselves for success for a long time to come.

An equity recapitalization can be a powerful mechanism for cleaning up the balance sheet and/or share register to position a company for its next leg of growth. Given the low capital intensity and attractive cash flows characteristic of the investment field, we typically find the greatest need for recapitalization tends to be liquidity for inactive or retiring shareholders. This often happens when newer leadership is looking to get more equity into the hands of active partners and take the business to the next level, and it usually requires help from an outside partner.

For Clearstead, recapitalizing was key to building on its successful legacy while pivoting toward its promising future.

OBJECTIVES

Provide liquidity for retiring founder and help Clearstead significantly grow AUM and profits

RESULTS

- AUM/AUA growth of over 50% to more than \$31 billion
- Acceleration of revenue growth and expansion in profit margin
- Significant growth in equity value for all shareholders



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BACKGROUND

Clearstead is an institutional and private client advisory firm that has been constructing globally diversified portfolios for individuals, families, foundations, and endowments since 1987. The firm has a robust reputation for in-depth investment research and personalized wealth management and advised over \$31 billion in assets at the end of 2021.

Originally known as Hartland & Co.—for founder and longtime CEO Tom Hartland—the company transitioned CEO responsibilities to President and COO Dave Fulton in 2013. With functional succession well underway, the company soon faced a complex set of issues around equity succession. It needed to provide liquidity for Hartland, emphasize the firm's bright future in a post-Hartland era, engage its younger talent to carry the firm into the future, and continue to elevate its capabilities to build a sustainable, scalable organization. It was clear the firm needed an outside partner who was not only capable of providing capital but also guidance and experience in helping firms grow to the next level. Enter Rosemont.

COMING TOGETHER

Clearstead—still Hartland then—conducted a process and evaluated a number of potential partners, ultimately selecting Rosemont for its cultural alignment, specialized industry knowledge and its track record with successful recapitalizations. Rosemont invested in Hartland & Co. in 2017—allowing a refreshing alignment of the share register and broader equity ownership by active employees—and immediately began working closely with management in pursuit of their goals.

Rosemont's capital investment and advice allowed Clearstead to quickly solve its most pressing issues and focus on its future. The firm broadened employee ownership and implemented a plan for ongoing

transition, rebranded as Clearstead, pressed forward on improvements to its talent pool, operating structure, and investment offering, and began evaluating inorganic growth opportunities. Rosemont's perspective and input in areas such as competitive positioning, corporate strategy, and operating and compensation structure—along with strong internal leadership from Fulton and several other key executives—helped Clearstead embark on a path of significant growth to the benefit of its clients, employees and shareholders.

THE RESULTS

In four short years, the recapitalization and partnership achieved remarkable results. Clearstead grew AUM/AUA by more than 50% to over \$31 billion, which included solid organic growth and several accretive bolt-ons and acquisitions. The company added trust services to its offering and steadily enhanced its forward-thinking investment operation with an alternatives platform. A meaningful percentage of Clearstead employees are now fully aligned equity holders, and the company's strong reputation and equity plan have been powerful recruiting tools as the company has added top-notch talent. Clearstead is now widely considered to be one of the country's premier wealth and advisory firms and is positioned well to continue to scale.

In September 2021, Rosemont entered into an agreement to sell its minority equity interest in Clearstead as part of Flexpoint Ford's majority acquisition of the company. While Rosemont would have been happy to continue as Clearstead's partner indefinitely, its eventual exit was preordained given its legacy private equity fund structure. And while Rosemont's future investments will be indefinite in timeline given its permanent capital backing, we could not be prouder of Clearstead's success and look forward to remaining helpful friends for many, many years to come.



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