



U.S. Trust Unit Splits from B of A with \$28B

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By Tom Stabile

A subsidiary of **U.S. Trust**¹ that had been included in the acquisition of that firm by **Bank of America**² last year has split off through a buy-back of the unit by its principals. **CTC Consulting**³ had maintained its identity as an ultra-wealthy advisory while owned by others through much of its history, but now it begins its new phase as an independently run shop with a hefty \$28 billion in client assets.

Bank of America retains a minority stake in the new operation, but majority control is held by 28 of CTC's 66 employees, including its five-person executive management team that is staying intact. That includes **Garbis Mechigian**, who had headed the unit under Bank of America and is now chairman and CEO, and, **Kristi Hanson**, who is president.

While the move represents a further loss from the former U.S. Trust operation, which has suffered from extensive defections of top-level staff since the bank acquired it last summer, this departure is largely an amicable one that gives Bank of America not only compensation but a piece of ownership as well.

The terms of the deal, finalized on April 1, were not disclosed. CTC will remain in its Portland, Ore., home base and intends to keep its clients from around the U.S. and world, says **Kristi Combs**, director of marketing and a partner of the newly independent firm. It also will have a two-consultant office in Portsmouth, N.H., and a hedge fund research analyst in New York. And it will retain its model of providing advice on asset allocations, developing investment policies, and recommending managers and products, but not directly running money.

Bank of America had not integrated CTC deeply into its operations, unlike the extensive melding of the U.S. Trust business since last summer. "We were kept separate from a lot of the transition," Combs says. "The five executive team members have been leading our firm for some time."

Part of the reason was that CTC was split off from the rest of U.S. Trust, which was being merged into the bank's private wealth management arm. The bank instead slotted CTC into its Specialized Solutions Group overseen by **Henry Fischel-Bock**, as reported in FUNDfire last year. That unit also included a multi-family office business, an executive advisory services unit, and a family advisory division.

But the different treatment also hewed to tradition at CTC, says **Daniel Stout**, managing

director for strategic services at **Meradia Group**⁴, a strategic consultant in Philadelphia. “They were always independently branded,” he says.

It is not uncommon to see a unit with stand-alone status break away after a larger acquisition or sale, adds **Elizabeth Bloomer Nesvold**, managing partner of **Silver Lane Advisors**⁵, a New York-based investment bank. She cites management-led buyouts after larger transactions involving **First Republic** and **United Asset Management** in recent years.

The CTC transaction creates a formidable independent wealth firm, at least in terms of assets from the starting gun, Meradia’s Stout says. “That’s a significant number for an independent,” he adds. “They’re a well-known brand, and it’s attractive for them to be able to call themselves a boutique.”

The firm does not plan major moves initially, Combs says. It will retain its investment focus, and won’t branch into the broader family office services realm, even though 90% of its 120 clients are wealthy families. “We do hope to grow, but at this point we’re really just focusing on our clients and prospective clients,” she adds.

The transaction evolved from discussions that began last year, led by negotiations with the five CTC executive partners. “This is something that we had talked about for a while with Bank of America, which has been very cooperative through the process,” Combs says.

The split was clean largely because CTC had maintained its own research process and ran relationships directly with many of its clients. But it also had clients who it shared with the larger U.S. Trust organization through mutual referrals. CTC counts the assets from those joint relationships in its \$28 billion total, and it will partner with Bank of America to keep those arrangements intact, Combs says. She declines to enumerate how much of the \$28 billion is in those joint client arrangements.

Combs says that CTC expects to retain most if not all of the accounts.

The move overall should be relatively painless for Bank of America as well, Stout says. “I wouldn’t consider this a wound to Bank of America,” he says. “If Bank of America really wanted CTC, do we think this deal would be going down?”

For its part, Bank of America issued a statement highlighting its minority stake. “Bank of America entered into an agreement with CTC’s management to reduce its ownership in CTC Consulting,” the statement says. “This move allows CTC to position itself as an independent consulting firm for those clients seeking a unique perspective on certain elements of their wealth management relationship. U.S. Trust clients will continue to have access to the most comprehensive array of wealth management services available, including CTC’s services through referrals and the continued use of CTC as sub-advisor to certain [hedge fund of fund series].”

CTC was founded in 1981, and its owners sold the business to U.S. Trust in 1993. Even at the time, that deal ensured CTC would remain operationally independent, says Nesvold, who has a colleague who was involved in that original transaction. When **Charles Schwab**⁶ bought U.S. Trust in 2000, CTC retained its independent identity as part of the larger organization.

Ralph Rittenour Jr., who was the CEO and CIO of the unit, died in 2006 in an accident on his Oregon ranch, and Mechigian took over shortly thereafter. The unit oversaw about \$20 billion at that time. Mechigian remained in charge after the Bank of America acquisition last year.

Over the years, CTC also provided strategic asset allocation and manager selection advice to the broader U.S. Trust organization, and it may retain some duties in that vein, Combs says. It will keep its heavy focus on alternative investments, which is a specialty of its manager selection unit and which many of its clients have in significant portions in their portfolios. The firm tends to recommend single-strategy hedge funds and private equity funds.

Last summer, Bank of America named **Spencer Boggess**, who had been co-director of research for CTC, as its alternative asset division's director of hedge fund investments, as reported in FUNDfire. Boggess remains with Bank of America.

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