

Business

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Broker Bromelkamp declares independence from Dain



On Business

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COLUMNIST

Dave Bromelkamp, a well-known Twin Cities stockbroker, has resigned from RBC Dain Rauscher - and, in an eyebrow-raising move, retired his brokerage license - and started a new firm with former Windsor Financial Management veteran Dave Gutzke.

Gutzke, Bromelkamp and several associates this week opened Touchstone Investment Consultants, targeted at individuals, foundations and small pension funds.

Bromelkamp, who quit picking individual stocks a few years ago to focus on placing client money with independent money managers, left Dain last Friday in a move that wasn't a huge surprise internally. Bromelkamp is an opinionated guy - as well as a top-quartile revenue producer for 18 years. "We wish Dave well," said a spokesman for Dain.

But his departure comes as financial services firms and regulators are wrestling with the touchy issue of how a broker who works for a brokerage firm may legally differ from an independent "registered investment adviser," or "financial planner," who is paid solely by the client. Under the law, the planner is pledged with absolute fidelity to clients in what's called a "fiduciary relationship." The broker is not.

In April, the Securities and Exchange Commission (SEC) announced a half-a-loaf ruling that essentially acknowledged that the broker is first an employee of the firm and that the firm also may get paid by product vendors as well as by clients.

The ruling created a "broker exemption" that essentially keeps a broker out of trouble, for example, if he puts a client in a mutual fund that pays him and his firm a commission vs. a so-called "no-load" fund that invests in the same stocks, such as an S&P 500 index fund.

The fact is, good brokers, many of whom make six-figure incomes, always put their

clients first. They tend to make plenty over time.

And bad brokers put their wallets first. And they sometimes get in trouble.

The SEC basically has concluded that the existing oversight and third-party arbitration systems that cover brokerage infractions are sufficient. At least for now.

Regardless, Bromelkamp had urged Dain to set up a separate company in the firm where brokers could establish independent consulting businesses within Dain, as independent investment advisers paid fixed fees by clients. They, in turn, would pay Dain for back-office and support services.

"It's not a 'Dain' problem," Bromelkamp said this week in his new shop. "It's an industry problem. Last Friday when I resigned was the hardest day in my whole career. Dain gave me my start in the industry.

"But the registered investment adviser is held to a fiduciary higher standard of client care than the broker. In our opinion, the brokerages eventually will have to bifurcate their businesses into brokerages and registered investment advisers."

Bromelkamp takes the position that brokers no longer can give independent "advice." Not everybody in the trade feels the same way. The securities industry is asking for a delay and clarification of the new SEC rules.

Regardless, he said it was time for a change and an amicable parting and he wanted to be a partner in his own firm.

The "Bromelkamp Group" of five at Dain, including financial planning director Jeremy Graff, controlled about \$200 million in client assets. Much of that, if past is precedent when investment executives leave for new firms, will follow them to Touchstone, which is on Washington Avenue, a few blocks from Bromelkamp's old office.

The move to Touchstone, which opened Monday, is one of the biggest brokerage "lift outs" of the past few years.

Bromelkamp, 45, also is a certified public accountant who was at Dain for 18 years.

Gutzke, 46, is a former owner and chief operating officer of Windsor Capital, a \$3 billion-asset shop that manages money for Pohlad-family business interests, among others.

Gutzke cashed out in early 2004 after 13 years to take a hiatus with his family and to work as a volunteer, including establishing and funding handsomely a scholarship fund for kids at his old prep school, Phillips Andover in Massachusetts.

The working-class Waverly, Minn., native - whose father died when he was a kid - went on to be a first-class student and All Ivy League football player at Princeton.

Gutzke got into the investment business in 1981 - after a tryout in another business.

"I like to tell people that Bud Grant fired me from my first job," quipped Gutzke, who was cut by the Minnesota Vikings. "And he was a really nice guy about it."

The Touchstone principals stress that they are taking an "open architecture" approach. That is, they will not be bound to "proprietary" products and services. They will charge clients an annual fee of 1 percent for their advisory and financial-planning services. And the clients will choose from a list of independent money managers that Touchstone will provide through a relationship with Fortigent, a service that provides independent advisers with access to select money managers and related services.

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Dave Bromelkamp said that the day he resigned was the toughest of his career.