Springfield’s EF Hutton; an historic brand, a new company

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By Matt Santal
Staff Writer

EF Hutton America leaders have made a big bet that a historic brand and a new, technology-based business model will give the company a foothold in a rapidly growing financial technology industry.

In Springfield, where the firm has made its new headquarters, local officials also have banked on that the firm’s success will translate into new jobs, a revived downtown and diversified local workforce.

The company has bought two downtown buildings, and said it plans to invest $22 million and add up to 400 new jobs in downtown Springfield over the next five years.

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So far the company has disclosed few details about its business plan or the type of jobs it will be adding, and its brand doesn’t come without some controversy from its earlier incorporation.

But EF Hutton America plans to release more information about its operations on Monday, according to a countdown on its website.

“This is transformative,” said Michael McDorman, president and CEO of the Chamber of Greater Springfield. “This is the job diversity we’ve been looking for for decades. We’ve been a strong manufacturing and distribution community with some service jobs. We’ve lacked some of those opportunities to gain headquarters presence as well as financial services and other higher-level professional jobs.”

While Internet-based companies have long made inroads into industries like retail, the trillion-dollar financial services market is still largely based offline, according to CB Insights, a New York-based research firm. Shifts in technology, demographics and consumer expectations have made the industry more feasible for investors and start-ups.

>>DETAILS: EF Hutton deal may spur development in downtown Springfield

But it’s too early to say whether EF Hutton America’s business model or its renewed brand will carry any weight with potential customers, said Alois Pirker, research director for Aite Group’s Wealth Management practice.

A previous attempt to reboot the brand focused on a more traditional financial services model, he said, while the new version sounds more like a referral network.

“Whether the brand itself is an asset or not is a great question,” Pirker said.

A new company

Company leaders hope the EF Hutton name still carries weight with customers. The Wall Street firm produced a series of popular commercials in the 1970s with the tagline, "When E.F. Hutton talks, people listen."

The original E.F. Hutton & Co. was founded in San Francisco in 1904 and made its name on Wall Street. It grew to be the fifth-largest brokerage firm in the nation in the 1980s.

But according to information from the U.S. Department of Justice, that company pleaded guilty in an elaborate check-kiting scandal, admitting to shifting dollars between numerous banks to obtain money without paying interest.

The original firm also faced financial difficulties after the stock market crash in 1987, and was eventually sold to American Express for $1 billion. American Express merged the firm with a Shearson Lehman Brothers subsidiary. Citigroup Inc. eventually took over the brand’s rights.

But it’s a new company, stressed EF Hutton America CEO Chris Daniels.

It was first incorporated in Colorado in 2007 under the name Twentyfourseven Ventures Inc., according to financial disclosure forms. The name changed to EFH Group Inc. in 2014, and again to EF Hutton America Inc, last year.

While the name and branding have been resurrected, Daniels said it’s a new company.

“No one involved in EF Hutton has had any connection whatsoever with the check issues,” Daniels said. “No. 2, this is a new business for EF Hutton operating under a new entity that was not connected in any way with the check activities.”

While he doesn’t condone the previous activities that took place decades ago, he also noted that the check scheme didn’t involve investor money and in context with more recent scandals at other national firms, including those that led to the financial crisis that sent the country spiraling into the Great Recession in 2008.

“I can assure you that American Express would not have purchased EF Hutton for $1 billion if they thought there was any issue whatsoever, legal or otherwise with EF Hutton,” Daniels said.

The new business has already committed to being a good corporate citizen, he said, including its recent work to host an upcoming debate in October between economic advisers in the looming presidential race.

“EF Hutton is in a strong position versus its peers when it comes to its reputation for being a good corporate citizen and servicing investors,” Daniels said.

Financial reporting

Documents filed with the Securities and Exchange Commission in May show the company de-registered with the SEC. It’s now listed on the OTC Markets, which is where penny stocks are often traded and financial reporting requirements are much lower.

Companies listed on the OTC “can be among the most risky investments,” according to the SEC’s website, because it can be difficult for investors to find reliable information on their financial performance.


An unaudited financial statement it filed with the OTC in June listed more than $10.7 million in total assets, including more than $580,000 in cash. That’s up from about $23,000 in cash reported in an audited statement from December 2015.

A former E.F. Hutton & Co. executive attempted to revive the brand a few years ago, according to a 2012 article in the Wall Street Journal. Daniels declined to discuss previous efforts to revive the brand, or to say if the leader of that effort was still an investor.

Unlike its original namesake, EF Hutton America Inc. isn’t necessarily a traditional brokerage firm. Instead, its future lies in the financial technology or fintech industry. The firm launched a new product about nine months ago called Gateway, which has previously been described as an online tool to connect consumers with independent service providers for retirement planning, financial planning, tax, insurance, real estate and other financial advice. EF Hutton America will receive a portion of revenues from the service providers, and, like Angie’s List, it will qualify the service providers who are listed on the network.

Daniels declined to discuss the company’s business model or products during an interview last week, pending its launch on Monday.

“We have done a tremendous amount of work to understand what investors need and how best to service those needs and our goal is for EF Hutton to be the best firm at helping investors make choices that fit their lives and allow them to achieve their objectives,” Daniels said.

Fintech

Technology has increasingly allowed companies to break away from locations where a traditional financial firm would typically operate, said Campbell Harvey, a professor at the Fuqua School of Business at Duke University.

“With fintech, location only matters to the extent that you can find quality people to work at the firm,” Harvey said. “That’s why so much innovation is coming out of Silicon Valley, Boston and Research Triangle Park in North Carolina.”

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That’s good news for Springfield, which has long tried to diversify its workforce with varying degrees of success, McDorman said. Many of the jobs EF Hutton America has pledged to bring to Springfield are expected to bring higher wages and require more education, he said.

That could mean more opportunities for students from Clark State Community College and Wittenberg University to stay in Springfield rather than leaving after graduation, McDorman said.

Daniels declined to discuss the pay scale for the positions. But he said the company is actively looking to fill more than 50 positions now, ranging from registered financial investors to website developers and designers to multimedia production positions.

If the new version of EF Hutton America is successful, it could encourage other firms to take a closer look at the region, McDorman said.

“They’re working off a strategy of innovation, which is going to bring a lot more opportunity from a standpoint of relationships with other companies who want to be close to them,” McDorman said. “We’re very hopeful we can grow more of those types of relationships here as a result of EF Hutton coming to Springfield.”

A new headquarters

Its new headquarters, formerly known as the Credit Life Building, is the tallest office building in Springfield. The Springfield News-Sun leases space for its newsroom and sales staff on the 10th floor.

Local leaders hope the renamed EF Hutton Tower becomes the centerpiece to a revived downtown Springfield as EF Hutton America ramps up hiring. The building transaction was a key element of the company’s move downtown.

Jim and Nike Lagos, the property’s previous owners, donated the building and the State Theater to SpringForward, a local nonprofit. SpringForward’s mission is to target investments on existing properties to revitalize the city’s urban center.

Records filed with the Clark County Auditor’s Office show SpringForward immediately transferred the properties to EF Hutton America Inc. for $6.4 million. Daniels said there was an error in the filing, and the property is being transferred to a limited liability company called Main Street Properties. EF Hutton Financial will then lease the building from Main Street Properties, he said.

SpringForward wrote a seven-year, unsecured note for EF Hutton America in America. Two unnamed directors of the company agreed to guarantee the note, according to a new release from the company. As compensation, the directors will receive stock.

SpringForward leaders have previously said they intend to use the money they receive from the note to pay for other projects downtown. The sale should involve little risk for SpringForward, said Dan Harkins, a Springfield attorney.

“SpringForward does not have a secured interest in the real property because it hasn’t recorded a mortgage,” Harkins said.

Daniels declined to discuss the building transaction, but said simply the deal will provide some tax benefits for the company, and more details will likely be made available in public filings later this year.

The company also plans to renovate the former State Theater downtown, which Daniels said will include studio space where employees will shoot commercials and produce other multimedia products at the site.

By the numbers:

400 — Jobs projected over five years

$22 million — EF Hutton America’s proposed investment in Springfield

50 — Estimated jobs the company is looking to hire now

$1.5 million to $1.7 million — Possible final value of proposed employment incentive agreement with the city of Springfield if approved

Unmatched coverage

The Springfield News-Sun digs into important stories that affect jobs and the economy in Clark and Champaign counties, including recent coverage of a rise in temporary workers and tracking local unemployment rates.

4 comments

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TomPaine

Is it too much to expect that whoever is writing headlines for the SNS be familiar with the rules of grammar? Whether to use "a" or "an" before a word that begins with the letter "h" turns on whether the "h" has a vowel or consonant sound. In this case, it's a consonant sound, so it's "an historic". Also, the AP Style Manual specifies that the correct usage is "an historic", so one doesn't even have to know the grammar rule that applies; he could simply look it up. He doesn't even need the Manual on his desk. We have this new-fangled thing called the Google machine.

Also, the punctuation following "Hutton" should be a colon, not a semi-colon because what follows is a list of qualities describing this new company.

This article, however, is noteworthy for two things. First, it's far more comprehensive than the typical fluff the SNS runs, providing a variety of perspectives and sources. Kudos to Matt Sanctis. Second, Chris Daniels sure seems to like to decline to answer questions.

NickBehindTheMask

I hope they will offer training for some work from home positions. There are many disabled people who would like to get in on that.

Award Winner

I am very happy that EF Hutton has chosen Springfield. I hope this is a turning point for the city.

I heard that they are already hiring people and EF Hutton brought a major event to Springfield by sponsoring a debate about presidential candidates economic policies on Oct 3.

Kudos to the city officials and community members who made it happen.

tammyhr

The article doesn't mention that the State Theatre was being rented for weddings. We had a contract through Bushnell and Carmee Catering for a wedding reception for May 20, 2017. We received a phone call last week from Bushnell that the building had been sold and our contract had been cancelled. We are now frantically searching for a new venue which is nearly impossible at this point.
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