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BenefitStreet Takes Its NextStep with Bramlett

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Jerry Bramlett just ended **BenefitStreet's** final journey while giving the business new life. He confirmed that a brand new company, **NextStep Defined Contribution**, has taken over the San Ramon, California-based recordkeeper's business. The change, while massive for BenefitStreet's debtors and shareholders, may not mean as much for its customers and partners.

"Essentially, nothing changes," Bramlett, who served as president and CEO of BenefitStreet and

will continue in that capacity with NextStep, told *The 401kWire*. He added that nearly all of BenefitStreet's staff have joined NextStep, too—NextStep now boasts 52 employees. "NextStep will continue to service the clients [of BenefitStreet]."

Bramlett confirmed that he is the majority shareholder of NextStep, and The 401kWire has learned that former Fidelity star manager **Peter Lynch**, who had been one of BenefitStreet's angel investors, is the other shareholder of the new company. The acquisition closed on Thursday, and BenefitStreet then shut down on Monday as NextStep took over. In two weeks, NextStep will move from BenefitStreet's old offices in San Ramon to new headquarters in Walnut Creek.

Alison Davis, managing partner with BenefitStreet investor **Belvedere Capital**, could not immediately be reached for comment on the deal. The San Francisco-based private equity firm, which had contributed about \$10 million to BenefitStreet's "L" round of preferred shares according to one industry insider, appears to not be one of the shareholders of the new firm.

Bramlett took over as BenefitStreet's top executive a year ago after the firm's failed IPO attempt and the departure of founder Jim Drury. Faced with BenefitStreet's IPO-related debts and a capital structure with 455 different investors, Bramlett

proceeded with a restructuring and divestment plan to put the beleaguered company back on its feet, selling off six TPAs (as well as other subsidiaries) over the course of the next nine months.

And then the market crashed, taking asset-based fees across the 401(k) industry down with it.

"BenefitStreet, from the day that I arrived, was financially challenged, and I did a lot of things to deal with that," Bramlett told *The 401kWire*. "We had a pretty good fighting chance, and then the market tanked."

Under the new structure and brand, Bramlett hopes to gear up to deal with the multitude of systemic issues facing today's 401(k) industry.

"We feel the market is on the verge of a lot of changes," Bramlett said, pointing to fee disclosure, investment advice, fee lawsuits, QDIAs and the market downturn itself as just a few hot topics that make this "turning point" for the 401(k) industry, despite the recent market "carnage." "We want to look at everything in a fresh way."

To do that, Bramlett is committed to both intermediary distribution and low cost, index-based approaches to retirement plan investing.

"The fee-based advisor can lead the charge," Bramlett said, adding that he expects ETFs and enhanced index funds to make a bigger splash in the DC world.

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