

INDUSTRY

New Year Brings \$6B RIA M&A Blockbuster



By Charles Paikert
January 6, 2016

An RIA M&A blockbuster is ringing in the new year in with a \$6 billion bang.

Pathstone Family Office is absorbing Federal Street Advisors in a merger to form a new RIA powerhouse with nearly \$6 billion in assets under management, Pathstone Federal Street. Terms of the deal were not disclosed.

The transaction echoes two major deals from 2015: the acquisitions of Baker Street Advisors by AMG Wealth Partners and Constellation Wealth by First Republic Bank. Those wealth management firms, like Pathstone and Federal Street, also specialize in high and ultra-high-net worth clients and also have about \$6 billion in AUM.



"(The deal) expands our capabilities and offerings in wealth management," says Steve Braverman

"This is a defining deal for firms serving the UHNW segment," says Jamie McLaughlin, CEO of wealth management consulting firm J.H. McLaughlin & Co. "Steve Braverman [Pathstone co-CEO] is a dynamic leader... and merging with an estimable firm in an adjacent market gives them immediate scale."

The economics of the deal are "very favorable," according to McLaughlin. "Few firms have achieved scale and fewer still have been able to expand their margins, as the non-investment needs of larger, more complex clients tend to erode profit margins."

Fiduciary Network, an RIA financier and Pathstone investor, gives the new firm "a war-tested financial partner" McLaughlin adds. "Having a capital facilitator like Fiduciary Network allows the two RIAs to remain militant fiduciaries, whereas an acquisition by a large, public company might be antithetical to their cultural distinctiveness, ethos, and brand."

"STRONG COMBINATION"

Pathstone, based in Fort Lee, NJ, and Atlanta, markets itself as a full-service multi-family office and targets families and individuals with \$25 million or more in investable assets. Boston-based Federal St. is known for working with institutions and individuals with over \$5 million, and specializing in sustainable and impact investing.

"We've been investing in technology and processes that can be replicated for scale, and John [LaPann, founder of Federal St.] has been investing in people and expertise in socially responsible investing," says Braverman, also co-CEO of the new Pathstone Federal Street. "We think that gives us a very strong combination going forward."

The new firm will have an office in Naples, Fla., in addition to Boston, Fort Lee and Atlanta, and about 16 advisors. It will focus on organic growth, Braverman says, while remaining open to future acquisitions. He expects the new firms' primary competition to come from other independent RIAs and multifamily offices.

EXECUTIVE LINEUP

LaPann will be chairman of Pathstone Federal Street; Pathstone's Allan Zachariah will share the co-CEO role with Braverman.

Matthew Fleissig of Pathstone Family Office will become president of the new organization, joined by Eric Godes and Jennifer Murtie of Federal Street Advisors who will share the chief operating officer title at Pathstone Federal Street. Murtie will also serve as the firm's Chief Marketing Officer.

Kristin Fafard of Federal Street will continue as chief investment officer for the combined organization. Matthew Sher will serve as the new firm's chief compliance officer and chief technology officer.

Daniel Gross, Kelly Maregni, Janet Mertz, Mark Peters and Charles Walsh have been named managing directors.

Colchester Partners advised Federal Street for the transaction.