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September 10, 2018

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Pathstone, Federal Street Merge To Create \$8 Billion Multifamily Office

SEPTEMBER 25, 2015 • FA STAFF

Pathstone Family Office (PFO) of Fort Lee, N.J. and Federal Street Advisors (FSA) of Boston are merging to create an \$8 billion multifamily office that is thought to be one of the nation's 10 largest, non-bank-owned RIAs.

The transaction, which was financed by Fiduciary Network, will have 20 shareholders and will serve families with between \$20 million and \$350 million in assets.

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The new firm will be named PFO-FSA, though the two firms will keep the Pathstone and Federal Street branding for their clients. Colchester Partners advised Federal Street while Fiduciary Network advised Pathstone. The deal is billed as a merger of equals.

Both firms manage about \$4 billion in assets. PFO, founded by Steve Braverman, Alan Zachariah and other principals, several of whom came out of myCFO's East Coast operations in 2010, serves 47 families, while Federal Street, founded by John Lapann in 1991, has about 80 clients.

Despite the similarities in client profiles and non-conflicted business models, the two firms have complementary strengths. PFO offers clients an array of concierge services, including tax preparation, bill-paying and operational support for closely-held family businesses, while FSA has deep investment management experience in areas like alternative investments, foundations, non-profits and ESG (Environmental Social Governance) issues.

Lapann will become chairman of PFO-FSA, while Braverman and Zachariah will become co-CEOs. PFO's Matt Fleissig becomes president, while FSA's Kristin Fafard becomes the CIO. Eric Godes and Jennifer Murtle of FSA become co-COO's. PFO has 35 employees and FSA has 35.

Expanding the shareholder base at the two firms was also part of the logic behind the transaction. "It [the merger] extends equity ownership to client-facing people who are just coming into their own," Lapann says.

PFO-FSA plans to stress the multigenerational nature of its services. "This is all about making our organization a multigenerational firm with continuity of service," Braverman says.

For Lapann, it was the multigenerational aspect of FSA's client base that pushed the firm to expand its services into socially responsible investing and ESG issues. In more than a few cases, the interest in this style of investing was driven by the next generation of clients. On Oct. 2, Federal Street is co-sponsoring a conference on water with Fidelity Charitable, Breckenridge Capital and Pax World Investments.

Much of FSA's high-net-worth clientele came from individuals who experienced liquidity events, typically through initial public offerings and the sale of businesses, over the last two decades.

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While many of PFO's clients have also enjoyed similar experiences, some continue to own and operate substantial private companies.

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