

# REALASSETS

## ADVISER

A photograph of two men in business suits walking and talking. The man on the left is wearing a blue pinstriped suit and a purple tie. The man on the right is wearing a dark blue suit and a red tie. They are both smiling and looking at each other. The background is a blurred city street.

### The **100-Year** Promise

Pathstone Federal Street co-CEOs **Steve Braverman** and **Allan Zachariah** are doing their best to walk the talk.

#### **The Age of AgTech**

Farmland innovations promise a new Green Revolution

#### **Investing in Energy**

Making money in glutted energy sector is more difficult than ever

#### **Change of Altitude**

Five Cs have changed the game for those investing in airlines

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ADVISER



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## ON THE COVER

Steve Braverman and Allan Zachariah, co-CEOs of the newly merged multifamily office Pathstone Federal Street

**Photo Credit:**  
Lizzy Sullivan



By Mike Consol

# The 100-Year PROMISE

Pathstone Federal Street co-CEOs **Steve Braverman** and **Allan Zachariah** are doing their best to walk the talk.

*“The type of talent we are looking for are individuals who want to be in the advisory business, not the product and sales business.”*

**R**ule number one: Don't mess with success.

That maxim might have been fixed pretty tightly in the minds of Steve Braverman and Allan Zachariah, after doubling the size of Pathstone Family Office in just five years. The growth came organically. Still, a February 2014 client advisory board meeting themed “Pathstone 2.0, The Next Generation” pondered where leadership was going to take the firm as a next stage. That question was unexpectedly answered roughly one year later when agents representing Federal Street Advisors, another multifamily office, came calling.

The impetus behind that call was John LaPann, founder and longtime leader of Federal Street. LaPann was presumably thinking in terms of finally extracting the value out of his life's work — as well as ensuring the long-term stewardship of his client families and his colleagues. In the course of considering his options, LaPann hired an advisory organization that reached out to Braverman and Zachariah at



Federal Street Advisors' founder  
John LaPann

Pathstone, making it known that Federal Street believed it might be an ideal merger partner for Pathstone. A flurry of conversations ensued.

Braverman and Zachariah saw the two organizations as a fit too, though due diligence still needed to be conducted to confirm that their early impressions were sound. They decided that if they were going to merge with another organization, the calculus would include whether the partner was likeminded and would enhance Pathstone's ability to uphold the promise it had made to client families, that it would be a multigenerational firm. Obviously, the final determination was that Federal Street was precisely the type of organization that would help Pathstone fulfill its ambition and commitments.

"It was a very long and thoughtful process," Braverman says of his firm's evaluation of the Federal Street offer. "This was something that took about 12 months from point of first contact to close."

Though the deal was a long and, perhaps, winding road, Braverman says it was during the first few meetings that he and Zachariah came to understand that a powerful cultural alignment existed between the two parties. The match came in terms of how Federal Street resourced and invested in its business. On Pathstone's side of the ledger was a firm built on leveraging technology and organizational processes. The Federal Street side of the ledger included more than two decades of operation during which founder LaPann invested in and cultivated a high-octane team of professionals. The notion of combining Pathstone's more advanced technology and processes with LaPann's seasoned contingent of wealth advisers was the "eureka moment," says Braverman.

News of the merger went public in February.

LaPann was excited by the prospect of his people being able to do "more and better things for clients" with access to the Pathstone infrastructure.

In addition to that, Zachariah points to how combining the two firms addressed

Pathstone's — and the industry's — biggest challenge: finding talent.

"The talent that resided inside Federal Street was very attractive to us," he says. "We are in the ultra-high-net-worth advisory business, so the type of talent we are looking for are individuals who want to be in the advisory business, not the product and sales business. Those are the types of folks who want to work with our type of clientele, families whom we deal with from birth to death and over generations."

While the Pathstone and Federal Street cultures are not identical, they are the same at their core, Zachariah says, characterized by the principles of independence and objectivity.

#### THE WEIGHT ROOM

Scale is the other critical ingredient. There is a certain size that must be achieved, according to Zachariah, before a firm can be attractive as a place for people to start and end their careers. (He suggests \$15 billion in AUM is a good target.) And unless a firm can attract and retain great talent for the long haul, it will not be capable of being a true multigenerational firm serving multigenerational families.



## GETTING PERSONAL

### Steve Braverman

**First choice for a new career**  
I would really enjoy a career in teaching.

**What is the most influential book you have read?**  
The Greatest Generation by Tom Brokaw. His account of history, passion and commitment really helped me realize the values and perspectives my parents' generation grew up in, and how their courage influenced the world we live in today.

**What is the biggest lesson you have learned?**  
Life is not a dress rehearsal. Make every day count.

**What is the best piece of career advice you ever received?**  
Find a role that you love and surround yourself with others who feel the same.

**What is your favorite quotation?**  
"Every day is a gift, that's why they call it the present."

**Tell us something people would be surprised to know about you.**  
I was a high school cheerleader.



## GETTING PERSONAL

### Allan Zachariah

**If you could go back in time, what would you tell a 25-year-old Allan Zachariah?**  
Everything happens for a reason. It may not be apparent at the time, but it always becomes clear.

**First choice for a new career?**  
Bespoke Tailor

**What is the biggest lesson you've learned?**  
Life is a journey, not a destination.

**What is the best piece of career advice you ever received?**  
The truth will set you free!

**What is your favorite quotation?**  
The truth will set you free!

The merger was a major leap forward on that front, as the two 35-person firms are now a combined 70-person enterprise operating under the new title of Pathstone Federal Street.

Though the name implies a merger — and press releases announced the deal as a merger — Braverman and Zachariah have taken the helm as co-CEOs, and the firm's other lead partner, Matt Fleissig has been named president. LaPann, meanwhile, is moving into the chairman's slot, though not outside the firm's day-to-day operations. He has agreed to play an active role in maintaining client relationships and ensuring the two cultures come together as seamlessly as envisioned.

Braverman observes: "When Allan says the people were an important part of this transaction, John [LaPann] is decisively one of those people and has already proven to be a great partner and asset to the organization."

What's more, Braverman points out that the parties involved are "treating it culturally as a merger." Adding credibility to that posture is the naming of several members of the Federal Street contingent to managerial positions.

The Federal Street deal will likely not be Pathstone's last, although the firm is thinking,

**Tell us something people would be surprised to know about you.**  
I was a soundman/roadie for several rock bands in the late '70s.

**What is your greatest extravagance?**  
Porsche 911 Cabrio

**What is your most pronounced characteristic?**  
Eternal optimism

**Favorite recreational pastime?**  
Scuba diving

**If the most recent year was set to music, what would be the first cut on the soundtrack?**  
"Once in a Lifetime" by the Talking Heads

**How do you want to be remembered?**  
For doing the right thing

first and foremost, of growing organically — in part because it has witnessed several other firms expand too quickly and suffer integration problems.

“We had a white sheet of paper six years ago when we started the firm, but with a running start with 19 families and 19 employees,” Zachariah explains. “So we didn’t have



## PATHSTONE FEDERAL STREET BY THE NUMBERS

**Founded**  
2016 by the merger of Pathstone Family Office and Federal Street Advisors

**Partners**  
20

**Employees**  
70

**Assets under advisement**  
\$6.5 billion

**Clients**  
High-net-worth individuals, multigenerational families, nonprofit organizations, family foundations

**Offices**  
Four (Atlanta; Boston; Fort Lee, N.J.; Naples, Fla.)

a lot of legacy systems hanging around holding us back. So we got very forward thinking when it came to technology and the use of outsourced providers. It allowed us to create a very efficient organization.”

That could easily be lost if Pathstone was to catch empire-building fever and focus on rapid expansion. Still, Pathstone’s streamlined operation was attractive to LaPann, and Zachariah is certain it will be alluring to other RIAs. While there is no grand expansion plan in the works, the co-CEOs say their “eyes are open” and they will be opportunistic, albeit cautiously opportunistic.

That is the same calculus the duo will use with regard to opening new offices in other cities. The firm’s current footprint is comprised of a headquarters office in Ft. Lee, N.J., the Federal Street office it acquired in Boston, and offices in Atlanta and in Naples, Fla. Zachariah indicates that he and Braverman have cities in mind that would expand that footprint, but they have little interest in simply hanging a shingle in those places. Instead, a presence in other cities would most likely be part of a Federal Street-esque merger, and there is clearly no rush toward an encore performance while still trying to achieve marital bliss with their first trip to the altar.

### ROCK, PAPER, SCISSORS

Making good on their vision of “responsible growth” presumes the Pathstone’s co-CEOs continue to see things eye-to-eye and are capable of diligently walking that fine line. There is a tie-breaker mechanism built into the firm’s governance that the partnership has never had to use, and neither seems concerned about the specter of an impasse.

Zachariah says: “Steve and I have been co-heads of this business since we started and we didn’t have the title co-CEO until recently, but that’s basically how we’ve functioned since day one. We are a great duo.”

Yet when Lennon/McCartney and Jagger/Richards are offered as an analogy, Zachariah says the Dean Martin and Jerry Lewis tandem is more apropos, and quickly identifies himself as the Lewis half of that combo.

Of greater importance to the firm’s growth, they agree, is the employee and client experience, and not disrupting what

differentiates Pathstone from its rivals, which is the firm’s “personal touch.” That requires “being big where it helps, but small where it matters,” says Braverman.

“We are making a 100-year promise to our clients,” he adds.

That promise means being there in the same or improved form for generations of family members. From the client perspective, wealth creators are concerned with sustaining their legacy. As history has demonstrated, even the most storied family fortunes have been frittered away over the decades.

“When a client makes an engagement decision to an organization like ours they are saying, ‘Here is all my money, forever, right?’ All of our clients have excess capital and that excess capital needs stewardship.”

Indeed, some Pathstone clients are in the process of transferring third-generation wealth, a stage at which many individuals have lost touch with the entrepreneurial impulse that created the original cache of family wealth.

“Wealth gets created through concentration and hopefully gets kept through diversification,” Zachariah says. “But if a family has one wealth creation event in a generation and if it typically grows as a family will grow over the generations, there needs to be other entrepreneurial wealth creating events over time or ultimately the wealth will dissipate because people will procreate and you will have more and more mouths to feed off the same trough, so to speak. You look at the Vanderbilts or the Rockefellers, at some point the wealth will dissipate if there is not additional wealth creating going on somewhere down the line.”

### GUESS WHO’S COMING TO DINNER?

The yearlong courtship between Pathstone and Federal Street and the slow walk to the altar gave the organizations plenty of time to contemplate the potential fallout from their respective clients. Forging a relationship trustworthy enough to consign the family fortune to a wealth advisory is no small matter, but to have your agents of fortune suddenly announce their boutique relationship has doubled in scale via

a merger with a firm they have probably never heard of ...

Well, one can imagine the potential for consternation. This might especially be the case when one considers that, as an integrated wealth management firm, Pathstone’s involvement with its client families goes far deeper than simply imparting investment advice and handling trades and transactions. For some clients, services include acting as the family’s back office by handling bank accounts, paying bills, preparing financial statements and tax returns, running their private family foundations — and even teaching their children about finance and money.

“We’ve got a dozen-plus CPAs and we are physically signing tax returns, providing tax return work for a thousand filings,” Braverman says, “and we are generating balance sheets and income statements, cash flow projections, and we are overseeing the general contracting of homes and auditing the bills, as well as background-checking nannies and acquiring aircraft.”

It is that integrated approach with clients that Braverman and Zachariah consider a key differentiator vis-à-vis traditional multifamily offices, which generally do not offer services of that span and detail — or even discourage their use of such time-intensive tasks.

“Our clients have complex financial lives,” Zachariah says, “and we help simplify them.”

With all that at stake, the two firms’ advisers took a good deal of time calling and meeting with clients to explain the merger’s rationale and assuage any concerns. The bottom line to their position: The merger was going to broaden the repertoire of strengths at their advisers’ disposal, and enhance the organization’s long-term commitment to be a multigenerational multifamily office that delivers on its promises.

Their position was also summarized in a letter sent to clients, reading in part: “We believe that our combined firm — founded on a strong mutual heritage of multigenerational stewardship and independent advice — will offer broader

perspective, deeper services and a robust organization built for the long-term.”

The strategy appears to have worked, at least to date, as there have been no client defections.

### NOUVEAU RICHE

Most of Pathstone’s clients are not of the blueblood or “old money” stripe. Rather, they tend to be entrepreneurs dealing with first- or second-generation wealth, typically with investable assets of \$80 million to \$100 million.

“When we say ‘client’ you need to know that we have historically talked about families or family units as clients,” Zachariah explains, “so that may be three to 10 people who make up that ‘client.’”

New and prospective clients are assigned an in-house “service team” that addresses the various financial and concierge services a family designates. Braverman refers to it

“We have always, as per the endowment model, understood the value that real assets play relative to considerations around inflation and diversification,” Zachariah says. “Interestingly, Federal Street has got a very strong and impressive history as it relates to SRI and ESG mandates, and I think the real assets industry has an opportunity for further differentiation and forward thinking as it relates to its engagement in SRI and ESG.”

While acknowledging that the firm’s clients are most comfortable with real estate, Braverman cites infrastructure as a real asset class that he believes will perform well during the near term.

### THE SHOW MUST GO ON

The implication of Pathstone’s 100-year promise is that Braverman, Zachariah and their chief principals will create an organization and culture that is so consistent, so competent, so enduring that it will influence

“As history has demonstrated, even the most storied family fortunes have been frittered away over the decades.”

as a “Mayo Clinic approach” because the firm’s professionals meet as a team to review family tax returns, investment statements, estate planning documents and essentially offer a complimentary diagnosis of a prospect’s situation. Team members share their observations regarding any situations where the client, or would-be client, is not making efficient use of their resources.

“You get the picture,” Braverman says. “Someone who takes a meeting with us is going to see a high level of detail, they are going to see a high level of specificity.”

### THE TANGIBLES

Many Pathstone Federal Street clients come to the firm already fairly well steeped in real assets, often in the form of real estate holdings or businesses they own or control and operate, including a couple of clients with mining and related assets.

and enrich generations of people well after they have left the stage.

The annals of business are rife with companies that could not maintain such legacies. Is Apple still Apple after Steve Jobs? Ditto for Kodak after George Eastman, IBM after Thomas Watson, Occidental Petroleum after Armand Hammer, *The Washington Post* after Katherine Graham?

Then again, there is Walt Disney Co. and its seemingly endless adherence to the founder’s vision of creating timeless characters and stories that continue to regale children and adults to this day.

It can be done — and it will be done, if Steve Braverman and Allan Zachariah have anything to say about it.

After all, they promised. ■

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