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## NEWS RELEASE

### KOCHIS FITZ AND QUINTILE AGREE TO COMBINE IN 2008

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California-based wealth-management firms **Kochis Fitz** and **Quintile Wealth Management** have agreed to merge. By combining forces the firms say they will increase client services, expand their respective client bases, extend their geographic reach and maintain their independence for decades to come.

"[Our] firms are passionately dedicated to providing our clients with conflict-free advice, and with this merger, we have formed an ownership structure that permits us to sustain our independence indefinitely," says Kochis Fitz co-founder and CEO **Tim Kochis**. "The merger further expands the depth of our collective talent pool, enhances our client services and capabilities, and creates a solid platform for sustainable long-term growth and stability."

#### Overlap

San Francisco-based Kochis Fitz, a financial-planning firm, employs 33 and manages \$2.5 billion for around 230 families. Los Angeles-based Quintile is a multifamily office that employs 35 and manages \$2.4 billion for about 60 families.

As **Kochis Fitz/Quintile** the combined firm will provide financial-planning, investment and wealth-management services to high-net-worth and ultra-high-net-worth individuals and families from offices in San Francisco and Los Angeles.

The merger is expected to take effect on New Year's Day 2008.

Though the firms' *average* relationship sizes differ widely, Quintile's CEO **Rob Francais** says there's enough overlap to give the merged firm scope to streamline relationship-management and account functionalities. And, where the founding firms vary in their approaches to wealth management, Francais sees opportunities to expand the new firm's overall service offering. "Bringing Quintile's family-office capabilities together with Kochis Fitz's personal wealth-management services provides unprecedented flexibility and breadth to meet a broad range of client needs," he says. "We believe the combination of our two firms is unique in the industry."

#### Old school

Quintile also brings its outsourced data-aggregation subsidiary **Empaxis** to the table. Meanwhile Kochis Fitz has a research and investment platform for alternatives called **Advanced Capital Intelligence** that, though now available only to Kochis Fitz clients, may soon be outsourced offering to other RIAs.

**Dan Seivert**, CEO of Los Angeles-based investment banking and consulting firm **Echelon Partners**, says the merger of Kochis Fitz and Quintile is an example of "a good old-fashioned merger" of investment advisories. "We've been hearing so much about RIA roll-ups and bank or insurance-company acquisitions that's it's nice to see firms making a path of their own for next-generation leaders."

RIA aggregators in particular have been busy lately with acquisitions by private-equity funded firms like **Focus Financial Partners**, **United Capital Financial** and **WealthTrust**. Bank buys of RIAs have been fairly steady too -- and the pace could quicken if, as rumored, **UBS** starts making good on its pledge buy boutique investment advisories.

Kochis agrees that his firm's tie-in with Quintile looks at first like an old-line merger of equals, but he says a closer look at the new firm's ownership structure reveals a new model for wealth managers looking to maintain their long-term independence.

## Thirty-two owners

The transaction boils down to a no-cash swap of equity in the founding firms for shares of Kochis Fitz/Quintile, which will be wholly owned by 32 principals -- 18 from each founding firm. This gives the new advisory an unusually large proportion of operator ownership -- and the ability, says Kochis, "to finance our long-term growth as an independent firm, without the need for third-party capital, now or in the future."

The firms say they decided to come together after their respective talks with other potential buyers -- including several wealth-firm aggregators -- proved "less than satisfactory," according to Francais.

To convey how broadly based ownership of Kochis Fitz/Quintile will be, Francais says you'd have to add up the holdings of the top "eight or nine" shareholders of the new firm "to even approach 50%" ownership -- and that there are rules in place to prevent further concentration.

This does a couple of things, says Kochis. First, with owners ranging in age from their late twenties to their early sixties, it creates "a dynamic pool of different ages and different risk appetites" to give the firm a strategic balance between senior stakeholders who might be tempted to coast through to retirement without taking risks and juniors who might be more inclined to take strategic chances. By the same token, it fosters smooth departures for senior owners because -- put simply -- buying them out doesn't mean shelling out for all or most of the firm.

## No exit

Spreading the ownership also helps minimize the correlation between ownership and management, so that stakeholders are free to help build the firm's equity even if they aren't in the front ranks of leadership. Conversely an eventual CEO of Kochis Fitz/Quintile might not even *be* a shareholder. "For us there's not necessarily any equation between ownership and management," says Francais.

The firm's first two CEOs will definitely be stakeholders, however. The agreement includes a succession plan that will see Quintile's Francais -- initially slated to become COO of Kochis Fitz/Quintile -- replace Kochis as CEO of the combined firm by late 2009.

Kochis, who co-founded Kochis Fitz in 1991 and who last year received the inaugural "Charles R. Schwab Impact" award as **Schwab Institutional's** top investment advisor, will continue working with clients of Kochis Fitz/Quintile after he gives up the top executive slot.

"This is not an exit strategy," says Kochis.

Beyond the priority of finding a new name for the firm -- "something we like and captures our mission," says Francais -- Kochis Fitz/Quintile is eager to talk with fee-based firms that are shopping around for long-term partners as an alternative of a sale to a private-equity backed aggregator or to a larger financial-service company.

"We hope to present [independent wealth managers] with a truly viable model," says Kochis. "And it's a platform other firms are welcome to join."

Quintile was founded in 2002 by Francais and four partners, all five of them former executives of **myCFO** (now **Harris myCFO**). **Jeffrey Coyle**, one of Quintile's founders (and no relation to your humble narrator), left to establish the wealth-management firm **Waterline Partners** in 2004. -FWR

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ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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