

**Members' Private Financial Services**  
**Project Overview**  
[www.membersprivatefinancial.com](http://www.membersprivatefinancial.com)

**Overview**

In a nutshell, we are creating a new private bank, mutually owned by its clients through membership in a non-stock company and organized exclusively for the complex needs of wealthy families, individuals and their offices (our minimum relationship is \$50 million). Client ownership eliminates conflicts of interest with independent owners, and thus offers many benefits to families with multi-generational wealth.

My team and I (including a number of former associates from Fiduciary Trust International) started this endeavor earlier this year when it became clear to us that a new fiduciary system was needed to address a growing crisis of confidence among wealthy families. Since then, we built an impressive leadership team (biographies included below) and gone through preliminary legal and regulatory review. We are now in the final stages of attracting founding members, having so far approached approximately 30 family groups.

**Situation**

The unstable world economy exposed deep-seated issues in private banking and caused a crisis of confidence among wealthy families and individuals. Most families and institutional investors experienced 20-50% erosion of invested assets. Numerous conflicts of interest and other failures and weaknesses came to light. Most clients and professionals in private banking would agree that incentives of owners and managers are not aligned with client interests.

We believe it is time for a better fiduciary system that eliminates conflicts of interest between owners and clients and that benefits clients' families first. (A more in depth analysis of this issue can be read in our paper published by Family Office Exchange. [http://www.foxexchange.com/private/members/research/fox\\_connects/Mutual\\_101209.pdf](http://www.foxexchange.com/private/members/research/fox_connects/Mutual_101209.pdf))

**Strategy**

Our strategy is to bring families together to pool their resources with other like-minded families and individuals to establish a 100% client-owned regulated private bank that will maintain multi-generational independence. We propose to establish a non-stock company that families and their entities would control through their membership (as in a private cooperative association) and that is organized exclusively for the complex needs of wealthy families, individuals and their offices (our minimum relationship is \$50 million).

Client ownership eliminates conflicts of interest with independent owners, and thus offers many benefits to families with multi-generational wealth, including:

- Objectivity in fiduciary capacity;
- Cost savings from shared services and retention of earnings - savings that are passed along to clients;
- Control of strategy that assures long-term needs of the family are met and that the firm remains independent for future generations;
- Cross-fertilization of investment ideas and opportunities.

## **Services**

The services will include:

- Fiduciary Services delivered by very experienced trust professionals familiar with the complexities and sophisticated needs of multi-generational wealth, and through trust powers obtained under a national trust charter;
- Asset Management through an open architecture investment process in which the firm provides investment strategy, asset allocation, manager due diligence and selection, monitoring, reporting, and administration, in addition to services necessary to properly manage legacy investments that are important to the family;
- Banking services that will provide the custody, treasury and banking products required by family offices and their clients to properly control and fulfill the complex depository, lending, and administrative needs that are common to extended family groups.

## **Business structure**

We are organizing the company as a non-stock entity in Delaware that will be owned by its members and that will become a bank holding company. The non-stock holding company will acquire a bank in order to obtain a bank charter. In addition, the holding company will establish asset management capabilities through a wholly-owned subsidiary, and will obtain trust powers by applying to the national bank regulators for a non-depository trust charter.

## **Membership terms**

In order to maintain client ownership and control, all clients must be members, and all members must be clients. As in a mutual bank or mutual insurance company, there will be no independent owners with capital or ownership rights, including employees. Membership is achieved by purchase of Capital Certificates (CCs) issued at face value (\$1,000) equal to ½ of 1% of assets under management when relationship is established. Members get one vote for each certificate that they own. Certificates are not transferable except for inheritance and other transactions approved by the board of directors and that conform to the bylaws. Certificates represent a proportional claim on equity of the company, subject to the bylaws, and within the limits of banking regulations. Certificates

can be redeemed when a client leaves the bank after five years or more of ownership; and, if there is sufficient capital; and, the distribution is approved by the regulator (unless an exemption applies).

### **Founders Commitment**

We are in the process of securing a minimum of five founding members and their capital commitments totaling \$25 million. We have so far contacted approximately 30 families across the country and have begun presenting this opportunity to them. Founders will have a board seat and have the benefit of participation in the earnings as well as the right to approve the business plan, professional staffing, and capital calls, among other things.

Capital will be called as needed, subject to approval by the founders, and will be used to pay start-up expenses, acquire a bank charter, establish the investment advisor, obtain trust powers, and attract the leadership and professional team.

### **Leadership and professional team**

The team is a highly motivated and experienced group of professionals, many of whom excelled working together over eight years at Fiduciary Trust Company International. They are fully committed to the client-ownership model and eager to work for their clients unencumbered by separate shareholder interests. They are:

- Nancy Kuenstner, Holding Company Chairman - Commercial and investment banking executive with international experience who has successfully started and led a specialty trust company.
- Stephen Tall, Holding Company CEO - Private banking and family office executive with outstanding track record of leadership, management and service.
- George Bollenbacher, Holding Company COO - 40 year veteran of Wall Street in front and back office leadership roles.
- Gayliss Ward, Head of Fiduciary Services - Seasoned private trust attorney and tax specialist with leadership experience in foreign and domestic private banks.
- John Ravalli, Co-Chief Investment Officer - 25 years of asset management leadership and innovation serving wealthy families and institutions with sophisticated investment strategies.
- Christopher Piros, Ph.D, CFA, Co-Chief Investment Officer - Academic and applied finance professional with deep experience building asset management businesses, serving clients, and teaching.
- Teresa McCann, Chief Banking Officer - more than 35 years experience developing and leading private banking services and operations.

*Nancy J. Kuenstner*, formerly President, CEO and Board Member of Law Debenture Trust Company of New York, has been assisting with the business planning and capital raising activities of the Holding Company, and is a candidate to be an organizing director. She is currently a trustee of Lafayette College, Easton, PA where she serves on the Investment Committee, and she is a director of CreXus, a NY Stock Exchange listed

REIT. Ms. Kuenstner was President and CEO of Law Debenture Trust Co. of NY from 2001, when she was hired to start the bank under a New York State charter, until December, 2008. During that time, the bank grew to \$120 billion in corporate trust assets under administration, which was 6th place (ahead of CitiGroup) among such institutions. From 1998 to 2001, she was responsible for fund-raising at Compass Group, LLC, a New York-based hedge fund. From 1987 to 1998, Ms. Kuenstner was Managing Director with CitiGroup Cross Border Finance Group, where she was responsible for global sales. She started here career in the Latin American division of JPMorgan where she was responsible for corporate and sovereign debt underwriting and workouts.

*Stephen J. Tall*, the Organizing Principal, has been leading the business planning and capital raising activities for the Holding Company, and is the Holding Company's candidate to be the CEO. Mr. Tall is a senior operating executive and consultant with global experience in financial services businesses including private banking, investment management, and insurance. He most recently served as deputy head of Burnett Companies, a family office that owns several businesses including an oil and gas business, a ranching operation, a security business, and an aviation division. In 1999, he joined Fiduciary Trust Company International, a global private bank based in New York, where he served in several senior management positions. His responsibilities included chief administrative officer of the High Net Worth Division, chief technology officer of the company, disaster recovery officer, chief compliance officer, member management committee, officers' executive committee, risk management committee, and technology governance committee. Prior to Joining FTCI, Mr. Tall was an associate partner at Accenture where he led international financial services client engagements in technology and operations consulting and outsourcing.

*George Bollenbacher* has been assisting Mr. Tall with the business planning for the Holding Company, and is the Holding Company's candidate to be COO. He has had a more than forty year career in the financial services industry. The first twenty years was spent in the fixed income markets and investment banking, with such firms as Paine Webber, Donaldson, Lufkin & Jenrette, and Chase Manhattan Bank. He then spent ten years at IBM and Unisys, providing technology solutions to the financial services industry. For the last twelve years he has been President of G. M. Bollenbacher & Co., Ltd., consulting to such clients as Alliance Capital Management, Goldman Sachs, Lehman Brothers, Charles Schwab and Fiduciary Trust Co. He is the author of two books: *The Professional's Guide to the U. S. Government Securities Market* and *The New Business of Banking*, and is a faculty member at the Securities Operations Forum.

*Gayllis Ward* has been assisting in the development of the business plan, and is candidate to be the Head of Fiduciary Services. She has many years experience in private banking and related fields. She specializes in providing tax and trust services to individuals and family groups. Her professional career includes two years at the Cato Institute, eleven years at Fiduciary Trust, twelve years at Deutsche Bank and five years at KPMG. At the Cato Institute, her role focuses on planned giving. At both Deutsche Bank and Fiduciary, she headed the private bank tax department. In addition, while at Deutsche Bank, she was in charge of the Special Assets Advisory Group, a unit providing trust administration

services to trusts funded with “unusual” assets. Gayllis received a BA, magna cum laude, from Brown University. She was also elected to Phi Beta Kappa. She went on to earn a JD and LLM in Taxation from Emory University. She has been an active volunteer for the American Heart Association for over 20 years and serves on the Investment Committee of the City Bar Association. She is also a trustee of the Bugher Foundation, a private foundation dedicated to funding cardiovascular research.

*John Ravalli* was head of the team responsible for the creation of a quantitative market neutral strategy for Moore Capital Management from 2007 to 2009. The model for this strategy was developed 7 years prior and had a GIPS compliant track record for 4 and a half years managing long only separate accounts at Franklin Templeton Investments and Fiduciary Trust Co. International (FTI) where Mr. Ravalli worked from 1998 to 2007. While at FTI, he was Director of Quantitative Strategies and Head of Risk Management. In that role he was responsible for the development and the integration of market investment risk management and asset allocation tools and models used in portfolio construction. Using these tools, he oversaw quantitative analysis for assets in excess of \$100 billion. At FTI, Mr. Ravalli was a member of the Executive and Risk Committees and President and CEO of Franklin Templeton Financial Services, a wholly owned brokerage subsidiary. FTI purchased Fiduciary Trust in 2001, the firm he originally joined. Prior to that, he was with PaineWebber Incorporated for eight years. During that time span, he worked in international capital markets and the quantitative investment department of the asset management subsidiary. Throughout his time there he held various positions including Controller, Portfolio Manager and Risk Manager, working in New York, London and San Juan. Prior to joining PaineWebber, Mr. Ravalli had four years of experience with Dean Witter and EF Hutton. He received a B.S. from St. John’s University, holds a certificate in risk management from New York University, and is currently enrolled in the Executive MBA program in Finance at Rutgers Business School. He has published several articles on risk management and is registered under 7 (Registered Representative), 63 (Uniform Securities Agent - State Law) and 65 (Investment Advisor). Mr. Ravalli is also a member of the Global Association of Risk Professionals, the New York Society of Security Analysts and the Society of Quantitative Analysts.

*Christopher Piros*, PH. D., CFA, was Director of Investment Strategy & Portfolio Management at Prudential Investments LLC, the wealth management services arm of Prudential Financial, where he established and led the unit’s discretionary portfolio management activities from inception to over \$15 Billion in assets under management. He and his team also formulated the investment strategy advice disseminated through the firm’s wealth management platform, developed its proprietary asset allocation methodology, and counseled Prudential investment boards on the outlook for capital markets and the global economy. Earlier he was a Senior Vice President, global fixed income portfolio manager, and head of fixed income quantitative analysis at MFS Investment Management. Prior to MFS he developed valuation and derivatives intensive strategies for Drexel Burnham Lambert’s Quantitative Asset Management Group and was on the finance faculty of Duke University’s Fuqua School of Business. He currently teaches in the Master of Science in Investment Management programs at both Boston

University and Reykjavik University and is on the advisory board of the program at BU. He is a co-author of the forthcoming textbook *Running Money: Professional Portfolio Management*. Dr. Piros earned his PhD in Economics at Harvard. While at Harvard he worked at the National Bureau of Economic Research (NBER). He is a CFA charterholder.

*Teresa McCann* joined the team to lead bank acquisition and development of private banking services. She has 36 years experience in bank operations, most of which was in leadership roles in private banks serving national markets. Prior to joining the team, she was Senior Vice President of Fiduciary Trust Company International where she was responsible for the strategic planning, implementation, and management of competitive private banking services. Prior to joining Fiduciary Trust, Ms. McCann was the Director of National Branch Operations and Administration at U.S. Trust. She has extensive senior level experience in all phases of financial services with a particular emphasis on banking, operations, and administration. Previously, Ms. McCann held several key positions at Security Pacific Bank/Bank of America. Ms. McCann earned a graduate degree from the Southwestern Graduate School of Banking at Southern Methodist University, a degree from the Bank Management Program at the University of California, Los Angeles, and majored in English at the University of South Carolina.

### **Next steps**

We are filing the certificate of incorporation for the non-stock entity in Delaware. Subject to states approval, we will name the entity Members' Private Financial Services, to reflect the mission and vision of the company.

We have contacted family groups around the country and are currently fielding inquiries and scheduling meetings to discuss their interest in joining as founders. We are also asking these groups for introductions to others that they believe will qualify to be members.

Once we have capital commitments from founders, we will proceed with a letter of intent to acquire a bank. We have had preliminary discussions with two different bank owners about the possibility of acquiring their banks. Our leading target acquisition is a small community bank with a mid-western state charter and current book value of \$3 million. The bank has a strong balance sheet and is in good standing with the state regulator, but the controlling owners are motivated to sell, and they consider us to be first in line as potential buyers.

Upon completion of the fund-raising, we will conduct the first meeting of the board, and commence the steps necessary to proceed with establishing the asset management and fiduciary services.