

ANOTHER DOOR OPENS

How Stephen Fleming lost a job and built a bank.

By Kathleen Dreessen

In the spring of 2005, WestAmerica Bank purchased National Bank of the Redwoods (NBR) in Santa Rosa for more than five times its book value, a record, at that time, in California banking history. President/CEO Stephen Fleming had been at the helm of NBR for only 15 months when the bank was sold. Most people would be disappointed, regroup and seek work at another bank. Not Fleming. He started his own instead.

“When NBR was purchased by WestAmerica Bank, the senior management team was displaced,” says Fleming. “It was time to decide what to do next, to create a new chapter. Fifty percent of the banks headquartered in San Francisco had been consolidated over a 10-year period and, at the same time, there weren’t any new banks being formed. I quickly got the idea to start a bank in San Francisco.”

Fleming sought advice from the chairman of Golden Gate Bank, Jim Woolwine, who agreed it was a good time for a new San Francisco bank; in



Stephen Fleming doesn't take "no" for an answer.



Greg Moss is managing partner at NAI BT Commercial Real Estate.

fact, Woolwine resigned from Golden Gate to partner with Fleming in the new enterprise. Woolwine introduced Fleming to Belvedere Capital, a private equity firm based in San Francisco, which had a similar desire. Together, they set about organizing Presidio Bank, the first locally owned and managed San Francisco business bank in 20 years. Woolwine is now chairman and Fleming is president and CEO. Belvedere Capital owns 25 percent of the new bank and is represented on the board by Alison Davis, a highly successful veteran of the financial services industry.

Beginning balance

A group of 21 Bay Area business and civic leaders came together to form the founding organizing group, raising \$2 million in seed money to finance the bank's founding, applications for state charter, membership in the Federal Reserve System and FDIC deposit insurance. They then set upon a capital raising campaign.

"We had a \$40 million equity base that was the most ever raised for a new bank in California. So that's a historic event," says Fleming. "We ended up turning back \$17 million to investors—an amount that some banks start with. We decided to return that money because, at some point, the marginal benefit you get from being able to make larger loans is offset by the drag on ROE.

"Starting with a large capital base gives us a competitive advantage in terms of being able to do larger loans, since a bank's legal lending limit is dictated by the size of its capital base."

Approximately 375 Bay Area investors, including members of the Keiretsu Forum, the nation's largest angel investment network (an angel investment group represents individuals who provide capital for a business startup, usually in exchange for ownership equity), contributed money. "We view our shareholder base as a key asset of the bank," says Fleming. "These are highly successful people who represent a great network to open opportunities for the bank."

The bank opened in San Francisco on July 24, 2006, with a branch office in Walnut Creek. It's recently opened a loan production office in Santa Rosa. A full-service Santa Rosa branch is expected to open in the near future.

Customer base

Presidio Bank isn't in the retail/mass market banking business. "One of the unique things about this bank is our target market is well defined and highly focused," says Fleming. "We're going after successful small- to medium-sized businesses including real estate investors and developers, nonprofit organizations and the owners and executives of those firms. We've made a conscious effort not to be in the retail banking business, so none of our locations are on the ground floor. We have no storefront retail operations; we're not interested in mass market consumer traffic or in the micro-business segment. [We're developing relationships with] businesses with revenues from \$5 million to \$50 million a year and loan and deposit needs of \$500,000 to \$10 million. We're very clearly making a decision *not* to compete in the lower end of the small business market."

Why not?

"There's nothing wrong with those marketing segments per se, but if you're going to be in the consumer and micro-business market, you need to have tremendous scale to achieve operating efficiencies and compete with the large chain banks like Bank of America and Wells Fargo. They have tremendous marketing muscle and scale, and

"They try harder; they pay attention more; they're aggressive and working hard to serve the customer."

—Greg Moss, NAI BT Real Estate

they're able to drive their marginal costs down by pumping huge volumes of transactions through. As a community bank, you can never achieve the scale to be more efficient than they are.

"We concluded that segment wouldn't be a good fit for us. More important, we're excited about our target market, because we don't think it's being adequately served. There are a number of really successful companies in our segment that deserve high-touch, first class service, and they're not getting it from the larger banks, which tend to have an off-the-shelf-type delivery system. We think that's fertile ground. We'll be able to differentiate ourselves by providing the superior customer service that's typical of a private bank."

Bells and whistles

One of the advantages to opening a brand new bank is starting with cutting-edge technology and adaptable banking products.

"All our products are geared toward our target market," explains Fleming. "We can ensure we're giving that segment the great experience it deserves.

"We have a very sophisticated Internet cash management system, as well as new technology for a product known as 'remote check deposit,' which lets our clients scan checks at their office and electronically transmit them to the bank. They go into the check clearance system immediately without having to be physically transported from the client's office to the bank. It eliminates the need for a courier service or an office manager to walk the deposit to the bank. That's a major technological breakthrough in our industry, which isn't really renowned for its new products. We're finding when we talk to potential clients about it, we're the first to have the conversation."

Even though the bank is new, many of the faces may be familiar to Sonoma County residents. Mary Leonard-Wilson, formerly of NBR and Charter Oak Bank in Napa, is the chief credit officer at

Presidio. Another former NBR employee, Alice Harris, has also signed on with Presidio as the loan servicing manager. Donatella Levintow, who headed the commercial real estate lending group at NBR, is senior vice president at Presidio and office manager for the Santa Rosa location.



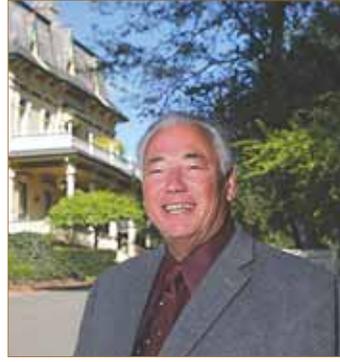
Donatella Levintow is senior vice president of Presidio Bank.

Expanding with interest

Donatella Levintow came to the United States from Italy after finishing college 24 years ago. "I had a dream of a career in banking," she says. "I worked in credit administration and corporate lending for a large, international bank

in San Francisco. After 12 years, I moved to NBR, where for nine years I was a commercial and real estate lender. [After the WestAmerica purchase] I worked for another bank, but Steve called, his plan made a lot of sense, and here I am again. Steve has a very entrepreneurial spirit. I've always been inspired by his vision and leadership, and I know the bank will be successful."

Levintow, who lives in Novato, says the initial four bank staff members all live in the North Bay. "By having offices in San Francisco



Left: Pat Kilkenny is past president of National Bank of the Redwoods. He introduced Bill Konrad (right), owner of Madrona Manor, to Fleming.
[Duncan Garrett Photography]

and Santa Rosa, we can take care of the whole 101 corridor,” says Levintow. “Santa Rosa has a diverse industry base and is well positioned for the long term.”

Pat Kilkenny was the original president of National Bank of the Redwoods when it was formed in 1984. He explains Fleming’s brief history at NBR: “I decided it was in the best interest of the bank, since I had been in [the president’s] position for 20 years, that we find somebody else to run the bank day to day,” says Kilkenny, who’s now retired.

“I was going to transition out over time, and that was when Steve was hired. His personal desire was to be CEO of a community bank, and that was the opportunity at NBR. We had hoped it would be a long tenure, but with a publicly held company, the board of directors’ fiduciary responsibility is to do the right thing for the shareholders. WestAmerica came in and offered one of the highest prices ever paid for a community bank. Steve’s opportunity came to an end that no one anticipated.

“He was later able to pursue an opportunity with a group in the Bay Area to create a bank in San Francisco. Donatella and Mary know the market very well. Donatella has a very substantial following, so it was a logical extension to move into the North Bay. They’re all very capable bankers; all of them have very high-level experience with major banks and major markets. And because of lifestyle and personal preferences, they’ve selected community banks as where to spend their careers as opposed to staying with big banks. The community bank forte is having local contacts, knowing the market and having decisions made locally.”

Customers make statements

“I was introduced to Steve at NBR, and we did a fair amount of transactional work together,” says Greg Moss, managing partner of NAI BT Commercial Real Estate. “Steve and his team at Presidio Bank have a great track record, strong corporate résumés, deep relationships and skills. They also have an extraordinary group of founding investors to leverage for the benefit of their clients.

“I think a business bank with deep community relationships has a very high value. They’ve already successfully assisted a number of our clients, and we’ll continue to support them with market research and insight. I think of them as business partners.”

Moss’ high praise for the Presidio team doesn’t end there. “I’d suggest anyone interested in commercial property loans or in need of a business banking relationship consider Presidio Bank,” he says. “They understand our market, how to value projects and how to serve their customers. They’ve been extremely responsive and have a strong customer service commitment. They have a deep capital base to provide the kinds of support that will grow businesses in the North Bay. From a capital structure, they have all the capacity required, which will allow them to focus on customer needs and

deliver top-level personal service.

“The other thing is, it’s fun to observe the difference. They try harder; they pay attention, they’re aggressive and working hard to serve the customer. They provide a ‘private banking’ experience, and I think they’ll do great.”

Bill Konrad, owner of Madrona Manor in Healdsburg, had hit a few banking walls before he met Fleming at NBR. “I was in public accounting for 38 years. I’ve met a lot of bankers and done a lot of deals,” says Konrad. “The hospitality industry has big-time risk; it’s a four-letter word for banks. I had great banking relationships when I was a [public accounting] partner in San Francisco, and I also worked with four or five different banks in the city for a variety of private real estate investments over the years.

“When I bought [Madrona Manor], I wasn’t looking for a lot of money—only about \$3 million, which wasn’t an unusual sum for me to borrow. I went to the four banks I knew, and they turned me down one after the other. They said flat out, ‘we don’t do hospitality.’ It’s almost like being a farmer—you’re so dependent on things beyond your control.

“We finally got a loan with NBR. When interest rates dropped [a short time later], I found one or two other banks that would work with me, and I almost signed a deal. Then I met with Pat Kilkenny, and he said, ‘We’ve got a new guy on board, Steve Fleming. Why don’t you work with him?’ Steve jumped on it, said, ‘We want to work with you, don’t sign anything.’ He said we want to keep you and if it makes sense, we want to keep working with you. That’s when I saw him in action.”

Konrad appreciates Fleming’s personal touch. “Steve is interested in your business and personally follows up; he doesn’t have minions do the work,” says Konrad. “If he says he’s going to do something, he does it, and then he gets back to you. If it needs a certain amount of power—since banks have a structure as to who can do what—he jumps in, has the power and does it. Most banks have marketing departments and most banks say they’re interested in your business. Some follow through and some don’t. Steve just does a better job. I’m sure he’s going to be successful, whatever bank he runs.”

Ending balance

Why did Presidio Bank choose Santa Rosa for its first loan office?

“Largely, it’s driven by the people we know in that marketplace, both on the employee side and on the potential client side,” says Fleming. “Our business is all about trust. There has to be mutual trust to be successful in banking, and trust is based on relationships. We think we have an advantage in Santa Rosa, because we have a certain foundation already built there. Santa Rosa also has obvious physical advantages, and I think the economy over the long term is going to be a good one. This is an excellent part of the world to live in and do business. All of those things were positive factors for us.”

So where does Steve Fleming see Presidio Bank in the future?

“Our vision is to be the best business bank in the Bay Area.”

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