

## **Georgia's Business #406**

### **Guest: Ron Francis President and CEO, First Landmark Bank**

**Richard Warner:**

Welcome I'm **Richard Warner** and this week on Georgia's Business, he spent a career working his way up managing some of Georgia's most prominent local banks and in April he took the plunge and opened his own. Ron Francis of Cobb County is President and CEO of First Landmark Bank, featured this month in Georgia Trend Magazine. This week, the lesson in working for someone else then how they can help you if you decide to strike out on your own. You were retired, you made it.

**Ron Francis:**

True.

**Richard Warner:**

And then?

**Ron Francis:**

I decided that a bank was needed in Marietta. I guess if you go back a hundred and twenty five years in Marietta. There have been at least one to five banks headquartered in the city of Marietta. About a year ago the last bank was sold to United Communities Bank. It was Southern National Bank so I decided along with a group of local business people that we needed to have a bank in Marietta so we formed First Landmark Bank.

**Richard Warner:**

But Ron, you were retired.

**Ron Francis:**

I was retired and did that for about thirteen fourteen months and got to play a lot of golf. Worked on my golf swing.

**Richard Warner:**

Is it as good as I imagine it?

**Ron Francis:**

No. Well that depends. I mean we travel a lot. We have a house in the beach. We have a house up in North Carolina. So we got to do a lot of things, my wife and I.

**Richard Warner:**

You were driving her crazy?

**Ron Francis:**

I think so. And she said it's time to go back to work. I think she realized after about twelve months that she could see I was getting ancy and that I wanted to do something else. I had an office in the old Bank so people could see me come and go even though I was doing mostly civic stuff out of there. But I'd get calls from them saying, it's not quite the same since you've left. We're not being treated the same way as when we were a smaller community bank. I said I can't do anything about it, I'm retired. So I felt like I needed to come back and do something.

**Richard Warner:**

Well this is even bigger than deciding to get back into the work force because when one direction you can take is to just go back into the bank and be an executive again, extremely comfortable territory. I mean, this is like the nuclear option. You're going to start one of your own from scratch? That's a lot of everything.

**Ron Francis:**

Yeah. But I've got a track record. Actually this is the third time I've started one. I started the first one when I was about thirty seven years old. Called Chattahoochee Bank up in Cobb County. We sold that out to Bank South who then became a part of Bank of America. Right before we sold out I went to another bank that had just opened about a month before called Charter Bank and where we didn't have anything there so we kind of built that up and we sold that to Sonovis Bank in nineteen ninety nine. So I'm kind of used to starting banks. But this is the first time I've had the opportunity to pick everybody staff wise as well as directors.

**Richard Warner:**

There you go. I'm wondering does that track record of doing this twice give you...you just know so much. Particularly people.

**Ron Francis:**

Well it's changed. There's a lot more paper work than there was back before. But since you do have a track record, everybody knows how well you've done, or at least they think they do, and so they're willing to take that step with you. And if you've watched banking in the last five years in metropolitan Atlanta, we have probably had forty banks start in that period of time. Most of them though are being funded off in a large part by investment funds. And when we started our bank, we actually had six investment funds come to us and said we want to buy one percent to nine percent of the bank. By the time we got to the point of raising money, all six had dropped out and said we've made enough investment in Atlanta, we don't want to invest in another bank.

**Richard Warner:**

So you went to 200?

**Ron Francis:**

We went to two hundred thirty five people, of which eighty five percent are all located in Cobb County and they provided us the twenty million plus dollars to start.

**Richard Warner:**

Was this the right time to do that? Is there ever a good time but is this the right time?

**Ron Francis:**

Oh I think its great time to be a new bank because you don't have any problem with loans. So we've got the advantage over everybody else who's working on cloud loans. Now if you ask me back in December, January, when we were raising funds was this a good time, I probably would have said no because everybody was a little skeptical about another bank. They were seeing the economy turn. From the time we put our application in which would have been May of 2007, you could see the economy starting to turn and by the time we got approved, which was about September, the economy had turned. And so people were worried about where they're going to put their money, a large part of investors in Atlanta, traditionally in the banking area, have been in the real estate market. Well those people weren't going to invest in banks because basically they were keeping all their dollars dry so that they could pay off their loans and do certain things, or if they could get discounts on land as the economy continued to go down, then they'd go out and do that.

**Richard Warner:**

So are you tapping Ron's network and the boards?

**Ron Francis:**

Pretty much. Basically we tap the boards, we tapped the employees. The employees would say, Ron you go in your office, you sit there for eight hours, and you dial for dollars.

**Richard Warner:**

So you got the pitch down? That's very interesting. The Georgia Trend article, this surprised me, just this little factoid, they said, and it took much longer than you thought, it took four months.

**Ron Francis:**

Yes. We thought we could get it done in two.

**Richard Warner:**

Well you know anybody who has tried to raise money for a company knows what an arduous process it is and it can go on for years.

**Ron Francis:**

That depends. I mean like back several years ago I mentioned we had started Chattahoochee Bank which is one of the first community banks started in the eighties. At the same time the same group decided to start Buckhead Bank. They put it under the same holding company. We raised twelve million dollars in seven days. And actually we only wanted to raise seven and a half so we gave back almost five million dollars.

**Richard Warner:**

This is when?

**Ron Francis:**

1986. So the dollars are there and people have made a lot of dollars over the years. If you go back to the eighties, and let's start with Chattahoochee Bank in nineteen eight three, they're probably a hundred banks started from 83 to the end of 89. None of those banks are in existence today. They've all been sold to somebody else. So a lot of people made a lot of money. You go from nineteen ninety to two thousand, they're probably another hundred and fifty banks started. Probably there's only about fifty of those banks left. They've all been merged into somebody else.

**Richard Warner:**

Well that's the goal isn't it?

**Ron Francis:**

Well it has been in the past, but I don't think the exit strategy that we used in nineteen eighty three and eighty eight can be the same as the exit strategy now because all the big banks are pretty much where they want to be. Now they're going to want market share and if you want to come into Atlanta, you have to look at somebody that's a billion to two billion inside. And there's really only really three or four banks that are still independent that are that size in the metro area.

**Richard Warner:**

What's your cap?

**Ron Francis:**

We raised twenty one million.

**Richard Warner:**

So you got to hit a billion to be a big enough fish to get noticed by one of the bigger fish now. So you're going to have a different strategy. Your investors are going to be looking at, well if the traditional strategy doesn't work, what are you going to do now?

**Ron Francis:**

Right. Well we build it to make a profit and to pay dividends back to those people. It might not be a return on them selling the bank, but you can also grow the bank and provide them with dividend down the road. In banking today, generally you're going to lose money for the first year. And then the second year it's going to take you the whole year to gain back what you lost when you were developing the bank in that first year. And then the third year, you start making a profit.

**Richard Warner:**

You're predicting a profit in first quarter oh nine.

**Ron Francis:**

That's correct.

**Richard Warner:**

Which is pretty aggressive. Particularly given where we are in this cycle.

**Ron Francis:**

Right. Well I think we've got good people. We have eight officers in the bank and fourteen employees. OF those eight officers, we probably have a hundred and fifty years of banking experiences. Probably a hundred and thirty of its in Marietta Market. And I always believe that people bank with people. They don't bank with the institution. And so all the lenders have a portfolio that kind of follows them. And since I've been in that market for thirty plus years, I guess I have a portfolio that follows me also.

**Richard Warner:**

This is probably, not to disagree, but in fact you're probably agree with it, consumers I think bank with a bank. They don't know anybody behind the counter or few people because there's such turn over. I go because there's a branch right there. But on a business level, I want to bank with somebody that I know in case I have a problem or an opportunity, I want to know you and I want you to know me.

**Ron Francis:**

Right. And that's what the community bank can provide. Basically the nitch that we're in, we do not do anything with the consumer what so ever. We deal with small to medium sized businesses and professionals. Accountants, the lawyers, the doctors, the dentist. And that's the nitch we've had, the same nitch I've had for all the banks I've been in for the last thirty years.

**Richard Warner:**

How do you get customers?

**Ron Francis:**

Referrals. Calling on people that you know. And as I said, loyal customers that you might of put in business many years ago that continue to follow you wherever you go.

**Richard Warner:**

And so what do you offer a small business person that the other community bank down the street does not?

**Ron Francis:**

I think all the community banks offer about the same thing. The only difference is you have that relationship with that borrower and that you've been banking that borrower over a number of years and you've seen the borrower have good times and bad times and you've always been there for them. To me it's like being a school teacher. If you see a student that has a lot of capabilities but not totally using them, and you can do something to help that company raise their level of productivity, raise their level of profitability, that

owner is going to stay with you. I'll give you one example. I had a client many years ago who basically was in the motivational speaking area. But he felt he was on the road three hundred days a year and he wanted to stop traveling, he had a young family. And I suggested to him out of the blue, why don't you videotape what you do. Well he did. and he made millions of dollars off it. So he became a very loyal customer after he retired and moved to Florida.

**Richard Warner:**

Banker is consultant?

**Ron Francis:**

That's what I look at. You know a small business, and I know you're a small business man, basically you would rely on your accountant, you rely on your lawyer, but you don't necessarily totally rely on your banker. He's there to provide money, or she is there to provide money. What we look at is the three legged stool. That the banker is part of that crew and the attorneys going to tell you certain things to follow the law. The accountants going to tell you ways of saving money and taxes. And we're going to say in order for you to build your business; you need to keep a certain amount of capital in here. And in order to do that you're going to have to pay taxes. But it's something we often agree on and then take your from level to level as you continue to grow.

**Richard Warner:**

Yeah sounds familiar. You naturally don't want to pay taxes so you tend to empty out the account to pay yourself or whatever.

**Ron Francis:**

When you come to the banker for a loan because you want to grow, he says, where's the money? You know you need to have so much capital in here; you need to have that twenty or twenty five percent down so we can take you to the next level.

**Richard Warner:**

What about now? If this business owner came to you now and had that twenty five percent that they were ready to put down, I mean certainly if you read the paper, they're going to convey the impression that there is no money out there. There is no credit. How accurate is that?

**Ron Francis:**

I don't think it's totally accurate. I think there's still places for new businesses to start. There are places for businesses to continue to grow. I think sometimes when you continue to read what the media says in the paper, people over react. And tend to say, well you can't get any credit. Or maybe some of the larger regional banks are having a problem with a certain industry and so they react and say we're closing off everybody there. Well, in an industry there are some good people that are customers. And that's what we try to go after so as a new bank, we don't really have any loan problems, fortunately. But we're able to go after our old customers that are still with other banks, or we can go

after new customers being referred to us that other banks are ignoring right now because they're basically trying to work out a work out situation.

**Richard Warner:**

So is this as bad as you've seen it?

**Ron Francis:**

It's the worse I've seen. Almost forty years of working.

**Richard Warner:**

No kidding. Any sign what direction it's going.

**Ron Francis:**

I'm thinking this could go worse because as they continue to take in foreclosures on homes, the builders can't sell anything, the developers cant sell lots and it's been going on probably the latter part of 2006,

**Richard Warner:**

Okay that's in the home construction business and I've seen the bell curve and we still probably have a ways to go because the run up is so high, we've certainly all enjoyed that but what about business? The impact on business, is this the same thing?

**Ron Francis:**

In certain cases I think you have to think not only of the construction industry but all the related areas in the construction industry. I mean who's providing the carpet, the subs that are providing dry wall, the subs that are doing other stuff, they're all slowing down, which affects other businesses. Those that are in the service industry, it some what affects them because you see so many people being laid off now, and that's having an affect. And people are having to use their savings in order to keep the lifestyle that they had before. And with gas up, you're not seeing as many people going out to eat. Or you may not see as many people going out on trips, or going to the movies so it affects an awful lot of different areas.

**Richard Warner:**

So if I come to you and I need something for my business are the standards different than what they were two years ago?

**Ron Francis:**

Probably. Maybe not the standards that I have because I've gone through this before.

**Richard Warner:**

What is the lesson, having gone through this?

**Ron Francis:**

Well I think what we say over the last few years is that you have a lot of bankers that have never been through a bad time. Everything was great. And they didn't recognize the

signs of problems coming along. And that's where somebody that's been in the business twenty years twenty five years, if they went back to the nineties, that's the last time the real estate market was down. If you went in the bank in the seventies it was pretty bad too. And so you've got to mentor those young people and say, wait a second, not everything is good. But we also as banks had to get the money out; you know in order to make the profit because, if you're a publicly traded company, the analyst is expecting you to do certain things. And for instance, I looked at EXXON announced their earnings as the largest quarterly earnings ever in the United States by a company and Exxon went down four dollars a share because they didn't need the analyst assessment.

**Richard Warner:**

You don't have to deal with that. You just have to keep that group of investors.

**Ron Francis:**

I have to keep investors happy and tell them, on a quarterly basis how we're doing. How we're growing. Are we going along with plan? Our growth is that we bring in the deposits first, and then we make loans. The loans will not exceed the amount of deposits we have.

**Richard Warner:**

Is that unusual?

**Ron Francis:**

Pretty much unusual yeah.

**Richard Warner:**

Because usually the loan volume is much higher?

**Ron Francis:**

Well the volume is much higher and you use broker deposits and we're trying not to do broker deposits. We want to just grow with core deposits.

**Richard Warner:**

We've kind of touched on this. We need thirty two five percent in the bank if I want to come, which I presume then do you tie that up?

**Ron Francis:**

Oh of course.

**Richard Warner:**

Well I come to you with my twenty five percent that you're going to tie up, what are you looking for? What do I need to do a part from that basic condition, to get the answer I want?

**Ron Francis:**

We're going to want to look at the business plan where you've basically projected out three to five years what you're planning on doing. We want to look to see performance to

see basically when you think you'll be profitable if you're not already profitable, and how this new dollars are going to help you continue to grow your company. And we'll be looking at tax returns on you. We'll be looking at tax returns on the business. We'll be looking at your own personal financial statements and kind of rolling it all together and then we basically say yes or no and this is how we can do it and this collateral we're going to have to take.

**Richard Warner:**

There is an organization in town called TAG which is a professional group for technology, CEOs and so forth, and they put up a very interesting survey of their senior members. What have you learned in your career? And one of the things that came out almost at the top of the list was, you must have a relationship with a banker. You have to have somebody who you can go to in good times and bad who can help you do this stuff. How do you determine what's the right banker to have?

**Ron Francis:**

I think you just have to go to various people and sit down and talk to them to see which one of those people that understands your business and basically can talk to you one on one and that you feel very comfortable with telling them all your financial secrets because that's basically what you're doing with the bank.

**Richard Warner:**

And that's pretty darn intimidating.

**Ron Francis:**

It is intimidating. Maybe it was the reason I got in banking to begin with because I thought a banker never went out to call on anybody, they just sat behind this desk and kind of acted like God and you could have the power say yes and no. I found very quickly that that's not the case. I mean all bankers are sales people because we have a product that everybody wants. It's how you package that product and how you package the services that you're providing.

**Richard Warner:**

You want to say yes in the right situation and people don't really realize that when they've got their hat in their hand and their briefcase full of paper that they're kind of nervous and embarrassed about showing you, I presume.

**Ron Francis:**

They are.

**Richard Warner:**

Okay I feel better.

**Ron Francis:**

And you know you got to make sure that they understand that everything's confidential, everything's private. You got to make sure the directors who sit on the loan committee

when you're dealing with all local people, that everybody knows each other socially, you got to make sure that they commit that whatever they see in that room stays in that room. That you don't go to the country club and over drink say, well Mr. Smith was in here today and you cannot believe he is or something. You know, you can't do that. You've got to keep everything in a very professional level.

**Richard Warner:**

I noticed Sonovis was a part of your resume. Sonovis, Columbus based, highly regarded bank. Very impressive history of management. What did you learn working within the Sonovis firm?

**Ron Francis:**

Well I learned I guess from Jimmy Blanchard and Jimmy Henson who really were the people that got Sonovis to where it is today. You saw a tremendous team with Jimmy Blanchard being the visionary. He was the lawyer who came in when his father died and took over Columbus Bank and Trust at an early age. But he had to have that banker sitting behind him that knew how to take that vision and put it in a working project or details and cover all that stuff and that was Jimmy Henson. They made an excellent team and they built Sonovis up to a great place. And when had the opportunity to sell and basically we had a two bank holding company, Randy, Carol, and myself, called Merit Holding company. We had a lot of suitors back in nineteen ninety nine because Merit Holding Company was ranked by U.S. bankers when the top five small holding companies in the United States. Well you can imagine once that came out how many people wanted to come buy you. But the way we looked at it, we wanted to sell to what we thought was the best organization and an organization that would look after people and that is Sonovis. They care about the people. That's where I retired from. I mean I was Vice-Chairman of the bank in North Georgia which is probably the largest affiliate they have and headquartered here in Atlanta.

**Richard Warner:**

But it grew, pretty much came out of no where.

**Ron Francis:**

Well we put six banks owned by Sonovis in there. So we went from a billion dollars to three billion when we put Merit Holding Company in there and since then they've put five other banks in there, and now there are seven billion dollars in size.

**Richard Warner:**

And now First Landmark, you're up, you're running, you're going to be building the building?

**Ron Francis:**

Matter fact, I met with the builder yesterday.

**Richard Warner:**

What's the exit strategy for this? Obviously at this point you want to make money. You want to enjoy.

**Ron Francis:**

We want to make money and as of right now, there is not an exit strategy. We want to be a community bank that is there a hundred years from now. And all the directors feel that way. Now I won't say that if somebody comes along after three years when this first time you can sell and makes an offer that we might not take it, but right now pretty much the board has agreed that we're here to be a community bank.

**Richard Warner:**

Looking forward, you've already retired once. You're getting good at it. How long are you going to do this?

**Ron Francis:**

When we set out, I told them I would do it for five years. And somewhere along that period of time, I would move from the Presidency to the Chairman of the Board.

**Richard Warner:**

Which means you won't have to make sale calls.

**Ron Francis:**

No. It means I'll still be around, but not probably working eighty hours a week. I would bring in two people that either one could be the president. And we would watch them over the next three or four years to see basically how the bank goes and how they do. And both of them could actually be very good presidents.

**Richard Warner:**

And those people are in place?

**Ron Francis:**

They are in place.

**Richard Warner:**

You have found those people and are in the process now of letting them grow as they will.

**Ron Francis:**

Right and one's in the financial area and ones in the lending area. And I sit there and watch what they do and try to help them and mentor them whenever I can.

**Richard Warner:**

A succession planning my friend. Very interesting.