



# CEOCFO

## Interviews & News!

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### First Sound Bank Is Meeting The Need For An Independent Commercial Bank In Downtown Seattle That Is Focused On Small And Medium Sized Businesses



**Financial  
Commercial Bank  
(FSWA-OTC: BB)**

**First Sound Bank**

**925 Fourth Avenue, Suite 2350  
Seattle, WA 98104  
Phone: 206-515-2004**



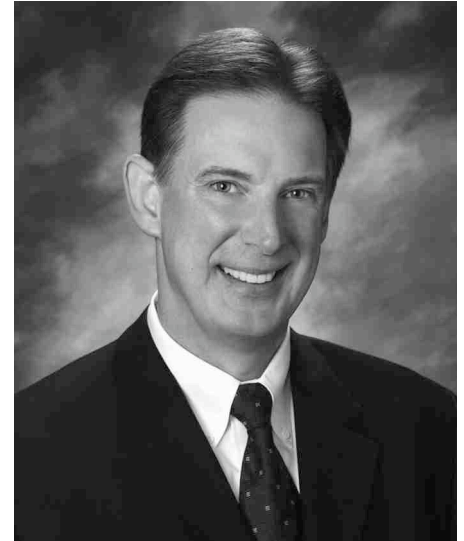
**Don L. Hirtzel**  
**Director Since 2004**

*Chairman and Chief Executive Officer*

#### **BIO:**

Mr. Hirtzel has been involved in the banking industry for 39 years with the past 26 in the greater Seattle-Eastside markets. He resigned as Senior Vice President and Division Manager of Business and Professional Banking from Pacific Northwest Bank (Wells Fargo) to

pursue the formation of First Sound Bank. At Pacific Northwest Bank Mr. Hirtzel developed a new King County Commercial Banking Team in addition to managing the activities of five other Business Centers throughout Washington. Prior experience included serving as Executive Vice President in charge of production for Tacoma-based Columbia Bank and various other Senior Vice President positions with responsibilities in retail, business and corporate banking for Rainier National Bank, Security Pacific Bank, West One Bank and U S Bank. Mr. Hirtzel was recognized in 1984 as Area Executive of the Year by Rainier National Bank, in 1991 by Security Pacific Bank as Business Banking Center Leader of the Year, in 1992 by West One Bank as Banker of the Year, and in 1998 awarded the U S Bank Leadership Award. Mr. Hirtzel currently serves on the Board of the Council of Better Business Bureaus, a national organization based in Arlington, VA. and is also Board member of the local Better Business Bureau of Western Washington, Oregon and Alaska where he has served for 7 years and was their former Board Chair. Mr. Hirtzel has served on a variety of community boards over the years including the Bellevue Chamber of Commerce, Kirkland Chamber of Commerce, Bellevue Community College Foundation (where he served as Treasurer), Youth Eastside Services and Junior Achievement. Mr. Hirtzel is a graduate of the University of South Dakota and a graduate of the Colorado Graduate School of Banking at the University of Colorado.



**Steve Shaughnessy**  
**Director Since 2004**

*President and Chief Operating Officer*

#### **BIO:**

Mr. Shaughnessy has 27 years of experience in the Seattle banking and finance market encompassing a wide range of positions in traditional banking as well as asset-based finance. In 1990 he helped form CAPCO Financial, for which he served as President until the company was sold to Greater Bay Bancorp of Palo Alto, Ca. in 2001. CAPCO designed and delivered secured finance products targeting high risk or non-conforming small and medium-sized business borrowers in Washington and Oregon. Prior to forming CAPCO, Mr. Shaughnessy was a Vice President with First Interstate Bank of Washington and Rainier National Bank with various positions in retail branch management, internal bank auditing, commercial lending and business development. He is a graduate of the University of Washington with a BA degree in Finance and Accounting.

## Company Profile:

First Sound Bank is a Seattle-based bank offering customized banking for small- to medium-sized businesses, organizations, not-for-profits and professionals in the Puget Sound region. Founded by a team of veteran local banking executives, First Sound Bank is committed to delivering personalized service, convenient access and competitive rates to support the needs of the business community. First Sound Bank offers online banking plus an expansive banking network in the western U.S., as well as ATM banking throughout the country and abroad.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Hirtzel, what was the vision when you founded First Sound Bank and where are you with that vision today?

**Mr. Hirtzel:** “We founded the bank in 2004 and we just celebrated our third year anniversary on July 19<sup>th</sup>. The vision for First Sound Bank was that we saw an opportunity and a market need for an independent commercial bank in downtown Seattle. It really resulted from a couple things, primarily big bank acquisitions, which created unrest in the market place and our focus on business banking. So when we say we are a commercial bank vs. a community bank, we take that seriously because we are focused on attracting small and medium sized businesses to First Sound.”

**CEOCFO:** What is the economy like in Seattle?

**Mr. Hirtzel:** “The economy here is very strong and there is a lot of job growth led by Microsoft Corp.(Nasdaq-MSFT) and Boeing Co.(NYSE-BA.) Beyond that the economy is strong even below those big ticket names and small businesses are doing quite well. The real estate market continues to be very strong for both residential and commercial real estate, but more importantly our customers are doing well and they are doing well with

their clients. The whole northwest economy including Washington, Oregon and Idaho is particularly strong compared to some of the other regions in the country.”

**CEOCFO:** Is there a particular type of business that you focus on?

**Mr. Shaughnessy:** “Our target is broad based. We are looking at manufacturing, wholesale and distributing, professional service companies and not-for-profit organizations. We are not particularly targeting regions but, rather successful clients willing to consider an improvement in their banking relationship.”

**CEOCFO:** What do you do that is different with your customized banking?

**Mr. Hirtzel:** “We are unique in that we are on the 23<sup>rd</sup> floor of an office tower in

**“Steve Shaughnessy and I both came from the big banks and we both had extensive experience working for large financial institutions. We have been through multiple bank mergers in our 27 to 39 year banking and finance careers. We recognized there was a niche in this market that needed help getting through some of those mergers that are difficult for the business customers to cope with. We are offering our services in the commercial banking market, helping businesses improve their bottom line. They might find us to be good people to bank with, but they want to see that there is a financial advantage to bank here as well. Typically we offer a very substantial financial advantage for banking with First Sound Bank.” - Don L. Hirtzel**

downtown Seattle with no retail presence and yet we have had some remarkable growth. What we are doing differently is that we recognize this is a relationship business and we are out calling on customers and prospects that we have known from our prior banking connections, and offering them a different level of service. However, it is not just about better service; it is also about a better product offering and being a bit more competitive on some of the pricing offered particularly on the deposit side of a relationship. We have really focused on adding value to new customers with our deposit services.”

**CEOCFO:** What might you offer that you would say is a better product or a little different from other banks?

**Mr. Shaughnessy:** “I would say an example would be online banking, particularly focused on using our overnight suite of products for business customers. With the large banks we find they reserve those services for companies that are, in their mind, in the mid to large corporate market. We find that our target market is companies with annual revenues in the \$2 million to \$30 million space, which the large banks deem as their mass market and these clients often do not have access to these very standard products in banking which we can deliver at a modest fee.”

**CEOCFO:** As a newer bank is it easy to take full advantage of new technologies?

**Mr. Hirtzel:** “Absolutely! Before we formed First Sound Bank, we spent nine to twelve months researching vendors that could help us form this institution. There are some excellent vendors out there that can bring, to a small bank such as ours, all the services a big bank can offer and allow us to provide them very efficiently. The products can be more competitively priced and the sophistication is just as good as what the big banks can offer. We spent a great deal of time choosing our vendors selectively. These are vendors that continue to upgrade their products and services and then we can pass those upgrades on to our clients.”

**CEOCFO:** Are there services that you are not offering now that you would like to add?

**Mr. Shaughnessy:** “I do not know if there are but there may be and we continually evaluate that need. This is a very commodity driven business. In the financial services industry First Sound will not likely invent anything new. I would say that the latest, greatest technology in banking is the advent of remote deposit capture allowing businesses to make deposits electronically from their location. We led with that product last fall. And it

is now being discussed and implemented industry wide. It is really about how each institution chooses to embrace new products, price them and make them available for their clients. Of course, we do not have our own branch system; we are, therefore, very aggressive in our pricing of remote capture.”

**CEOCFO:** Do you see the need to branch out at all?

**Mr. Hirtzel:** “No. We do not anticipate branching at all. We have been adamant about that from the beginning. We have a unique relationship with three major correspondent banks that allow our customers to deposit anywhere in the country and the deposits are posted to their account at First Sound early the next morning. In addition, there is remote capture, as we have discussed, plus some of the less sophisticated ways to make your deposit such as bank by mail and courier services. We do not see ourselves getting into the retail banking environment at all; we want to continue to be a commercial bank. That is not to say that we cannot offer consumer products to the major owners of our companies or their employees, because we can do that.”

**CEOCFO:** Relationship is everything; what are the intangibles that you want in your people?

**Mr. Shaughnessy:** “The thing I look for are people that are anxious and aggressive to walk in any door to sell banking services. My opinion is that banking has done a terrific job of making order takers out of bankers. Our banking officers are long on service and they are also long on an aggressive tactic to be able to spread the word and to meet new business opportunities head on.”

**Mr. Hirtzel:** “They are not bashful about making a cold call; they are not afraid to ask for referrals when they are out networking in the community. They are not afraid to look at something that some

other bank may have declined. We look for ways to do things a bit creatively; not outside the box where it will get us into trouble, but certainly with a more aggressive posture than what we see in other institutions in this market.”

**CEOCFO:** How is business?

**Mr. Hirtzel:** “Business is good. Our assets are up over 30% from year end. Deposits and loans are up significantly and our profitability is up from \$290k to \$380k from first to second quarter 2007, which was recently reported. When we initially formed the bank people said we

**“What might not jump off the page is that we are a business bank. When people look at community banks and you are a state chartered bank there is a connotation of being a “community” bank, it really does not jump off the page that we have a business specialty emphasis. Many people give lip service to being a small bank; therefore, they are friends of business. We challenge you to find one, other than First Sound Bank, that does not have greater than 75% of its earning assets in real estate secured transactions. They are real estate banks primarily and a business bank secondarily. We are on the inverse and that is probably the single biggest differentiator of what we are doing. To be a business bank, we have to be cash management consulting experts, we have to provide services for businesses that are like the large bank but with a custom feel of a small bank. To that end, those are things I do not believe that community banks are particularly steeped in, whether in their practices or in their experience.”**

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would have a challenge growing deposits. We have proven everybody wrong in that regard. Deposits have been a real plus for us. We emphasize core deposit growth; we are out selling deposit services, as aggressively or more so, than we are selling lending services. The other important point is we are not a commercial real estate bank. We are a C & I (commercial and industrial) bank. We will do commercial real estate, but if you look at a lot of the other banks in this market or other parts of the country, they are full of real estate loans, construction loans, and acquisition and development loans. We

have done some of that, and very competitively, I might add, but it is not our highest priority.”

**CEOCFO:** What has allowed you to weather the interest rate scenario, and how do you plan for the fluctuations?

**Mr. Shaughnessy:** “With the interest rate environment you find it extremely difficult for community banks to offer long term fixed rate loans especially with the real estate conduit market so competitively priced and eager to do those deals. We, as a small commercial bank, cannot source deposit dollars that cheaply and therefore really cannot compete with the money centers for fixed rate real estate loans. Therefore, our model, of being primarily skewed toward commercial and industrial banking, frankly isn’t affected by that. Revolving lines of credit for working capital and capital assets and acquisition financing are very common loans that are tied to a variable rate index (generally prime) and those types of loans are a very large percentage of our portfolio which is variable rate by nature.”

**CEOCFO:** Good position to be in.

**Mr. Shaughnessy:** “It is a very good position and we have the luxury of being there because we are new. Our business plan caters to a broad market of commercial and industrial lending.”

**Mr. Hirtzel:** “Our net interest margin is strong and certainly not deteriorating, which is also counter to what many banks are experiencing at this time.”

**CEOCFO:** What is ahead for First Sound Bank?

**Mr. Hirtzel:** “As of June 30 we were \$160 million in total assets and we think we can grow the bank significantly more with the equity that we have. We raised \$20 million when we started the bank. We went out and raised another \$11 million last fall. We have the equity base to continue to grow this institution substantially and we think there is the opportu-

nity to do that in Seattle and greater King County.”

**CEOCFO:** Why should investors be interested and what should they realize about First Sound Bank that might not jump off the page?

**Mr. Shaughnessy:** “What might not jump off the page is that we are a business bank. When people look at community banks and you are a state chartered bank there is a connotation of being a “community” bank, it really does not jump off the page that we have a business specialty emphasis. Many people give lip service to being a small bank; therefore, they are friends of business. We challenge you to find one, other than First Sound Bank, that does not have greater than

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**CEOCFO:** What should readers remember about First Sound Bank?

**Mr. Hirtzel:** “Steve Shaughnessy and I both came from the big banks and we

both had extensive experience working for large financial institutions. We have been through multiple bank mergers in our 27 to 39 year banking and finance careers. We recognized there was a niche in this market that needed help getting through some of those mergers that are difficult for the business customers to cope with. We are offering our services in the commercial banking market, helping businesses improve their bottom line. They might find us to be good people to bank with, but they want to see that there is a financial advantage to bank here as well. Typically we offer a very substantial financial advantage for banking with First Sound Bank.”



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