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**monitor***daily* ■ 40 Years Serving the Equipment Finance Industry

## MONITOR EXCLUSIVE: PROFILE OF SUCCESS

### Building on Success...

## First American Preserves Unique Distribution Model Under City National Bank

BY LISA M. GOETZ

**First American Equipment Finance CEO Bill Verhelle** reflects on the company's acquisition by the 23rd largest bank in the U.S. and notes how the combination of FAEF's unique distribution model, similar corporate cultures and having access to capital has "dramatically exceeded" his expectations.



**BILL VERHELLE**  
CEO, First American Equipment Finance

**W**hen City National Bank acquired First American Equipment Finance in 2012, CEO Bill Verhelle had to adjust from running a small, independent company to life under a bank's umbrella. He hadn't worked at a large bank since the mid-1990s, when he left Tokai Bank to attend law school. Since then there have been many changes in banking, especially in the aftermath of the Great Recession. While confident that joining City National was in the best interest of his company, its employees and clients, he nonetheless was bracing himself for a significant change.

"My experience has dramatically exceeded all my expectations. City National Bank is a credit worthy, financially stable bank, the 23rd largest commercial bank in the U.S. with about \$27 billion in assets. City National hasn't had a quarterly loss in 20 years. Likewise, we have always run a sound business with tight control. The reality is that there haven't been any material changes to what we are doing. We are off to a great start," Verhelle explains.

One post-acquisition change that Verhelle welcomes is access to capital. With a more competitive cost of funds, First American is able to provide customers with better offerings, a broader array of equipment financing and a host of banking services.

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"More than a quarter of our time at First American was spent in capital-raising activities, prior to the acquisition. Obviously, all of that energy and time is now deployed in a more customer-focused way to grow the business and to better serve our clients. We are also fortunate to now be in a position where we have many more resources," he notes.

#### Melding Operations

In January 2013, the existing leasing division of City National was merged into the operations of First American, leaving Verhelle with the responsibility of combining the leasing efforts, business models and personnel. Today he oversees a combined portfolio of approximately \$600 million.

According to Verhelle, City National is a major banking force in the entertainment industry in Los Angeles and its equipment leasing business was situated primarily in California and Nevada operating as a cross-sell product to bank clients. Verhelle has enlisted the help of long-time industry friend John Unchester, who led the leasing business at Chase for many years, to lead the cross-sell initiative and to work closely with several highly experienced professionals on the bank support team. "A bank leasing company and cross-selling into a bank is quite a bit different than our model, which is a unique centralized 50-state, direct distribution model. We are fortunate that John came on board. John worked in Manhattan for many years, and the bank is currently expanding into Manhattan, so it is an ideal fit. John and his team are doing a great job for us," Verhelle says.

# PROFILE OF SUCCESS

First American employs 125 people, with about 85% working out of the Rochester, NY headquarters. Verhelle is quick to acknowledge both new and existing talent, in particular the management team at First American including president Alan Sikora; Mike Wiedemer, national sales director; Mike Ziegelmann, chief credit officer; Mark Tomaselli, chief information officer; Karen Pomazal, senior vice president of marketing; Laurie Leo, chief financial officer; and Adam Fay, senior vice president of operations.

"We've got a wonderful group of people who have built this business with their dedication and hard work. We have attempted to create a different kind of organization where people are connected to what they do, where they work in small teams, where people are promoted from within and where everyone can have a meaningful and direct impact on the company's success," he explains.

In addition to bringing people together, Verhelle and his team are working closely with the bank to develop ways for the businesses to work effectively together and cultivating opportunities. First American's primary focus remains hospitals, law firms, colleges and universities. City National conducts significant business with law firms through its 50-state investment management business and retirement plan business. The bank also has a healthcare lending business. Later this year, First American will begin to learn about how it might serve City National's highly regarded entertainment industry business.

## Unique Distribution Model

First American's distribution model and technology are important to the company's success. As Verhelle explains, most equipment finance companies have evolved out of the branch-banking model to deliver products, in which remote salespeople serve different geographic locations and funnel into headquarters. Conversely, First American's model is entirely centralized and involves training personnel, often early career professionals, to grow with the company. Most work in Rochester and are assigned to a particular team, working specifically in one vertical to become experts in the needs of those particular clients. Specialization and industry knowledge are the keys to adding meaningful value to the CFOs First American serves.

The model's success has grown as technology has advanced. "Two things have happened: First, technology has evolved to the point where it is much easier and more efficient to connect with people without physical travel. Second, the world has changed for the people we serve. It used to be that CFOs had time to go to dinner or play golf with service providers. That's just not the case anymore; their schedules have gotten to the point where they really don't look at going to lunch with someone as a perk. It has become a burden. Our model is not that innovative — it is happening in most other business-to-business sales, it just hasn't yet happened in financial services," Verhelle explains.

Despite the highly competitive environment, Verhelle says First American has a tremendous opportunity because the company is a small player in a large market, has a unique value proposition, and with City National as its parent, has stronger offerings and more resources.

"It is the most competitive first half of the year that I have ever seen, with many companies investing in new or expanding equipment leasing businesses. But our value proposition for our clients has never been stronger. And our business model is inherently more efficient. Our margins have held up well, and we serve many of the largest and most desirable clients in the United States. It's a difficult marketplace right now because it is so competitive, and you have to be different, add value and work hard. We have people who do whatever it takes to meet their commitments and at the end of the day that makes the difference," he adds.

## Compatible Corporate Cultures

The acquisition's success stems from the companies' similar corporate philosophies. Both First American and City National serve credit-worthy clients and differentiate themselves through a concierge service model. When conducting business with First American, a customer communicates with only one high-level administrative professional throughout the life of the relationship. Likewise, City National is consistently recognized for its exceptional service model, Verhelle notes.

"City National is an entrepreneurial company and has a reputation of professionalism and integrity. We have always strived to build the same type of corporate culture. It was a perfect fit because of the bank's philosophy of transparency and client service," he explains.

In describing City National's distinctive culture, Verhelle points out that the bank has had only two CEOs in more than 50 years — Bram and Russell

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Goldsmith, father and son. Bram Goldsmith currently serves as chairman and a director of City National Corporation, the bank's publicly held parent company, which is headquartered in Los Angeles, and a director of City National Bank. Initially, he was elected to the bank's board of directors in 1964. Bram was chairman and CEO of both companies from 1975 to 1995. Russell Goldsmith became chairman and CEO of City National Bank in 1995. He also serves as president and CEO of City National Corporation. Russell has been a director of both the bank and its parent company since 1978.

"I'm honored to play a small part in this organization with an outstanding CEO, Russell Goldsmith, who is often regarded as one of the best CEOs in the country. I report to the president of the bank, Chris Warmuth, who is an exceptional leader and a great person to work for. I've learned a great deal from both Chris and Russell, and I'm honored to be an employee of City National Bank. For the last 17 years I've been on my own to figure things out, as the CEO of a very small company. It's been exciting to work for such accomplished people and to play a small role in such an outstanding organization," Verhelle adds.

The new arrangement seems to be working for First American's employees, as well. In April 2012, immediately following the acquisition, First American was named first-place winner of the "Best Companies to Work For in New York State" survey in the small/medium-sized employer category conducted by the Best Companies Group, a research firm that distinguishes companies that demonstrate workplace excellence. This year, First American was again in the top five, recognized for its outstanding achievement in employee engagement, based on employee surveys, human resources benefits and practices and its employee-focused philosophy.

"The day after we sold the company it was announced that we were the number-one company on the 'Best Companies to Work For in New York State' list for employers with fewer than 250 employees. This year we were number five. A year after an acquisition to have your employees, on an independent survey, still put you in the top five is a big deal. I don't know if it happens very often where you have an acquisition and you have that kind of employee support and engagement a year later. It's a testament to the folks at City National and the professionalism with which they operate," Verhelle says. ■

LISA M. GOETZ is editor of the *Monitor*.

