

# TriState raises \$85 million to launch bank

## Startup is largest in state history

BY PATTY TASCARELLA

TriState Capital Bank has raised \$85 million, making it the largest startup bank in state history when it began operations Jan. 25.

The Downtown-based bank received its charter from the Pennsylvania Department of Banking and authorization from the Federal Reserve Bank of Cleveland, whose territory includes Western Pennsylvania, and the Federal Deposit Insurance Corp.

Now the push is on for TriState to fulfill its game plan. That includes opening offices in Pennsylvania, New Jersey and Ohio, the states from which the bank takes its name; doubling initial staff of 30 at its headquarters on the 27th floor of One Oxford Centre; holding a public offering four years down the road; and raising at least another \$15 million.

President William Schenck expects to hit or even surpass TriState's \$100 million goal by the end of March.

The \$85 million is more than double the largest amount raised by a startup bank in Pennsylvania history, but TriState could surpass the U.S. record, set in 2005 by Durham, N.C.-based Square One Bank, which raised \$105 million.

"We could exceed \$100 million," said Schenck, previously an executive at PNC Financial Services Group Inc., Downtown, and Pennsylvania secretary of banking until his August 2006 resignation. "I can tell you there's a substantial amount of interest."

But \$85 million is nothing to sniff at, said David Danielson, president of Danielson Capital LLC, a Vienna, Va.-based consultancy to financial institutions that has worked with startup banks across the country, though not TriState.

"That's a lot of money," Danielson said.

And because of that, it's crucial for TriState to hit the ground running and quickly add offices in other cities, Danielson said.

### BUILDING NEW MARKETS

Startup banks are rare in the Pittsburgh area: TriState is only the fourth in more than 40 years, and it serves a very specific niche. It is not

opening retail branches but is a full-service commercial bank serving midsize companies with sales ranging from \$5 million to \$100 million, professionals and high-net-worth individuals.

That means it will take on strong competition here, with long-established banks and an increasing roster of outsiders such as Chicago-based LaSalle Bank Corp., San Francisco-based Wells Fargo & Co. and Charlotte, N.C.-based Wachovia Corp., which are courting middle-market Pittsburgh companies.

"They have to leverage that capital and be an \$800 million to \$1 billion institution within three years," Danielson said. "To do that, they'll have to make at least \$800 million in new loans, and the Pittsburgh market can't handle that."

The major markets TriState expects to enter won't be easy sells.

"In Cleveland and Philadelphia, there are formidable competitors," Danielson said. "TriState will be perceived as a Pittsburgh bank."

Schenck said TriState will open in Philadelphia by mid-2007, but its first office outside headquarters will be in Johnstown, due to open next month, led by Bill Locher, a former executive at First Commonwealth Bank, Indiana, Pa.

Although TriState last fall identified several large cities where it wants to establish a presence, it has not said exactly how many offices it plans to open. Schenck also envisions additionally adding some offices in smaller cities across Pennsylvania.

"We could wind up in cities like Erie and Harrisburg," he said. "It's really a question of finding the right individuals to do this work and lead our effort in the market."

### MANAGEMENT STRENGTH

At the top management level, TriState has Pennsylvania covered. The other two founding partners are chairman and CEO Jim Getz, a former president of Federal Securities Corp., part of Federated Investors Inc., Downtown; and vice chairman and CFO Mark Sullivan, a former executive at Ernst & Young's Philadelphia office.

More than 300 private and institutional investors have signed on as TriState shareholders. Schenck said roughly half are from the Pittsburgh area and that six banks, some of them local, are among the investors. Schenck would not identify any investors.



JOE WOJCIK

**From left, TriState Capital Bank's chairman/CEO James Getz, president William Schenck and vice chairman/CFO Mark Sullivan plan to expand throughout Pennsylvania.**

"Many banks have portfolios of bank investments because they understand the business, or to develop an opportunity for loan participation," Schenck explained.

Such teamings are crucial for TriState to build its loan portfolio.

"It will allow us to make individual loans of around \$10 million and put together loan packages much larger so it won't be unusual for us to run a \$40 million to \$50 million loan transaction and to sell pieces to other banks," Schenck said.

James Miller, CEO of S&T Bancorp, Indiana, Pa., confirmed that it is a small investor in TriState. S&T holds sizable stakes in some other local financial institutions, such as Allegheny Valley Bancorp., Lawrenceville. Miller said it is possible S&T could partner with TriState on loan packages but added that "nothing (had been) agreed to."

"Bill's a great guy, and I admire the work he did as secretary of banking," Miller said. "They have a great team of folks there, and I wish them well."

TriState's plans include holding a public offering in four years, market conditions pending.

"It's our intention for this organization to be a permanent, Pittsburgh-headquartered bank that will be here for a long time," Schenck said. "The way people will get value from their investment is through an IPO and to have our stock publicly traded. (Other banks) like our plan, they want to make money on our stock."

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