

Servis1st Bank

Internal Control / Legal Issues to be Addressed

- Was the City's investment policy followed with regards to the Servis1st transactions?
- Did the City obtain a minimum of three competitive bids before placing deposits at Servis1st Bank?
- Were those three competitive bids recorded and retained by the Financial Services Department?
- Does the Mayor's obtaining a mortgage from Servis1st Bank one month subsequent to placing \$12,500,000 of City funds in the Bank constitute an inappropriate relationship with a vendor by the Contracting Officer of the City?
- Did the Mayor in any way contact, lobby for, or encourage Dick Barker, CFO, to place funds in Servis1st Bank?
- What was the timing of the Mayor making application for the mortgage loan in relation to the City's initial deposit?
- Was the mortgage that was obtained at arm's length and fully documented and supported by appraisals and other supporting loan documents with regular Servis1st guidelines?

Servis1st Bank Timeline

- On December 16, 2010, Mayor Hayward appointed Thomas B. (Bo) Carter, former President and CEO of Coastal Bank and Trust to his Transition Team. **(Tab A)**
- On April 1, 2011, Servis1st Bank of Birmingham, Alabama opened its Pensacola office. Thomas B. (Bo) Carter of the Mayor's transition team was named by Servis1st as their local Chairman of the Board. **(Tab B)**
- In the June 30, 2011 Deposit Market Share Report, issued by the FDIC, Servis1st was the 3rd smallest bank in terms of deposits in Escambia County Florida with \$24.9 million in total deposits. **(Tab C)**
- As of September 30, 2011, the City of Pensacola had \$74.4 million in investments. No money was on deposit with Servis1st Bank. All of the City's pooled investments yielded 0.25%. **(Tab D)**
- On November 10, 2011 the City of Pensacola deposited \$12,500,000 of the City's investment pool in Servis1st Bank at a yield of 0.30%. **(Tab E)**
- On December 20, 2011, Ashton Hayward entered into a mortgage with Servis1st Bank for use with a secured revolving credit agreement of not to exceed \$751,000. **(Tab F)**
- This debt is on top of a \$980,000 interest only balloon mortgage with Warrington Bank on his primary residence. **(Tab G)**

- The City's investment policy clearly states "Employees of the City who are involved in the investment process shall refrain from personal business activity that could conflict with State Statutes, City Ordinances, proper management of the City's investment program, or which could impair their ability to make impartial investment decisions." **(Tab H)**
- This mortgage satisfied a previous mortgage loan from Coastal Bank and Trust where Mr. Carter was previously employed. **(Tab I)**
- Mayor Hayward's primary residence was assessed by the property appraiser at \$877,000 in the 2012 assessment. **(Tab J)**
- On December 13, 2011, James D. Hayward, the Mayor's uncle and another party entered into a mortgage with Servis1st Bank for a commercial property located on Baylen Street. This mortgage satisfied a previous mortgage loan from Coastal Bank and Trust where Mr. Carter was previously employed. **(Tab K)**
- On February 14, 2012, the City of Pensacola deposited an additional \$10,000,000 of the City's investment pool in Servis1st Bank at a yield of 0.45%. **(Tab E)**
- Both of these investments yield between 15 and 20 basis points more to the City than the other pooled investments at BBVA Compass.
- The 2 investments with Servis1st total \$22,500,000 or 28% of the City's investments.
- The 2 investments with Servis1st of \$22,500,000 almost equal the Bank's total deposits the year before.
- In a May 15, 2012, press release Servis1st stated "Servis1st Bank Pensacola reached profitability after one year of operation in the market. Overall, the bank has shown 67% growth year/year for the 1st quarter of 2012, with its loan growth reaching \$448 million, a 30% increase over the same period in 2011." **(Tab L)**

Advertisement

Pensy mayor-elect searches for admin

Updated: Thursday, 16 Dec 2010, 3:14 PM CST
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PENSACOLA, Florida (WALA) - Pensacola's next mayor is making good on his campaign promise to move the city forward. Mayor-elect Ashton Hayward, who was voted in as Pensacola's "strong mayor" in November, is already hard at work planning his administration and working to create jobs for the area.

After attending a meeting of the Gulf Coast Recovery Task Force in Washington, D.C., to talk about rebuilding the Gulf Coast economy, Hayward returned home and started work to reform the way City Hall operates in Pensacola.

Tuesday, Hayward officially requested proposals from six national executive recruiting firms to perform the search for the city's new Chief Administrative Officer. The new CAO position, established by the new city charter, replaces the former position of City Manager and reports directly to the mayor.

"I promised the voters during the campaign that I would engage a national search firm to find our next CAO," Hayward said. "Whether that person is from Pensacola, Florida or Palo Alto, California, I want to make sure that our city has the best, most qualified administrator we can find."

Hayward also identified the members of his transition team, who have been advising the Mayor-Elect on city policy and organizational matters. The transition team members have already been hard at work meeting with city staff, gathering information, and formulating recommendations for improvements in city budget and taxes, government transparency, planning and development, diversity and inclusion, and job creation.

"One of my priorities as Mayor will be to ensure that everyone has a voice in the process, and that we take advantage of the incredible talent we have right here at home," Hayward said. "I'm happy to have such an impressive group of community leaders and policy experts who have volunteered to assist me in building a better future for our city."

The transition team members include:

Chair, Blaise Adams (RBC Bank)
Co-Chair, Rev. LuTimothy May (Pastor, Friendship Missionary Baptist Church)
Cynthia Williams (Senior Planner, West Florida Regional Planning Council)
Ron Ellington (Business Consultant and former Business Executive)
Bo Carter (Former President & CEO, Coastal Bank and Trust)
David Penzone (Business Consultant and Former Southeast Managing Tax Partner, Deloitte Private Client Tax Advisors)
John Asmar (Attorney, former Assistant County Administrator)
Bruce Partington (Attorney, Clark Partington Hart Larry Bond & Stackhouse)



Gordon Sprague (Community Volunteer and Retired Global Partner, Invesco)
Taylor "Chips" Kirschenfeld (Senior Scientist and Division Manager, Escambia County Water Quality and Land Management)

The transition team has been meeting regularly and will continue working through January, when Hayward takes office.

"This is a new form of government to all of us, and it's important that we take a deliberate, reasoned approach to ensure that everyone is given a voice in this process, including the taxpayers, elected officials, and city staff and employees." Hayward said. "My hope is that at the end of this transition period we are on the way to a more transparent, more accountable and more responsive city government."



FOR IMMEDIATE RELEASE
April 1, 2011

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ServisFirst Bank Opens in Pensacola
Veteran Bankers Will Lead Region

Pensacola, FL – ServisFirst Bank today announced the opening of its new office in Pensacola, Florida, its first location outside Alabama. ServisFirst Bank Pensacola will be led by Rex McKinney as President and CEO and a group of Pensacola's most experienced bankers.

The leadership team includes some of the most knowledgeable and qualified bankers in the Pensacola region. President and CEO Rex McKinney announced that Thomas "Bo" Carter will serve as the Chairman of the Board for ServisFirst Bank Pensacola and Robert "Bobby" Fair will serve as Executive Vice President and Senior Lending Officer. Other leaders of the new office include Karen Wright as Senior Vice President-Commercial Banking, Cathy England as Vice President-Private Banking, Susi Franklin as Vice President-Banking Center Administrator, Rick Johnson as Vice President-Commercial Banking, and Portia Kozma as Vice President-Cash Management.

"We are excited about the opportunity to open ServisFirst Bank with an engaged and experienced team in a diversified business environment," said Rex McKinney. "We will offer the Pensacola area a new and higher level of banking. This team is committed to offering exceptional service and responsiveness to match our name, ServisFirst Bank."

Backed by the experience and success of ServisFirst Bank's Alabama operations, this new office will serve Pensacola's corporate and personal clients with significant lending capacity and state of the art technology.

ServisFirst Bank Pensacola's office is located at 316 South Baylen Street, Suite 100, Pensacola, Florida, and more information is available at www.servisfirstbank.com and 850-266-9100.

Thomas B. "Bo" Carter - Chairman of the Board

Bo Carter is a seasoned banker with 37 years of proven banking and community leadership. He has held many community leadership roles and is a successful business development specialist with an ability to structure organizations to gain maximum production. Carter began his banking career with First National Bank DeKalb County in 1973, where he served in numerous roles. In 1986, Carter was named President and CEO of First American Bank of Pensacola, N.A., where he served until 2001 before being named President of Bank of Pensacola/Coastal Bank & Trust. Carter retired from Bank of Pensacola/Coastal Bank & Trust in February 2010.

Outside of his banking career, Carter is a current member and past President and Director of the Pensacola Downtown Rotary, current member of the Pensacola Mayor Transition Team 2010, past appointee of the Escambia County Investment Advisory Board and member of the Naval Aviation Foundation Finance Committee.

Rex D. McKinney - President and CEO

Rex McKinney began his banking career in 1984 with First Navy Bank in Pensacola. He enjoyed a 12-year career with Barnett Bank of West Florida in numerous leadership, credit and branch management positions. In 1997, he joined First American Bank/Coastal Bank and Trust (Synovus), where he held several leadership positions including Executive Vice President and Senior Commercial Lender, before joining ServisFirst.

In the community, McKinney currently serves as a board member and Finance Committee member for the United Way of Escambia County, Finance Committee member for Christ Episcopal Church, Finance Committee member for the Pensacola Country Club, board member of the Pensacola Sports Association Foundation, and member of the Irish Politicians. McKinney serves on the Membership Committee and is a past board member of the Rotary Club of Pensacola. He is also past President of the Pensacola Sports Association.

Robert L. "Bobby" Fair - Executive Vice President and Senior Lending Officer

Bobby Fair comes to ServisFirst Bank with a wealth of banking knowledge, working in the industry for more than 40 years. Fair previously served as Assistant Regional Credit Officer for Synovus Financial Corporation since 2009, where he was responsible for the implementation of credit strategy, policies and procedures to ensure soundness, diversification, liquidity and maximum earnings for the region. Prior to Synovus, Fair was the Executive Vice President and Senior Loan Officer for Coastal Bank and Trust of Florida, where he was responsible for a \$1.6 billion loan portfolio in Northwest Florida, among other numerous responsibilities. In addition, Fair was Vice President at Sunbank West Florida and First American Bank and was Assistant Cashier at Citizens and Peoples National Bank, where he began his banking career in 1969.

Fair is active in the Pensacola community serving on local boards and volunteering with various organizations. He is a member of the Five Flags Rotary and Leadership Pensacola, a past board member for the Pensacola Country Club, a past board member for Coastal Bank & Trust, and past President and current member of the Pensacola Sports Association Foundation. He has also served as Chairman of several organizations including United Cerebral Palsy of Northwest Florida, the Zoning Board of Adjustments for Escambia County, the Investment Advisory Council of Escambia County, the Creative Learning Academy and the Florida Bankers Association.

Karen Wright - Senior Vice President, Commercial Banking Officer

Karen Wright began her career in banking when she joined Regions Bank as an Administrative Assistant for the Commercial Lending/Consumer Lending area. Karen continued her career in banking with SouthTrust Bank as Assistant Vice President, Commercial Lending where she served until 2000. In May 2000, Karen joined Coastal Bank and Trust of Florida (Synovus) where she served as Senior Vice President, Commercial Banking until recently joining ServisFirst Bank. Karen currently serves as a board member for Community Drug and Alcohol Council. Karen has also served as the RSVP Advisory Board Member for Council on Aging and Past Friends of Scouting Committee for the Boy Scouts of America.

Cathy England - Vice President, Private Banking Officer

Cathy began her banking career in 1973 with Bank of West Florida in Pensacola. While with the bank, Cathy held positions in Loan Operations, Accounting, Deposit Operations and Branch Administration. In 1996, she joined SouthTrust Bank as a Branch Manager working with Small Business Lending. In 1999, Cathy joined SunTrust Bank in Branch Management and Private Client Services where she served until joining Coastal Bank and Trust (Synovus) as Vice President, Commercial Lending/Private Client Services. Cathy is currently a member of the Cantonment Rotary Club and serves as the Finance Chair for

Allen Memorial United Methodist Church. She is also a volunteer with the United Way and is a past Board Member for the Ronald McDonald House.

Susi Franklin – Vice President, Banking Center Administrator

Susi brings with her more than 25 years of banking experience to ServisFirst Bank. Susi began her banking career at First Mutual/AmSouth Bank as a teller in 1984 and then was quickly promoted to other positions including Customer Service Representative, Assistant Branch Manager, Branch Manager, Assistant Vice President and Vice President. In 2002, Susi joined First Gulf Bank, where she served as Vice President/Market Manager until 2007. While at First Gulf Bank, Susi managed the Downtown and Cantonment branches for five years, among numerous other responsibilities. Prior to ServisFirst, Susi was the Vice President/Branch Manager III for Coastal Bank in Pensacola. Susi is a volunteer with the United Way and March of Dimes. She also is an alumni of Leadership Santa Rosa and past board member for both Volunteer Pensacola and National Make-A-Wish Foundation.

Rick Johnson – Vice President, Commercial Banking Officer

Rick was born and raised in Pensacola, Florida. Rick joined Bank of Pensacola (now known as Coastal Bank and Trust) in February 1999 as a teller and also served as Personal Banker and Management Associate. In October 2002, Rick was promoted to Commercial Banker. Before joining ServisFirst Bank, Rick was a Vice President with Coastal Bank and Trust of Florida. Rick currently is a board member for the Pensacola Sports Association, Fiesta of Five Flags, and Friends of St. John's Historic Cemetery.

Portia Kozma – Vice President, Cash Management Officer

Portia began her banking career with Citizens & Peoples National Bank in Pensacola in 1990. She began as a teller and was quickly promoted to Lead Teller and then Assistant Manager. Portia then joined Barnett Bank in 1993 as Sales & Service Manager. Portia also worked for First American Bank of Pensacola and Bank of Pensacola and held such positions as Branch Manager, Assistant Vice President, Operations Officer, and Regional Manager/Branch Manager, Assistant Vice President. Portia spent the last six years with Coastal Bank and Trust (Synovus) as Cash Management Officer, Vice President. Portia is a volunteer with the United Way and March of Dimes.

ABOUT SERVISFIRST BANK:

ServisFirst Bank is a full service bank focused on commercial banking, cash management, private banking and the professional consumer market, emphasizing competitive products, state of the art technology and a focus on quality service. Recently the bank announced it had accumulated over \$1.8 billion in assets with no brokered deposits. The bank offers sophisticated cash management products, Internet banking, home mortgage lending, remote deposit express service and highly competitive rates.

ServisFirst Bank was formed in Birmingham in May 2005, opened ServisFirst Bank Huntsville in August 2006, ServisFirst Bank Montgomery in June 2007 and ServisFirst Bank Dothan in September 2008.

ServisFirst Bancshares, Inc., the parent company of ServisFirst Bank, files periodic reports with the U.S. Securities and Exchange Commission (SEC). Copies of its filings may be obtained through the SEC's website at www.sec.gov or at www.servisfirstbancshares.com.

Statements in this press release that are not historical facts, including, but not limited to, statements concerning future operations, results or performance, are hereby identified as "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. The words "believe," "expect," "anticipate," "project," "plan," "intend," "will," "would," "might" and similar expressions often signify forward-looking statements. Such statements involve inherent risks and uncertainties. ServisFirst Bancshares, Inc. cautions that such forward-looking statements, wherever they occur in this press release or in other statements attributable to ServisFirst

Bancshares, Inc., are necessarily estimates reflecting the judgment of ServisFirst Bancshares, Inc.'s senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Such forward-looking statements should, therefore, be considered in light of various factors that could affect the accuracy of such forward-looking statements, including: general economic conditions, especially in the credit markets and in the Southeast; the performance of the capital markets; changes in interest rates, yield curves and interest rate spread relationships; changes in accounting and tax principles, policies or guidelines; changes in legislation or regulatory requirements; changes in our loan portfolio and the deposit base, possible changes in laws and regulations and governmental monetary and fiscal policies, including, but not limited to, economic stimulus initiatives and so-called "bailout" initiatives; the cost and other effects of legal and administrative cases and similar contingencies; possible changes in the creditworthiness of customers and the possible impairment of the collectibility of loans and the value of collateral; the effect of natural disasters, such as hurricanes, in our geographic markets; and increased competition from both banks and non-bank financial institutions. The foregoing list of factors is not exhaustive. For discussion of these and other risks that may cause actual results to differ from expectations, please refer to "Risk Factors" in our most recent Annual Report on Form 10-K and our other SEC filings. If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained herein. Accordingly, you should not place undue reliance on any forward-looking statements, which speak only as of the date made. ServisFirst Bancshares, Inc. assumes no obligation to update or revise any forward-looking statements that are made from time to time.

More information about ServisFirst Bancshares may be obtained over the Internet at www.servisfirstbancshares.com or by calling (205) 949-0302.



Each depositor insured to at least \$250,000 per insured bank

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Offices and Deposits of all FDIC-Insured Institutions Deposit Market Share Report

Deposits as of: June 30, 2011

Sorted by: Market Share

[Run Report](#)

Selected Market				June 30, 2011			
State:	County:	City:	Zip Code:	Outside of Market		Inside of Market	
FLORIDA	ESCAMBIA	ALL	ALL	No. of Offices	Deposits (\$000)	No. of Offices	Deposits (\$000)
Institution Name	CERT	State (Hqtrd)	Bank Class	State/ Federal Charter	No. of Offices	Deposits (\$000)	Market Share
Regions Bank	12368	AL	SM	State	1,755	97,826,251	20.08%
Wells Fargo Bank, National Association	3511	SD	N	Federal	6,373	760,412,420	19.31%
Synovus Bank	873	GA	NM	State	285	22,319,508	12.18%
Bank of America, National Association	3510	NC	N	Federal	5,846	948,353,201	8.51%
Whitney Bank	33029	LA	NM	State	218	10,922,398	5.19%
Hancock Bank	12441	MS	NM	State	84	4,257,841	5.05%
SunTrust Bank	867	GA	SM	State	1,702	126,997,962	4.64%
Gulf Coast Community Bank	57564	FL	NM	State	2	37,333	4.08%
Beach Community Bank	57131	FL	NM	State	8	400,313	3.86%
Compass Bank	19048	AL	SM	State	714	45,294,678	3.57%
RBC Bank (USA)	33184	NC	SM	State	421	20,278,963	2.63%
Branch Banking and Trust Company	9846	NC	NM	State	1,776	110,226,258	2.53%
The First National Bank of Florida	25155	FL	N	Federal	5	217,383	1.83%
The Warrington Bank	17193	FL	NM	State	0	0	1.50%
Bank of the South	19125	FL	NM	State	0	0	1.37%
First Navy Bank	21284	FL	SM	State	0	0	1.32%
Doral Bank, FSB	34905	NY	SA	Federal	7	132,737	1.11%
GulfSouth Private Bank	58073	FL	NM	State	3	140,562	0.86%
ServisFirst Bank	57993	AL	NM	State	8	1,763,088	0.85%
Summit Bank, National Association	58786	FL	N	Federal	1	78,770	0.10%
Woodforest National Bank	23220	TX	N	Federal	764	2,980,323	0.01%
Number of Institutions in the Market: 21				TOTALS	19,971	2,152,072,003	100.00
					76	3,839,897	

City of Pensacola, Florida
Investment Schedule
As of September 30, 2011
(Unaudited)

<u>POOLED INVESTMENTS</u>		Invest Type	Purchase Date	Maturity Date	Interest Rate	Principal Amount	Market Value
BBVA Compass	2519118540	MM	02/09/10		0.25%	10,000,000.00	10,000,000.00
BBVA Compass	2522705511	MM	04/22/10		0.25%	10,000,000.00	10,000,000.00
RBC	7620029981	MM	06/22/10		0.25%	30,000,000.00	30,000,000.00
BBVA Compass	2530641158	MM	03/15/11		0.25%	10,000,000.00	10,000,000.00
<u>FUND INVESTMENTS</u>							
Fund 503							
S.B.A. Investment Pool, Fund A	251291				0.24%	0.22	0.22
S.B.A. Investment Pool, Fund B	251291				N/A	91,054.29	91,054.29
<u>City's- GCA (checking account)</u>							
Wells Fargo Bank	Public Now Account		FF rate less 10 basis points			14,331,876.91	14,331,876.91
TOTAL INVESTMENTS						\$ 74,422,931.42	\$ 74,422,931.42

Money Market interest rates are good through September 30, 2011.

Wells Fargo Bank is the City's primary depository, under contract through an RFP process, expires June 2012.

City of Pensacola, Florida
Investment Schedule
As of March 31, 2012
(Unaudited)

POOLED INVESTMENTS							
	Invest Type	Purchase Date	Maturity Date	Interest Rate	Principal Amount	Market Value	
BBVA Compass	2519118540	MM	02/09/10	0.20%	10,000,000.00	10,000,000.00	
BBVA Compass	2522705511	MM	04/22/10	0.20%	10,000,000.00	10,000,000.00	
BBVA Compass	2530641158	MM	03/15/11	0.20%	10,000,000.00	10,000,000.00	
Servis1 Bank	1110103403	MM	11/10/11	0.30%	12,500,000.00	12,500,000.00	
BBVA Compass	2531042134	MM	02/14/12	0.25%	5,000,000.00	5,000,000.00	
Servis1 Bank	167031	CD	02/14/13	0.45%	10,000,000.00	10,000,000.00	
FUND INVESTMENTS							
Fund 503							
S.B.A. Investment Pool, Fund A	251291			0.33%	3,268.57	3,268.57	
S.B.A. Investment Pool, Fund B	251291			N/A	84,014.49	84,014.49	
City's- GCA (checking account)							
Wells Fargo Bank	Public Now Account	ERC 25%; offset fees			22,363,881.78	22,363,881.78	
TOTAL INVESTMENTS				\$	79,951,164.84	\$ 79,951,164.84	

Money Market interest rates are good through March 31, 2012.

Wells Fargo Bank is the City's primary depository, under contract through an RFP process, expires June 2012.