

## New Partnership to Yield Fixed Income Strategies and Trading for ACB Members

America's Community Bankers' Business Partners' recently announced its newest partnership with Legg Mason Capital Markets, which became Stifel Nicolaus on Dec. 1, to provide ACB members with fixed income securities strategies and trading. After evaluating several firms, ACB Business Partners selected Legg Mason Capital Markets for its market experience and distinguished approach in working with depository institutions. The Legg Mason strategist team has more than 20 years experience in bank-portfolio management and 25 years in bank regulation.

Legg Mason Capital Markets will offer the ACB Premier Service, which includes fixed income capital markets research reports, including *The Bank Investor*, a subscription to the *Community Bank Monitor*, and upon request, written portfolio reviews that will assess the strengths and weaknesses of your portfolio from a business and regulatory perspective.

William Kroll, president and chief executive officer of ACB Business Partners, had the opportunity to discuss the new partnership with Frances L. Cashman, senior vice president and national sales manager, institutional sales, Legg Mason Wood Walker Inc., fixed income capital markets.

**William Kroll:** Legg Mason has built a strong team and large market niche to service depository institutions. How did Legg Mason decide to enter

this market and how did you build this franchise?

**Frances Cashman:** About five years ago, Legg Mason Capital Markets made the strategic decision to focus on the investment needs of depositories throughout the country. This business decision recognized that a unique approach, and one consistent with our philosophy of client-centric advice, was necessary for the strategy to be successful.

We began by amassing a team of strategists with backgrounds uniquely appropriate for the depository industry. Sharon Stark, our chief economist, joined us from the Federal Deposit Insurance Corp. after beginning her career as a bank portfolio manager. Jim DeMasi (a regular contributor to *Community Banker*) joined us after 13 years with the FDIC as a capital markets specialist and executive manager.

In just two years, this approach was so successful that we added Craig Thornton, who joined us after 12 years at the FDIC as a bank examiner and senior capital markets specialist. Most recently, our strategies team has grown to include Ramiro Rodriguez, who has more than 20 years of bank portfolio and asset/liability management experience.

With the help of our unique strategist team, our highly trained sales force understands the specific needs of banks, whether they concern the regulatory environment, portfolio investing, asset/liability management, or balance sheet considerations. Our



Frances L. Cashman and William Kroll seal the deal on their partnership. In the background, Curt Hage, Business Partners chairman, and ACB's Hellen Sullivan look on.

product is advice, our service is exemplary, and our focus is on your needs.

**WK:** There are many fixed income sales and trading firms covering banks—what is Legg Mason's unique approach? And how do you differentiate yourselves?

**FC:** When all is said and done, it is our approach that most distinguishes us from our competitors. Legg has an established trading platform with more than 1,600 institutional clients, driving in excess of \$66 billion in client trade volume annually. Our distribution capabilities are formidable, with 50 taxable salespeople, but it is our approach to building our business that sets us apart.

We focus on our clients' needs. We analyze those needs and, using our strategists

and a variety of analytical systems, we make recommendations that not only encompass the portfolio, but also those of the overall bank. This collaborative effort between bank management, our sales force, and strategists allows us to present ideas and securities that offer relative value to the specific institution. Thus, we are able to consistently show relative value through security selection. We don't sell bonds; we offer advice tailored to your needs. That is the philosophy on which we have built our business—client-by-client, relationship-by-relationship.

**WK:** Describe to us the expertise that you have on staff.

**FC:** In addition to our strategies team, we have 66 institutional taxable fixed income sales and trading professionals. Each of our trading staff has in excess of 10 years trading experience. Together, our fixed-income team services more than 1,600 active institutional clients, 450 of which are financial institutions.

**WK:** What are the trading capabilities Legg Mason has in fixed income?

**FC:** Legg Mason's fixed income capital markets division has a well-established trading platform, averaging in excess of \$250 million in average daily trade volume. We have recognized expertise in multiple asset classes, including government agencies (\$29 billion in annual trading volume), residential mortgages (\$15 billion in annual trading volume), corporate credit (\$12 billion) and commercial mortgages (\$3 billion). In fact, we currently rank as the No. 3 underwriter for new-issue, long-term, bank-qualified municipals. Our trading expertise and institutional execution are a perfect complement to our advisory approach.

**WK:** Why did you decide to team up with ACB Business Partners?

**FC:** First of all, ACB is a vibrant, growing association and one with whom we are

proud to be associated. Second, we firmly believe that we can help ACB members with advice and services that are not currently available to them. And finally, our philosophy of providing consistent value-oriented advice based on client needs supports ACB Business Partners' mission to provide access to the best member-advantaged partnership program that utilizes the recognized expertise of industry leaders. Legg Mason Capital Markets has those industry leaders, the platform to support their recommendations, and the focused approach to partner with you, our clients.

**WK:** What advantages can you bring to the ACB membership?

**FC:** We are pleased to introduce the Legg Mason Capital Markets/ACB Business Partners Premier Service. It includes:

- Daily economic/trading commentary.
- *The Bank Investor* (monthly strategic investment and regulatory report focused on the banking industry).
- Customized portfolio analysis (updated annually).
- Portfolio analytic package (updated quarterly).
- Monetary policy analysis/economic reports (as available).

This Premier Service is provided to ACB members in anticipation of serving your fixed-income needs. The one-year service is free to the first 30 ACB members that sign up. We reserve the right to waive the quarterly fee of \$500 when serving your fixed-income needs.

**WK:** On Dec. 1, 2005, you expect that Stifel Financial will acquire Legg Mason Capital Markets. Tell us about that. Are the players the same?

**FC:** On Sept. 12, 2005, Stifel Financial Corp. entered into an agreement to acquire substantially all of the Legg Mason Capital Markets business. I am thrilled to say that we are scheduled to become part of Stifel, Nicolaus & Company Inc. on Dec. 1 upon

the closing of Stifel Financial Corp.'s anticipated acquisition and subject to certain closing conditions.

The combined entity will have more than 1,800 employees in 113 cities across the United States and Canada. We will have the largest equity research franchise off Wall Street. Our investment bank will have a formidable track record of success. Our recognized taxable fixed income expertise will complement Stifel's strong municipal business. Together we will rank as the No. 2 underwriter for negotiated and competitive bid long-term bank qualified municipals.

**WK:** What will change? What are the strengths of the combined firm and how does that benefit the partnership?

**FC:** The main and most obvious change is our name—Stifel Financial. What hasn't and won't change is our approach, our focus on the needs of our clients. Stifel did not have a taxable institutional fixed income business prior to this transaction. With a 90 percent employee retention rate, Stifel Nicolaus Capital Markets will be able to offer ACB members Legg Mason's same strategies team, the same recognized trading acumen in residential mortgages, government/agencies, commercial mortgages, bank qualified municipals and corporate credit, and exceptional distribution through our highly trained sales force.

Our transaction with Stifel Financial also provides us the opportunity to offer you a wider array of capital markets services. The largest equity research franchise off Wall Street, an expanded investment bank specializing in financial institutions, and a market maker in more than 800 NASDAQ stock market stocks are but some of the advantages of this powerful combination. **16**

*For more information about the Legg Mason/Stifel Financial partnership, contact Helen Sullivan, ACB Business Partners senior vice president, financial and capital markets solutions, at (202) 857-3157 or [hsullivan@acbanners.org](mailto:hsullivan@acbanners.org).*