



FRIENDS AND INVESTORS (FROM LEFT): INVESTMENT BANKER KEN LANGONE WITH EX-MERRILL EXECUTIVES DAN TULLY AND DAN DONAHUE (WHO IS FIELDPOINT'S CEO)

# The Millionaire Boys' Bank

A GROUP OF MERRILL LYNCH RETIREES AND ALUMNI, ALONG WITH OTHER BIGWIGS, HAVE FOUNDED A PRIVATE BANK, INTENDED TO PROVIDE GOOD SERVICE—AND PROFITS. *By Carol J. Loomis*

Photographs by BRIAN FINKE

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TEE TIME TO TEATIME:  
TULLY, DONAHUE,  
AND LANGONE AT A  
FLORIDA GOLF CLUB

one big fact going for them as this enterprise got started: They were millionaires, irrefutably so, because each put up either \$1 million or \$2 million to capitalize the bank, contributing a total of \$35 million. The group then pulled in private investments of another \$10 million and started out—officially opening in April 2008—with \$45 million in capital.

And why were these specimens of the unneedy starting a bank? Basically, because they were persuaded by a few instigators—chief recruiter Tully among them—that the world needed a new private bank to serve people just like themselves: high-net-worth individuals wanting good service and not always getting it from their existing providers. The origins of the bank also say a powerful amount about business connections and how readily they can be tapped. (For an explanation of the links that formed Fieldpoint, see graphic.) This is in fact a case in which every man who signed up “knew somebody” and thereby ended up a founder.

For instance, Langone, who runs his own investment bank, Invemed, heard about the plans to start Fieldpoint when he was having dinner in late 2006 at Manhattan’s Il Postino restaurant with Tully, Komansky, and two other former Merrill Lynchers, Joe Grano and Martin Kaplan. “I’m always looking for opportunities,” says Langone, “and I said that night, ‘Is there a chance I can get in?’” Grano and Kaplan asked the same. Soon after, Langone signed up his longtime friend Bernie Marcus, former CEO of Home Depot. And so it was that the band of founders gradually formed and got this venture going.

# A

**A**LEXANDER HAMILTON FOUNDED the Bank of New York in 1784, J.P. Morgan gave his bank its eponymous name in 1895, and 31 businessmen of note established Fieldpoint Private Bank & Trust in 2008.

That last fact is unlikely to become a headliner in banking textbooks, but it makes the news here because this *de novo* private bank called Fieldpoint is extraordinarily unusual. Not because of its size, certainly: It has only 30 employees and is an also-

ran among the 8,000 U.S. banks. In location, it’s largely obscure as well, its one-and-only office sitting inconspicuously on Field Point Road in Greenwich, Conn. True, that town is rich territory for any bank; the median sale price for a Greenwich home in 2009 was \$1.6 million. But it is far less the surroundings

of the bank than its remarkable provenance—those 31 people who started it—that makes Fieldpoint unique.

These founders (all of them indeed men) are for the most part a who’s who of business, many retired, some not, and two-thirds having a link to Merrill Lynch. Among the Merrill alumni are three of the company’s CEOs, William Schreyer, Daniel

Tully, and David Komansky, whose tenure at the top covered 17 continuous years. The non-Merrill founders include luminaries such as James Kilts, former CEO of Gillette; private equity pioneer Jerome Kohlberg; and the outspoken investment banker Kenneth Langone.

The founders—even those lacking immediate name recognition—had

FIELD OF FRIENDS

DAN TULLY AND COHORTS USED THE BUDDY SYSTEM TO FUND FIELDPOINT.

THE ORIGINAL EIGHT

THE MERRILL LYNCH LINEUP\*

OTHER FOUNDERS

**Daniel Tully**  
CEO of Merrill Lynch from 1993 to 1997 and retired since, Tully says Donahue spurred Fieldpoint's founding. But Tully's Rolodex produced many a shareholder, each bearing at least \$1 million to invest.



**Daniel Donahue**  
Restless after retiring from Merrill at age 61, Donahue suggested various business ideas to his close friend Tully. Now that Fieldpoint exists, Donahue is chairman and CEO—and way busier than Tully.



**William Schreyer**  
An ex-Merrill CEO, he and others on this row became Fieldpoint organizers.



**David Komansky**  
Ex-Merrill CEO helped line up Fieldpoint founders.



**"Launny" Steffens**  
Started Merrill's Utah bank; early Fieldpoint adviser.



**Donald Stone**  
Sold his specialist firm, Lasker Stone & Stern, to Merrill in 1991.



**Roger Vasey**  
Former Merrill EVP; now managing partner of Conyers Capital in Florida.



**Jerome Kohlberg**  
KKR's lead founder was brought into Fieldpoint by Stone.

\*DID NOT WORK FOR MERRILL.



**Mathias Bowman**  
Former vice chairman of investment banking at Merrill.



**Sidney Goodfriend**  
Ex-Merrill banker now runs American Corporate Partners.



**Thomas Hughes**  
Once at Merrill; runs Florida real estate firm LNR Property.



**Denis Kelleher**  
Worked at Merrill years ago; now runs securities trader Wall Street Access.



**Michael Marks**  
Once chaired asset manager bought by Merrill. Retired in 2001.



**Daniel Napoli**  
Was Merrill's chief risk officer under Tully and Komansky. Retired in 1998.



**Michael Dritz**  
Worked for same asset manager as Marks; now runs Dritz Enterprises.



**Joseph Grano Jr.**  
Veteran of Merrill and Paine Webber; now runs Centurion Holdings.



**Martin Kaplan**  
Ex-Merrill; now president of asset manager KR Capital Advisors.



**Alain Lebec**  
Shared Bowman's title at Merrill; now runs boutique GCX Advisory.



**Joseph Moglia**  
Spent 19 years at Merrill; now chairman of TD Ameritrade.



**Rodney Woods**  
Headed Merrill's trust operations (after a stint at U.S. Trust). Now retired.



**John Becker**  
Ex-CEO, Eurpac, which distributes goods to the military market. Friend of Donahue's.



**Harvey Eisen**  
Managing partner of hedge fund Bedford Oak Advisors. Friend of Vasey's.



**James Kilts**  
Ex-Gillette CEO started private equity firm Centerview. Friend/neighbor of Vasey's.



**Samuel Lieber**  
Runs Alpine Woods, which manages mutual funds. Friend of Don Stone's.



**Bernard Marcus**  
Co-founder of Home Depot, he was pulled into Fieldpoint by Langone.



**Harold Purkey**  
Retired from Wachovia's bond department. Golfing friend of Donahue's.



**Reginald Brack**  
Retired as CEO of Time Inc. in 1997. Longtime friend of Donahue's.



**Clark Johnson**  
Retired CEO of Pier One, he is now chief executive of biotech company Neurologix.



**Kenneth Langone**  
The CEO of investment bank Invemed is also a noted philanthropist.



**Stephen Lieber**  
Ran Evergreen Funds and now in business with his son (above). Friend of Stone's.



**Robert Poole**  
Pennsylvania builder, co-owner of Florida's McArthur Golf Club. Friend of Schreyer's.

- Lives in Greenwich
- Active in Greenwich Republican organizations
- Member of Greenwich Country Club
- Is featured in leadership book co-authored by Johnson
- Discussed Fieldpoint at Save the Children lunch
- University of Missouri supporter
- Benefactor of Penn State
- Took Harvard management course together
- Supports NARSAD, a mental-illness research group
- On University of Chicago Business School advisory board

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## BANKING

Success, in this case, has tagged along. Fieldpoint has grown—virtually sprinting in 2009 and 2010—to \$345 million in assets. It has \$292 million in deposits and about \$185 million in loans, most of those jumbo mortgages in the \$1-million-and-up range. It also has a small wealth management business that it's working to expand. Overall, Fieldpoint is cash-flow positive right now and expects to become profitable in the next couple of months.

As the credit crisis mounted, meanwhile, many other *de novo* banks failed, showing such weakness that the Federal Deposit Insurance Corp. recently tightened both the capital requirements and supervisory rules applying to these startups. But most of the casualties have been "community banks," which typically are established to provide banking services to a geographical pocket that needs them and which are also prone to being undercapitalized. Fieldpoint fits neither description, unless the community meant is the kind of big money that its founders come from.

Don Musso, head of FinPro, a New Jersey bank consultant that helped Fieldpoint pull its plans together, says that it is in fact very unusual for a "wealth bank" to be established, because the FDIC has scant interest in insuring rich people. That helps explain why Fieldpoint, having succeeded in getting its banking charter, seems to lack competitors that it can be compared with. At minimum, no other bank got started by a passel of businessmen having the reputation that Fieldpoint's founders do.

As for services provided, the pri-

vate banks that reside within large commercial banks are, of course, kin to Fieldpoint. One distant cousin is Brown Brothers Harriman, a private bank that has \$6 billion in assets and whose history under that name goes back to 1931. For the closest comparison in services, however, says FinPro's Musso, he'd pick Boston Private Bank & Trust Co., which has \$3 billion in assets and also a parent company, Boston Private Financial Holdings, whose stock is traded publicly (and which has been severely hurt by real estate loans made by another of its affiliates).

**DANIEL DONAHUE, 71**, a Fieldpoint founder and today its chairman and CEO, contends that no bank is like his, and he has the history to make the argument. A tall, ramrod-straight West Point graduate who trained as a parachutist while serving in the 101st Airborne during the early 1960s, Donahue later spent 36 years at Merrill Lynch, rising in his last job to regional manager of a large area that included all of Connecticut, New York's Westchester County, and western Massachusetts. Then, in 2000, Stanley O'Neal became Merrill's heir apparent, and Donahue couldn't stand him. So he retired to his Greenwich home and began working on his golf game.

But Donahue also kept kicking around business ideas with his longtime friend, retired Merrill Lynch CEO Dan Tully, now 78. By 2006 they had come up with the idea for Fieldpoint. The two men then pulled in six others (most of them Merrill Lynch alums) to become organizers, each of the eight ready to invest \$1 million

# BANKING

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but initially putting up only \$25,000 to get things started.

Later, as the bank cleared its first regulatory hurdles, the eight reached out to people they knew who might have \$1 million to spare—the “ultra-affluent” is Donahue’s description—and an interest in betting it on Fieldpoint. Most especially, says Donahue, they sought “nice” people with a record of backing charitable causes (evidence, perhaps, of niceness). The gregarious Tully, who with his family had given an entire building to Stamford Hospital in Connecticut, knew an enormous number of such paragons and launched his recruiting.

In his sales talks Tully argued that Fieldpoint’s opportunity lies in the failings of many existing private banks. He and Donahue had heard tales from wealthy friends of poor advice and frustrating service that descended in some extreme, and perhaps apocryphal, cases to customers being unable to get a real person on the phone when they called their banks. (Let it be noted that Fieldpoint’s private bankers give their cellphone numbers to their customers and say they’ll take a call 24/7.)

The other, entirely commercial argument for Fieldpoint was that the bank had a good chance of being a winning investment. John L. “Launny” Steffens, a Merrill Lynch executive until 2001 (he didn’t get along with O’Neal either) and one of the eight organizers of Fieldpoint, recalls that between 2002 and 2007 a carefully planned new bank was pretty close to a sure-fire proposition. The would-be bank, he said, could expect to spend several years logging through the regulatory

process, would ultimately go into business with a book value that represented the starting capital it had raised, and after a few years of success and growth could be sold or taken public at a price of about 2½ times book value.

Unfortunately, this formula abruptly stopped working when the economic crisis hit. Bank deals have dried up, or if made at all, are carried out at distress prices. Steffens, who today heads asset manager Spring Mountain Capital, acknowledges the change in the market. But he says that prices can recover and that Fieldpoint has the option of choosing to expand. It is set up as a federal savings bank and consequently can branch into other states with relative ease, without having to seek *de novo* charters from new states it enters. Fieldpoint is indeed planning to expand this fall, by branching out of Greenwich into New York City.

Fieldpoint’s timing in starting up in the midst of a crisis had other ramifications. Donahue says the bank gained depositors who were running from banks like Citigroup and Bank of America and saw Fieldpoint as a safe harbor. On the other hand, investors pulled back from investing and showed no signs of thinking that Fieldpoint’s wealth management services deserved an exception.

**FIELDPOINT DOES NOT MANAGE** assets itself but instead farms the money out to money managers it has vetted—people like Charles “Chuck” Clough, who used to be Merrill Lynch’s chief investment strategist and now runs a Boston asset management firm. Investors who go through Fieldpoint

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pay it a fee of up to 1% on assets and also pay a fee to the outside money managers signed up, though Fieldpoint sometimes negotiates a discount from these providers.

Doing business that way and needing to build up a list of money managers to turn to, Fieldpoint in its early months almost inevitably heard from people recommending Ponzi schemer Bernard Madoff. One approach came from a man working for Fairfield Greenwich, a giant feeder fund for Madoff. In October 2008 (two months before Madoff was unmasked) this salesman sent Donahue a document explaining Madoff's "split-strike conversion" strategy and detailing his consistent monthly returns. Donahue did not think the Madoff strategy made sense and ended his talks with the salesman. Not so fortunate, however, was founder Launny Steffens, who through intermediary Ezra Merkin gave \$40 million of Spring Mountain's money to Madoff. That investment, though only 4% of the firm's total, has been, of course, mostly lost.

TODAY, TWO YEARS after Fieldpoint's start, Donahue says that about 30% of the bank's business—"too little," he laments—comes from its founders and about 70% from the general public. But Donahue has an exemplar among the founders to point out: his longtime Greenwich friend Reginald Brack, the retired chairman and CEO of Time Inc. (parent of *Fortune*). Upon hearing from Donahue about the plans to start Fieldpoint, Brack related immediately to the thought that his private bankers hadn't on occasion done

him much good. "After I left Time Inc. in 1997," he says, "I realized I was getting fleeced—paying big fees and not getting much performance." The private bankers doing the alleged shearing were at Goldman Sachs and UBS, and Brack is no longer doing business with either.

Now on the board of Fieldpoint, Brack also raves about its services. The bank helped him revise an outdated estate plan, refinanced his daughter's apartment, put him together with outside money managers he likes, and holds a lot of his cash. Like many relatively small banks, Fieldpoint sometimes turns over deposits above \$250,000 (the current FDIC insurance limit) to the Certificate of Deposit Account Registry Service (CDARS), which spreads the excess among its network of banks. Because the CDARS system helps to attract deposits, Brack calls it our "electric toaster."

Certainly Brack does not think of Fieldpoint as a lark, nor does any other founder among the 20 that *Fortune* talked to. Yet some perspective must be maintained about the bank's character, and Dan Tully supplies a little: "We started Fieldpoint in a way that would let us have fun with it. We're all friends, and we enjoy doing things together. If it wasn't successful, you would have only lost \$1 million." Should Fieldpoint need more capital to grow, which is certainly a possibility, Tully thinks it could surely be raised: "If the \$1 million goes to \$2 million, it's not going to change anyone's life." That's a breezy way to describe a venture apt to provide a bit more wealth to men already well acquainted with its feel. **FB**

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