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Clarkston Financial Corporation and its Wholly Owned Subsidiary Clarkston State Bank is Filling the Need for a Community Bank in North Oakland County, Michigan Where There Has Been a Rich History with 100 Years of Community Banking

**Financial
Savings & Loans
(CKFC-OTC: BB)**

**Clarkston Financial Corporation
(the corporation)
Clarkston State Bank (the bank)**

**6600 Highland Road, Suite 24
Waterford, MI 48327
Phone: 248-922-6945**



**J. Grant Smith
President and CEO**

BIO:

Smith has been with Clarkston State Bank since 2001 when he was hired as chief financial officer. He eventually was promoted to president and chief operating officer for the financial corporation's two, state-chartered financial institutions – Clarkston State Bank and Huron Valley State Bank. In 2008, his title was expanded to president and chief executive officer - the

most senior position in the organization.

During his first three years as president and CEO of both entities, Smith designed and implemented the turnaround plan for Clarkston State Bank that resulted in the FDIC's removal of its 2008 cease and desist order. In addition, he spearheaded the sale and divestiture of Huron Valley State Bank, reduced classified loan assets and loan portfolio delinquency, retired multi-millions in trust preferred securities, deregistered with the Securities and Exchange Commission and significantly downsized the balance sheet.

Smith's success is accredited to his strong analytic skills, board involvement and unilateral communication through all the lines of business, including the bank's regulators. In addition, his regulatory experience with the U.S. Department of Treasury and PriceWaterhouseCoopers coupled with his management and leadership skills have been said to be key components in the bank's successful survival during one of our country's hardest economic times.

He received his B.B.A. and M.S. in Finance from Walsh College in Troy and is a graduate of Royal Oak's Shrine Catholic High School.

Company Profile:

Clarkston Financial Corporation (the "Corporation") is the bank holding company for Clarkston State Bank. The Corporation received its charter in 1998 and opened its doors for business in January 1999 when it opened Clarkston State Bank. Clarkston State

Bank is a Michigan State Chartered financial institution engaging in community banking within North Oakland County, Michigan. Today the Corporation, through its subsidiary bank, offers a wide array of banking products to both retail and commercial customers operating out of four offices in its current market area.

The core focus of the Corporation is its commitment to its customers and its focus on community. Management believes that by employing exemplary service customers will realize the intrinsic value of dealing with a local financial institution. The staff at the Bank works to ensure the prosperity of our customers through uncompromised dedication to meeting their financial needs and expectations.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Smith, would you give us a little background on Clarkston State Bank, and what is the philosophy of the corporation?

Mr. Smith: Clarkston State Bank opened in January of 1999, however, we consider ourselves sort of a newly chartered de novo institution with our recent recapitalization. The Clarkston community has a long history of having a community bank located in its downtown business district. Over the years, the bank had been bought and sold a number of times. Ultimately, in 1997 the old historical bank building in downtown Clarkston was closed by what was National Bank of Detroit at the time. A couple of years later, a group of local businessmen decided that, since there had been a commu-

city bank in Clarkston for over a hundred years, they would like to continue with that tradition. As a result, a business plan was put together, capital was raised and Clarkston State Bank was once again open for business in 1999, to be a community bank providing service to the retail and small business customer. We wanted to specialize in commercial real estate loans, owner occupied and non-owner occupied, focusing on small business. The bank does not provide residential mortgage loans but utilizes many of its own customers who provide residential mortgage services to refer its customers who are looking for a mortgage. The foundation of the bank was built on high touch personal customer service with a commitment to the Community it serves.

CEO CFO: What about the community itself?

Mr. Smith: Clarkston is an affluent bedroom community of the Detroit metropolitan area located in the far northern suburbs. It is very close to Auburn Hills Michigan, which is where Chrysler's world headquarters are located. The community is home for many professionals. It has a picturesque downtown and is a place where people like to come to raise their families because of its school system and safe neighborhoods. It is in close proximity to a myriad of automotive suppliers and engineering companies that support the auto industry as well as aerospace and defense contracting.

CEO CFO: How has the community fared in the last few years?

Mr. Smith: The community has not been exempt from all the changes that have taken place in the auto industry. It has seen a lot of contraction in the work force with local businesses downsizing and has experienced a decrease in home values like the rest of the country. However, in spite of those issues the residents have

weathered the storm well and remain optimistic. Though many Clarkston residents are fairly well off, they have had to make changes to their lifestyle to accommodate the economic challenges. True to their character, they remain committed to the community and its purpose.

CEO CFO: Who is your typical customer?

Mr. Smith: Our typical small business customer generates between \$500,000 to \$5.0 million in annual

The biggest reason is the personalized service we provide at every level of the organization. Many bank organizations talk about it, but we truly live and breathe that commitment every day. We have acquired many new customers who have become frustrated with the larger bank business model being very fee driven and less customer service driven. In addition, some of the larger institutions focus solely on the customers that have \$5 million or more in annual revenues, leaving the smaller businesses behind. We successfully fill that void with competitive products, pricing and services. Our customers like the service we provide. They like that when they walk into the bank, we know their name. We are not shifting branch managers around quite often as some of the larger institutions; they like that stability and consistency. In addition, our ability to make decisions locally results in quick turnaround. If there is a problem with a loan, the customer can walk into a branch and talk to somebody that can resolve the issue quickly. You can even meet with the president of the bank. Many of the larger institutions have moved their headquarters and decision making out of Michigan, ultimately effecting their level of service. - J. Grant Smith

revenue. These are customers that may own their own building, so we finance the real estate for them and possibly a line of credit for working capital if needed. Our average loan size is \$700,000 to \$1 million. Acquiring their deposit business is also key to maintaining a full service banking relationship.

CEO CFO: Is the medical industry a big focus for Clarkston State Bank?

Mr. Smith: It has become more of a focus for us because we have many physicians in Clarkston and the surrounding communities that have specific financial needs. A couple of years ago we conducted an extensive study to understand more of what their challenges were in terms of medical billing, and created lines of credit and services specifically to accommodate those needs. We also have a large hospital organization proposing to build a campus right in the middle of Clarkston with the hospital at the epicenter. The campus will have multiple buildings including a cancer center and a cardiac center to support the main hospital. The Bank has a partnership with this organization and we are working on the possibility of having a presence on the campus.

CEO CFO: What is the competitive landscape for Clarkston State Bank?

Mr. Smith: From a community bank standpoint, we are a strong competitor in our markets with our updated products, newly designed website, our commitment to the community and our genuine front line and back office staff. We have more recently seen a change in the competition because of some local bank closings due to the economy. The larger institutions have larger advertising budgets and more branches but many have pulled back on smaller business lending, where we are strong. They also are much less involved in the

community and less focused on the customer service commitment. Credit Unions definitely are more aggressive and have a good presence here much more so than they had ten years ago. The same is true with the large commercial banks.

CEO CFO: Why are your customers choosing Clarkston State Bank?

Mr. Smith: The biggest reason is the personalized service we provide at every level of the organization. Many

bank organizations talk about it, but we truly live and breathe that commitment every day. We have acquired many new customers who have become frustrated with the larger bank business model being very fee driven and less customer service driven. In addition, some of the larger institutions focus solely on the customers that have \$5 million or more in annual revenues, leaving the smaller businesses behind. We successfully fill that void with competitive products, pricing and services. Our customers like the service we provide. They like that when they walk into the bank, we know their name. We are not shifting branch managers around quite often as some of the larger institutions; they like that stability and consistency. In addition, our ability to make decisions locally results in quick turnaround. If there is a problem with a loan, the customer can walk into a branch and talk to somebody that can resolve the issue quickly. You can even meet with the president of the bank. Many of the larger institutions have moved their headquarters and decision making out of Michigan, ultimately effecting their level of service.

CEOCFO: Would you give us an example of something you did for a client that might not get done as easily at another bank?

Mr. Smith: We had a customer a number of years ago that was looking to borrow some money in order to fight a lawsuit his company was involved in. His cash flow was tight at the time, although the company was on sound footing. We sat down with him and were able to structure a loan that we were comfortable with and that met his needs. We assisted this customer through a very difficult time and ended up with a very happy, loyal customer. The lawsuit was ultimately settled to his satisfaction and the Bank was paid back its loan.

CEOCFO: How does Clarkston Financial you attract new customers?

Mr. Smith: There are a few ways that we attract new customers. I cannot over emphasize the importance of the service commitment, especially in today's competitive market. Most of the large institutions have an auto-

mated phone system that you have to go through instead of getting a live person when you call. Then you can get transferred around to several individuals before getting to somebody who can try and help you. That is a big selling feature for us. When you call Clarkston State Bank, we do not have an automated phone system. You get a live person that answers the phone and who can get things done or get you to someone quickly who can. We also have a courier service that is very valuable for small business owners. We have three full-time vans on the road everyday that are traveling around the Northern Oakland County area picking up deposits for our customers. This has proven to be a very beneficial service and competitive edge for us.

CEOCFO: Do you see any new products or services that you would like to add?

Mr. Smith: We have been working on updating and adding products and services over the past couple of years. We added imaging to our on line banking that allows our customers to view their check images. We are also ready to roll out a newly designed, more interactive website in the next thirty days. Within the last year, we added Cash Management to our suite of products for business customers, and we continue to look for ways to attract more business. Internally, we have enhanced our security systems to better deal with the fraud issues facing our customers in today's market such as debit card fraud detection.

CEOCFO: Do you see the need for any additional locations?

Mr. Smith: We currently have plans to open one new branch location on Sashabaw Road in Clarkston where we own a piece of real estate. This branch would replace the current storefront branch across the street from the land we own. As we expand our market area, we will begin to look at other branch locations to the north of us.

CEOCFO: What is the community involvement for Clarkston State Bank?

Mr. Smith: Our community involvement is at the core of what distinguishes us from other banks. All of our bank officers and most of our managers are involved in the community in some way. We are very involved with the local chambers including one of our branch managers who currently holds the president position. We also have staff involved in the local rotary clubs, and several civic groups and nonprofit organizations. In addition, we are very involved with the local school districts where we donate both time and money. One of our long-standing programs involves going into the schools and teaching basic money handling including balancing accounts and credit card usage. We also have school banking programs set up in some of the elementary schools to teach students about saving money.

Throughout the year, we are committed to events like the July 4th parade in our primary market, where we rent two ice cream trucks and pass out Good Humor ice cream bars. There is an annual Taste of Clarkston event, where the downtown streets shut down and all of the local restaurants set up booths and music is played on the street corners. We typically help sell tickets as well as volunteer our time at the event. Our staff has also volunteered its time to run in local relays for breast cancer and countless fundraisers for local charities. Our strong commitment to the community is genuine and is demonstrated from the teller level all of the way up the organization including the executive management team and myself.

CEOCFO: What does Clarkston Financial look for in its people?

Mr. Smith: We look for a warm, genuine and flexible personality; someone who understands the customer comes first and is the reason we are here. We look for someone who has a natural sense how to service people and take care of different types of needs and issues. Patience is a key trait to take care of all of the different personalities and situations you run into when dealing with customers. We work on the premise that you can teach people systems, processes and procedures but you can't

teach them how to handle customers; that is a natural trait you either do or don't have. So we really focus on the personality traits needed to provide superior service to our customers.

CEOCFO: What is the financial picture for Clarkston Financial?

Mr. Smith: We just recapitalized the bank this past April and worked very closely with the regulatory authorities during that process. We are now in the recovery phase and are looking forward to profitability and growth. We are lending, and were just awarded the SBA (Small Business Association) Lender of the Year Award for Oakland County, which is very impressive based on our size and current market

conditions. Our lending pipeline is strong and we continue to grow our core deposits, which we are very proud.

CEOCFO: In closing, why should potential investors look at Clarkston Financial?

Mr. Smith: Most importantly is the depressed value of the stock. It is at an all time low and the potential for price appreciation is very apparent. In addition, every single director on our board has an investment in the Bank demonstrating the commitment and confidence in the Bank. The board of directors owns a significant portion of the Corporation's stock. Investors looking at Clarkston Financial should

also consider where we are located. We are in North Oakland County, which is the fifth wealthiest county in the country, so there is a great potential for loans and deposits here. Another significant attribute is the preservation of our deferred tax asset (\$6.5 million), which is a significant advantage as we recapture the asset through earnings over the next several years. Lastly, we believe core deposits is the driver of consistent long-term profitability, therefore we are relentless in our pursuit of core deposits.



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YOUR COMMUNITY BANK

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