

Hear ye, hear ye

# The Town Crier

OFFICIAL NEWSLETTER OF TOWN & COUNTRY BANK



Town & Country  
BANK

May-June 2009

## QUARTERLY GROWTH CONTINUES

After five full quarters of operation, St. George-based Town & Country Bank reports continued strong growth in deposits and loans. For the three months ending May 18, 2009, the bank saw a quarterly increase in outstanding loans of 23% and a gain in deposits of 29%. Loan commitments stood at \$36.8 million with outstanding loans at \$31.7 million. Deposits totaled \$39.7 million. Growth in both loans and deposits outpaced projections.

"We're pleased that we have demonstrated consistent, measured growth," says Brad L. Hales, Executive Vice President & Chief Financial Officer. "The rise in new business indicates that customers appreciate our unique service model and robust array of products and services." The bank also reports that loans continue to perform admirably and that the growth in loans and deposits comes almost exclusively from local sources. As to the bank's bottom line, Hales says, "While various amortized start-up expenses have been a drag on earnings, we fully expect to reach profitability on schedule in mid 2010."



Brad L. Hales

The bank's continued growth and service model have caught the eye of United States Senator, Orrin Hatch. In an April 3, 2009 letter to CEO Bruce Jensen, the lawmaker suggests, "You obviously are doing a lot of things right. You seem to be putting the 'service' in customer service."

### Higher FDIC Deposit Insurance Coverage Extended

Consumers wishing to safeguard their money during these turbulent times will benefit from the recent four-year extension of \$250,000 FDIC deposit insurance per depositor on individual accounts. The insurance limit was slated to roll back to \$100,000 on January 1, 2010, but

Congress has just extended the deadline through December 31, 2013. As things stand now, the standard insurance coverage will revert to \$100,000 per depositor January 1, 2014.



### Bank Sponsors Mrs. Utah Pageant Candidate

Town & Country Bank recently sponsored St. George resident Christina Stoddard, in the Mrs. Utah Pageant. The pageant – true to its website billing – is "not your typical beauty pageant". It gives women the opportunity to serve as role models for their family and community, promoting their personal principles and platforms.



Christina Stoddard at Mrs. Utah Pageant

Christina won high marks at the pageant, landing her television appearance offers and many speaking opportunities. Mrs. Stoddard expressed appreciation to Town & Country Bank "for financial and moral support that allowed me to get my chosen platform before a large and influential audience". As a former domestic violence victim, she promotes and epitomizes her heartfelt motto, which is "Stand on your own two feet". Christina spends three days each month with the Sandy, Utah Police Department. As she goes out on calls to help victims of domestic violence she can listen, give empathy, share wisdom, and most importantly, she can empower those facing this trauma. Additionally,

Christina is working to educate the public about “the new face of drugs”, is a voice for rape victims and a spokesperson for “Purple Ribbon Week” (raises domestic violence awareness), and locally works with the DOVE center.

Christina and her medical spa business, Hollywood Body, maintain accounts at Town & Country, and the bank was pleased to serve as her corporate sponsor. This lovely lady has the presence to hold an audience and articulate her message. Town & Country Bank proudly applauds Mrs. Stoddard as she encourages and allows victims to “stand on their own two feet”.

## **Board of Directors Elected**

On May 19th at the bank’s annual meeting, nine individuals were elected to a two-year term on Town & Country Bank’s board of directors. All nine directors have been serving on the board from the bank’s beginning. They are, in alphabetical order: Daren Barney, Justin Heideman, Kent Heideman, Kerry Hepworth, Bruce Jensen, Mike Kraupp, Stan Mackay, Patricia Robichaux and David Senior.

## **Message From The President**

### ***Of Flight Plans and On-Time Arrivals***

Several years before I became involved with Town & Country Bank, I was en route to Hanoi, Vietnam to visit the State Bank of Vietnam, a customer of mine. Upon arriving at LAX for the long leg to Hong Kong, I discovered that my flight would be delayed because of mechanical problems. Since I had little time between my scheduled arrival in Hong Kong and my connecting flight to Hanoi, I became uneasy. After what turned out to be a 35-minute delay in boarding, I eagerly buckled my seat belt only to hear more disconcerting news. The captain announced that our flight plan was being altered in order to avert severe weather in the skies directly ahead. Accordingly, we diverted around the storms and then returned to a more direct course. I was really getting antsy now, even though the plane’s video screen continued to indicate a landing time that would accommodate my connection. Amazingly and despite the unanticipated delays and variables that the cockpit crew had to deal with, the pilots made up the lost time and even got us to Hong Kong ten minutes early.

In reporting on the present financial condition of Town & Country Bank, I’d like to draw several parallels to my

flight experience. These parallels have to do with the critical objective of getting from point A to point B, as well as the arrival expectations of everyone who is along for the ride. So, like the airline captain over the P.A. system, I offer a progress update on our Town & Country flight:



***The Flight Plan.*** As of May, we are only 15 months into our flight. A start-up (or “de novo”) bank’s profitability timeline is, like a trans-Pacific flight, of longer duration. That’s because a new financial institution incurs a large part of its overhead at inception, and economies of scale must be built over time. Measured and sustained growth in both deposits and loans is required to achieve profitability. Of course, many other variables also come into play, such as loan performance, expense containment and external factors (e.g. changes in interest rates and environment), to name a few. When my colleague, West Martin (Executive Vice President & Chief Lending Officer) and I made investor presentations to potential shareholders during our capital raising campaign, we focused on the written Town & Country “flight plan” – that being the bank’s pro forma financial projections contained in the original Private Placement Memorandum. In the pro formas, an “arrival time” for profitability was projected for the second quarter of the third full year of operation (mid 2010). Our management team at Town & Country Bank fully expects to meet this estimated time of arrival despite the various external conditions and unanticipated expense factors we have thus far encountered. During nearly every one of the hundreds of initial investor presentations we made, West and I also conveyed the course charted by industry analysts for reasonable and typical return expectations on successful start-up banks: 5 to 15 years. As noted above, our flight has a long duration.

***Mechanical and Weather Related Delays.*** We have had some unanticipated delays that impacted our bottom line early on. Two of them are “mechanical” in nature and one is “weather related.” The mechanical difficulties are: premises expense and stock option expense. The unbudgeted premises expense – approved by bank organizers during the pre-opening period – included higher costs associ-

ated with bringing power, water, asphalt and landscaping to our temporary modular facility in a vacant field. These were costs over and above original premises expense estimates. Importantly, these additional costs are being depreciated over 24 months and they go away altogether early next year. The unplanned stock option expense arose from recommendations contained in our first year external audit. Auditors proposed an increase in options expensing, as the estimates originally obtained from consultants by management and used in projections were deemed low. Like the premises expense, the additional options expense is amortized and will fall off almost entirely at the end of the third year. The elimination of these amortized costs alone, from today's vantage point, will quickly bring us back in line with original pro forma projections. As to the one weather related difficulty, it is an "external" factor and has to do with the significant decline in interest rates from the time our pro formas were prepared some three years ago. The rate decline has caused a shortfall in forecasted loan income as interest rate compression has occurred. And while actual loan amounts have exceeded pro forma projections, the added volume has not been enough to offset the lower rates – especially in light of the compression. While Town & Country Bank has not paid unusually high deposit rates in relation to our competitors, the cost of funds in our market as a whole has been higher than the national average for some time, and has hindered margins.

**Course Adjustments.** While the falloff of some depreciation expenses next year by themselves should help us "make up the lost time" – assuming we maintain our to-date, consistent growth pattern in deposits and loans – our management team is doing everything possible to find additional ways to ensure we reach profitability on schedule. We have sought additional sources of income (from utilizing approved yield-enhanced vehicles for investment of excess funds, to raising certain service fees, to entering into select loan participations), and we have adjusted downward various expense allocations (such as advertising and other operating expenditures). We're also emphasizing growth in business and individual checking, savings and money market accounts, where the cost of funds is cheaper to the bank. Furthermore, we expect to continue to maintain a firm grip on other large cost categories like employee expense (where we spent nearly \$200,000 less than projected in pro

formas for 2008 by combining job functions, and where we are exactly in line with like costs at the 87 other de novo banks formed in 2008).

The skies have not been so friendly to banks over the past 15 months and we have certainly been affected by the dramatic reduction in interest rates that has curtailed loan income and investment income on excess funds (of which we have plenty, as a newly capitalized bank). Yet despite this and the fact that "profitability and breakeven points for de novo banks are being pushed farther out," as reported to the American Bankers Association by bank consulting firm FinPro, our management team is working hard to buck the trend. Our profitability analysis at present indicates that, as stated above, we should be able to achieve an "on time arrival." As to the historical 5 to 15 year investment horizon, we believe the bank has quickly established a powerful brand, a solid and growing customer base, a healthy loan portfolio and innovative products and service delivery – all the ingredients for long-term success. So while we have experienced some early "mechanical delays" and "weather related" turbulence, your captain reports that our plane is steadily headed toward our mutual destination.



*Bruce T. Jensen*  
President &  
Chief Executive Officer  
bjensen@tcbankutah.com

## Customer Spotlight

### **Color Country Community Housing, Inc.**

139 North 100 West  
St. George, UT 84770  
Tel. (435) 673-3131  
Fax (435) 673-4195  
www.cchi.net



In its short time of existence, Color Country Community Housing Inc. (CCCHI) has become one of the state's strongest and most successful affordable housing developers. CCCHI was founded by area leaders to address the affordable housing needs of Southwestern Utah. In 1998, then Governor Mike Leavitt signed into law House Bill 295 that required all Utah cities, towns and other local

municipalities to assess their affordable housing needs, then adopt and implement an affordable housing plan. Initially, CCCHI worked as a consultant to cities developing such plans. Soon however, a lack of affordable housing developers became evident, and CCCHI stepped in to become a builder and provider of affordable housing.

CCCHI has a vision of eliminating homelessness in our area by providing nice, safe, affordable housing opportunities for all who are in need. As the area's only Community Housing Development Organization (CHDO), this vision cannot be realized without the partnerships with public and private organizations having the same vision and passion for solving the affordable housing dilemma in our communities.



Recently Washington D.C.-based Affordable Housing Tax Credit Coalition announced winners of its 15th Annual Charles L. Edson Tax Credit Excellence Awards, a national competition. CCCHI was selected as the winner in the Rural category for the Red Hawk Apartments in Springdale, Utah. The project provides spectacular affordable housing in a community where little has been available. CCCHI also won the "Rural Project of the Year" award in 2003 from Utah Housing Coalition-Utah Housing Matters. Ty Tippetts, Executive Director of CCCHI says, "Of course, our overall goal is to build beautiful, affordable housing that

honors the families and individuals whom we serve. Recognition and awards like this are simply 'icing on the cake'."

CCCHI became involved with Town & Country Bank's loan department in 2008, when financing was required for a sister project to the Red Hawk Apartments in Springdale. Town & Country was



*Red Hawk Apartments in Springdale, Utah*

able to arrange for funding for four detached homes adjacent to the apartments. Says Ty Tippetts, "When another bank was over-leveraged, Town and Country Bank stepped up to the plate and partnered with Morgan Stanley Bank to provide \$1.6 million in construction financing to allow Color Country Community Housing to start this next phase (at Red Hawk). Town and Country Bank is a great partner and a pleasure to work with. Through their help, families who are the backbone of the Springdale economy can now put down roots in this beautiful community." Ty was so impressed with Town & Country's responsiveness that P. West Martin (Executive Vice President & Chief Lending Officer) was asked to become a member of CCCHI's Board of Trustees, which offer he accepted.

Town & Country Bank shares CCCHI's passion for developing affordable housing in and around our community, and we greatly value our relationship with this outstanding partner!



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*Where banking is a simple pleasure*

**(435) 673-1150 | [www.tcbankutah.com](http://www.tcbankutah.com)**