

As a Community Bank with a Clean Balance Sheet focusing on Business Customers, Founders Community Bank a wholly-owned subsidiary of Founders Bancorp has shown Steady Growth and the Ability to handle a significant downturn Raising Expectations for them to be around for a Long Time



**Financial
Community Bank**

**Founders Community Bank
237 Higuera Street
San Luis Obispo, CA 93401
805-543-6500
founderscommunitybank.com**



**Thomas J. Sherman
CEO**

BIO:

Thomas J. Sherman, is a resident of San Luis Obispo, California. He is the Chief Executive Officer of Founders Community Bank. Mr. Sherman was instrumental in the organization, capitalization and opening of Founders Community Bank. The Bank commenced operation on May 5, 2005 after raising \$11 million in initial capi-

tal and has now grown to more than \$130 million in total assets.

Prior to his tenure at Founders Community Bank, Mr. Sherman served as President, Chief Operating Officer and Chief Credit Officer of Coast National Bank in San Luis Obispo, and President, Chief Operating Officer and Chief Financial Officer of Coast Bancorp, the holding company of Coast National Bank. Mr. Sherman was also Senior Vice President in charge of commercial lending with First Bank of San Luis Obispo.

Mr. Sherman is a San Luis Obispo native with more than 35 years of banking experience. He is a graduate of San Luis Obispo Senior High School and California Polytechnic State University – San Luis Obispo. Mr. Sherman is also a graduate of the California Intermediate Banking School at the University of San Diego, a graduate of the American Bankers Association Stonier Graduate School of Banking at the University of Delaware, and a graduate of the California Bankers Association’s Leadership Program.

Mr. Sherman currently serves as a Board Member for the Women’s Shelter Program of San Luis Obispo, as Chairman of the Women’s Shelter Program Endowment Trust, as a Commissioner for the Housing Authority of the City of San Luis Obispo, as a Board member and Finance Committee member for the San Luis Obispo Golf and Country Club, and as a member of the Knights of Columbus, the Caballeros de San Luis

Obispo and Native Sons of the Golden West.

Mr. Sherman was formerly a board member of the San Luis Obispo Chamber of Commerce and a member of the Exchange Club of San Luis Obispo. He was also formerly a board member and Treasurer for several local non-profit organizations including the Gridiron Club at San Luis Obispo High School, the Friendship School Handicapped Adult Program, the Foundation for Community Design of San Luis Obispo County, the Steering Committee for the Children’s Museum of San Luis Obispo Building Fund, and the San Luis Obispo Babe Ruth Baseball program.

About Founders Community Bank a wholly-owned subsidiary of Founders Bancorp (OTCBB: FBCEP) Founders Community Bank is proud to be a community bank headquartered in San Luis Obispo. Since opening for business in May, 2005 we have been providing a complete line of business and personal financial products to make banking with us a pleasure.

Our goal is to deliver services that provide exceptional value to our customers and offer the kind of personalized service often missing in large commercial banks today. Though sound, secure business practices and in-depth knowledge of the markets we serve, Founders Community Bank is committed to ensuring high-quality service to our customers and local communities.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Mr. Sherman, what was the vision when the bank started and how has it changed over time?

Mr. Sherman: I have to go back in times quite a ways to when I started in banking here locally. I was a high school student looking for a part-time job and the father of a friend of mine who was the head of a local community bank, hired me. I was seventeen years old and got my first introduction to what community banking was all about. I was working as a courier and mailroom clerk and worked my way up from there. I was exposed to what community banking was all about versus major banking. As a result, it is the type of community here, which really embraces community banks versus the big players. Back in about 2003-2004, there was a transition that was beginning to take place in our market, There was a rumor of another local community bank that might be leaving the market. They had been around since 1980, so I thought that there would be an opening that would be an attractive one to try and step in to essentially replacing them. That was the driving force as the merger and acquisition activity was picking up in our market. That presented an opportunity to replace one of the long-term players.

CEOCFO: What is going on today?

Mr. Sherman: Well like most banks it has been a little bit of a bumpy ride in our particular case since we opened in 2005. The good news for us was that there was a limited amount of certain types of credits that happened to be in our portfolio. We had a limited amount of construction and land, land development loans that we had made. Our peers had made quite a bit of those types of loans, so when things turned, we did not have the problems to face that many of our peers were facing. I likened it to driving a car in a driving rainstorm. You can continue to charge full-speed ahead or you can pull over to the curb for a little while and wait for the storm clouds to clear up a bit before you pull

back into the traffic. We are predominantly a business and professional bank but we are also full-service, so we do make land development loans, construction loans of both residential and commercial nature. We do a great deal of commercial real estate lending for both owner occupied and non-owner occupied properties. That has not changed but our credit standards were strict to begin with and we have not wavered from that.

CEOCFO: How has the economy in your area fared in comparison to the rest of the country?

Mr. Sherman: There was a price adjustment of course in real estate; values came down but we are unique. We are in something of a garden spot in terms of our location near the central coast of California. We are about halfway between Los Angeles and San Francisco, so we are a tourist area. We have some major employers as well, we have a state university here, a nuclear power plant, a state

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prison, so there is a stable employment base here. Government is a big employer as well. In recent years we have also seen a great amount of growth in the wine industry. We just happen to have a certain climate here that lends itself well to wine grapes, so that has taken off and has been a tourism driver. People come here not just to go to the beaches but they also come to see the wineries that have popped up throughout our county.

CEOCFO: Do you bank many of the wineries?

Mr. Sherman: Most of the wineries are small boutique wineries and they find usually their best financing through farm credit for example, but we do have a few.

CEOCFO: You mentioned there are many community banks in your area, so what is different about Founders Bank?

Mr. Sherman: We do not try to be everything to everybody. We are mostly staffed by local people that

have been in banking here for many years. While the bank itself is fairly young and having only opened in May of 2005, the employees on board here have been in banking locally for decades. Most all of them I have either worked directly with other banks here locally or competed against them previously and found them to do a good job so I recruited them to come here.

CEOCFO: Are there services you would like to offer that are not currently available?

Mr. Sherman: We are enhancing our electronic banking platform. We have quite a few things in the queue right now such as mobile banking, merchant remote deposit capture, things of that nature that we feel we need to make available to be more competitive but also allow us to expand our reach beyond just our immediate county.

CEOCFO: Is there a particular type of business that you target?

Mr. Sherman: It is mainly professionals such as physicians, attorneys, engineers, architects. They are really our bread and butter. We also do a fair amount of hospitality lending, construction lending and commercial real estate lending, mostly owner-occupied things.

CEOCFO: What is a concrete example of something that a customer would find at your bank or something that you are able to do for a customer, which they may not find elsewhere?

Mr. Sherman: We pride ourselves on very rapid turnaround, which seems to be the thing that makes us stand out. We tend to see people that arrive on our doorstep, who have an immediate need. They may have started the process with another bank or lender and at a certain point they grow frustrated with the process because it is simply taking too long or they have been put through the mill and at the last minute they are told that for whatever reason, their deal does not fit in the box. We pride ourselves on being very quick with our response and open to listen to the story that they may have to tell. It is not just numbers on a page for us; we want to know something about

their character and background. We listen to them and take care of their needs as quickly as we possibly can.

CEO CFO: How do you reach potential new customers?

Mr. Sherman: It is relationship based, so we have our staff out making direct calls on customers all the time. We have a thorough and robust calling program where we try and push our people out onto the street to not just meet people for the sake of generating new business for the bank, but also performing maintenance calls on existing customers and developing a network of referrals as a result.

CEO CFO: How have you helped your customers through the major difficult times?

Mr. Sherman: For many banking customers and loan applicants out there, the process of getting a loan from a bank is still a real mystery. I think one of the things we do best is sit down with applicants and explain to them the rules of the game. Those rules obviously change with every borrower and every situation. There are some core basic rules but as regulatory changes occur for example, or the bank's position changes relative to concentrations of credit in certain areas or underwriting criteria, we want to make sure that we are explaining the changes to our customers so that they can make informed decisions too.

CEO CFO: Do any of your business customers do their personal banking with you as well?

Mr. Sherman: Quite a few of our customers take advantage of our personal banking services as well as business services. We are not just targeting the business or the business owners but we try to reach further to the staff of those employers as well. Oftentimes there is a great deal of

synergy there so that we can offer to make life much easier for the employer relative to their employees with products such as payroll services. Is there an opportunity for growth as far as trying to generate consumer business? Of course. It is a very competitive market and I think it is hard to get consumer relationships on a one-on-one basis, which is why we try to do it in a joint effort to capture more consumer business through both the owners and employees of the businesses we are banking.

CEO CFO: How does your long history in banking and that of your staff, help you in dealing with the regulatory atmosphere that promises to get worse and not better?

Mr. Sherman: I think it is built-in credibility. We have in many cases known the regulators that visit our bank for many years. The regulators see familiar faces when they come through here, but beyond that, I make it a point to go up and visit with our bank regulators at least once a year face-to-face in their offices to lay out for them where the bank is going and where it is presently. Surprises are always bad of course for us as bankers and I am sure the regulators feel the same way, so I do not want there to be any mystery about what we are up to, how we are performing and how we see the bank going in the future. I want to lay it out for them because at the end of the day, they are a partner in all of this right along with us. They are important to the success of the bank.

CEO CFO: How is business these days?

Mr. Sherman: It had been very good. Our loan demand was up quite a bit until about ninety days or so ago and I attribute the slow-down in loan demand to the uncertainty surrounding things like the presidential election

coming up, and what congress will do with the fiscal cliff. Many people have gone into hibernation mode while they wait and see what is going to come next. We were seeing quite a bit of strong loan demand prior to that though.

CEO CFO: What is ahead?

Mr. Sherman: We are not trying to take over the world, we are not trying to swing for the fences on every pitch and we are pretty much a basic blocking and tackling bank. We have a slow and steady growth pattern and we expect to be around for the long run. We see many of our competitors in our marketplace continue to go away with bigger players coming in to take them out. We feel strongly that we might be the only true community bank left standing in our market and we feel good about our position because of that.

CEO CFO: Why should the business and investment community pay attention to Founders Bancorp?

Mr. Sherman: We have a clean balance sheet. If you look at our history and compare it to the performance history of other community banks across the country, you will see that we have a demonstrated management team that can handle a significant downturn such as that we have gone through and come out the other side stronger and better. As an investor, the bottom line performance is important, but evaluating the quality of the management team as part of that analysis is in my opinion equally as important and I think we have a very good one.



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