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Veterans, investors lead turnaround at Landmark

By David Flaum

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In December, just months after directors tried to figure out how to keep it alive, Landmark Community Bank turned a monthly profit for the first time in its 13-year life.

Sure, it was only $18,600.

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Jake Farrell, president of Landmark Community Bank in Collierville, has reason to smile after the bank has begun to turn a profit for the first time in its 13-year history.

But compared with the average $250,000 a month the Collierville-based bank was bleeding for most of 2009, the positive numbers, as well as a similar profit in January, signaled a turnaround for a bank that was under the gun from regulators just six months ago.

The difference: Directors hired Memphis banking veterans Jake Farrell and Charles "Buddy" Dickey to run the bank, and they assembled a group of investors who plowed $14.4 million into Landmark this summer.

Farrell, 59, who became CEO on June 1, had a simple explanation for the turnaround, which included growth in deposits from $60 million to $150 million since he and Dickey took over:

"We have really good bankers here. All of us know a lot of people."

One of those people is John Walker, a commercial real estate operator and Landmark board member. He called Farrell in late spring. At that time, Farrell was finishing his five-year contract with Synovus Financial Corp. at Trust One Bank.

He, Dickey and Rowe Belcher, who died in 2000, started Trust One in 1995 after they sold Community Bancshares of Germantown to First Tennessee Bank. Synovus,

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based in Columbus, Ga., bought it in 2004, keeping Farrell as chairman and CEO and Dickey as chief financial officer.

Dickey left Trust One in 2008 and Farrell gave up his CEO post later that year, retiring as chairman in 2009.

The board had hired Doug Southard of Southard Financial to see what the options were for selling or saving the bank, Walker said.

"We were losing a lot of money and we needed help," he said. Walker knew Farrell and contacted him because he thought Farrell would be willing to stay in banking after leaving Trust One.

Farrell asked Dickey, 57, to join him.

"I didn't even want to talk to them. Landmark had such an awful reputation in the banking community," Dickey said. "Jake went alone."

Although both the bank and the economy were weak, Farrell said he saw potential in a bank with almost no exposure to the residential construction bust (six mortgages, no development loans) and an officer, Michael Russell, then president and CEO, who was working to clean up other problems.

"If we had a bank with the capital to grow, with interest spreads (the difference between rates paid on deposits and received for loans) the way they were," Farrell concluded, the bank could rebound and prosper.

And, Walker said, "He offered us the best value on the stock."

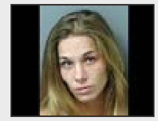
Farrell and Dickey came on board June 1. Landmark got the capital in July -- $14.4 million from 85 investors -- with the idea of keeping the number fewer than 100 so the bank could become an S corporation. That way, profits -- if they were made -- would only be taxed when they were paid out to shareholders as dividends.

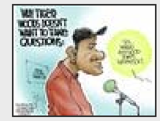
That involved buying out more than 300 other shareholders, including all but two of the remaining African-American investors who, at Landmark's birth as MemphisFirst Community Bank, held majority interest in the bank. Those with more than 30,000 shares could take stock in the bank or $2 a share in cash. Owners of less could take cash or a seven-year note. That plan was approved last week by shareholders.

"Some smaller shareholders were not happy they were getting taken out," Walker said. But that, and eliminating the bank holding company, were needed to change the corporate status, Farrell said.

Some of the large investors -- car dealer Al Gossett, FedEx executive Mike Ducker, Lattimore Michael, founder of Back Yard Burgers -- became directors.

The bankers set aside $2.6 million late last year to take care of anything they thought they may have to write off in terms of bad loans and assets. Landmark has little problem in a couple of troubled areas -- no loans to residential developers and only six mortgages on its books, Farrell said, much of that because of Russell's work over the past couple of years.





Earning profits to pay dividends to shareholders, not creating explosive growth with an eye toward flipping the bank to a buyer, became Landmark's goal.

Emphasizing business lending and private banking for high-income and wealthy customers, including some of the business owners who borrow money from Landmark, will be the path to the goal, Farrell said.

"With Jake Farrell's background, the capital the bank needed and the support of investors and the board, they can do well," said Jim Ross, owner of Pathfinder and onetime president of the old Leader Federal Bank for Savings.

Small businesses have a growing need for financing, and such lending is less risky now than it was a year or so ago, Ross said. That presents good opportunities for a bank like Landmark that has most of its loan problems behind it, he said.

Concentrating on commercial banking "is the right strategy for their size, especially in this environment," Ross said.

Farrell and Dickey needed experienced bankers to make good those advantages. They kept executives, including Russell, now chief credit officer, David May and Ken Weatherford, and brought on others, including Farrell's wife, Julie Farrell. The executives' banking industry experience averages out at more than 20 years each.

Farrell and company got Landmark investors to open accounts -- something previous managers were unable to do, even after a group of investors pumped $15.3 million into the bank in 2006.

Deposits grew from $60 million when Farrell took over to $150 million this month. Checking account balances rose from $3 million to $12.5 million in seven months.

The Landmark bankers now need to find people to use that money.

In addition to commercial loans, the bank hopes to "creep into" the jumbo mortgage loan (more than $417,000) business. Such loans, Farrell said, are low risk and bring the bank customers who will make deposits. That feeds into the second area of emphasis -- private banking for high-income and wealthy individuals.

The industry shakeup has produced opportunities in that business, too, Ross said. For example, Bank of America's acquisition of Merrill Lynch and attempts to combine it with B of A's Premier Banking Group "put a lot of clients adrift," he said.

"We're not going to be a retail (small account, individual customer) bank," Farrell said. "I've never made any money on that."

The offices Landmark plans to add early this year -- one on South Germantown Road, the other in the Ridgeway Center -- will be aimed at commercial and private banking rather than traditional bank branch business. Branches in the Collierville headquarters, on Germantown Road near Wolf River and in Whitehaven, will stay open.

That is a wise move as well, Ross said.

"You don't tie up a lot of capital in freestanding branches or in rent for them," he said.

Farrell and Dickey believe they have put all the pieces in place for Landmark to continue to turn a profit, but they have another goal.

"We're not going to be here forever," Farrell said. "We want to put the bank in a position to make money without us."

Landmark Community Bank

Headquarters: 1015 W. Poplar, Collierville

Top executives: Jake Farrell, president and CEO; Charles "Buddy" Dickey, chief financial officer.

History: Founded in 1997 as MemphisFirst Community Bank with majority of stock owned by African-American investors; recapitalized in 2006 and renamed Landmark Community Bank; recapitalized in 2009; MemphisFirst holding company eliminated, 2010.

Offices: 3 branches with two offices to open in 2010.

Assets: $188 million as of Dec. 31, 2009.

2009 financial report: Lost $4.65 million.

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dan#411440 writes:

This is great news in the continuing saga of banks in distress. The question is why did they wait 13 years to effect a change if they have never been profitable. Was the Board on life support. BANKALCHEMIT.