



**Brunswick Bancorp  
BRBW  
Investment Notes**

**Please read Disclaimer at bottom of these notes!**

## **FDIC Certificate Number 20220**

### **September 25, 2019 (\$8.60) 2-Minute Drill and Thesis**

Brunswick Bancorp is a small New Jersey bank with 6 branches (formerly 7). It was formed via a merger in 1977. The bank is highly capitalized, as it has higher than required leverage and capital ratios.

I like the bank, and if it were liquid, I think we would own it, around a 5% position. We currently own ~2.73% of the entire company. Our allocation is ~1.17%, with an average cost of \$5.90. Yet, the stock is not liquid.

I am also concerned with the heavy related party transactions. Yet, their capital ratios are high, which adds comfort, and at the same time reduces ROA and ROE.

Average volume is less than 1,000 shares per day. We own 76,901 shares or 2.66% of the company. So, we own approximately 80 days of trading volume, which is huge.

The positive aspects of the bank are what appears to be a competent management team. Roman Gumina father operated the bank since the 70's, and hence banking was in Roman Gumina's blood. Roman passed away in July 2018, so the new team is not yet known. The bank has been selling below 50% of book until his death, and now about 66% of book. We own the shares at a ratio of 44% to book value. The shares are currently quoted at ~66% of book value. Perhaps a candidate for a merger.

Mr. Gumina stated at the Annual meetings they want to grow slow and steady, and not like a weed. They mentioned to me on several occasions that the financial crisis got them worried, they stopped loaning monies, and want to be conservative and careful going forward. Directors own over 35% of the shares outstanding. Mr. Gumina owned over 30% of the shares outstanding.

The negative aspects of the bank are its high efficiency ratio, as well as its high positions of related party loans, and related party transactions, such as rent. There are four operating locations which are leased from a related party. The rents are the main cause of the high efficiency ratio. The capital ratios are high, and liquidity seems appropriate.

If we extrapolate annual eps of \$0.29 for F2019, the P/E would be 29.66X. Price to Book is 63%, hence I still consider enticing.

Some other Notes:

## Brunswick Bank and Trust Company

| <b>Financial Snapshot:</b>                                     | <a href="#">... more Financials</a> |
|--|-------------------------------------|
| <i>as of June 30, 2019 Dollar figures in thousands (000's)</i> |                                     |
| <b>Total Assets:</b>   | \$210,522                           |
| <b>Total Deposits:</b>   | \$167,540                           |
| <b>Domestic Deposits:</b>                                      | \$167,540                           |
| <b>Bank Equity Capital:</b>                                    | \$30,667                            |
| <b>Year-To-Date:</b>   |                                     |
| <b>Net Income:</b>   | \$428                               |
| <b>Return on Assets:</b>                                       | 0.42%                               |
| <b>Return on Equity:</b>                                       | 2.91%                               |
| <b>Pre-tax Return on Assets:</b>                               | 0.58%                               |
| <b>Quarterly:</b>  |                                     |
| <b>Net Income:</b>   | \$206                               |
| <b>Return on Assets:</b>                                       | 0.40%                               |
| <b>Return on Equity:</b>                                       | 2.70%                               |
| <b>Pre-tax Return on Assets:</b>                               | 0.56%                               |

Figure 1 - FDIC.GOV 20190925

Tier 1 risk-Based Capital is a healthy 16.49% as of June 30, 2019, this is down from 17.49% as of June 30, 2018.

### August 21, 2019 (\$9.10) 2Q19 earnings released

Stockholders' Equity of \$38,562,482 shares outstanding of 3,036,603. Subtracting Treasury Shares of 214,599, which would lead to shares of 2,822,004, or a book value of \$13.66.

It appears (and I have yet to read the FDIC filings) that the company reduced shares by 187,348 (3,036,603 - 3,223,95) shares during the first six months of 2019. I questioned the company, and they responded that company bought back 21,000 shares for \$9.95 per share, during the second quarter of 2019. The remaining share difference indicated above were indicated to me as follows: *“The changes you noted is due to the forfeiture of restricted shares that were issued in prior years and unvested in 2018, which was discussed at the Annual Shareholders’ meeting.”*

Net Income for 6 Months ended June 30, 2019 was \$411,246, or \$0.1457 per share.

If we extrapolate annual eps of \$0.29 for F2019, the P/E would be 31.38X. Price to Book is 66.18%, hence I still consider enticing.

### **April 30, 2019 (\$9.75) 1Q19 earnings released and Annual Meeting Notes**

#### **Random mention:**

We own 79,796 shares, which is about 2.63% of the shares outstanding, with an average cost of \$5.89 per share.

#### **Annual Meeting Notes:**

This was the first Annual Meeting since the death of Roman Gumina. I was told that Roman passed away from a massive heart attack. There was little to no discussion of his passing, no memorial discussion, and really all that was mentioned in relation to Roman, was that they have started to attack costs, decided to close Englishtown Branch within a few weeks from today, and that his estate owns shares. I asked if those cost cuttings included rents to related parties, and Mr. Gumina claimed “yes.” He cited that Englishtown branch, which is closing within 30 days, is real estate owned by related parties. He also mentioned they were looking to cut costs at 439 Livingston Ave. headquarters. Yet, my sense was that was just talk, and I would be surprised if anything like that resulted.

I asked about the future strategic plan, and Frank Gumina Jr. indicated things were nearly the same. They plan on and claim to have aggressively cut expenses, as well as increase core loans. Nicholas Frungillo Jr. also mentioned that loans were no riskier than in the past, and that 75% LTV was the norm, and they aren’t concerned, other than typical business concerns, which is natural for any business. Frank said, “we always worry.” As a side note, I find that to be a proper business acumen.

The major changes which they claim “are in the works” are increased advertising, shifting out of brokerage CDs into the consumer and commercial “friendly” area, and are looking for core deposits.

We also discussed their high efficiency ratio (you want low efficiency ratios in a bank), and they mentioned the ratio is improving. My take is it is such a small bank, with fixed operating expenses, and related party rents, that no meaningful attack on the efficiency ratio could be achieved. I did mention, that this could be one of many reasons for their unusually high discount to book value.

I asked if other banks are contacting BRBW since the death of Mr. Gumina. The response by Frank Gumina was that they are naturally being contacted by other banks. Yet, he was firm in stating that he wouldn’t sell to any bank no matter what. I responded, “I’m sure there is a number you would sell at, such as 3X book value. He claimed “No!” I understand his love of the bank, his vested interest of 4.3% of the company, but would think a prudent move of at least entertaining such an offer would be a proper business move. Yet, if the company was selling for 3X book value, the share price would be in the area of \$36 per share, which would be an increase of ~375% from these levels.

Both Mr. Gumina and Mr. Frungillo indicated that they are looking to expand their business. One method is the use of core loans and deposits and will be able to use the Fed for borrowing, as the rates are cheap enough, and worthwhile to write those types of loans. Mr. Frungillo also indicated they would start using advertising to generate business, something they haven't done in a while. He also mentioned they are rebuilding their operations to be more technologically efficient. I should have asked, but didn't if this would pressure earnings, due to higher costs. They indicated they reject quite a bit of loans and are quite selective in what they loan. I asked if they ever reject related party loans, and they claim the answer to that is "no" as all related party loans are worthy of lending. I expressed my concern being the related party outstanding loan balances are, and always have been a large part of shareholders' equity. Once again, another potential reason for low price to book.

They have no interest in paying a dividend. I asked once again to consider buying back their own stock. They indicated they wanted to use cash and liquidity on their banking business, as well as keeping strong equity levels. We had our annual discussion on this, as to how we could attempt to buy a small amount of stock, such as \$3M worth, and hence not disrupt their goal of a strong balance sheet. They just aren't interested. End of the day, I guess they wouldn't be able to buy much stock, as if they did, the price would probably escalate with very little volume.

I asked about the continuation and growth of related party loans. They were firm in stating that the loans are "good loans," are never in arrears, and have had no negative comments from regulators. They claim regulators have looked at this closely for the last 3 years, and never heard a negative mention from them. They claim the related party loans are also good for business generation, via networking and knowing others in business.

There were interesting discussions from several of the board of directors.

I asked Mr. Gumina and Mr. Frungillo if they have explored the cannabis industry as a means of new business. During this question Mr. McCarthy indicated they will not do business with companies that operate in an illegal manner. I mentioned that cannabis is medically legal in New Jersey. He interrupted and said I was wrong. I corrected him, and he then said, "You were talking recreational!" Of course, I wasn't, and perhaps that was just one of his rants. Another board member said, "Let me ask you a few questions about cannabis." He asked, I answered, and he mentioned, "Okay, I see you know the industry, and just wanted to make sure." I forget the board members name, he is an elder in the commercial real estate industry, and mentioned to me that he had some disappointments, as he was gearing up a bunch of warehouse space for some cannabis companies, but regulations got in the way. I did explain that much is changing in the Federal landscape, and that exploring a new and growing industry via education, and not as a revenue generator would be prudent, considering New Jersey possibly legalizing in May, and Federal banking acts might also change quickly. With that, they mentioned they are not interested at all, until when and if it becomes legal. I mentioned I was surprised they wouldn't even investigate it, and perhaps this is just one other reason why the stock trades at below stated book value. During the luncheon one of the banker attendees, Carl Carabelli came up to me and mentioned they have gone to conferences, including compliance conferences, and think it's just not a business they should go after at this point. This contradicted with what the board mentioned, and as far as I am concerned, I was somewhat relieved that at least they are looking into it. One of the board members mentioned, "We aren't going into cannabis banking because you want us to." I mentioned back, "I don't have any opinions to offer, nor did I imply that you should or shouldn't. I merely wanted to hear the boards view, and frankly ignoring the new industry, even if only in education, doesn't sound like a good practice."

I asked why the Tier 1 capital ratios, although healthy, were decreasing. Mr. Frungillo commented it was dues to loan and business growth. This of course, is a proper answer.

I suggested once again they consider using per share amounts in their quarterly earnings releases. Mr. Frungillo stated they will investigate that. I have been mentioning this for as long as I have attended meetings and think that Mr. Frungillo was merely appeasing me. I did ask to confirm, if we should use the shares outstanding, less the Treasury shares, in determining the market capitalization, and he stated, that without a doubt, yes.

Surprisingly, after the meeting, several board members, and most if not most of the people representing the bank, came up to me and thanked me for my frank and excellent questions.

#### **Release of 1Q19 earnings:**

Stockholders' Equity of \$38,480,059, with shares outstanding of 3,223,951. I think we need to subtract Treasury Shares of 193,599, which would lead to shares of 3,030,352, or a book value of \$12.70. Treasury shares decreased from last quarter; hence book value didn't increase by a larger amount.

Net Income for 3 Months ended March 31, 2019 was \$214,575, or \$0.0708 per share. The quarter presented for March 31, 2018 was \$298,887 but included an unusual item which at the annual meeting Mr. Frungillo explained, but I forgot the explanation. I think it was based on a gain of property in distress during 1Q18.

If we extrapolate annual eps of \$0.30 for F2019, the P/E would be 33X. Price to Book is 76.77%, hence I still consider enticing for ownership. I'm not certain I would buy at these levels though. When we first started buying the company, we were paying less than 50% of book value.

#### **January 31, 2019 (\$8.50) 4Q18 earnings released**

Stockholders' Equity of \$38,200,452 shares outstanding of 3,223,951. I think we need to subtract Treasury Shares of 197,597, which would lead to shares of 3,026,354, or a book value of \$12.62.

Net Income for 12 Months ended September 30, 2018 was \$1,246,068, or \$0.4117 per share.

If we extrapolate annual eps of \$0.50 for F2019, the P/E would be 17X. Price to Book is 67.35%, hence I still consider enticing.

#### **October 31, 2018 (\$9.25) 3Q18 earnings released**

Stockholders' Equity of \$37,981,530 shares outstanding of 3,223,951. I think we need to subtract Treasury Shares of 197,595, which would lead to shares of 3,026,356, or a book value of \$12.55.

Net Income for 9 Months ended September 30, 2018 was \$615,354, or \$0.2033 per share.

If we extrapolate annual eps of \$0.30, the P/E would be 30.83X. This is quite high of course, yet Price to Book is 73.71%, hence I still consider enticing.

#### **September 28, 2018 (\$9.25)**

#### **Thesis:**

Brunswick Bancorp is a small New Jersey bank with 7 branches. It was formed via a merger in 1977. The bank is highly capitalized, as it has higher than required leverage and capital ratios.

I like the bank, and if it were liquid, I think we would own it, around a 5% position. We currently own ~2.00% (+/- ~0.70%) position in portfolios that own BRBW. Yet, it is not liquid. I am also concerned with the heavy related party transactions. Yet, their capital ratios are high, which adds comfort, and at the same time reduces ROA and ROE.

Average volume is less than 1,000 shares per day. We own 80,296 shares or 2.66% of the company. So, we own approximately 80 days of trading volume, which is huge.

The positive aspects of the bank are what appears to be a competent management team. Roman Gumina father operated the bank since the 70's, and hence banking was in Roman Gumina's blood. Roman passed away in July 2018, so the new team is not yet known. The bank has been selling below 50% of book until his death, and now about 66% of book. We own the shares at a ratio of 44% to book value. The shares are currently quoted at ~66% of book value. Perhaps a candidate for a merger.

Mr. Gumina stated at the Annual meetings they want to grow slow and steady, and not like a weed. They mentioned to me on several occasions that the financial crisis got them worried, they stopped loaning monies, and want to be conservative and careful going forward. Directors own over 35% of the shares outstanding. Mr. Gumina owned over 30% of the shares outstanding.

The negative aspects of the bank are its high efficiency ratio, as well as its high positions of related party loans, and related party transactions, such as rent. There are four operating locations which are leased from a related party. The rents are the main cause of the high efficiency ratio. The capital ratios are high, and liquidity seems appropriate.

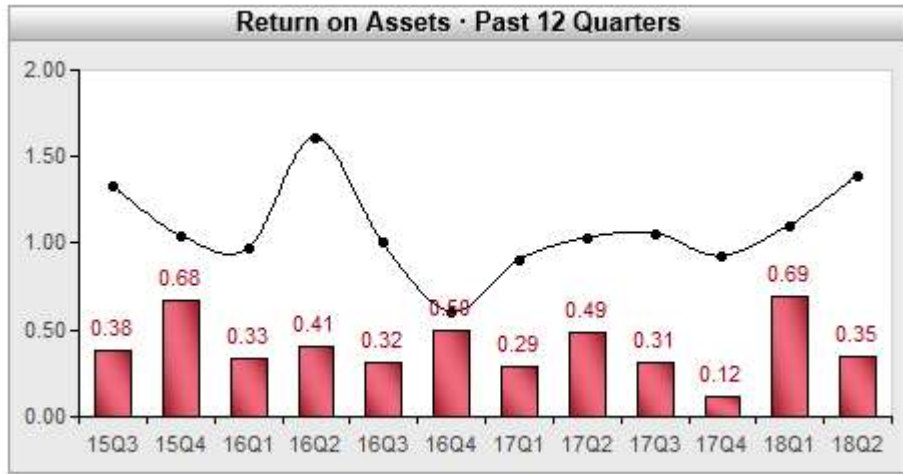
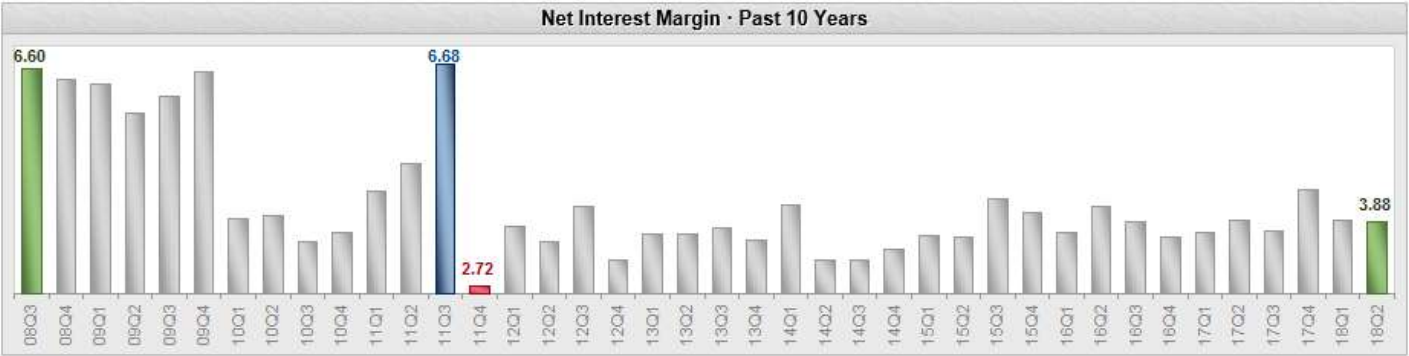
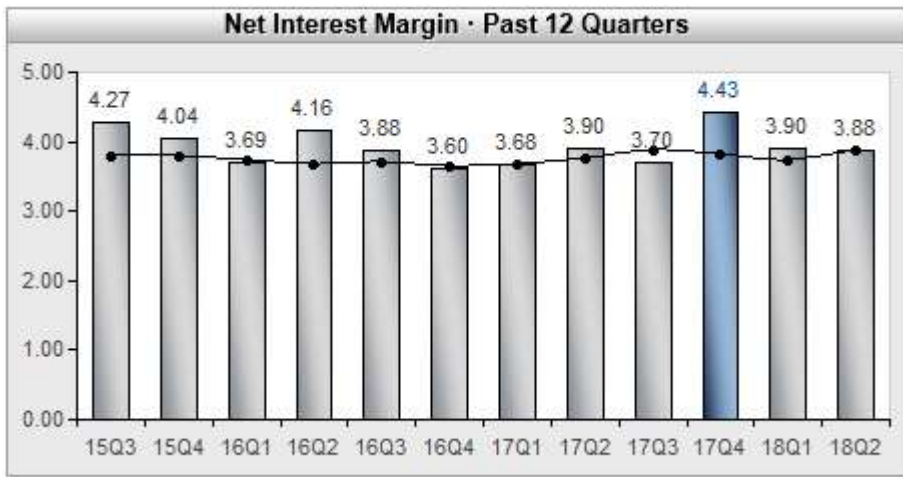
Stockholders' Equity of \$37,814,316 shares outstanding of 3,223,951. I think we need to subtract Treasury Shares of 199,815, which would lead to shares of 3,024,136, or a book value of \$12.50.

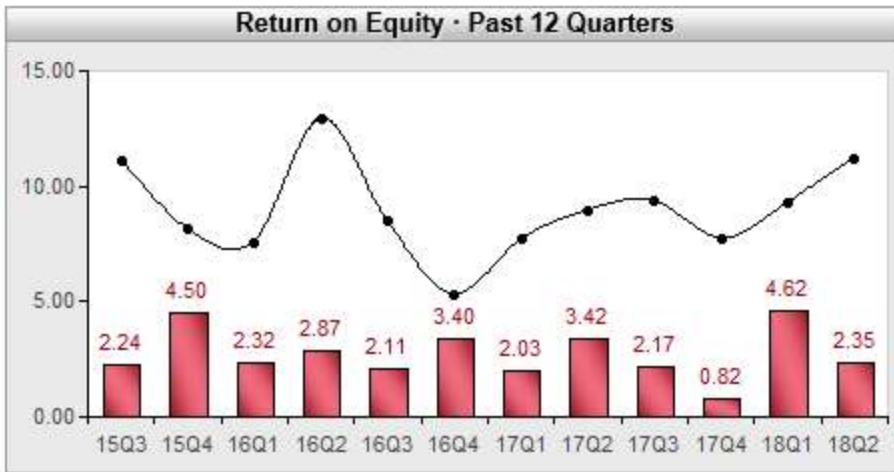
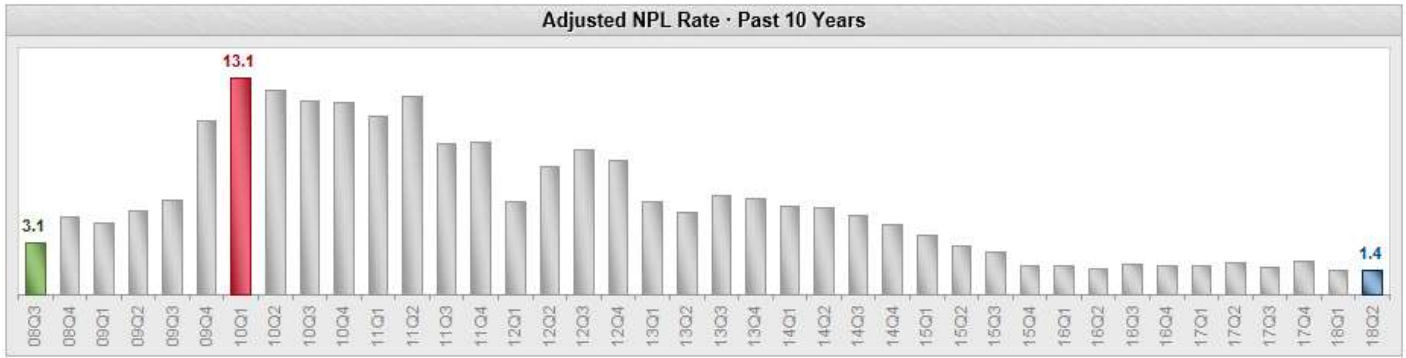
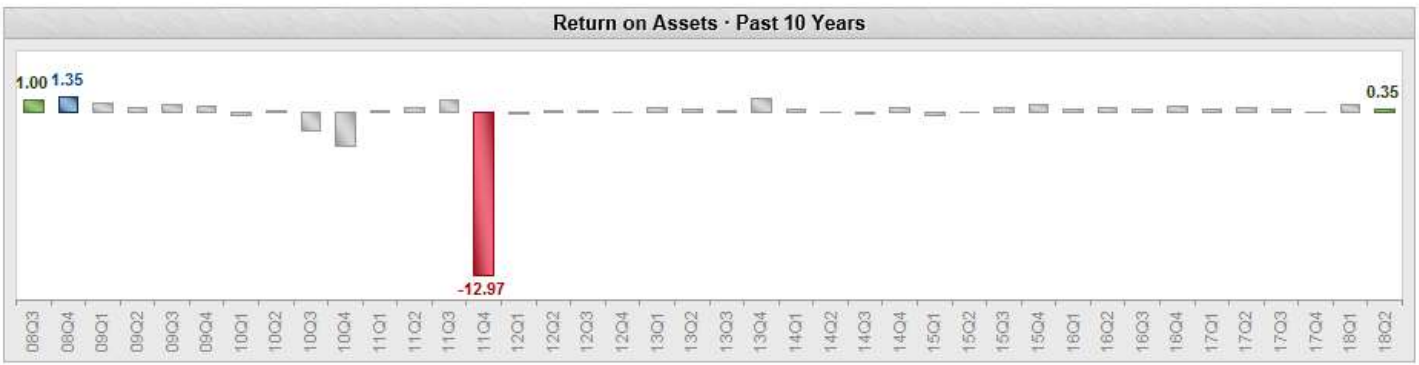
Net Income for 6 Months ended March 31, 2018 was \$455,754, or \$0.15 per share.

If we extrapolate annual eps of \$0.30, the P/E would be 30.83X. This is quite high of course, yet Price to Book is 66.00%, hence I still consider enticing.

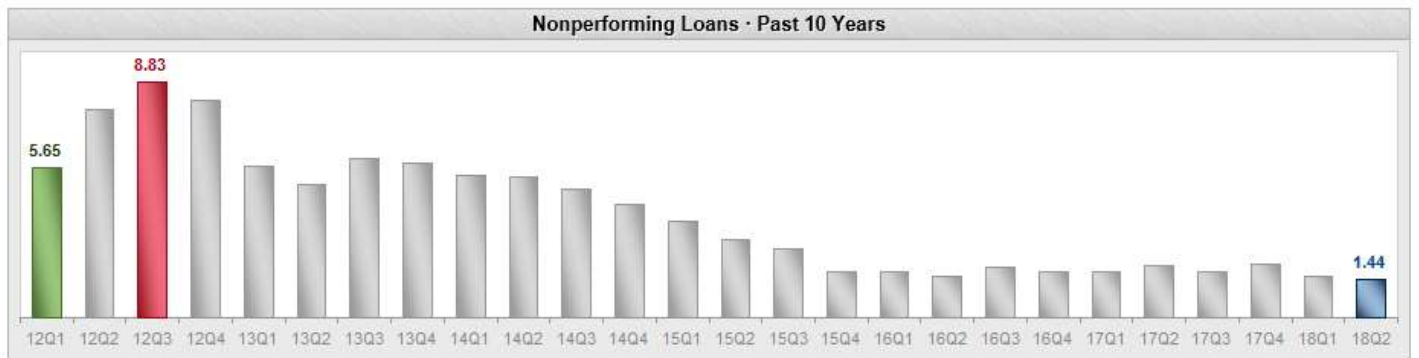
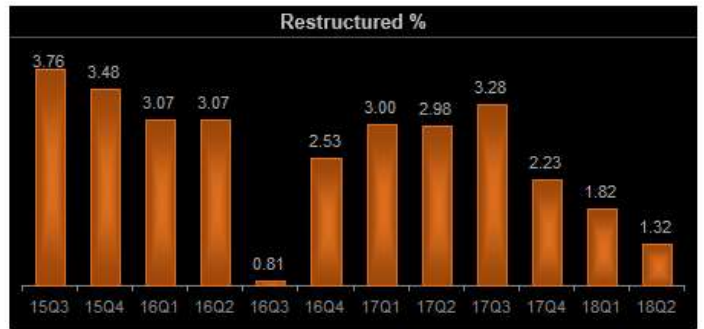
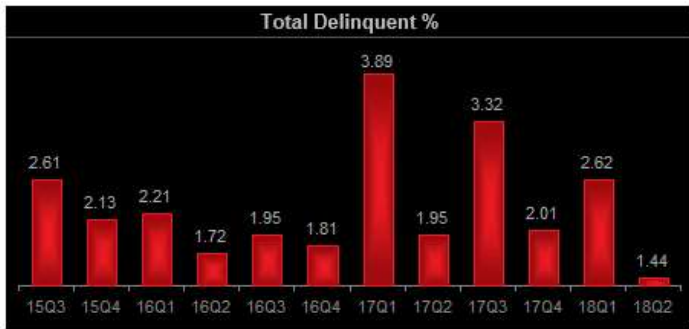
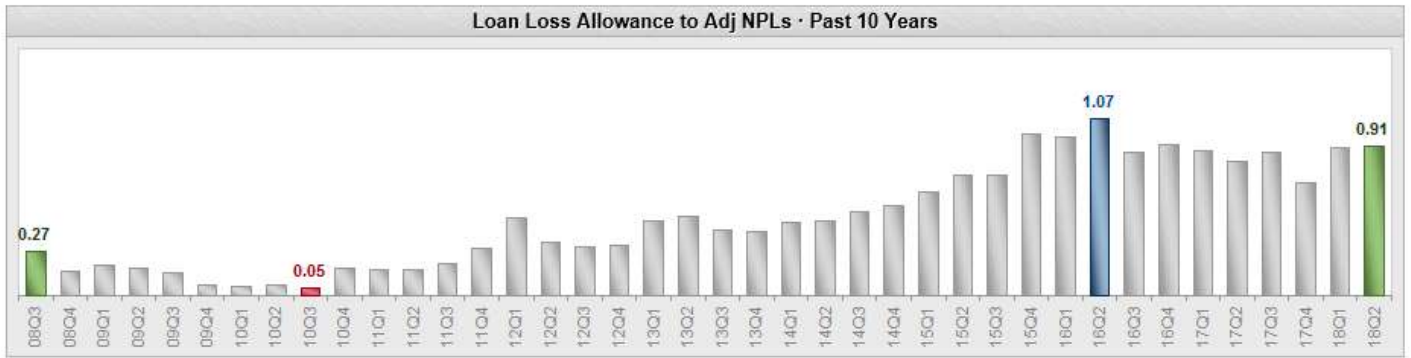
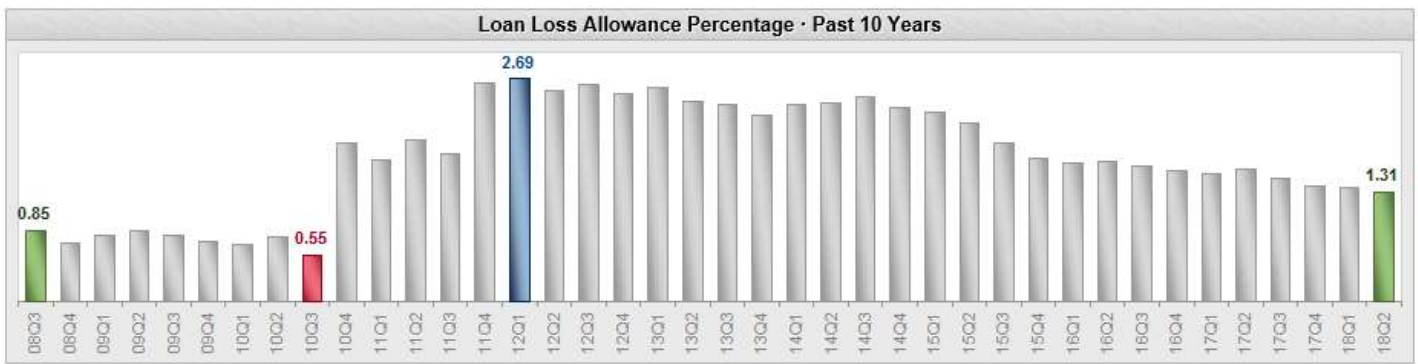
**The following is from Bankregdata.com**

| Threshold Alerts: Major *                                | Threshold Alerts: Minor *                              |
|--|--|
| Adjusted Nonperforming Assets is 4.16% of Total Assets * | Efficiency Ratio of 89.46%                             |
| Loans to Inside Executives make up 9.80% of Total Loans  | Other Real Estate Owned (REO) is 3.02% of Total Assets |
| Pre-Provision Net Revenue ratio of 0.47%                 | Savings Interest Expense is 0.85%                      |





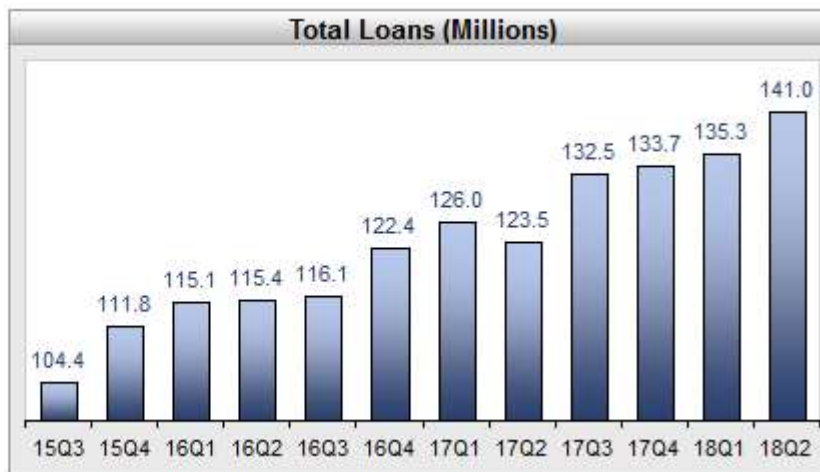




The following are excellent comments made by the apparently generous Bill Moreland of Bangregdata.com

**“1) Loan Growth and associated NPLs.** Large loan growth will always have the potential to have trailing NPL issues. Watch what a bank is doing in loan growth and where.

| Quarter | Total Loans |
|---------|-------------|
| 2015 Q3 | 104,415,000 |
| 2015 Q4 | 111,840,000 |
| 2016 Q1 | 115,145,000 |
| 2016 Q2 | 115,371,000 |
| 2016 Q3 | 116,065,000 |
| 2016 Q4 | 122,426,000 |
| 2017 Q1 | 125,967,000 |
| 2017 Q2 | 123,470,000 |
| 2017 Q3 | 132,526,000 |
| 2017 Q4 | 133,729,000 |
| 2018 Q1 | 135,330,000 |
| 2018 Q2 | 140,974,000 |



That's 40% loan growth in 3 years. \$37 million in new loans. Not surprisingly, 30-89 Days Past Due and NPLs show some stress:

**2) Provision for Loan Losses.** They are setting aside nothing for future losses:

This means they are fully comfortable (nor need to hit quarterly #s) with their Allowance. I'm not so convinced:

| Quarter | Total Loans | Loss Allowance | Perc | Peers |
|---------|-------------|----------------|------|-------|
| 2015 Q3 | 104,415,000 | 1,988,000      | 1.90 | 1.40  |
| 2015 Q4 | 111,840,000 | 1,931,000      | 1.73 | 1.47  |
| 2016 Q1 | 115,145,000 | 1,910,000      | 1.66 | 1.39  |
| 2016 Q2 | 115,371,000 | 1,943,000      | 1.68 | 1.39  |
| 2016 Q3 | 116,065,000 | 1,902,000      | 1.64 | 1.35  |
| 2016 Q4 | 122,426,000 | 1,932,000      | 1.58 | 1.41  |
| 2017 Q1 | 125,967,000 | 1,932,000      | 1.53 | 1.37  |
| 2017 Q2 | 123,470,000 | 1,963,000      | 1.59 | 1.29  |
| 2017 Q3 | 132,526,000 | 1,968,000      | 1.48 | 1.31  |
| 2017 Q4 | 133,729,000 | 1,848,000      | 1.38 | 1.30  |
| 2018 Q1 | 135,330,000 | 1,848,000      | 1.37 | 1.36  |
| 2018 Q2 | 140,974,000 | 1,848,000      | 1.31 | 1.36  |

One of my favorites sayings is that a bank appears to be have good Allowance until they don't. They are consistently sitting at \$2 million or higher in NPLs. Most of that is not asset backed (look at the Loan Portfolios under the Loan 2012+ tab). Home Equity and Juniors will go straight to charge offs and deplete allowance.

**3) Above and beyond Provision and Allowance is Capital.**

| Quarter | Rsk Wt Assets | Tier 1 Capital | Ratio | Peers |
|---------|---------------|----------------|-------|-------|
| 2015 Q3 | 115,583,000   | 22,770,000     | 19.70 | 16.25 |
| 2015 Q4 | 120,170,000   | 23,042,000     | 19.17 | 16.93 |
| 2016 Q1 | 123,158,000   | 23,185,000     | 18.83 | 17.29 |
| 2016 Q2 | 122,680,000   | 23,362,000     | 19.04 | 17.12 |
| 2016 Q3 | 112,038,000   | 24,871,000     | 22.20 | 16.65 |
| 2016 Q4 | 131,866,000   | 25,087,000     | 19.02 | 16.52 |
| 2017 Q1 | 136,706,000   | 25,215,000     | 18.44 | 17.09 |
| 2017 Q2 | 134,452,000   | 26,153,000     | 19.45 | 16.13 |
| 2017 Q3 | 142,764,000   | 26,295,000     | 18.42 | 15.21 |
| 2017 Q4 | 141,750,000   | 26,373,000     | 18.61 | 16.32 |
| 2018 Q1 | 143,609,000   | 26,677,000     | 18.58 | 17.25 |
| 2018 Q2 | 153,434,000   | 26,833,000     | 17.49 | 17.29 |

Here they are reasonably okay. They would have to lose \$2 million in ALLL (allowance) and then have another \$20+ million in loans all go bad (out of \$140mm) to eat through all capital before they'd need a capital raise. Doubtful. Now the stock may get hammered, but the bank would survive.” **Bill Moreland October 2018**

### **July 11, 2018 (\$8.45) Roman T. Gumina CEO and COB passed away “unexpectedly”**

I was saddened by this news as I saw it in the Star Ledger today.

### **May 29, 2018 (\$6.78) Annual meeting notes**

I was the only non-director or employee shareholder at the meeting. The meeting started with Roman Gumina reading last year’s minutes. He stopped and asked if he could stop reading them. All the directors mentioned that would not be a problem. At that time, I requested he continue to read them, as they were quite valuable to me. Roman mentioned they would get me a copy right away. After the meeting, I asked for them again, and Christine Cioffi mentioned to me there were grammar errors she would like to correct them and asked if she could send them to me in the afternoon. I didn’t receive them, and I called her. I was told she would call right back, and of course, in typical BRBW fashion, I didn’t receive a call back, or an email. I subsequently emailed her a request copying Roman, David Gazerwitz (CFO) and Teresa Gilligan (SVP).

I asked if any insiders purchased or sold shares over the last 15 months. Mr. Gumina said he couldn’t speak for the other directors, but he had not. He did transfer shares in the prior fiscal year. That was previously discussed, and he claims to have had personal reasons to have done that. I asked the other directors, but they didn’t want to answer. When reviewing the annual meeting notification, one can see that officers and directors did not materially sell shares. Directors and management own 37.80% of the common, or 1,145,713 shares.

BRBW confirmed they did buy back shares during the fiscal year. They claimed to have done that on the open market. According to the annual report, Treasury Shares increased by 10,920 shares. Treasury shares during 1Q18 increased by 2,780 shares.

I asked if they have further considered a dividend. I also explained that my preference would be share buybacks as opposed to dividends paid. Roman did agree with that. He felt a dividend or a buy-back would temporarily lift the stock. I asked what evidence he would have for such a statement, as I have never heard of such. He mentioned that is what happened previously when they paid a dividend. I asked when was the last time a dividend was paid? Roman answered one hasn’t been paid in over 10 years. End of the day, they don’t think a dividend would be a proper use of capital. Again, I do like seeing buybacks, and hope they continue.

I asked if they have further considered up-listing to a major exchange. Roman responded he had no interest and has tabled any thought of an up list.

### May 29, 2018 (\$6.78) 1Q18 earnings

Stockholders' Equity of \$37,592,143 shares outstanding of 3,223,951. I think we need to subtract Treasury Shares of 202,035, which would lead to shares of 3,021,916, or a book value of \$12.44.

Net Income for 3 Months ended March 31, 2018 was \$298,887, or \$0.10 per share.

If we extrapolate annual eps of \$0.38, the P/E would be 17.84X. This is quite high of course, yet Price to Book is 54.50%, hence I still consider very enticing.

### February 13, 2018 (\$6.70) 4Q17 earnings

Stockholders' Equity of \$37,415,634 shares outstanding of 3,223,951. I think we need to subtract Treasury Shares of 199,255, which would lead to shares of 3,024,696, or a book value of \$12.37.

Net Income for 12 Months ended December 31, 2017 was \$547,608, or \$0.181 per share.

Annual eps of \$0.181, the P/E continues to be 37.0X. This is quite high of course, yet Price to Book is 54.16%, hence I still consider very enticing.

|   | December<br>31, 2017 | December<br>31, 2016 | December<br>31, 2015 | December<br>31, 2014 | December<br>31, 2013 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Assets                                    | 176,450              | 169,820              | 184,600              | 174,639              | 178,029              |
| Full Time<br>Employees                          | 46                   | 49                   | 47                   | 46                   | 43                   |
| Stockholder's<br>Equity                         | 37,415,634           | 36,814,383           | 36,198,411           | 35,645               | 35,296               |
| Risk Based<br>Capital                           | 19.86                | 20.28                | 20.44                | 25.52%               | 24.79%               |
| Tier 1 Capital<br>to risk<br>weighted<br>assets | 18.61                | 19.02                | 19.17                | 24.26%               | 23.52%               |
| Tier 1 Capital<br>to average<br>assets          | 14.58                | 14.69                | 14.37                | 13.69%               | 13.79%               |
| Shares<br>Outstanding                           | 3,024,696            | 2,988,664            | 2,928,758            | 2,926,272            | 2,929,006            |
| Book Value                                      | 12.37                | \$12.31              | 12.36                | 12.18                | 12.05                |
| Return on<br>Assets                             | 0.30                 | 0.39                 | 0.25%                | 0.14%                | 0.56%                |

|                     |       |       |        |        |        |
|---------------------|-------|-------|--------|--------|--------|
| Return on Equity    | 2.11  | 2.68  | 1.55%  | 0.94%  | 3.73%  |
| Net Interest Margin | 4.01  | 3.84  | 3.94%  | 3.50%  | 3.67%  |
| Efficiency Ratio    | 85.17 | 85.87 | 91.31% | 94.51% | 92.97% |

### November 1, 2017 (\$7.40) 3Q17 earnings released

Stockholders' Equity of \$37,480,668 shares outstanding of 3,221,951. I think we need to subtract Treasury Shares of 180,565, which would lead to shares of 3,041,386, or a book value of \$12.32.

Net Income for 9 Months ended September 30, 2017 was \$500,164, or \$0.164 per share.

If we extrapolate annual eps of \$0.20, the P/E would be 37.0X. This is quite high of course, yet Price to Book is 60.06%, hence I still consider very enticing.

### September 14, 2017 (\$7.30) - June 30, 2017 Earnings Review

Stockholders' Equity of \$37,298,676 shares outstanding of 3,219,551. I think we need to subtract Treasury Shares of 180,565, which would lead to shares of 3,038,986, or a book value of \$12.27.

Net Income for 6 Months ended June 30, 2017 was \$358,505, or \$0.118 per share.

If we extrapolate annual eps of \$0.25, the P/E would be 29.2X. This is quite high of course, yet Price to Book is 59.5%, hence I still consider very enticing.

|  | June 30,<br>2017 | December<br>31, 2016 | December<br>31, 2015 | December<br>31, 2014 | December<br>31, 2013 |
|--|------------------|----------------------|----------------------|----------------------|----------------------|
| Total Assets                           | 183,905          | 169,820              | 184,600              | 174,639              | 178,029              |
| Full Time Employees                    | 50               | 49                   | 47                   | 46                   | 43                   |
| Stockholder's Equity                   | 37,298,676       | 36,814,383           | 36,198,411           | 35,645               | 35,296               |
| Risk Based Capital                     | 20.70            | 20.28                | 20.44                | 25.52%               | 24.79%               |
| Tier 1 Capital to risk weighted assets | 19.45            | 19.02                | 19.17                | 24.26%               | 23.52%               |
| Tier 1 Capital to average assets       | 14.59            | 14.69                | 14.37                | 13.69%               | 13.79%               |
| Shares Outstanding                     | 3,038,986        | 2,988,664            | 2,928,758            | 2,926,272            | 2,929,006            |

|                     |       |         |        |        |        |
|---------------------|-------|---------|--------|--------|--------|
|                     |       |         |        |        |        |
| Book Value          | 12.27 | \$12.31 | 12.36  | 12.18  | 12.05  |
|                     |       |         |        |        |        |
| Return on Assets    | 0.39  | 0.39    | 0.25%  | 0.14%  | 0.56%  |
| Return on Equity    | 2.72  | 2.68    | 1.55%  | 0.94%  | 3.73%  |
| Net Interest Margin | 3.84  | 3.84    | 3.94%  | 3.50%  | 3.67%  |
| Efficiency Ratio    | 86.48 | 85.87   | 91.31% | 94.51% | 92.97% |

**Health**

Data as of Q2 2017  
[Learn why bank health matters](#)

**B**

Health Grade Components

C+ Texas Ratio    C+ Texas Ratio Trend    A+ Deposit Growth    A+ Capitalization

| OVERALL                |         | ASSETS AND LIABILITIES    |   |
|------------------------|---------|---------------------------|---|
| FDIC Certificate #     | 20220   | Assets                    | Q2 2017 \$183.9MM<br>vs Q2 2016 \$168.2MM |
| Year Established       | 1970    | Loans                     | Q2 2017 \$121.5MM<br>vs Q2 2016 \$113.4MM |
| Employees              | 50      | Deposits                  | Q2 2017 \$156.8MM<br>vs Q2 2016 \$142.1MM |
| Primary Regulator      | FDIC    | Equity Capital            | Q2 2017 \$26.1MM<br>vs Q2 2016 \$24.7MM   |
| PROFIT MARGIN          |         | Loan Loss Allowance       | Q2 2017 \$2.0MM<br>vs Q2 2016 \$1.9MM     |
| Return on Assets - YTD | 0.39%   | Unbacked Noncurrent Loans | Q2 2017 \$2.4MM<br>vs Q2 2016 \$1.8MM     |
| Return on Equity - YTD | 2.72%   | Real Estate Owned         | Q2 2017 \$6.3MM<br>vs Q2 2016 \$6.8MM     |
| Annual Interest Income | \$3.7MM |                           |   |

### May 1, 2017 (\$8.25) – Questions to ask at AGM

1. Why has Megee departed from firm. Why no press release to indicate President no longer employed with the bank? They tiptoed around answer and didn't think needed a press release.
2. Explain the lack of BRBW being listed as the employer for current president Frungillo. Frungillo claimed he just didn't update LinkedIn, and that he is only employed by BRBW.
3. You mentioned at last meeting that you expected loan growth to increase by \$20M, \$25M and \$30M over the next several years. Yet, in 2016 loan growth increased by only \$12.5M. What happened? They claim they are growing and took no responsibility for the quote.
- 4.

| Year | Related Party Interest Income | Total Interest Income | Related Party Percent of Total |
|------|-------------------------------|-----------------------|--------------------------------|
|      |                               |                       |                                |
| 2016 | \$1,114,000                   | \$7,253,000           | 15.36%                         |
| 2015 | \$1,055,000                   | \$6,165,000           | 17.11%                         |
| 2014 | \$1,264,000                   | \$5,921,000           | 21.35%                         |

| Year | Related Party Loans | Total Loans   | Related Party Percent of Total |
|------|---------------------|---------------|--------------------------------|
|      |                     |               |                                |
|      | \$12,439,000        | \$130,742,000 | 9.51%                          |
| 2015 | \$17,684,000        | \$118,274,000 | 14.95%                         |
| 2014 | \$19,728,000        | \$ 96,463,000 | 20.45%                         |

5. You mentioned "Membership pending at FHLB (Federal Home Loan Bank)" at last meeting. You claimed at lunch that monies will be needed to fund expected loan growth to > \$300M, and hence that is why they applied to FHLB. What is status? They claim not to recall such a comment.
6. I called the CFO several times during the year, and was promised calls back, which I never received. I wanted to know why BRBW claimed and efficiency ratio of ~55%, when indeed it was close to 90%. They claimed they made an error, and they do not recall the discussion.
7. As of March 31, 2017, Stockholders' Equity of \$36,964,427, shares outstanding of 3,219,551, hence book value of \$11.48 per share. Book value has decreased due to an increase in share count by 230,887 shares. Shares Outstanding were not listed. Treasury Stock at cost dropped by 5,421 shares. Why? What were outstanding shares at March 31, 2017? Gumina claimed that he had "personal issues" and was legally forced to transfer shares. I was told that one should net the issued and outstanding by Treasury shares. I looked it up and concur with the answer.

STOCKHOLDERS' EQUITY

|  |                   |
|--|-------------------|
| Preferred stock-no stated value  |                   |
| 10,000,000 shares authorized and no shares issued and outstanding at March 31, 2017. |                   |
| Common stock - no par value  |                   |
| 10,000,000 shares authorized;  |                   |
| 3,219,551 shares issued at March 31, 2017  | 6,239,102         |
| Additional paid-in capital   | 1,944,611         |
| Treasury stock at cost, 180,565 shares, at March 31, 2017.                           | (1,249,668)       |
| Other Comprehensive Loss   | (98,664)          |
| Retained earnings  | 30,339,797        |
| Deferred stock compensation  | (213,750)         |
| TOTAL STOCKHOLDERS' EQUITY   | <u>36,961,427</u> |

STOCKHOLDERS' EQUITY

|   |                   |  |
|---|-------------------|--|
| Preferred stock-no stated value   |                   |  |
| 10,000,000 shares authorized and no shares issued and outstanding at December 31, 2016. |                   |  |
| Common stock - no par value   |                   |  |
| 10,000,000 shares authorized;   |                   |  |
| 3,219,551 shares issued at December 31, 2016  | 6,239,102         |  |
| Additional paid-in capital  | 1,944,611         |  |
| Treasury stock at cost, 185,986 shares at December 31, 2016.                            | (1,249,668)       |  |
| Other Comprehensive Income  | (100,084)         |  |
| Retained earnings   | 30,211,048        |  |
| Deferred stock compensation   | (230,625)         |  |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>   | <b>36,814,383</b> |  |

STOCKHOLDERS' EQUITY

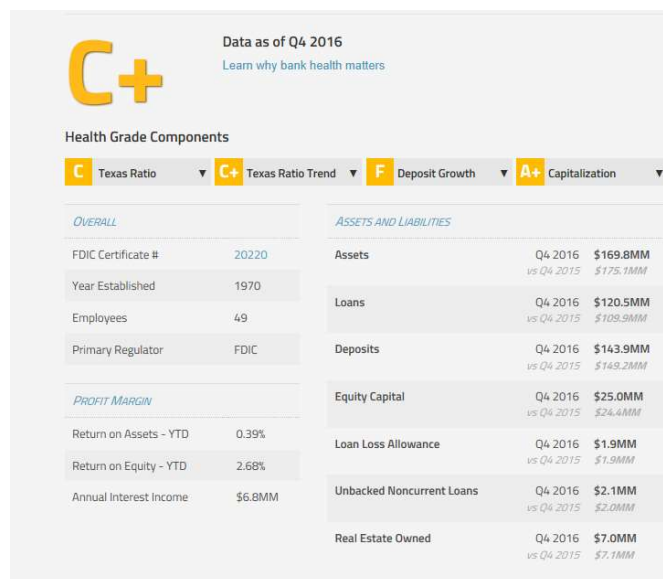
|   |                   |  |
|---|-------------------|--|
| Preferred stock-no stated value   |                   |  |
| 10,000,000 shares authorized and no shares issued and outstanding at June 30, 2016. |                   |  |
| Common stock - no par value   |                   |  |
| 10,000,000 shares authorized;   |                   |  |
| 3,219,551 shares issued and outstanding at June 30, 2016.                           | 6,239,102         |  |
| Additional paid-in capital  | 1,944,611         |  |
| Treasury stock at cost, 185,986 shares at June 30, 2016.                            | (1,249,668)       |  |
| Other Comprehensive Income  | (5,243)           |  |
| Retained earnings   | 29,966,204        |  |
| Deferred stock compensation   | (247,500)         |  |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>   | <b>36,647,506</b> |  |

|  | December 31, 2016 | March 31, 2016 | December 31, 2015 | September 30, 2015 | December 31, 2014 | December 31, 2013 |
|--|-------------------|----------------|-------------------|--------------------|-------------------|-------------------|
| Total Assets                           | 169,820           | 172,137,000    | 184,599,558       | 146,595,087        | 174,639,000       | 178,029,000       |
| Full Time Employees                    | 49                | 47             | 47                | 47                 | 46                | 43                |
| Stockholder's Equity                   | 36,814,383        | 36,323,048     | 36,198,411        | 35,890,362         | 35,645            | 35,296            |
| Risk Based Capital                     | 20.28             | 20.09          | 20.44             | 20.97              | 25.52%            | 24.79%            |
| Tier 1 Capital to risk weighted assets | 19.02             | 18.83          | 19.17             | 19.70              | 24.26%            | 23.52%            |
| Tier 1 Capital to average assets       | 14.69             | 13.74          | 14.37             | 16.00              | 13.69%            | 13.79%            |



|                     |           |           |           |           |           |           |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Shares Outstanding  | 2,988,664 | 2,933,746 | 2,928,758 | 2,930,046 | 2,926,272 | 2,929,006 |
| Book Value          | \$12.31   | \$12.38   | 12.36     | 12.25     | 12.18     | 12.05     |
| Return on Assets    | 0.39      | 0.33%     | 0.25%     | 0.09%     | 0.14%     | 0.56%     |
| Return on Equity    | 2.68      | 2.32%     | 1.55%     | 0.55%     | 0.94%     | 3.73%     |
| Net Interest Margin | 3.84      | 3.60%     | 3.94%     | 3.98%     | 3.50%     | 3.67%     |
| Efficiency Ratio    | 85.87     | 90.49%    | 91.31%    | 96.49%    | 94.51%    | 92.97%    |

8. Mr. Gumina mentioned at last meeting, “I am very positive on the buy-back idea. We will explore it. I promise.” He reiterated such at lunch. I mentioned, and others concurred, that it seems like a productive use of capital, and if shares were bought back, ROE would increase. What was result of those explorations?



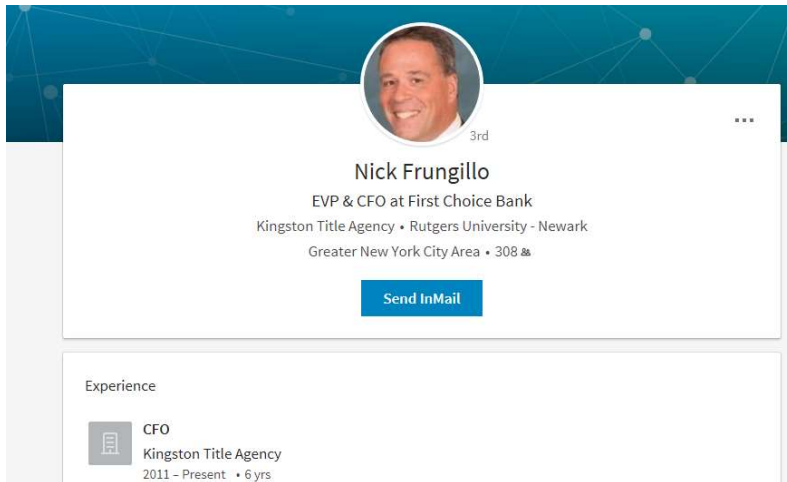
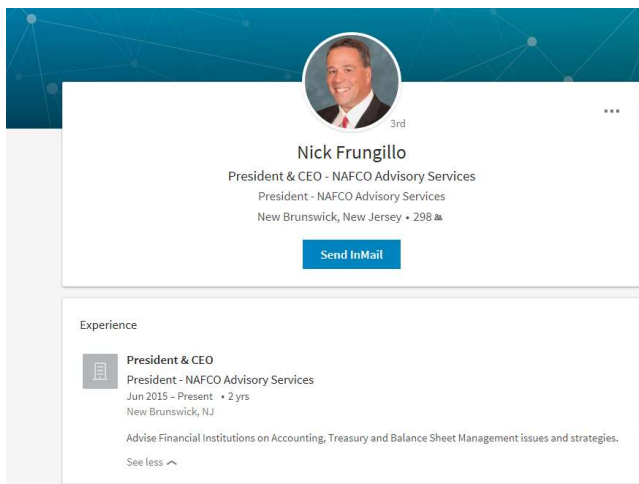
### May 1, 2017 (\$8.25) – 1Q17 earnings released

Stockholders' Equity of \$36,964,427, shares outstanding of 3,219,551, hence book value of \$11.48 per share. Book value has decreased due to an increase in share count by 230,887 shares.

### May 1, 2017 (\$8.25) - Annual Report received

I noticed Mark Megee, President last year, is no longer in the pictures. On LinkedIn Megee lists BRBW as employer through December 2016.

Nicholas A. Frungillo Jr. is listed on LinkedIn as both with NAFCO and First Choice Bank, but not listed with BRBW.



The following is ownership as presented in proxy like book:

| Name                         | Number of shares | % of Class |
|------------------------------|------------------|------------|
| Frank Gumina Jr.             | 99,662           | 3.3%       |
| Roman T. Gumina              | 744,433          | 22.3%      |
| Michael Kaplan               | 59,980           | 2.0%       |
| Richard A. Malouf            | 16,079           | 0.5%       |
| Robert P. Sica               | 31,977           | 1.1%       |
| James Gassaro                | 8,875            | 0.3%       |
| Edwin Gruberger              | 8,227            | 0.3%       |
| Else M. Gumina (Shareholder) | 168,420          | 5.6%       |

Related party rental expense was \$893,941 for the year ended December 31, 2016. The company anticipates rental amounts to be relatively unchanged for 2017.

**March 1, 2017 (\$7.09) - 4Q16 Earnings Released on 1/31/17**

Stockholders' Equity of \$36,814,383, shares outstanding of 2,988,664, hence book value of \$12.31 per share.

**October 31, 2016 (\$6.79) 3Q16 Earnings Released on 10/31/16**

Stockholders' Equity of \$36,647,506, shares outstanding of 2,973,648, hence book value of \$12.41 per share.

### **August 2, 2016 (\$6.66) 2Q16 Earnings Released on 7/29/16**

Stockholders' Equity of \$36,520,974, shares outstanding of 2,942,586, hence book value of \$12.41 per share.

### **June 1, 2016 (\$6.15) Quick Updated Thesis**

Brunswick Bancorp is a small New Jersey bank with 6 branches. It was formed via a merger in 1977. The bank appears to be highly capitalized, as it has higher than required leverage and capital ratios. Yet, the ratios have been declining for a bit, and the bank has indicated the decline in the capital ratios is due to loan growth.

I like the bank, and if it were liquid, I think we would own it, around a 5% position. Yet, it is not liquid, and I am concerned with the heavy related party transactions, so I think my <2% portfolio position will probably not change in number of shares. Average volume is about 5,500 shares per day, so obviously, we own 10.5X of average daily trading volume.

The positive aspects of the bank are what appears to be a competent management team. Roman Gumina father operated the bank since the 70's, and hence banking is in Roman Gumina's blood. We own the shares at a ratio of 44% to book value. The shares are currently quoted at 50% of book value. Perhaps a candidate for a merger. Mr. Gumina stated at the Annual meeting they want to grow slow and steady, and not like a weed. They mentioned to me on several occasions that the financial crisis got them worried, they stopped loaning monies, and want to be conservative and careful going forward. Directors own over 35% of the shares outstanding. Mr. Gumina owns over 30% of the shares outstanding.

The negative aspects of the bank are its high efficiency ratio, as well as its high positions of related party loans, and related party transactions, such as rent. There are four operating locations which are leased from a related party. The total annual cost of these locations for 2015 were \$885K, which is 14.6% of their total other expenses in 2015.

### **June 1, 2016 (\$6.15) AGM Notes**

We own as of this writing 58,170 shares at an average cost of \$5.37 per share. We own 1.98% of Total Shares Outstanding. I would have owned more, yet liquidity if needed is non-existent, and the price has gone up substantially from our less than a year-old cost.

Meeting had all BODS either by phone or in person. There were perhaps 10 outside investors at most there. After votes, Roman Gumina, President and CEO opened to questions. The tone of questions was that of disappointment of stock price, lack of dividend, at least one investor claiming the bank should explore sale opportunities, as he feels their model of operations is too small. There was criticism of ROE, website, and allegations of poor use of cash.

Mr. Gumina mentioned, and I might have heard this incorrectly, that one of the pieces of foreclosed real estate is about to close and a profit should be recognized.

Roman mentioned that there is a person in the room who had a bid at \$7.50 and couldn't get shares. I mentioned that seemed odd, as there are asks in the \$6 range, and perhaps he was doing an "all or none purchase." Roman claims to advise this person to go to another broker.

|                |        |           |                            |
|----------------|--------|-----------|----------------------------|
| Last Trade     | 6.15   | At        | 05/31/2016 15:05:48 PM EDT |
| Change         | ▼ 0.00 | Bid       | 6.05                       |
| % Change       | ▼ 0.00 | Ask       | 6.20                       |
| Volume         | --     | Bid Size  | 900                        |
| Day High       |        | Ask Size  | 100                        |
| Day Low        |        | P/E Ratio | 30.0249                    |
| Previous Close | 6.15   | Dividend  | 0.00                       |
| 52 Week High   | 6.20   | Yield     | 0.00                       |
| 52 Week Low    | 5.05   |           |                            |

I asked the following questions (the following questions are not listed in chronological order):

I prefaced all questions or comments with such statements that I am pleased with the capital allocation, the business model which appears conservative, and unlike all other shareholder's there, I am not disappointed with stock price, as the discount gives the ability to purchase at substantial discounts to book.

9. "How does the business climate look?" Business is growing. We expect loan growth to increase by \$20M, \$25M and \$30M over the next several years. He claims that earnings growth was up 30% in 2015 and intends to do better this year and next year. Growth is on track for 2016, like 2015. It was mentioned that business is improving in all their core areas, such as Freehold, The Brunswick's and The Princeton Corridor. Mr. Gumina commented that capital expenditures are up, and a typical small business is buying say a fleet of 10 trucks, whereas they have been looking to repair the old ones previously. He identified that this is all cyclical, and we are merely in an upswing. "We are going to do better; I can guarantee it." He mentioned that they expect 20% loan growth for some time in the future, at least through 2017.
10. They mentioned they have a "membership pending" at Federal Home Loan Bank and are considering the ability to borrow \$10M to \$25M. Mr. Gumina mentioned to me unsolicited at lunch, that he expected loans to be \$300M in a few years, and that monies will be needed to fund that, and that is why they are applying to the FHLB.
11. I asked about the lease status, since it went off a long-term lease in April 2015, and according to the annual report is on a month to month lease. I reminded them of the comment I made last year about the related party rents appearing a bit high for this location. If I recall correctly, they were paying \$38 per square foot all in. I felt that was high for the location and the condition of the building. I further mentioned that I was surprised to see graffiti on the building. Several of the BODS, including Roman Gumina, flatly denied it. I was told at lunch they had someone go out and look and saw no graffiti. I mentioned it was on the corner of Charles and Livingston, and perhaps I thought it was their building, but wasn't. I was told it was there theirs. I checked the location for my notes, and here you can see the same graffiti. I am not familiar with the date of the picture, and for all I know it could be days old. Not a big deal, but observing their reaction, especially of Dan McCarthy was interesting (see note 7).



Roman answered the question by mentioning they are month to month with the same terms as the past. He claimed to not be comfortable paying more rent, as business has not warranted an increase. He claims the FDIC was looked closely at the lease and them going month to month, and they were totally cool with it, so for now, that is how it will continue.

12. I spoke to investor and retired teacher Jack Schwartz prior to the meeting. I showed him how the “risk-based capital ratio” has declined to 20.42% in 2015, from 26% in 2014, 25% in 2013. He said, “Oh, I will ask that.” I mentioned I would prefer to ask it. Jack agreed. Jack asked the first question at the AGM, and his question was, “I notice you had a good year, you are improving on all metrics, but as another shareholder here pointed out to me, the risk-based capital ratio has declined. Roman mentioned, and I have not confirmed the math, that because of loan growth and equity growth, the ratio will naturally go down. In the shareholder letter, Roman did mention that the ratio shows them to be “well capitalized” and “well above statutory requirements.” The answer sounded fair to me.

Jack also asked about the efficiency ratio. He likes to see a bank with an efficiency ratio of less than 60 and gave parameters of what is acceptable to him. I could be quoting him incorrectly, but I think I am close on this. Mr. Gumina replied that he doesn’t know the efficiency ratio off the top of his head, but thinks it is around 55%. I presented a table later in my notes, and the efficiency ratio is > 90%.

The following picture is one of an unidentified source I have, which a paper is titled, “Analyzing & Investing in Community Banks.”

- **Efficiency Ratio:** Operating expense as a percentage of (net interest income + non-interest income)

The **efficiency** ratio measures the operating efficiency of a bank relative to its revenue generating capabilities.

To repeat, the efficiency ratio measures operating costs *relative* to revenue. Banks with wide NIMs, for example, tend to have higher operating expenses than those with slim NIMs because the former typically spend more money on customer service, in order to gather and retain low-cost deposit relationships, than the latter.

An efficiency ratio of less than 55% is typically considered to be pretty good for a bank. An efficiency ratio of above 65%, on the other hand, suggests that the bank's cost structure is bloated. Banks that manage to sustain efficiency ratios of less than 45% are unusual, although not unheard of.

13. As a minor note, I mentioned that I received the financial statements in the mail, but not the annual report. It was suggested that one should call the bank and get an annual report, as the broker typically keeps in street name. He indicated there is no quarterly report other than what is released on Businesswire. I suggested they put the Annual reports online. Roman mentioned that they are their own transfer agent.
14. The annual report mentions "The Company is no longer subject to examination by taxing authorities for the years before 2012." I asked if there were any disallowed expenses, or if any monies were paid out, or were Net Operating Losses reduced. Mr. Gumina indicated there were no changes whatsoever. The company as mentioned in the AR has used up its Federal Net Operating Loss Carryforward. There is still a ~\$2.5M State loss carryforward, expiring through 2032.
15. I mentioned, I noticed last meeting, it appeared that there were a few chauffeurs and limousines outside last year, and was wondering if that is standard practice, or none of my business, was it paid for by the Company, or were they merely vehicles of some of the board members. Mr. Gumina mentioned the bank pays for nothing excessive like that, and he was not familiar. Mr. McCarthy sarcastically mentioned that I probably made that up, like I did the graffiti. Unlike Mr. McCarthy, I was not the one who told a lie after the meeting. Enough said, and no need to go further on this, other than I would have no concern if Mr. McCarthy left the board, as a matter of fact, I would prefer it. Mr. McCarthy ended our conversation at the lunch with an obviously sarcastic and rude, "Have a nice day."
16. I discussed related party transactions. I assured them I believed all is arms-length, but the materiality of such could be one reason the stock price is so low to book value.

| Year | Related Party Interest Income | Total Interest Income | Related Party Percent of Total |
|------|-------------------------------|-----------------------|--------------------------------|
|      |                               |                       |                                |
| 2015 | \$1,055,000                   | \$6,165,000           | 17.11%                         |
| 2014 | \$1,264,000                   | \$5,921,000           | 21.35%                         |

| Year | Related Party Loans | Total Loans   | Related Party Percent of Total |
|------|---------------------|---------------|--------------------------------|
|      |                     |               |                                |
| 2015 | \$17,684,000        | \$118,274,000 | 14.95%                         |

|      |              |              |        |
|------|--------------|--------------|--------|
| 2014 | \$19,728,000 | \$96,463,000 | 20.45% |
|------|--------------|--------------|--------|

I asked if Mr. Gumina would mention which board member companies have related loans. Mr. Gumina understandably declined to do so, but assured me, “The FDIC is all over this” and that all loans were arms-length and proper. Incidentally, the related party loans, is the largest fear of my thesis. Yet, I do have a warm feeling regarding the bank, most of the board, and Mr. Gumina.

17. Mr. Gumina made a slight mention of the upcoming presidential elections. I asked, “What can happen to put you off course?” He replied, “Really nothing.” I mentioned, “What if the economy goes into recession?” He indicated something like, “sure I guess so,” or depending on who might become president. I asked Mr. Gumina at lunch if any of the candidates got in, be it, Clinton, Trump or Sanders, does it really affect the long-term business model of the bank.” Mr. Gumina replied, “absolutely not, and I was kind of just kidding. It really doesn’t materially matter to the success of the bank who of the three might become president.
  
18. The last and most important part of the meeting was the discussion I emphasized on them to consider voting for, exploring and announcing a stock buy-back. I mentioned, “Many investors in the room are concerned and disappointed with the stock price. I am not one of them. I imagine that you all are concerned with the proper operations of the business, and not the stock price.” Mr. Malouf and Mr. Gumina both commented, “We are certainly concerned with the stock price, and we want it a lot higher, yet we do not and will not endanger our capital and liquidity position to do that.” I mentioned, “I am in total agreement. I mentioned how the market capitalization of the bank was around \$18.0M using a market price of \$6 and shares outstanding of 3M. Hence, if you all got approval, perhaps an announcement of buying back 10% of your shares at a specific price or less, would not endanger the liquidity of the company, and could alleviate your concerns, not mine of the stock price.” BOD, Ms. Day mentioned they would need regulatory approval and that could be difficult. I mentioned that I wouldn’t think such a small commitment would be frowned upon, and perhaps explore it. Mr. Gumina replied, “I am very positive on the buy-back idea. We will explore it. I promise.” He reiterated such at lunch. I mentioned, and others concurred, that it seems like a productive use of capital, and if shares were bought back, ROE would increase.

### **May 31, 2016 (\$6.00) Pre-AGM review**

**B+**

Data as of Q4 2015

[Learn more about bank health](#)

Health Grade Components

**C** Texas Ratio ▼ **B+** Texas Ratio Trend ▼ **A+** Deposit Growth ▲ ▼ **A+** Capitalization ▼

In the past year, Brunswick Bank and Trust Company has increased its total deposits by \$10.02 million, resulting in 7.2% growth for the year. A strong track record of growth is an indicator of consumer confidence and the bank's ability to strengthen its balance sheet. The growth Brunswick Bank and Trust Company has shown is excellent.

*OVERALL*

|                    |       |
|--------------------|-------|
| FDIC Certificate # | 20220 |
| Year Established   | 1970  |
| Employees          | 47    |
| Primary Regulator  | FDIC  |

*PROFIT MARGIN*

|                        |         |
|------------------------|---------|
| Return on Assets - YTD | 0.25%   |
| Return on Equity - YTD | 1.55%   |
| Annual Interest Income | \$5.7MM |

*ASSETS AND LIABILITIES*

|                                  |            |                  |
|----------------------------------|------------|------------------|
| <b>Assets</b>                    | Q4 2015    | <b>\$175.1MM</b> |
|                                  | vs Q4 2014 | \$164.3MM        |
| <b>Loans</b>                     | Q4 2015    | <b>\$109.9MM</b> |
|                                  | vs Q4 2014 | \$86.9MM         |
| <b>Deposits</b>                  | Q4 2015    | <b>\$149.2MM</b> |
|                                  | vs Q4 2014 | \$139.2MM        |
| <b>Equity Capital</b>            | Q4 2015    | <b>\$24.4MM</b>  |
|                                  | vs Q4 2014 | \$24.1MM         |
| <b>Loan Loss Allowance</b>       | Q4 2015    | <b>\$1.9MM</b>   |
|                                  | vs Q4 2014 | \$2.1MM          |
| <b>Unbacked Noncurrent Loans</b> | Q4 2015    | <b>\$2.0MM</b>   |
|                                  | vs Q4 2014 | \$3.6MM          |
| <b>Real Estate Owned</b>         | Q4 2015    | <b>\$7.1MM</b>   |
|                                  | vs Q4 2014 | \$8.3MM          |

There seems to have been an improvement in the aging of the loans compared to 2014. Not a material improvement, but certainly the right direction.

**April 29, 2016 (\$5.50 est.) 1Q16 earnings released**

Stockholders' Equity of \$36,323,048, shares outstanding of 2,933,746, hence book value of \$12.38 per share.

**March 24, 2016 (\$5.51 very little to no volume) Earnings released**

Stockholders' Equity of \$36,198,411, shares outstanding of 2,928,758, hence book value of \$12.36 per share.

Nothing else to report, as the financials were incredibly vague.

**March 1, 2016 (\$5.96 very little to no volume)**



We own a little more than 58,000 shares. Volume is anemic and selling would probably be impossible.

|  | March 31,<br>2016 | December 31,<br>2015 | September<br>30, 2015 | December 31,<br>2014 | December 31,<br>2013 |
|--|-------------------|----------------------|-----------------------|----------------------|----------------------|
| Total Assets                                 | 172,137,000       | 184,599,558          | 146,595,087           | 174,639,000          | 178,029,00           |
| Full Time<br>Employees                       | 47                | 47                   | 47                    | 46                   | 43                   |
| Stockholder's<br>Equity                      | 36,323,048        | 36,198,411           | 35,890,362            | 35,645               | 35,296               |
| Risk Based<br>Capital                        | 20.09             | 20.44                | 20.97                 | 25.52%               | 24.79%               |
| Tier 1 Capital to<br>risk weighted<br>assets | 18.83             | 19.17                | 19.70                 | 24.26%               | 23.52%               |
| Tier 1 Capital to<br>average assets          | 13.74             | 14.37                | 16.00                 | 13.69%               | 13.79%               |
| Shares<br>Outstanding                        | 2,933,746         | 2,928,758            | 2,930,046             | 2,926,272            | 2,929,006            |
| Book Value                                   | \$12.38           | 12.36                | 12.25                 | 12.18                | 12.05                |
| Return on Assets                             | 0.33%             | 0.25%                | 0.09%                 | 0.14%                | 0.56%                |
| Return on Equity                             | 2.32%             | 1.55%                | 0.55%                 | 0.94%                | 3.73%                |
| Net Interest<br>Margin                       | 3.60%             | 3.94%                | 3.98%                 | 3.50%                | 3.67%                |
| Efficiency Ratio                             | 90.49%            | 91.31%               | 96.49%                | 94.51%               | 92.97%               |

### October 27, 2015 (5.35)

We have open orders to buy this company for a long time now. I have a standing order at \$5.40 All or None.

I asked for and received a slew of old annual reports. At some point I need to read them all (if this becomes a larger position.)

This is a weird bank, seems slightly slimy, yet the price to book is enticing. The capital metrics seem strong. Yet, they are very tangled up in related party activities and loans. Hence a small position is desired, and not much bigger than that. Liquidity if needed to sell is non-existent.

Roman Gumina told me at the meeting that the related party loans are fine credits, and the directors have businesses in the area, and hence the loans. Gumina mentioned the loans are credit worthy and strong.

I did question their related party rental at New Brunswick HQ, as lease was coming due. BRBW mentioned they will renew at a “great price.” That price to me seemed way over-inflated, as the building, premises and area are not exquisite at all.

Directors own 36.97% of the common, and Roman Gumina owns 27.1%. He claims to have not and will not sell shares.

At the May 2015 meeting Roman Gumina said, “I believe the charter is going to be a gold mine in years to come.”

We were introduced to Mark McGee, who was just recently named president. This was recently done via a press release but was announced to us at the April meeting.

Risk based capital ratio at December 31, 2014 of 25.52%.

This is an OTC BB company, and filings are not mandatory. Auditors are BDO.

### Various Metrics:

|  | September 30, 2015 | June 30, 2015 | December 31, 2014 | December 31, 2013 |
|--|--------------------|---------------|-------------------|-------------------|
| Total Assets                           | 146,595,087        | 165,563,398   | 174,639,000       | 178,029,00        |
| Full Time Employees                    | 47                 | 48            | 46                | 43                |
| Stockholder's Equity                   | 35,890,362         | 35,677,706    | 35,645            | 35,296            |
| Risk Based Capital                     | 20.97              | 23.06%        | 25.52%            | 24.79%            |
| Tier 1 Capital to risk weighted assets | 19.70              | 21.80%        | 24.26%            | 23.52%            |
| Tier 1 Capital to average assets       | 16.00              | 14.18%        | 13.69%            | 13.79%            |
| Shares Outstanding                     | 2,930,046          | 2,926,895     | 2,926,272         | 2,929,006         |
| Book Value                             | 12.25              | 12.19         | 12.18             | 12.05             |
| Return on Assets                       | 0.09%              | -0.05%        | 0.14%             | 0.56%             |
| Return on Equity                       | 0.55%              | -0.29%        | 0.94%             | 3.73%             |
| Net Interest Margin                    | 3.98%              | 3.82%         | 3.50%             | 3.67%             |



Data as of Q2 2015

[Learn more about bank health](#)

### Health Grade Components

C Texas Ratio ▲ ▼
 B Texas Ratio Trend ▼
 C- Deposit Growth ▼
 A+ Capitalization ▼

The Texas Ratio is an indicator of how much capital a bank has available compared to the total value of loans considered at risk. As of June 30, 2015 Brunswick Bank and Trust Company had \$11.22 million in non-current loans and owned real-estate with \$26.14 million in equity and loan loss allowances on hand to cover it. This gives Brunswick Bank and Trust Company a Texas Ratio of 42.93% which is average. Any bank with a Texas Ratio near or greater than 100% is considered at risk.

The Texas Ratio for Brunswick Bank and Trust Company decreased slightly from 49.15% as of June 30, 2014 to 42.93% as of June 30, 2015, resulting in a positive change of 12.65%. This indicates that the balance sheet and financial strength for Brunswick Bank and Trust Company has improved slightly in recent periods.

In the past year, Brunswick Bank and Trust Company has decreased its total deposits by -\$6.52 million, resulting in -4.78% growth for the year. A strong track record of growth is an indicator of consumer confidence and the bank's ability to strengthen its balance sheet. The growth Brunswick Bank and Trust Company has shown is below average.

Both FDIC and NCUA consider capitalization levels of banks and credit unions to be of high importance. Higher capitalization allows for a greater buffer when cover loans that may fail in the future. Brunswick Bank and Trust Company has \$155.45 million in assets with \$26.14 million in equity, resulting in a capitalization level of 16.82%, which is excellent.

#### New Jersey Community Bank Stocks

| Bank  | Market Value <sup>1</sup><br>(in thousands) | Tangible Total<br>Assets<br>(in thousands) | Tangible Book Value<br>(TBV)<br>(in thousands) | Market Value/<br>TBV |
|---|---|--|--|----------------------|
| Hopewell Valley Community Bank  | 31,837                                      | 481,103                                    | 31,568   | 1.01                 |
| 1st Colonial Bancorp Inc.   | 28,450                                      | 407,845                                    | 25,824   | 1.10                 |
| Pascack Bancorp, Inc.   | 25,947                                      | 353,271                                    | 31,603   | 0.82                 |
| Community Bank of Bergen County, NJ   | 21,970                                      | 294,960                                    | 23,174   | 0.95                 |
| Highlands Bancorp, Inc.   | 11,858                                      | 269,274                                    | 12,886   | 0.92                 |
| Lincoln Park Bancorp.   | 12,178                                      | 223,378                                    | 16,572   | 0.73                 |
| Elmez Bancorp, Inc.   | 18,314                                      | 220,563                                    | 21,641   | 0.85                 |
| Shore Community Bank  | 16,555                                      | 215,083                                    | 22,268   | 0.74                 |
| Enterprise National Bank N.J.   | 23,409                                      | 157,003                                    | 20,577   | 1.14                 |
| Liberty Bell Bank   | 6,888                                       | 148,141                                    | 8,904  | 0.77                 |
| Delanco Bancorp   | 7,799                                       | 125,557                                    | 11,572   | 0.67                 |
| New Jersey Community Bank   | 14,500                                      | 120,429                                    | 12,906   | 1.12                 |
|   |   |  | Mean   | 0.90                 |
| Source: Individual Bank Financial Information, FDIC Call Reports, OTC Markets Website and Bloomberg   |   |  |  |                      |
| Excludes SUs and entities not providing publicly available financial information. Tangible Equity was determined by subtracting Goodwill and Deferred Tax Assets from Equity. |   |  |  |                      |
| <sup>1</sup> Market Value as of 4/29/2015, financial information as of 12/31/2014   |   |  |  |                      |
| Brunswick Bancorp   | 13,701                                      | 173,377                                    | 34,442   | 0.40                 |

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