



HISTORY OF HERSHEY TRUST COMPANY

Introduction

In early 1903, while he made plans to break ground for his chocolate factory in a field near the tiny community of Derry Church, Pennsylvania, Milton Hershey thought about the needs of his future workers. He had the foresight to recognize that if his chocolate making idea was to work for the benefit of all, he would need a place for his workers to live self-reliant, independent lives. They would need comfortable homes, health and recreational facilities, and schools for their children.

Milton Hershey was more than a dreamer. He was a man of action. While the chocolate factory was still under construction, he began to implement his ideas for a model industrial community. In 1905 the Hershey Chocolate factory began operations. That same year Milton Hershey established Hershey Trust Company to serve as the community's bank in accommodating its financial needs. A state charter was granted on April 27, 1905 and Hershey Trust Company opened for business on June 15, 1905 in offices located in the Cocoa House, the first commercial building built in the new community. A published brochure advertised a wide scope of banking services. In addition to handling the Hershey business payrolls, the Trust Company offered savings accounts, mortgages, and commercial and personal loans.

The Town's Bank

The decision to establish a trust company rather than a bank was made after Milton Hershey sought advice from the Northern National Bank of Lancaster, Pennsylvania. In his reply, E.J. Ryder, the Northern National cashier, suggested that in addition to taking mortgages, a trust company would have the added advantage of doing fiduciary business.

Still, in 1905 Milton Hershey's town was more of an idea than an actuality. Though the chocolate factory began operations during the summer of 1905, little else was operating

in town. Another year would pass before the community was officially named, when the United States Postmaster granted Milton Hershey permission to establish a new post office.

The original staff for the Trust Company was modest, consisting of the cashier and a teller. And in keeping with the tradition of other local financial institutions, the original board of directors was comprised of respected local business and community leaders.

Hershey Trust Company quickly became the town's financial center, playing an important role in financing Milton Hershey's construction and development plans. From its beginning, the Trust Company was instrumental in the growth and development of the town, advertising mortgages that encouraged people to build a home in the new community. The Trust Company advertised frequently in the local papers, encouraging residents to start savings accounts and to plan for the future. To broaden its accessibility, special deposit stations were established on Hershey trolleys. Specialized savings accounts, such as Christmas Savings Clubs, were clever gimmicks promoted by the Trust Company to encourage new account business.

Growth and Expansion

Business grew rapidly and in 1910 a second clerk was added to the staff. That same year the board voted to appropriate \$20,000 to build a new building to house the Trust Company offices. After nearly two years of planning and development, ground was broken on August 20, 1912 for a new bank building at the intersection of Cocoa and Chocolate Avenues.

Consistent with the financial institutions of the time, the Trust Company building was designed to impress the public. The building was designed by C. Emlen Urban, a noted Lancaster architect. Urban was responsible for all of Hershey's major buildings designed before 1926, including the original factory and offices, the original Hershey Inn, the first Hershey Department Store building, the Community Building and High Point. The building design incorporated Renaissance style elements and was constructed of marble and brick on a granite foundation. The floor plan was designed to offer separate office space for other Hershey businesses. Large windows, massive interior pillars, bronze grill work, mahogany desks and trim, and marble flooring decorated the bank space. The bank vault was a particularly imposing feature of the building. A Seth Thomas 30 day clock was positioned above the vault door, guarded by two magnificent lions in bas-relief, representing 'Time' and 'Strength.'

Milton Hershey's Vision: Creating the Milton Hershey School

When Catherine and Milton Hershey created the Deed of Trust establishing the Hershey Industrial School (now Milton Hershey School), Hershey Trust Company was appointed trustee for the School. The original endowment was 486 acres of farmland including The Homestead, Milton Hershey's birthplace. The Homestead served as both home and classroom to the first students. During the early years, Milton Hershey paid for many of the school's expenses out of his own pocket. That all changed in 1918.

That year Milton Hershey quietly gifted the School Trust with all of his Hershey Chocolate Company stock, then valued at \$60 million. At that time, Hershey Chocolate Company consisted not only of the Chocolate factory, but all of the Hershey enterprises including the Hershey Improvement Company, the Hershey utilities (water, sewer, electric, phone), the Hershey Transit Company, the Hershey Department Store, the Greenhouse and Nursery, and the Hershey Inn. In addition to the Hershey enterprises, the Chocolate Company holdings also included Milton Hershey's Cuban holdings.

With Milton Hershey's gift, the Trust Company needed to direct more of its efforts toward the management of the School Trust's assets. In particular, the Trust Company assumed responsibility for Milton Hershey's land assets, by then more than 10,000 acres of land in and around Hershey as well as his other financial investments. As the Trust Company assumed these new responsibilities, it became apparent that the town needed a new financial institution to provide the more traditional banking services for the community.

Establishing the Hershey National Bank

Therefore, to free the Trust Company for its duties as Trustee of the School Trust, the Hershey National Bank, a nationally chartered institution, was established in 1925 to handle the town's commercial banking needs. The bank operated as a separate entity, though the Trust Company, as trustee, owned majority equity ownership in the bank. The Trust Company continued to maintain offices in the Bank/Trust building at the corner of Chocolate and Cocoa Avenues.

With the establishment of the Hershey Bank, the Trust Company could now focus its efforts on trust and related businesses. Though at the time Hershey Trust Company did not actively solicit private trust business, it did accept most requests to establish private trust accounts. Furthermore, the Trust Company continued to make mortgage loans, thus playing a significant role in the growth and development of the town. This was particularly important with a new and rapidly expanding community. Hershey Trust's mortgage business was more than a financial transaction.

Like other Hershey businesses, the Trust Company was an instrument to carry out Milton Hershey's plans for his model community. The Depression of the 1930s was a time of significant financial hardship for all of the United States. While no one lost their job due to cutbacks in Hershey, work hours were often reduced and Hershey employees often saw a resulting reduction in their paycheck. During the Depression Milton Hershey encouraged the Trust Company to be lenient in handling mortgages that fell behind in payments. Throughout the Depression, Hershey Trust Company only foreclosed on two Hershey mortgages. Hershey Trust Company's financial strength also enabled it to support another financial institution, Northern Trust and Saving Company of Lancaster, and prevent its collapse during the financial strain caused by the Depression.

Serving the Community: The M.S. Hershey Foundation

During the Great Depression Milton Hershey realized that young men and women just graduating from high school had limited opportunities for employment. In 1935, Milton Hershey established The M.S. Hershey Foundation, and endowed it with 5000 shares of Hershey Chocolate Corporation stock. Hershey Trust Company, as the trustee, served as the financial steward for Milton Hershey's vision for the community's youth.

In 1938, the Foundation endowed the Hershey Junior College, offering tuition free higher education to all Derry Township residents and employees of the Hershey corporations. The Junior College maintained high academic standards and helped hundreds of Hershey residents receive a college education. Rising costs, an inadequate facility and the establishment of the Harrisburg Area Community College led to the closing of the Hershey Junior College in 1965.

After the closure of the Junior College, the Foundation's role broadened with its support of the Hershey Educational and Cultural Center first established in May 1966. The Foundation then entered a period of assuming ownership of many of the community's cultural organizations. It assumed operation of the Hershey Theatre in 1970, Hershey Museum in 1981 and the Hershey Gardens in 1989. As part of the Foundation, these cultural institutions gained non-profit status, enabling them to accept donations and apply for grants. Hershey Community Archives was established in 1984 as a cooperative project of the Foundation and the Hershey enterprises. Today the Trust Company continues its role as trustee for the Foundation. In order to provide as much benefit to the community as possible, it has never sought a change in the original trust agreement calling for a yearly fee of \$1,000 to be paid to the trustee.

One Last Gift

The community of Hershey remained an enduring passion for Milton Hershey throughout his life. His final will was a reflection of his concern and commitment to his community. Through his will, Milton Hershey directed that the Trust Company serve as trustee for a new trust fund. This fund, created with the remainder of his estate, helped

relieve the tax burden of maintaining the Township's public schools. Under the stewardship of Hershey Trust Company, Milton Hershey's Testamentary Trust Fund has grown to \$33 million today. With its quarterly payments to the School District, this gift plays an important role in supporting the high level of public education valued in the Hershey community.

Keeping the Legacy Alive: Milton S. Hershey Medical Center

The role of Hershey Trust Company seemed clear following the death of Milton Hershey: to be a good steward of Milton Hershey's fortune and to stay true to his vision for the Milton Hershey School and his passion for the community. The Trust Company excelled in its responsibility and stewardship of those trust funds. Management of the Milton Hershey School Trust was so good that income generated often outpaced the School's needs. As the surplus income fund grew, the Board confronted the dilemma of earning too much money, and how to best use excess funds to serve Milton Hershey's legacy of providing for others.

It was Samuel Hinkle, President of the Hershey Chocolate Corporation and a director of the Trust Company Board, who first proposed using the money for the "construction, operation and endowment of a medical center." On August 23, 1963, the Trust Company Board used The M.S. Hershey Foundation as the conduit for a \$50 million gift from the Milton Hershey School Trust to Pennsylvania State University for a medical school and teaching hospital known as The Milton S. Hershey Medical Center. Breaking ground on February 26, 1966, the Medical Center was completed in 1970 and a formal dedication for The Milton S. Hershey Medical Center was held June 5, 1971. In the 1990s, the Medical Center emerged as the township's largest employer, with more than 6000 employees.

The establishment of the Hershey Medical Center had a dramatic impact on the community as well. Derry Township's population boomed with the influx of Medical Center personnel and their families. The township's population grew from 15,500 in 1970 to 21,273 in 2000. New housing developments, such as Briarcrest and Glen Acres, were established in response.

Hershey Trust Company Today

One of Hershey Trust Company's most important roles is being a prudent steward of the land acquired by Milton Hershey while honoring his vision for a community featuring open green space. As the trustee of most of Derry Township's undeveloped land, Hershey Trust Company is committed to limited development, maintaining most of its holdings as farmland and open space. It seeks to balance the need to preserve open land while accommodating a real need to provide for the growth and development necessary to remain a healthy community.

As banking laws evolved in the 1970s and 1980s the tradition of small independent banks gave way to expansions and mergers. In 1986, Hershey Trust Company sold its ownership of the Hershey Bank to PNC Corporation. About the same time, Hershey Trust Company began to focus on developing more traditional trust business.

Hershey Trust Company's decision to actively seek private trust business grew out of changes resulting from the 1984 restructuring of Hershey Foods (now The Hershey Company) stock. By 1981, Hershey Trust's ownership of Hershey Foods Corporation had shrunk to 50.1%. Both companies shared real concerns about losing control of Hershey Foods Corporation through a corporate raid or hostile takeover. A two-tier stock plan enabled Hershey Trust Company to maintain majority ownership of Milton Hershey's company while freeing assets to diversify the School Trust's holdings. New staff was added to invest and manage monies realized from the sale of Hershey Foods stock. The increased staff provided Hershey Trust Company with enhanced expertise in money management and beginning in 1989 the company began actively soliciting private business.

Following the sale of Hershey Bank, Hershey Trust Company needed to physically relocate and establish an identity separate from the bank. Hershey Trust Company's move to High Point in 1991 provided them with much needed space for their expanded staff.

In 2011, Hershey Trust Company sold its private wealth management group to Bryn Mawr Bank Corporation in order to focus its talents and energies on managing the assets of the Milton Hershey School trust fund.

Today, Hershey Trust Company stands alone as being the same company doing business in the same town for one hundred years. And their unique ownership structure virtually assures that they will continue doing business that way for the next 100 years.