www.theBHCA.org — Autumn 2012

Bank Owner

The magazine of the Bank Holding Company Association

Health care reform tax explained

EDUCATIONAL FORUM

Regulators offer guidance at BHCA/ICBM event

Update on trust preferred securities

PLUS: The 10 Commandments of bank governance

The following companies are Associate Members of the Bank Holding Company Association:

Allied Solutions LLC
St. Paul, Minn.
Greg Rueter, regional VP
651-366-6988

Allison-Williams Company
Minneapolis
Greg Larson, senior vice president
612-317-4710

Bank Financial Services Group
Edina, Minn.
Mark Blake, partner
800-931-7782

Baune Dosen & Co., LLP
Minneapolis
Brad Reich, partner
952-473-2002

BMO Capital Markets
Milwaukee
Jason Mork, director-fixed income
414-212-4212

Brady, Martz & Associates, P.C.
Bismarck, N.D.
John Mongeon, CPA
701-223-1717

Briggs and Morgan, P.A.
Minneapolis
Joseph D. Roach, shareholder
612-977-8466

CASE
Anoka, Minn.
Troy Case, president
763-323-1048

CBC Innovis
Sioux Falls, S.D.
Jim Loomis, account executive
877-304-6490

CliftonLarsonAllen, LLP
Minneapolis
Terry Enger, CPA, executive principal
612-376-4500

Commerce Street Capital LLC
Maple Grove, Minn.
Rick Foggia, managing director
763-657-7624

Commercial Credit Reports
Hendersonville, Tenn.
Debbie Golbach, director-national groups
615-590-4200 ext. 4107

Country Club Bank Capital Markets Group
Prairie Village, Kan.
Joshua Kiefer, investment officer
800-288-5489

David R. Peltz & Company, P.C., LTD
Minneapolis
David R. Peltz, CPA, president
952-525-0336

Dougherty Funding, LLC
Minneapolis
Jerry Tabolich, executive vice president/ COO
612-317-2000

Eide Bailly
Minneapolis
Linda Koerselman, CPA Partner
952-944-6166

Equias Alliance
Prior Lake, Minn.
Eric Hilgenberg, consultant
952-435-7737

Executive Compensation Institute
Minneapolis
Thomas Lynch, wealth coach
952-885-2727

Experis
Edina, Minn.
Paul Rosol, director
612-851-1643

Federal Home Loan Bank of Des Moines
Des Moines, Iowa
Dan Laird, vice president/ member services
800-544-3452

Fifth Third Bank
Chicago
Brian Riley, correspondent banker
312-704-4117

FiServ
West Des Moines, Iowa
Jeff Williams, vice president/ regional sales manager
515-224-8396

Fortress Partners Capital Management
Hartland, Wis.
Jon Bruss, managing principal
262-369-1095

Fredrikson & Byron, P.A.
Minneapolis
Karen Grandstrand, partner
612-492-7000

FTN Financial
Memphis, Tenn.
Sally Pace, senior vice president
800-456-5460

Gray Plant Mooty
Minneapolis
Sally Stolen Grossman, attorney
612-632-3000

Global Adjusters Debt Collection
Burnsville, Minn.
Gerald Raley, president
952-895-8300

Hays Companies
Minneapolis
Blake Martin, vice president
612-486-4733

HTG Architects
Eden Prairie, Minn.
Jeff Pflipsen, partner
952-278-8880

Insurance Strategies, Inc.
Elm Grove, Wis.
Deb Forsaith, president
800-236-6866

John M. Floyd & Associates
Baytown, Texas
Ron Goffman, regional director
218-820-5438

J.T. Miller Company, Inc.
Minneapolis
Dirk J. Miller, president
763-512-1950

Leonard, Street and Deinard
Minneapolis
Adam D. Maier, attorney
612-335-1412

Lindquist & Vennum, PLLP
Minneapolis
J. Kevin Costley, attorney
612-371-3211

Michael L. Anderson & Associates, PLLC
Alexandria, Minn.
Michael L. Anderson, managing partner
320-763-3157

McGladrey & Pullen, Inc.
Minneapolis
Craig Murphy, managing director
612-376-9295

Midwest Financial Search
St. Paul, Minn.
Paul Bees, partner
651-690-4050

Modern Banking Solutions
Ralston, Neb.
Robert Neville, president
402-592-5500

Northland Securities, Inc.
Minneapolis
Linda Knutson, senior vice president
612-851-5992

Oak Ridge Financial
Minneapolis
Craig Mueller, senior vice president
763-923-2205

Olson & Burns, P.C.
Minot, N.D.
Richard Olson, attorney
701-839-1740

OneBeacon Professional Insurance
Minnetonka, Minn.
Craig Collins, president financial services
866-827-0861

Promontory Interfinancial Network
Des Moines, Iowa
Steve Davis, regional director
515-240-5451

Sunbelt Business Advisors
St. Paul, Minn.
Dan Mulvaney, M&A advisor
612-860-0047

The Baker Group
Oklahoma City, Okla.
Gerry Hart, account executive
405-415-7200

Wilary Winn LLC
St. Paul, Minn.
Douglas Winn, president
651-224-1200

Winthrop & Weinstine, P.A.
Minneapolis
Edward J. Drenttel, attorney/ shareholder
612-604-6400

Wipfli
Minneapolis
David Saber, senior consultant
952-548-3400

The Bank Holding Company Association

Our mission:
The mission of the Bank Holding Company Association is to provide educational information through seminars, forums and publications useful to bank owners and holding company managers.

Our organization:
The Bank Holding Company Association, founded in 1981, welcomes Members from around the country. Holding companies of all sizes from throughout the Midwest make up a majority of the current membership. Companies that serve bank owners, their holding companies and banks, are welcomed as Associate Members. The BHCA is run by a 10-member board of directors and a managing director.

Our magazine:
Bank Owner magazine is the quarterly publication of the BHCA. It is your best source for information about bank holding company and bank ownership issues. The magazine also is your best source for BHCA information, including upcoming events. Members receive the magazine in the mail and have access to an online version in the members-only section of our web site, www.theBHCA.org. The magazine also is distributed to bank owners and holding company professionals who are excellent candidates for membership.

The Bank Holding Company Association
7400 Metro Blvd., Suite 217
Minneapolis, MN 55439
Tel. (952) 835-2248
Toll Free: (800) 813-4754
Fax: (952) 835-2295
www.theBHCA.org

Bank Owner is published quarterly by the Bank Holding Company Association. Managing Director Tom Bengtson serves as editor. Contact him at (952) 835-2248 or 1-800-813-4754 or via e-mail at info@thebhca.org.

Bank Owner

Autumn 2012

CONTENTS

On The Cover:
Scenes from the July 17 regulatory panel and economic update event, jointly hosted by the Independent Community Bankers of Minnesota and the Bank Holding Company Association. Pictured clockwise, from top center, are: ICBM 2011-12 Chairman Nancy Skophammer, Farmers State Bank of Hartland, Minn., with BHCA President Bruce Ferden, Frandsen Financial Corp., Arden Hills, Minn.; Christopher Cole of the Independent Community Bankers of America moderated the regulator panel; representing the FDIC was Mark Moylan; Bill Horlitz, deputy commissioner of commerce for the State of Minnesota, provided the perspective of a state-bank regulator; Fred Miller provided an update from the Federal Reserve Bank of Minneapolis; and Benjamin Rudolph represented the Office of the Comptroller of the Currency. *For more on the event, see Bruce Ferden's "President's Observations" column on page 4.*

Regulators see industry improvement, offer insights at summer panel

By Bruce Ferden
Frandsen Financial Corporation, Arden Hills, Minn.

The Bank Holding Company Association was very pleased to team up with the Independent Community Bankers of Minnesota to host our fourth annual regulators' panel on July 17. About 75 bankers met at the Riverwood Inn in Otsego, Minn. for an informative program in the morning and golf in the afternoon.

The panel, moderated by Christopher Cole of the Independent Community Bankers of America, was made up of Fred Miller of the Federal Reserve Bank of Minneapolis, Mark Moylan of the FDIC's Kansas City office, Bill Horlitz of the Minnesota Commerce Department, and Benjamin Rudolph of the OCC.

All of the regulators said they are seeing improving conditions among banks in the region. "We are seeing some pretty significant improvements," Miller said, noting that the number of banks with a CAMELS rating of three, four or five in the Ninth Federal Reserve District is down about 33 percent in the last 18 months.

Rudolph said that the number of rating upgrades exceeded the number of downgrades in the first quarter. Horlitz noted that in 2009, eighty-eight Minnesota banks reported an annual loss, whereas in 2011 only 46 banks reported an annual loss. Moylan said that "in terms of performance, we are at the point of stabilizing."

While Horlitz noted the limited availability of capital, Miller talked about the importance of capital planning. He said, however, that a bank's management team should be able to put together a meaningful capital plan without hiring a consultant. He said a good plan should be no more than two or three pages.

Moylan commented that size does not automatically add to a bank's complexity. He noted that bankers make strategic decisions to make their organizations more complex. He said complexity is fine as long as the bank staffs up with the expertise needed to manage appropriately. Bankers need to think about on-staff expertise when they venture into new products. For example, banks that decide to take on accounts receivable lending need to have the expertise to execute and monitor this type of credit.

A question came up on investment portfolios. Miller commented that the Fed is concerned about a natural tendency to "stretch for yield." He said some investment portfolio managers might be tempted to go further out on maturities. Moylan noted that whatever mix constitutes the makeup of the investment portfolio, the bank is expected to have appropriate expertise to manage its securities.

One of the real bright spots in the landscape is the agricultural environment, where commodities are at all-time high prices. "When farm income is up, I sleep better at night," commented Moylan. "I am impressed with how much more sophisticated farmers are today than they were in the 1980s."

We were fortunate this year to match the regulatory panel discussion with an economic update from ICBA economist Paul Merski. He expressed concern over a loss of consumer confidence in the economy, noting that retail sales in recent months were negative. He also said the government stimulus efforts have not been effective. On a positive note, he said bank earnings are at a post-crisis high and that the pace of bank failures has fallen dramatically.

Our next big event is the annual Fall Seminar on Thursday and Friday, Oct. 4-5. If you haven't already registered, please go to our web site at www.theBHCA.org and sign up today. It is going to be a great seminar, and I look forward to seeing you there.

A developing trend toward bankruptcy may present new opportunity to acquirers

A comment by Bill Horlitz at our July 17 regulators' panel still rings in my ear. Horlitz, the Deputy Commissioner of Commerce for the State of Minnesota said: "If there is a bigger problem for holding companies than trust preferred securities, I don't know what it is. The only way to get rid of it is to bankrupt the holding company."

Wow.

Bankruptcy isn't a word we are used to hearing in the context of banks and their holding companies. Notably, however, things are changing.

Ben Crabtree, senior analyst for BHCA Associate Member Oak Ridge Financial Services, recently wrote in his *Community Banking Monitor* that trust preferred securities are a "ticking time bomb."

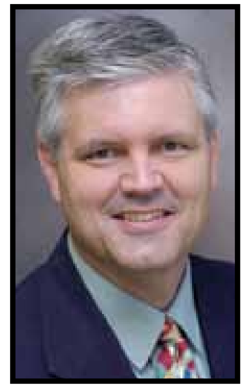
"The growing liability of trust preferred dividends, the upcoming end of the allowable dividend deferral periods for many trust preferred issues, and the lack of a visible path that would allow the addition of new outside capital create an untenable situation," Crabtree wrote. He notes that some 1,400 institutions hold nearly $150 billion in outstanding trust preferred securities. Furthermore, he reports 16 percent of the holders of trust preferred debt are deferring interest, and another 17 percent have actually defaulted.

Trust preferred securities apparently are the culprit at Capitol Bancorp of Lansing, Mich., which is in Chapter 11 reorganization. Using section 363 of the Bankruptcy Code, Capitol Bancorp is offering debt-holders 53 percent of its common equity and it is seeking new investors for the remaining 47 percent. Only time will tell how this one works out.

Management at Capitol Bancorp may have been inspired by AmericanWest Bancorp of Spokane, Wash., which filed for bankruptcy in 2010. Its subsidiary, AmericanWest Bank was sold through a 363 sale to SKBHC Holdings. Although the holding company is still working through its bankruptcy reorganization, the bank apparently has come through all right. Writing to the *American Banker* newspaper, AmericanWest Bank spokesperson Kelly McPhee said openness is the key to making such a sale work. "It's a complicated solution that requires complete coordination on many levels, including communication, because mention of the word bankruptcy understandably triggers strong reactions," she wrote.

(See Dan Hanger's comments in the Fed Notes column on page 12 for more on trust preferred securities and their impact on bank holding companies.)

The *Wall Street Journal* reported that a holding company in Florida, Premier Bank Holding Company, also recently filed for bankruptcy protection. Perhaps a trend is emerging. Holding companies that are interested in expanding might want to keep an eye on the developments. Typically, in a 363 deal a struggling company finds an acquisition partner prior to filing for bankruptcy. The acquiring bank is betting that the bankruptcy will yield a better deal than simply waiting for the bank to fail and dealing with the FDIC bidding process. The risk, however, is that even banks that have gone through the bankruptcy process can still fail, essentially wiping out the investors.



By Tom Bengtson
BHCA Managing Director

Bankruptcies are likely to pick up, however, because there simply is no other way out for holding companies that are saddled with debt beyond their means. The courts already have intervened to stop deals where the holding company attempted to make good on the debt by selling its subsidiary bank. Essentially, the law prevents the holding company from selling the bank without the buyer assuming its trust preferred debt.

Clearly, bankruptcy is going to become a more important part of the bank holding company lexicon in the coming years. This is a troubling development from the standpoint of the original investors who will only get a fraction of their original investments back, but it could prove to be an important opportunity for organizations that are in position to acquire and expand.

Fall Seminar Coming Up

We are very pleased to be welcoming FDIC Director Tom Hoenig to the BHCA Fall Seminar, set for Thursday and Friday, Oct. 4-5. Hoenig, the long-time president of the Federal Reserve Bank of Kansas City, has been in the news quite a bit in recent months as he is calling for the restoration of Glass-Steagall-like regulation which would pull investment banking activities out of traditional banks. Be sure to read the essay by Mr. Hoenig on page 6.

I am also very excited about Steve Russell, the U.S. Army officer who led the effort to capture Saddam Hussein. He will be our after-dinner-speaker on Thursday, Oct. 4. I have seen video of his presentation and it is inspiring and informative.

I also have had the privilege of hearing industry experts Mike Woody and Don Musso present on other occasions; both are top-of-class presenters who really understand this industry and the issues faces by bank owners and managers. Their information is always up to date and spot-on relevant.

Lindsey Piegza, the economist from FTN Financial, will be the perfect after-lunch speaker on Friday. Her insights are provocative and her delivery will hold your attention.

Plus, consider these four breakout sessions: Basel III; Small Business Investment Companies; Fed update, and a leadership insights from Rich Chapman. You'll want to attend all four, and fortunately, if you like you can listen to recordings of all the breakout sessions at www.theBHCA.org.

Register now at our web site, or fill out the form in this magazine and fax it to 952-835-2295. See you at the Seminar! ▯

The argument for reviving Glass-Steagall

By Thomas M. Hoenig

I have a proposal to strengthen the U.S. financial system by simplifying its structure and making its institutions more accountable for their mistakes. Put simply, my proposal would help prevent another 2008-style crisis by prohibiting banking organizations from conducting broker-dealer or other trading activities and by reforming money-market funds and the market for short-term collateralized loans (repurchase agreements, or repos). In other words, Glass-Steagall for today.

Those opposed to taking these actions generally focus on two themes. First, they say that if Glass-Steagall—enacted in 1933 to separate commercial and investment banking—had been in place, the crisis still would have occurred. Second, they argue that requiring the separation of commercial banking and broker-dealer activities is inconsistent with a free-market economy and puts U.S. financial firms at a global competitive disadvantage. Both assertions are wrong.

Advocates of the first argument say the crisis was not precipitated by trading activities within banking organizations but by excessive mortgage lending by commercial banks and by the failures of independent broker-dealers, such as Lehman Brothers and Bear Stearns.

This assertion ignores that the largest bank holding companies and broker-dealers were engaged in high-risk activities supported by explicit and implied government guarantees. Access to insured deposits or money-market funds and repos fueled the activities of both groups, making them susceptible to the freezing of markets and asset-price declines.

Before 1999, U.S. banking law kept banks, which are protected by a public safety net (e.g., deposit insurance), separate from broker-dealer activities, including trading and market making. However, in 1999 the law changed to permit bank holding companies to expand their activities to trading and other business lines. Similarly, broker-dealers like Bear Stearns, Lehman Brothers, Goldman Sachs and other “shadow banks” were able to use money-market funds and repos to assume a role similar to that of banks, funding long-term asset purchases with the equivalent of very short-term deposits. All were able to expand the size and complexity of their balance sheets.

While these changes took place, it also became evident that large, complex institutions were considered too important to the economy to be allowed to fail. A safety net was extended beyond commercial banks to bank holding companies and broker-dealers. In the end, nobody—not managements, the market or regulators—could adequately assess and control the risks of these firms. When they foundered, banking organizations and broker-dealers inflicted enormous damage on the economy, and both received government bailouts.

To illustrate my point, consider that if you or I want to speculate on the market, we must risk our own wealth. If we think the price of an asset is going to decline, we might sell it “short,” expecting to profit by buying it back more cheaply later and pocketing the difference. But if the price increases, we either invest more of our own money to cover the difference or we lose the original investment.

In contrast, a bank can readily cover its position using insured deposits or by borrowing from the Federal Reserve. Large nonbank institutions can access money-market funds or other credit because the market believes they will be bailed out. Both types of companies can even double down in an effort to stay in the game long enough to win the bet, which supersizes losses when the bet doesn’t pay off. The Federal Deposit Insurance Corporation fund and the taxpayer are the underwriters of this private risk-taking.

This leads to the second criticism of my proposal—that breaking up the banks is inconsistent with free markets and our need to be competitive globally. The opposite is true. My proposal seeks to return to capitalism by confining the government’s guarantee to that for which it was intended—to protect the payments system and related activities inside commercial banking. It ends the extension of the safety net’s subsidy to trading, market-making and hedge-fund activities. This change will invigorate commercial banking and the broker-dealer market by encouraging more equitable and responsible competition within markets. It reduces the welfare nature of our current financial system, making it more self-reliant and more internationally competitive.

Capitalism will always have crises and the recent crisis had many contributing factors. However, the direct and indirect expansion of the safety net to cover an ever-increasing number of complex and risky activities made this crisis significantly worse. We have yet to correct the error. It is time we did.

Thomas Hoenig is a director at the FDIC. Hoenig originally wrote this article for the Wall Street Journal. It was published in the June 11, 2012 edition under the headline: No More Welfare For Banks. Hoenig is scheduled to address the BHCA Fall Seminar on Oct. 5.

Health care reform surtax to take bite out of investor returns

By Paul A. Sirek, CPA, MBT

Beginning in 2013, taxpayers face a new surtax created in the 2010 Health Care Reform legislation that was recently upheld as constitutional by the U.S. Supreme Court in a much-publicized decision. This 3.8 percent surtax, commonly referred to as the Medicare contribution surtax, taxes "net investment income" of "high-income individuals" an additional 3.8 percent rate on top of regular income tax rates that are already paid on the same income. Thorough tax planning for the end of 2012 and beyond is crucial in order for bank owners to realize the most tax-efficient return on their investments.

What is 'Net Investment Income'?

Net investment income, for purposes of this 3.8 percent surtax, is defined as the excess of an individual taxpayer's taxable income from interest, dividends, annuities, royalties and rents, as well as capital gains derived from investments, over the associated investment expenses claimed for the tax year. Also of great importance, the legislation defines income received from pass-through entities, such as S corporations and partnerships, as being investment income subject to the surtax if it is classified as being "passive" income for income tax purposes ("passive income" is defined later in this article).

Thus, in a simplified example, an individual with $3,000 of interest income, $2,000 of dividend income, $10,000 of long-term capital gains from investment sales, $50,000 income from passive ownership on an S corporation K-1, and $1,000 of investment expenses would potentially have $64,000 of income subject to the 3.8 percent surtax beginning in 2013.

It is very important to note that for purposes of determining net investment income, "investment income" does ***not*** include tax-exempt interest income from bonds, so the tax-effective yield of these types of bonds will increase if an S corporation bank's shareholders are subject to the new surtax.

Who is subject to the 3.8 percent surtax?

The surtax applies to "high-income" individuals for tax years beginning after December 31, 2012. "High-income" individuals are defined as those with modified adjusted gross income at the following threshold amounts:

- $250,000 for joint filers or surviving spouses;
- $125,000 for married taxpayers filing separate; and
- $200,000 for all other taxpayers, including those filing as single.

An individual will pay the 3.8 percent surtax on the full amount of their net investment income only if their modified adjusted gross income exceeds this threshold amount by at least the amount of the net investment income.

As an example, for 2013, a single taxpayer has net investment income of $100,000 and modified adjusted gross income of $300,000. Because their modified adjusted gross income exceeds their threshold amount by $100,000, the taxpayer would pay the tax on the full $100,000 of net investment income. Thus, the tax would be $3,800 ($100,000 × 3.8 percent).

Alternatively, if his modified adjusted gross income was still $300,000 but the net investment income was $125,000, only the first $100,000 of the net investment income would be subject to the surtax, as the 3.8 percent surtax is applied only to the lesser of:

- Net investment income; or
- The amount by which modified adjusted gross income exceeds the threshold amount.

The 3.8 percent surtax also applies to trusts and estates in tax years beginning after December 31, 2012. For an estate or trust, the tax is 3.8 percent of the lesser of: (1) undistributed net investment income or (2) the excess of adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

The surtax does ***not*** apply to a nonresident alien, to a trust for which all of the unexpired interests are devoted to charitable purposes, to a trust that is exempt from tax under Code Section 501, or to a charitable remainder trust exempt from tax under Code Section 664.

S Corporation Banks: What is "passive" income?

As you can see, for purposes of this 3.8 percent surtax it will be very important to consider which shareholders of an S corporation bank receive pass-through income that will be subject to this added tax, which could increase the need for additional tax distributions paid to shareholder groups of S corporation banks and holding companies, and decrease the shareholder's after-tax return on investment. As mentioned earlier, "passive income" from pass-through entities such as S corporations and partnerships are included in the calculation of "net investment income" of the individual shareholders. The rules for determining which shareholders are passive or nonpassive can be complex, but in a simplified explanation, a passive shareholder is one in which they do not have "material participation." The tax law definition of "material participation" can also be complex, with a list of seven requirements to qualify as materially participating. If only one

***Health care reform**, Continued on page 9*

TEN COMMANDMENTS
for community bank corporate governance

By Jeffrey Gerrish

CORPORATE GOVERNANCE is simply a fancy way to refer to the inter-workings of the bank or bank holding company at its highest levels including the board of directors, board committees and senior management. Because of the recent scrutiny applied to corporate governance issues, a review and analysis, or in many cases an overhaul, of the corporate governance processes in our community banks is likely necessary. The following Ten Commandments will provide food for thought on the key areas where our attention should begin to focus.

1 **Realize the times, they are a changing!** Corporate governance for most banks and bank holding companies, other than the largest, was a non-issue prior to the corporate abuses of the early 2000s. Times are changing even for the smallest bank, which now will require certain corporate governance restructuring. Thanks to the apparent lack of integrity and values in the operation of large corporations, all of us – large and small – have to pay.

2 **Establish an effective, capable and reliable board of directors.** Every community bank or bank holding company should have an effective, reliable and capable board of directors. This means having individuals with integrity who are qualified and successful in their own fields and who have the capacity, understanding and interest to focus on the financial services industry. That means that a majority of your board of directors should be truly outside, independent directors. Outside independent directors will have some stock ownership (you really don't want somebody running the company who has no financial interest) but would otherwise be independent. Being "independent" typically implies the individual does not work for the company, does not have a material business relationship with the company, and is otherwise able to provide independent advice. The board must be effective and should meet in executive session at least monthly without the CEO, even if the CEO is a member of the board. The board also should set the long-term strategy, policy and values for the organization. However, the board should ***not*** micro-manage the institution.

3 **Establish a corporate code of ethics for the bank or bank holding company.** As Yogi Berra said, "if you don't know where you are going, you will wind up someplace else." If corporate ethics, values and the like are not established at the top, at the board level, and used to govern the operations of the company, both from a long-term strategy and a daily basis through executive management, then executive management certainly cannot anticipate the rank and file employees will follow such a code on their own.

Establish a workable, reliable and realistic corporate code of ethics for the way the company will conduct business internally and externally and review the code of ethics annually. Have board members and executive officers assist in the development of the code of ethics.

4 **Consider establishing an office of the chairman of the board.** Many organizations have considered establishing an Office of the Chairman of the Board. This may be a paid, full- or part-time position. It will be compensated only by salary and not subject to any type of supervisory authority by the executive management of the company. A separate Chairman of the Board will report only to the board and will be the board's eyes and ears on a daily basis in connection with the workings of the company. While this certainly may not be feasible for many smaller community banks, it is still a concept worth exploring with respect to having a truly independent board chairman.

5 **Have an effective and operating audit committee, compensation committee and nominating/corporate governance committee.** The audit committee, compensation committee and nominating committee should be composed of all independent, outside directors of the company who operate independently. These committees should have access to attorneys and consultants, paid for by the company, other than the corporation's customary counsel and consultants. Clearly, under Sarbanes-Oxley and subsequent legislation for SEC reporting companies, the audit committee and compensation committee are entitled to such independent counsel and representation. In addition, the audit committee should directly retain the auditors and set the scope of the engagement. The committee also should monitor outside, non-audit work performed for the company by the auditors.

The independent nature of the compensation committee and nominating committee is also critical. The compensation committee should consist of all independent directors and should not be a rubber stamp for management. The nominating committee should consider establishing an evaluation system for board members. Simply because you are a board member elected at the last election, you should not automatically be re-elected at the current annual meeting, unless you bring some value to the institution.

6 **Consider effective board compensation.** Directors, particularly with their new duties, responsibilities and liabilities, should be fairly compensated. However, admittedly, directors never will be truly compensated for the risk inherent in the position. Appropriate questions to consider are as follows. Should directors receive additional compensation for serving on some of the critical committees, such as audit, compensation and nominating? Probably so! Should directors receive stock options or restricted stock? Maybe so, as a way of keeping directors focused on the value of the company. If the bank or bank holding company's goal is to attract and retain the highest quality employees, it also should attract, retain and maintain the highest quality directors.

7 **Require continuing education for directors.** The financial services industry is moving rapidly in a number of different directions. It is critical, even for the smallest institution, that directors be educated about the options and opportunities for the institution. Only then can they make wise choices with respect to its effective long-term strategies. Many state associations and other trade groups are now offering educational programs targeted specifically for directors. Your directors should take advantage of these options.

8 **Establish procedures for board succession.** A critical issue of corporate governance is to make sure qualified board members are available. This involves issues of succession. Does the holding company have a mandatory retirement age that is actually enforced? Does a board self-evaluation process exist to rid the board of non-productive directors? Does the company have a plan to maintain a fully staffed board of directors with capable people, no matter what the ages, as it moves forward for the next several years? All of these must be addressed under the umbrella of corporate governance.

9 **Disclose, disclose, disclose.** Publicly held banks and bank holding companies (reporting to SEC) will find that disclosure will be quicker and more onerous than in the past. Even for private companies and banks, disclosure needs to be stepped up. This may be through quarterly letters to your shareholders or other types of communications. But some means of communication, though not legally required, will go a long way toward furthering the confidence of your shareholders in your institution.

10 **Recognize that your duty is to establish corporate governance procedures that will serve to enhance shareholder value.** The primary job of the board of directors is to enhance the value of the shares held by its shareholders. This is generally done through growing earnings, providing an adequate return on equity, providing liquidity in the shares and some type of cash flow off the shares. All of this is contemplated within an overall strategy established by the board. Corporate governance procedures now should be part of that strategy and should be designed to enhance the long-term value for the shareholders.

Jeffrey C. Gerrish is chairman of Gerrish McCreary Smith Consultants, LLC., and Gerrish McCreary Smith, PC, Attorneys, Memphis, Tenn. Gerrish was a speaker at the 2012 BHCA Spring Seminar and provided this article along with material distributed for his presentation.

***Health care reform**, Continued from page 7*

of the requirements is met, however, the individual is treated as materially participating, and thus being non-passive.

Specifically for banks and holding companies, the most relevant of the seven requirements is likely to be whether the shareholder participates in the activity for more than 500 hours during the tax year. Thus, shareholders that are employees of the bank would more than likely meet this qualification (assuming they worked at least 500 hours during the year) and be considered as nonpassive, and thus their S corporation income would not be subjected to the 3.8 percent surtax. If an owner's spouse is employed at the bank, that spouse's activity hours are attributed to the bank owner in determining the 500 hour threshold. Individuals that serve in a director's role and also various committees of the bank should keep a log to maintain the number of hours that they participate in the activity, to determine whether they meet the definition of "material participation" and can avoid the "passive income" classification, and thus not paying the 3.8 percent surtax on their S corporation pass-through income.

Tax Planning

Coupled with rising individual tax rates as a result of expiring Bush tax cuts after 2012 (top bracket moves from 35 percent up to 39.6 percent), the 3.8 percent surtax on investment income could have a substantial impact on individuals who are subject to it.

There should be renewed emphasis among S corporation shareholder groups for the 2013 tax year to work with their tax advisors to determine which individuals are considered passive so that appropriate planning decisions can be made regarding tax distributions and timing of 2012 year-end deductions and income. Potential higher effective tax rates for 2013 vs. 2012 would lend to a strategy of accelerating income into 2012 and deferring deductions

***Health care reform**, Continued on page 13*

Navigate to Success!

Navigate to Success at the BHCA Fall Seminar.

Bring:
YOUR DIRECTORS. Outside directors of member institutions get a special discounted rate on seminar registration

BUSINESS CARDS. BHCA seminars are known for the best industry networking available. Meet other bank owners throughout the region.

YOUR SPOUSE. The Seminar hotel is located across the street from the world famous Mall of America. Plus, a special Friday evening event is planned for dinner and a show at the Chanhassen Dinner Theatres.

Thanks to our Diamond and Gold level sponsors:

CliftonLarsonAllen

FHLB DES MOINES

WINTHROP WEINSTINE
Attorneys and Counselors at Law
A firm difference.

The Bank Holding Company Association Fall Seminar is set for Thursday and Friday, October 4-5, 2012 at the Minneapolis Airport Marriott Hotel in Bloomington, Minn.

Bonus Event!

Bye Bye Birdie

Join the BHCA for dinner and the opening-night performance at one of the worlds' best dinner theatres.

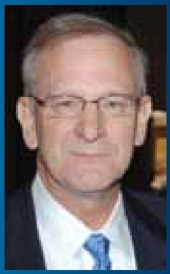
Minneapolis Airport Marriott Hotel
2020 East American Blvd.
Bloomington, MN
952-854-7441

Bank Holding Company Association
7400 Metro Blvd., No. 217
Minneapolis, MN 55439
952-835-2248 or 800-813-4754

Register online today at
www.theBHCA.org
or call 1-800-813-4754

Navigate to Success with these great presenters:

▷ FDIC Director **Tom Hoenig,** the former president of the Federal Reserve Bank of Kansas City, shares his thought-provoking ideas about restructuring the banking industry.



▷ Bank founder, board member and shareholder **Donald Musso**, president of the community bank consulting firm FinPro, takes the mystery out of enterprise risk management.

▷ Consultant **Michael Woody** will offer strategies for getting more out of your loan portfolio and generating more fee income.

▷ FTN Financial economist **Lindsey Piegza** will provide an economic update, focusing on conditions affecting the banking industry in the Upper Midwest.

▷ **Steve Russell,** the U.S. Army infantry officer who captured Saddam Hussein, will explain how they did it, while offering an inspirational message of hope and patriotism.

Bank Holding Company Association
Fall Seminar Registration ~ October 4-5, 2012

Two ways to register: Complete this form and return with your check, or register online and pay by credit card at **www.theBHCA.org**

Personal Information:

Name ____

Company Name____

Address ____

City ______________________ State ______________ ZIP__________

Guest Name(s) ____

____

____

Are you a BHCA member or associate member? **Yes**____ **No**_____

REGISTRATION OPTIONS:

Thursday, October 4 – Reception, Dinner and Program

Fee Schedule Per Person:		Number	Amount
Members, Associate Members and their Guests:	$75	______	_____
Outside directors from member institutions:	$50	______	_____
*Non-members:	$125	______	_____

Friday, October 5 – Seminar

Fee Schedule Per Person:		Number	Amount
Members, Associate Members and their Guests	$225	______	_____
Outside directors from member institutions	$125	______	_____
*Non-members	$325	______	_____

Friday evening at the Chanhassen Dinner Theater		Number	Amount
Includes transportation, dinner and one ticket to "Bye Bye Birdie"	$110	______	_____

Memberships dues, if applicable Amount

Annual dues for ***new members only***: _____

Total amount enclosed: **$**_________

Please indicate dietary restrictions here: ______________________________

For overnight hotel reservations, contact the Minneapolis Airport Marriott Hotel direct at 952-854-7441. The room rate is $210 per night.

The cost of the meals, entertainment and breaks included in the registration fee for this meeting are estimated at $50 for the Thursday evening session and at $75 for the Friday seminar session. This information is provided for your tax records in keeping with IRS deductibility provisions.

Cancellation Policy: Paid registrants who cancel their seminar registration at least 72 hours before the program will receive a full refund; if fewer than 72 hours, a $50 administrative fee will be deducted.

Mail completed registration form with your check to:

Bank Holding Company Association
7400 Metro Blvd., No. 217
Edina, MN 55439

For additional information, call
952-835-2248 or **1-800-813-4754**
Fax: 952-835-2295

www.theBHCA.org

Not yet a member of BHCA?

*If you are not currently a BHCA Member or Associate Member, you may choose to pay the non-member rate, **or become a member with this registration and pay the member rate.** Include your 2012 dues to begin your membership immediately.

Member dues are as follows (select one):

- ❑ For bank holding companies with assets of less than $50 million: **$400**
- ❑ For bank holding companies with assets of $50 million to $100 million: **$500**
- ❑ For bank holding companies with assets of $100 million to $250 million: **$600**
- ❑ For bank holding companies with assets of $250 million to $500 million: **$750**
- ❑ For bank holding companies with asset over $500 million: **$1,000**
- ❑ Associate membership (companies that are not bank holding companies): **$500**

Do you have a comment on this article? Please contact Ron Feldman, senior vice president, Federal Reserve Bank of Minneapolis, at 612-204-5176 or ron.feldman@mpls.frb.org.

An Update on trust preferred securities

By Dan Hanger

Trust preferred securities were issued by a large number of bank holding companies, especially during the period from 2000 through 2007. This article summarizes a number of key issues related to these securities. I will briefly discuss their changing capital treatment under the Dodd-Frank Wall Street Reform and Consumer Protection Act. I will then discuss a number of issues, particularly regulatory ones, raised when a holding company tries to retire TRPS.

Dodd-Frank Act Changes

Section 171 of Dodd-Frank changed the landscape for the capital treatment of TRPS. This provision effectively eliminated TRPS as an element of tier 1 capital for BHCs going forward. It did so by providing for the same capital treatment for TRPS at BHCs as is applied to the same instruments at banks (where they do not count to tier 1). Retrospectively, under Dodd-Frank, if TRPS were issued prior to May 19, 2010, by depository institution holding companies with consolidated assets of less than $15 billion (as of December 31, 2009), they will continue to be eligible for treatment as tier 1 capital. TRPS securities continue to qualify as an element of tier 2 capital. The notice of proposed rulemaking implementing Basel III would make additional changes to the treatment of TRPS.

Retiring TRPS

Recently, the Federal Reserve has seen an increase in the number of requests to retire TRPS. These requests stem from a number of factors including the approaching end of the five-year deferral period for some companies and the high cost associated with preventing default. In addition, TRPS often have a contractual provision that requires the issuer to obtain the consent of the TRPS holders in order to sell the subsidiary bank. These considerations, as well as the desire to simply reduce costs, are leading BHCs to seek to redeem TRPS. Some have attempted to negotiate a buyback of TRPS at a discount. This has not generally been successful, particularly if the issue is part of a pool. The Federal Reserve is aware of instances where either the trustee of a pool is not interested in negotiating a one-off settlement with a pool participant or the trustee believes any settlement must receive the approval of all the holders. Also, any redemption of preferred stock, including TRPS, requires the approval of the Federal Reserve. There will likely be a number of factors affecting whether settlements may occur in the future; among them will be the terms of the agreement itself, the identity of the trustee, the actual holders of the instrument, and the market in general.

Another approach that was pursued in at least one instance, involved a BHC voluntarily filing for bankruptcy under Chapter 11 and requesting the bankruptcy court to approve a competitive bidding process to sell and recapitalize its subsidiary bank under section 363 of the Bankruptcy Code. This instance involved AmericaWest Bancorp and its subsidiary AmericanWest Bank, Spokane, Washington.

The basic mechanics of a section 363 transaction include an initial bidder (or "stalking horse") who reaches an agreement to purchase assets from the Chapter 11 debtor. The asset purchase agreement rewards the stalking horse for investing the effort and expense to sign a transaction that will be exposed to competing bids by offering protections that can include a combination of a breakup fee, expense reimbursement, minimum bid increments, deadlines for competing bids, final court approval, and closing. The sale of AWB was completed within eight weeks from bankruptcy filing to closing. In addition, with the protections and short bidding period, the stalking horse (SKBHC Holding LLC in this case) has a significant advantage over competing bidders.

Months of planning, diligence and negotiations took place prior to the bankruptcy filing and experienced legal counsel and investment bankers advised the process. The parties met with the relevant regulators early and kept lines of communication open throughout the process. Another significant factor in this case was that SKBHC Holding LLC had previously filed an application to become a BHC through the proposed acquisition of a different bank and had been thoroughly vetted by the regulators. It seems clear that potentially unique facts and circumstances contributed to the success of this section 363 transaction.

Finally, a couple of BHCs have arranged for officials of the holding company or an outside party to

Trust preferred securities, *Continues on next page*

Trust preferred securities*, Continued from previous page*

purchase the senior debt of a BHC that is secured by stock in the subsidiary bank. The purchaser will then foreclose on the subsidiary bank stock. While the TRPS remain outstanding, they are obligations of the initial BHC, which no longer has its principle source of income. These transactions raise a number of regulatory issues. We strongly encourage any firm contemplating such a transaction to retain advisors with the requisite skills. For example, because the purchaser of the loan is acquiring the note with the intention of foreclosing, the exemption to requirements of the Bank Holding Company Act and the Change in Bank Control Act related to acquisition of ownership in satisfaction of debt previously contracted do not apply. As such, the purchaser will be required to file either an application (if the purchaser is a company) with the Federal Reserve or a notice under the Change in Bank Control Act with the appropriate supervisor for the bank. In addition, a BHC considering such an approach should consult counsel about other potential legal issues associated with this type of transaction.

As noted, BHCs seeking to eliminate or reduce their obligations under TRPS, regardless of the reason, need to be alert to the regulatory requirements that may arise from any of the approaches discussed in this article. We encourage BHCs considering options for redeeming or otherwise reducing obligations under TRPS to consult with the Federal Reserve early in the process to assist in identifying any potential issues.

Dan Hanger is applications surveillance section manager in the Division of Supervision, Regulation and Credit at the Federal Reserve Bank of Minneapolis.

Jackie Brunmeier, assistant vice president at the Federal Reserve Bank of Minneapolis, also contributed to this article.

Health care reform*, Continued from page 9*

into the higher effective tax rates of 2013, so determining the effective tax rates of a bank and its ownership group in 2012, 2013 and beyond is very important.

The sale of bank or holding company stock that produces a large capital gain after 2012 would be impacted by this surtax, so planning to realize large capital gains prior to December 31, 2012 is important. Timing of the payment of taxable corporate dividends is important as well, not only due to the 3.8 percent surtax on taxable corporate dividends received, but also because the favorable 15 percent dividend rate for individuals is set to expire at the end of 2012 as well as part of the expiring Bush tax cuts.

In this environment of rising tax rates for 2013 and beyond, it is as important as ever in 2012 for bank owners to work closely with their tax advisors and plan transactions so that bank owners can realize the most tax-efficient return on their investment... time is running out for 2012 tax planning to take advantage of lower individual tax rates.

Paul Sirek is a partner with Eide Bailly LLP in the Minneapolis office.

Holding Company Transaction Report

Here are recent selected filings with the Federal Reserve Banks of Chicago, Minneapolis, Kansas City and St. Louis.

▷ American Heartland Bancshares, Inc., Sugar Grove, Ill., filed to engage in lending through its subsidiary, American Heartland Holdings, LLC, Sugar Grove.

▷ Chemical Bank, Midland, Mich., filed to establish a branch in Benton Harbor, Mich.

▷ Metcalf Bank, Lee's Summit, Mo., authorized to purchase certain assets and assume certain liabilities of Heartland Bank, Leawood, Kan., and to establish branches.

▷ First Bank of Utica, Neb., filed to establish a branch in Milligan, Neb.

▷ The Union State Bank of Everest, Kan., filed to purchase the Atchison and Lancaster branches of United Bank of Kansas, Lenexa, Kan.

▷ Beall Bancshares Inc., Velva, N.D., authorized to become a bank holding company by acquiring Peoples State Bank of Velva.

▷ Equity Bank, Andover, Kan., authorized to merge with Signature Bank, Haddam, Kan.

▷ Saint Charles Bank and Trust Company, Saint Charles, Ill., filed to establish a branch in Geneva, Ill.

▷ American Bancor, Ltd., Dickinson, N.D., filed to acquire North Country Bank, N.A., McClusky, N.D.

▷ Reliable Community Bancshares, Inc., Perryville, Mo., filed to acquire First Southeast Missouri Bancorp., Inc., Scott City, Mo., and thereby acquire Security Bank and Trust Company, Scott City.

▷ Frandsen Financial Corp., Arden Hills, Minn., filed to acquire Clinton Bancshares, Inc., and thereby acquire Clinton State Bank, Clinton, Minn.

▷ American National Corp., Omaha, Neb., filed to acquire Western Bank, St. Paul, Minn.

▷ Heartland Bancorp, Inc., Bloomington, Ill., authorized to acquire Farmer City State Bank, Farmer City, Ill.

▷ Commerce Bank, Kansas City, Mo., authorized to establish a branch in Columbia, Mo.

▷ State Bank of the Lakes, Antioch, Ill., authorized to establish a branch in Round Lake Beach, Ill.

▷ CIC Bancshares, Inc., Denver, authorized to acquire Millennium Bancorp, Inc., Edwards, and its subsidiary bank, Millennium Bank, and for CIC's subsidiary bank, Centennial Bank, Centennial, to merge with Millennium Bank.

▷ C-B-G, Inc., West Liberty, Iowa, filed to increase its ownership to 50.01 percent of Washington Bancorp, Washington, Iowa, and thereby increase its interest in Washington Bancorp's subsidiary, Federation Bank, Washington.

▷ Equity Bancshares, Inc., Wichita, Kan., filed to acquire, through its subsidiary EBI Acquisition IV, Inc., Wichita, First Community Bancshares, Inc., Overland Park, Kan., parent of First Community Bank, Lee's Summit, Mo., and establish 16 branches.

▷ First Community Bank, Harbor Springs, Mich., authorized to merge with Select Bank, Grand Rapids, Mich.

▷ First Nebraska Bank, Valley, Neb., authorized to purchase certain assets and assume certain liabilities of Heartland Community Bank, Bennet, and to establish branches.

WISCONSIN BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
1. ASSOCIATED BANC-CORP, GREEN BAY	21,924,217	
ASSOCIATED BANK, N.A., GREEN BAY		21,715,012
2. JOHNSON FINANCIAL GROUP, INC., RACINE	4,209,415	
JOHNSON BANK, RACINE		4,144,525
3. NEB CORPORATION, FOND DU LAC	1,512,143	
AMERICAN BANK, FOND DU LAC		228,354
NATIONAL EXCHANGE BANK AND TRUST, FOND DU LAC		1,273,731
4. TRI CITY BANKSHARES CORP., OAK CREEK	1,217,641	
TRI CITY NATIONAL BANK, OAK CREEK		1,214,504
5. FIRST BUSINESS FIN'L. SERVICES, INC., MADISON	1,177,165	
FIRST BUSINESS BANK, MADISON		1,000,227
FIRST BUSINESS BANK-MILWAUKEE, BROOKFIELD		176,553
6. BAYLAKE CORP., STURGEON BAY	1,087,973	
BAYLAKE BANK, STURGEON BAY		1,087,747
7. RIVER VALLEY BANCORPORATION, INC., WAUSAU	985,687	
RIVER VALLEY BANK, WAUSAU		984,440
8. FIRST MANITOWOC BANCORP, INC., MANITOWOC	910,028	
BANK FIRST NATIONAL, MANITOWOC		904,578
9. CENTRE 1 BANCORP, INC., BELOIT	834,713	
FIRST NATIONAL BANK AND TRUST CO., BELOIT		834,525
10. S.B.C.P. BANCORP, INC., CROSS PLAINS	798,367	
STATE BANK OF CROSS PLAINS		796,354
11. BANKMANAGERS CORP., MILWAUKEE	784,967	
PARK BANK, MILWAUKEE		776,263
12. PARK BANCORPORATION, INC., MADISON	771,073	
PARK BANK, MADISON		769,369
13. BARABOO BANCORPORATION, INC., BARABOO	766,642	
BARABOO NATIONAL BANK, BARABOO		766,052
14. WAUPACA BANCORPORATION, INC., WAUPACA	760,739	
FIRST NATIONAL BANK, WAUPACA		750,443
15. OCONOMOWOC BNCSHRS, INC., OCONOMOWOC	713,895	
FIRST BANK FINANCIAL CENTRE, OCONOMOWOC		713,681
16. CHARTER BANKSHARES, INC., EAU CLAIRE	699,238	
CHARTER BANK EAU CLAIRE		549,908
COMMUNITY BANK CORPORATION, CHASKA, MN		148,689
17. COUNTY BANCORP, INC., MANITOWOC	678,293	
INVESTORS COMMUNITY BANK, MANITOWOC		677,771
18. NICOLET BANKSHARES, INC., GREEN BAY	677,750	
NICOLET NATIONAL BANK, GREEN BAY		662,257
19. UNITED BANCORPORATION[1], OSSEO	657,342	
FARMERS STATE BANK, STICKNEY, S.D.		101,337
UNITED BANK, OSSEO		206,425
CLARKE COUNTY STATE BANK, OSCEOLA, IA		109,804
BANK OF POYNETTE		94,986
CAMBRIDGE STATE BANK, CAMBRIDGE		81,621
LINCOLN COMMUNITY BANK, MERRILL		62,050
20. CITIZENS BANK HOLDING, INC., MUKWONAGO	652,485	
CITIZENS BANK OF MUKWONAGO		650,838
21. PSB HOLDINGS , INC., WAUSAU	623,074	
PEOPLES STATE BANK, WAUSAU		621,911
MARATHON STATE BANK[2], MARATHON		108,413
22. COMMUNITY BANC-CORP OF SHEBOYGAN, INC.	572,532	
COMMUNITY BANK & TRUST, SHEBOYGAN		572,348
23. BLACKHAWK BANCORP, INC., BELOIT	559,287	
BLACKHAWK BANK, BELOIT		558,221
24. NATCOM BANCSHARES, INC., SUPERIOR	540,165	
NATIONAL BANK OF COMMERCE,SUPERIOR		539,612
25. PEOPLES BANCORP, INC., PRAIRIE DU CHIEN	523,025	
PEOPLES STATE BANK,PRAIRIE DU CHIEN		523,025
26. SWORD FINANCIAL CORPORATION, HORICON	508,266	
HORICON BANK, HORICON		506,476
27. CIB MARINE BANCSHARES, INC., WAUKESHA	503,974	
CIBM BANK, CHAMPAIGN, IL		500,153
28. NORTHERN BANKSHARES, INC., MCFARLAND	492,411	
MCFARLAND STATE BANK, MCFARLAND		488,152
29. MID-WISCONSIN FIN'L. SERVICES, INC., MEDFORD	488,175	
MID-WISCONSIN BANK, MEDFORD		484,866
30. DAIRY STATE BANCORP, INC., RICE LAKE	453,023	
DAIRY STATE BANK, RICE LAKE		452,997
31. RIVER HOLDING COMPANY, STODDARD	427,694	
WISCONSIN RIVER BANK[3], SAUK CITY		64,640
RIVER BANK, STODDARD		421,886
32. RIDGESTONE FIN'L. SERVICES, INC., BROOKFIELD	426,480	
RIDGESTONE BANK, BROOKFIELD		425,721
33. DENMARK BANCSHARES, INC., DENMARK	425,986	
DENMARK STATE BANK, DENMARK		392,666
34. BANKERS' BANCORPORATION, INC., MADISON	419,734	
BANKERS' BANK, MADISON		417,187
35. PORT BANCSHARES, INC., PORT WASHINGTON	417,410	
PORT WASHINGTON STATE BANK, PORT WASHINGTON		414,590
36. DELLS BANCSHARES, INC., WISCONSIN DELLS	394,000	
BANK OF WISCONSIN DELLS		374,419
37. NW BANCSHARES, INC., CHIPPEWA FALLS	376,937	
NORTHWESTERN BANK, CHIPPEWA FALLS		376,937
38. BOSSHARD BANCO, LTD., LACROSSE	364,296	
FIRST NATIONAL BANK OF BANGOR		203,707
INTERCITY STATE BANK, SCHOFIELD		161,572
39. IXONIA BANCSHARES, INC., IXONIA	345,727	
ISB COMMUNITY BANK, IXONIA		345,172
40. MONONA BANKSHARES, INC., MONONA	343,542	
MONONA STATE BANK, MONONA		343,542
41. HAYWARD BANCSHARES, INC., EAU CLAIRE	337,635	
PEOPLES BANK OF WISCONSIN, HAYWARD		272,961
SUMMIT COMMUNITY BANK, MAPLEWOOD, MN		61,940
42. WEST POINTE BANCSHARES, INC., OSHKOSH	335,388	
WEST POINTE BANK, OSHKOSH		336,541
43. WOODTRUST FINANCIAL CORP., WIS. RAPIDS	333,184	
WOODTRUST BANK, N.A., WISCONSIN RAPIDS		331,215

1- Upper Tier BHCS are the John T. Vucurevich Foundation, Rapid City, S.D., and United Citizens 401(k) plan, Osseo, Wis.
2- Acquired during June 2012.
3- Wisconsin River Bank is directly owned by Community Business Bancshares, Inc., Sauk City, Wis.

*Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2011. *Dollar amounts in thousands*

WISCONSIN BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
44. FIRST BANCORPORATION, INC., LA CROSSE	333,018	
STATE BANK FINANCIAL, LA CROSSE		332,257
45. BOSP BANCSHARES, INC., SUN PRAIRIE	328,996	
BANK OF SUN PRAIRIE		331,739
46. DMB CORPORATION, INC., DEFOREST	326,295	
DMB COMMUNITY BANK, DEFOREST		325,780
47. FIRST MENASHA BANCSHARES, INC., NEENAH	317,720	
FIRST NATIONAL BANK - FOX VALLEY, NEENAH		317,720
48. COMMERCE FINANCIAL HOLDINGS, INC., W. BEND	317,330	
COMMERCE STATE BANK, WEST BEND		317,378
49. SECURITY FINANCIAL SERVICES CORP., DURAND	315,301	
SECURITY FINANCIAL BANK, DURAND		314,930
50. ROYAL BANCSHARES, INC., ELROY	312,096	
ROYAL BANK, ELROY		309,755
51. FOX RIVER VALLEY BANCORP, INC., APPLETON	310,421	
BUSINESS BANK, APPLETON		311,032
52. UNION BANCORPORATION, INC., UNION GROVE	307,026	
COMMUNITY STATE BANK, UNION GROVE		276,271
53. ABBY BANCORP, INC., ABBOTSFORD	302,873	
ABBYBANK, ABBOTSFORD		302,562
54. PLOETZ INVESTMENTS LP, PRAIRIE DU SAC	296,163	
BANK OF PRAIRIE DU SAC[4]		296,027
55. 1ST AMERICAN BANKSHARES, INC., FT. ATKINSON	293,760	
PREMIERBANK, FT. ATKINSON		290,959
56. STEPHENSON NAT'L. BANCORP, INC., MARINETTE	293,260	
STEPHENSON NATIONAL BANK AND TRUST, MARINETTE		291,770
57. JEWEL BOX FINCL. SERVICES, INC., COLUMBUS	293,200	
FARMERS & MERCHANTS UNION BANK, COLUMBUS		292,979
58. WHITEWATER BANCORP, INC., WHITEWATER	290,663	
FIRST CITIZENS STATE BANK, WHITEWATER		247,492
PALMYRA STATE BANK, PALMYRA		39,835
59. FIRST STATE BANCSHARES, INC., NEW LONDON	284,958	
FIRST STATE BANK, NEW LONDON		284,062
60. FIRST BERLIN BANCORP, INC., BERLIN	283,245	
FIRST NATIONAL BANK OF BERLIN		283,245
61. SOUTHPORT FIN'L. CORPORATION, KENOSHA	282,802	
SOUTHPORT BANK, KENOSHA		282,570
62. COULEE BANCSHARES, INC., LA CROSSE	275,798	
COULEE BANK, LA CROSSE		275,739
63. CAPITOL BANKSHARES, INC., MADISON	275,349	
CAPITOL BANK, MADISON		275,349
64. FIRST NATIONAL BANCORP OF RIVER FALLS, INC.	264,876	
FIRST NATIONAL BANK OF RIVER FALLS		264,875
65. MONTFORT BANCORP., INC., PLATTEVILLE	263,659	
CLARE BANK, N.A., PLATTEVILLE		260,438
66. AMERICAN NATIONAL BANCORP, INC., APPLETON	258,293	
AMERICAN NATIONAL BANK-FOX CITIES, APPLETON		258,108
67. LUXEMBURG BANCSHARES, INC., LUXEMBURG	255,627	
BANK OF LUXEMBURG		253,777
68. MOUND CITY FINANCIAL SVCS., INC., PLATTEVILLE	252,708	
MOUND CITY BANK, PLATTEVILLE		252,684
69. DAIRYLAND BANK HOLDING CORP., LA CROSSE	249,090	
BANK OF ALMA		199,508
LA FARGE STATE BANK, LA FARGE		49,626
70. CHIPPEWA VALLEY AGENCY, LTD., BRUCE	248,286	
CHIPPEWA VALLEY BANK, WINTER		248,087
71. DELAVAN BANCSHARES, INC., DELAVAN	244,701	
COMMUNITY BANK CBD, DELAVAN		244,669
72. INVESTORSBANCORP, INC., WAUKESHA	242,785	
INVESTORSBANK, WAUKESHA		242,033
73. PEOPLES COMM. BANCSHARES, INC., MAZOMANIE	242,307	
PEOPLES COMMUNITY BANK, MAZOMANIE		242,307
74. COUNTRYSIDE FIN'L. SERVICES, INC., WALWORTH	241,742	
WALWORTH STATE BANK, WALWORTH		241,742
75. BOSCOBEL BANCORP, INC., BOSCOBEL	239,467	
COMMUNITY FIRST BANK, BOSCOBEL		217,580
76. MAUSTON BANCORP, INC., LA CROSSE	235,824	
BANK OF MAUSTON		235,709
77. BAY AREA BANKING SHARES, INC., ASHLAND	228,685	
NORTHERN STATE BANK, ASHLAND		228,014
78. CAPITAL COMMERCE BANCORP, INC., MILWAUKEE	226,739	
SECURANT BANK & TRUST, MILWAUKEE		225,496
79. WIS. BANK SERVICES, INC., BLACK RIVER FALLS	221,555	
JACKSON COUNTY BANK, BLACK RIVER FALLS		219,243
80. OAK FINANCIAL, INC., FITCHBURG	220,625	
OAK BANK, FITCHBURG		220,479
81. MCB BANKSHARES, INC., MIDDLETON	218,319	
MIDDLETON COMMUNITY BANK, MIDDLETON		218,136
82. BOSSHARD FINANCIAL GROUP, INC., LA CROSSE	215,838	
FARMERS STATE BANK-HILLSBORO		95,924
GRAND MARSH STATE BANK, GRAND MARSH		123,910
83. BANCORP NEW GLARUS, INC., NEW GLARUS	209,200	
BANK OF NEW GLARUS		210,332
84. NEKOOSA PORT EDWARDS BANCORP., INC.	202,342	
NEKOOSA PORT EDWARDS STATE BANK, NEKOOSA		202,342
85. INDEPENDENT BANCORP, LTD, LITTLE CHUTE	199,560	
BLC COMMUNITY BANK, LITTLE CHUTE		199,560
86. HOMETOWN BANCORP, LTD., FOND DU LAC	197,345	
HOMETOWN BANK, FOND DU LAC		196,335
87. UNION BANCORP OF EVANSVILLE, INC.,	196,682	
UNION BANK & TRUST COMPANY, EVANSVILLE		196,640
88. M.S.B. BANCORPORATION, INC., MARION	194,749	
PREMIER COMMUNITY BANK, MARION		195,604
89. F. & M. BANCORP OF TOMAH, INC., TOMAH	193,079	
FARMERS & MERCHANTS BANK, TOMAH		192,905
90. KIMBERLY LEASING CORPORATION, AUGUSTA	192,525	
UNITY BANK, RUSH CITY, MN		192,045

4- Bank of Prairie du Sac is directly owned by PDS Bancorp, Inc., Prairie du Sac, Wis.

*Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2011. *Dollar amounts in thousands*

WISCONSIN BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION / Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
91. NORTHWEST WIS. BANCORP, INC., EAU CLAIRE	**190,461**	
STERLING BANK[5], BARRON		190,381
92. PEOPLES BANCSHARES, INC., ELKHORN	**186,003**	
PEOPLES BANK, ELKHORN		185,496
93. FARMERS STATE BANCORP., INC., WAUPACA	**185,983**	
FARMERS STATE BANK OF WAUPACA		186,823
94. RIVER CITIES BANCSHARES, INC., WIS. RAPIDS	**185,251**	
RIVER CITIES BANK, WISCONSIN RAPIDS		186,695
95. KUJAWA FAMILY HOLDINGS, INC., BERLIN	**184,374**	
FARMERS & MERCHANTS BANK, BERLIN		182,680
96. WOODFORD BANCSHARES, INC., MONROE	**180,632**	
WOODFORD STATE BANK, WOODFORD		180,129
97. OOSTBURG BANCORP, INC., OOSTBURG	**176,630**	
OOSTBURG STATE BANK, OOSTBURG		174,586
98. TOMAH BANCSHARES, INC., TOMAH	**176,251**	
TIMBERWOOD BANK, TOMAH		175,038
99. CHOICE BANCORP, INC., OSHKOSH	**175,143**	
CHOICE BANK, OSHKOSH		175,010
100. OREGON BANCORP, INC., OREGON	**174,130**	
OREGON COMMUNITY BANK & TRUST, OREGON		173,942
101. BALDWIN BANCSHARES, INC., BALDWIN	**170,691**	
FIRST BANK OF BALDWIN		170,108
102. PESHTIGO NATIONAL BANCORPORATION, INC.	**167,967**	
PESHTIGO NATIONAL BANK, PESHTIGO		167,967
103. WISCONSIN BANCSHARES, INC., KENOSHA	**166,738**	
BANKS OF WISCONSIN, KENOSHA		164,858
104. FNB HARTFORD BANCORP, INC., HARTFORD	**166,255**	
FIRST NATIONAL BANK OF HARTFORD		166,215
105. B & E INVESTMENTS, INC., ARCADIA	**164,476**	
JOHN O. MELBY & CO. BANK, WHITEHALL		41,932
STATE BANK OF ARCADIA		122,330
106. ONE CORPORATION, NEW RICHMOND	**162,813**	
FIRST NATIONAL COMMUNITY BANK, NEW RICHMOND		161,180
107. SBN COMMUNITY BANCORP, INC., NEWBURG	**162,194**	
STATE BANK OF NEWBURG		162,194
108. GENERATIONS BANCORP, INC., PEWAUKEE	**160,896**	
FOUNDATIONS BANK, PEWAUKEE		160,435
109. F & M BANKSHARES, INC., MARINETTE	**160,612**	
FARMERS & MERCHANTS BANK & TRUST, MARINETTE		157,334
110. WAUMANDEE BANCSHARES, LTD, WAUMANDEE	**157,501**	
WAUMANDEE STATE BANK, WAUMANDEE		157,501
111. SECURITY BANK SHARES, INC., IRON RIVER	**154,808**	
SECURITY BANK, NEW AUBURN		69,980
SECURITY STATE BANK, IRON RIVER		83,568
112. FIRSNABANCO, INC., VIROQUA	**154,801**	
CITIZENS FIRST BANK, VIROQUA		154,801
113. NO. WIS. BANK HOLDING COMPANY, INC., LAONA	**153,690**	
LAONA STATE BANK, LAONA		153,690
114. CALUMET BANCORPORATION, INC., CHILTON	**152,158**	
STATE BANK OF CHILTON		152,162
115. RURAL BANCSHARES OF WIS., INC., LIVINGSTON	**151,572**	
LIVINGSTON STATE BANK, LIVINGSTON		151,336
116. CITIZENS BANCSHARES OF LOYAL, INC., LOYAL	**151,005**	
CITIZENS STATE BANK OF LOYAL		151,942
117. PARTNERSHIP COMM. BCSHRS, INC., MNNEE. FALLS	**150,969**	
FIRST BANK, TOMAH		97,799
TOWN & COUNTRY BANK, WATERTOWN		49,519
118. SHELL LAKE BANCORP, INC., SHELL LAKE	**148,780**	
SHELL LAKE STATE BANK, SHELL LAKE		148,848
119. GEBSCO, INC., MONDOVI	**148,075**	
ALLIANCE BANK, MONDOVI		147,981
120. ELLIS BANKSHARES, INC., EAGLE RIVER	**146,731**	
FIRST NATIONAL BANK OF EAGLE RIVER		146,030
121. MAUNESHA BANCSHARES, INC, WATERLOO	**144,511**	
FARMERS & MERCHANTS STATE BANK, WATERLOO		143,792
122. OLD MURRY BANCORP, RICE LAKE	**144,037**	
COMMUNITY BANK OF NORTHERN WISCONSIN, RICE LAKE		143,707
123. AMBANC FINCL. SERVICES, INC., BEAVER DAM	**143,573**	
AMERICAN NATIONAL BANK OF BEAVER DAM		110,477
NECEDAH BANK, NECEDAH		33,095
124. WAUKESHA BANCSHARES, INC., WAUKESHA	**141,020**	
SUNSET BANK & SAVINGS, WAUKESHA		135,740
125. MARKESAN BANCSHARES, INC., MARKESAN	**139,096**	
MARKESAN STATE BANK, MARKESAN		139,342
126. CITIZENS BNCSHRS. OF WOODVILLE, INC., HUDSON	**136,497**	
CITIZENS STATE BANK, HUDSON		140,138
127. LAYTON PARK FINCL. GROUP, INC., MILWAUKEE	**136,435**	
LAYTON STATE BANK, MILWAUKEE		135,917
128. NATIONAL BANCSHARES WAUPUN, INC.	**132,313**	
NATIONAL BANK OF WAUPUN		132,015
129. COMMUNITY BNCSHRS. OF WIS., INC., GRAFTON	**129,234**	
CORNERSTONE COMMUNITY BANK, GRAFTON		129,719
130. FIRST SHARES, INC., PLATTEVILLE	**127,810**	
FIRST NATIONAL BANK OF PLATTEVILLE		127,654
131. WOLF RIVER BANCORP, INC., HORTONVILLE	**126,654**	
WOLF RIVER COMMUNITY BANK, HORTONVILLE		126,610
132. ADVANTAGE COMM. BNCSHRS., INC., WAUSAU	**121,659**	
ADVANTAGE COMMUNITY BANK, DORCHESTER		121,690
133. WISCONSIN BANCORP, INC., JANESVILLE	**120,719**	
MID AMERICA BANK, JANESVILLE		118,088
134. PWB BANCSHARES, INC., WAUSAUKEE	**116,714**	
BANK NORTH, CRIVITZ		116,659
135. BLOOMER BANCSHARES, INC., BLOOMER	**114,780**	
PEOPLES STATE BANK OF BLOOMER		114,780
136. PB HOLDINGS OF MARSHFIELD, LLC, WAUSAU	**113,280**	
PIONEER BANK[6], AUBURNDALE		113,577
137. CLAYTON BANKSHARES, INC., LA CROSSE	**111,950**	
CITIZENS STATE BANK - LA CROSSE		112,027

5- Sterling Bank is directly owned by Sterling Bancorp, Inc., Eau Claire, Wis.
6- Pioneer Bank is directly owned by Pioneer Bancorp, Inc., Auburndale, Wis.

*Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2011. *Dollar amounts in thousands*

WISCONSIN BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
138. RICHLAND CTY. BNCSHRS, INC., RICHLAND CTR.	**108,536**	
RICHLAND COUNTY BANK, RICHLAND CENTER		108,536
139. CITIZENS FINANCIAL CORP., FT. ATKINSON	**108,325**	
BADGER BANK, FT. ATKINSON		108,149
140. PARK FALLS AGENCY, INC., PARK FALLS	**107,576**	
FIRST NATIONAL BANK OF PARK FALLS		107,500
141. CAMERON BANCORP, INC., CAMERON	**105,913**	
COMMUNITY BANK OF CAMERON		105,095
142. PORTAGE COUNTY BANCSHARES, INC., ALMOND	**105,210**	
PORTAGE COUNTY BANK, ALMOND		105,210
143. CITIZENS BANCORP, INC., CADOTT	**104,736**	
CITIZENS STATE BANK, CADOTT		104,299
144. STRATFORD BANCSHARES, INC., STRATFORD	**104,203**	
STRATFORD STATE BANK, STRATFORD		104,204
145. FOX RIVER FINANCIAL CORP., BURLINGTON	**104,120**	
FOX RIVER STATE BANK, BURLINGTON		92,682
146. BAY BANCORPORATION, GREEN BAY	**103,791**	
BAY BANK, GREEN BAY		103,310
147. SPENCER BANCORPORATION, INC., SPENCER	**102,431**	
HERITAGE BANK, SPENCER		102,343
148. WISCUB, INC., PEWAUKEE	**101,891**	
CLEVELAND STATE BANK, CLEVELAND		93,267
149. COMMERCIAL BANCSHARES, INC., WHITEWATER	**101,809**	
COMMERCIAL BANK, WHITEWATER		101,073
150. SPARTA UNION BANCSHARES, INC., SPARTA	**99,759**	
UNION NATIONAL BANK & TRUST COMPANY, SPARTA		99,759
151. INTEGRITY FIRST BANCORP., INC., WAUSAU	**99,114**	
INTEGRITY FIRST BANK, WAUSAU		99,114
152. SB BANCORP, INC., DEFOREST	**98,773**	
SETTLERS BANK, DEFOREST		98,773
153. CENTRAL WIS. BANCORPORATION, INC., COLBY	**98,359**	
COMMUNITY BANK OF CENTRAL WISCONSIN , COLBY		98,359
154. CALUMET BANCSHARES, INC., BRILLION	**95,443**	
CALUMET COUNTY BANK, BRILLION		95,396
155. DEERFIELD FINANCIAL CORPORATION, MADISON	**94,127**	
BANK OF DEERFIELD		93,458
156. BANNER BANCORP, LTD., BIRNAMWOOD	**92,200**	
BANNER BANKS , BIRNAMWOOD		90,454
157. FIDELITY BANCORP, INC., MEDFORD	**91,359**	
FIDELITY NATIONAL BANK, MEDFORD		91,102
158. NORTH MILWAUKEE BANCSHARES, INC.	**89,556**	
NORTH MILWAUKEE STATE BANK, MILWAUKEE		89,449
159. BROGAN BANKSHARES, INC., KAUKAUNA	**88,493**	
BANK OF KAUKAUNA		88,492
160. GALE BANK HOLDING CO., INC., GALESVILLE	**86,707**	
BANK OF GALESVILLE		86,707
161. NEW BANCSHARES, INC., KEWAUNEE	**84,754**	
UNION STATE BANK, KEWAUNEE		83,654
162. MILTON BANCSHARES, INC., MILTON	**82,016**	
BANK OF MILTON		81,200
163. RIVER FALLS BANCSHARES, INC., RIVER FALLS	**81,873**	
RIVER FALLS STATE BANK, RIVER FALLS		81,873
164. ITEAM COMPANIES, INC., BROOKFIELD	**81,864**	
KENNEY BANK AND TRUST, KENNEY, IL		80,865
165. FIRST AMERICAN INVESTMENT, INC., HUDSON	**80,408**	
FIRST AMERICAN BANK, N.A., HUDSON		80,408
166. OAKFIELD BANCORP, INC., OAKFIELD	**80,288**	
BANK OF OAKFIELD		80,288
167. H.R. FINANCIAL, INC., BLAIR	**79,956**	
UNION BANK OF BLAIR		79,908
168. DAIRYLAND BANCORP, INC., BRUCE	**79,054**	
DAIRYLAND STATE BANK, BRUCE		78,684
169. F S BANCSHARES, INC., MARKESAN	**78,527**	
FARMERS STATE BANK, MARKESAN		77,053
170. CAPRICE CORPORATION, AUGUSTA	**74,960**	
UNITY BANK NORTH, RED LAKE FALLS, MN		74,955
171. AUGUSTA FINANCIAL CORPORATION, AUGUSTA	**74,928**	
UNITY BANK, AUGUSTA		74,905
172. G.W. BANCORP, INC., GREENLEAF	**73,052**	
GREENLEAF WAYSIDE BANK, GREENLEAF		73,299
173. FLORENCE BANCORPORATION, INC., FLORENCE	**72,692**	
STATE BANK OF FLORENCE		72,182
174. BRAD, INC., BLACK RIVER FALLS	**70,923**	
BLACK RIVER COUNTRY BANK ,BLACK RIVER FALLS		70,923
175. BANCROFT STATE BANCSHARES, INC., BANCROFT	**69,552**	
BANCROFT STATE BANK, BANCROFT		68,772
176. TURTLE BANCSHARES, INC. , TURTLE LAKE	**68,457**	
BANK OF TURTLE LAKE		68,446
177. CENTRAL WIS. FINCL. SERVICES, INC., WAUSAU	**67,261**	
BANK OF WAUSAU		66,503
178. PFSB BANCORPORATION, INC., PIGEON FALLS	**67,018**	
PIGEON FALLS STATE BANK, PIGEON FALLS		67,018
179. HEADWATERS BANCORP, INC., LAND O'LAKES	**66,721**	
HEADWATERS STATE BANK, LAND O'LAKES		66,716
180. NIAGARA BANCORPORATION, INC., NIAGARA	**66,334**	
FIRST NATIONAL BANK OF NIAGARA		66,142
181. ROSHOLT BANCORPORATION, INC., ROSHOLT	**66,006**	
COMMUNITY FIRST BANK, ROSHOLT		65,478
182. NORTHERN FINANCIAL CORP., INDEPENDENCE	**65,620**	
INDEPENDENCE STATE BANK,INDEPENDENCE		65,538
183. MITCHELL BANK HOLDING CORP., MILWAUKEE	**62,908**	
MITCHELL BANK, MILWAUKEE		57,154
184. PINERIES BANKSHARES, INC., STEVENS POINT	**62,869**	
PINERIES BANK, STEVENS POINT		62,868
185. EAGLE BANCSHARES, INC., CASHTON	**62,824**	
BANK OF CASHTON		62,821
186. GREENWOODS FINCL. GROUP, INC., LAKE MILLS	**61,735**	
GREENWOODS STATE BANK, LAKE MILLS		61,457
187. PIONEER ACQUISITION CORP., LADYSMITH	**60,916**	
PIONEER BANK OF WISCONSIN, LADYSMITH		60,416

*Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2011. *Dollar amounts in thousands*

New to BHCA

Join the growing list of Bank Holding Company Association Members and Associate Members. The value of the education members receive through our seminars, publications and unparalleled networking opportunities far exceeds our modest annual dues. See page 11 or page 19 for more information and join today.

The Bank Holding Company Association welcomes the following holding companies which recently have joined the association:

Dennis A. Lind, President
Midwest Bank Group, Inc.,
Detroit Lakes, Minn.

William C. Talen, President
Talen, Inc.
Traer, Iowa

Don D. Nolan, Chairman
First State Associate, Inc.
Hawarden, Iowa

Stephen J. Goodenow, President
Goodenow Bancorporation
Okoboji, Iowa

Jerry Adams, President
RW Bancorp, LTD
Reeseville, Wis.

Thomas E. Spitz, CEO
David M. Fink, President
SB Bancorp., Inc.
Windsor, Wis.

In addition, we are pleased to welcome the following new Associate Members:

Rick Foggia, Managing Director
Commerce Street Capital, LLC, Maple Grove, Minn.

Commerce Street Capital is one of the country's foremost experts in raising capital for community banks. Our Bank Capital Group has more than 20 years of experience raising capital for community banks across the country regardless of market direction or circumstances. At Commerce Street Capital, community banking is not an afterthought, it is our focus.

Debbie Golbach, Director of National Groups
Commercial Credit Reports, Hendersonville, Tenn.

Commercial Credit Reports is the largest aggregator of commercial credit information in the country. CCR has exclusive agreements with Dunn & Bradstreet, Experian and Equifax. We are the first to offer a multi-bureau business credit report.

Adam D. Maier, Attorney
Leonard Street and Deinard, P.A., Minneapolis

Leonard, Street and Deinard's Community Banking practice provides a full range of legal services to community banks throughout the Upper Midwest. We regularly advise community bank owners, bank and holding company boards, senior management, commercial loan officers and compliance personnel on all aspects of bank operations.

Greg Larson, Senior Vice President
Cedric Long, CFA, Vice President
Allison-Williams Company, Minneapolis

We are a Minneapolis-based FINRA member institutional investment banking firm. We serve financial institutions, investors and companies seeking to raise capital to support their business. Our financing activities include arranging debt, subordinated structures or equity.

WISCONSIN BANK HOLDING COMPANIES

Next edition to feature holding company lists for Iowa.

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
188. RW BANCORP, LTD., REESEVILLE	54,522	
STATE BANK OF REESEVILLE		54,656
189. FEB BANCSHARES, INC., NESHKORO	54,335	
FARMERS EXCHANGE BANK, NESHKORO		54,335
190. BSB COMMUNITY BANCORP., INC., BENTON	53,675	
BENTON STATE BANK, BENTON		53,183
191. HUSTISFORD COMM. BANCORP, INC., HUSTISFORD	53,597	
HUSTISFORD STATE BANK, HUSTISFORD		53,259
192. BONDUEL BANCORP, INC., BONDUEL	48,369	
BONDUEL STATE BANK, BONDUEL		48,369
193. COLLINS BANKCORP, INC., COLLINS	47,940	
COLLINS STATE BANK, COLLINS		47,900
194. GOLDEN OAK BANCSHARES, INC., SPARTA	44,499	
PARK BANK, HOLMEN		44,499
195. DRUMMOND BANCSHARES, INC., DRUMMOND	39,648	
STATE BANK OF DRUMMOND		39,538
196. SUPERIOR NATIONAL BHC, SUPERIOR	34,115	
SUPERIOR BANK, SUPERIOR		33,870
197. ONTARIO BANCORPORATION, INC., ONTARIO	33,490	
BANK OF ONTARIO		33,428
198. COMMUNITY BANCORP, INC., NORWALK	29,846	
COMMUNITY STATE BANK, NORWALK		29,846
199. SW WIS. BANCSHARES, INC., HIGHLAND	29,165	
HIGHLAND STATE BANK, HIGHLAND		28,994
200. RUDOLPH BANCSHARES, INC., RUDOLPH	26,609	
FARMERS & MERCHANTS BANK, RUDOLPH		26,609
201. GRESHAM BANCSHARES, INC., GRESHAM	23,394	
STATE BANK, GRESHAM		23,130
202. TIGERTON BANCORPORATION, INC., TIGERTON	20,570	
FIRST NATIONAL BANK IN TIGERTON		20,563

Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2011.
**Dollar amounts in thousands*

The BHCA: A UNIQUE VALUE
for bank owners, officers and directors

If you are a bank owner, the Bank Holding Company Association is the *right* organization for you. Whether your ownership consists of a few shares or 100 percent, you will find BHCA membership delivers unique value to bank owners like you.

Seminars

Members receive discounted registration fees on BHCA's annual Spring and Fall Seminars.
The BHCA seminars consistently deliver informative presentations from industry experts, consultants and analysts. They educate as well as entertain. Break-out sessions give seminar participants the opportunity to go in-depth on very specific topics to bank owners, such as succession planning, tax issues, merger and acquisition preparation, legal/accounting issues and more.

Networking

Get access to other bank owners.
One of the most valuable features of our twice-a-year seminars is the opportunity to visit with other bank owners between scheduled presentations.
It has been said that more merger and acquisition deals have been initiated at BHCA seminars than almost anywhere else.
No other group brings together so many bank owners from across the Upper Midwest.

Insight

Appreciate our regional focus.
With holding company members from Minnesota, Wisconsin, North Dakota, South Dakota, Iowa and Illinois, the BHCA brings together bank owners, directors and officers with common regional interests, but if you don't want to talk to a competitor, you can always find similarly-situated members from outside your holding company's trade area.

Access

Gain access to regulators.
BHCA frequently hosts events featuring representatives from the Federal Reserve, Federal Deposit Insurance Corp., Office of the Comptroller of the Currency, and state regulatory agencies.
Forums permit anonymous questions, as well as opportunities for you to visit directly with regulators.

Gain access to experts.
The BHCA features a healthy associate membership sector, providing bank owners with access to attorneys, accountants, investment professionals, consultants and others who can address virtually any need a bank owner may have.

Read what some long-time BHCA members have to say:

Serious, useful education…

"We chose to join BHCA in about 1990, shortly after we formed a new holding company to purchase a divested First Bank System bank in 1987. We were new at the process and thought that joining BHCA would be a great educational experience. Since that time several of us have managed to attend nearly every seminar.

Ideas we implemented from the seminars include mandatory retirement of both bank and holding company directors, general director responsibilities, audit and compliance committee ideas, and excellent presentations by economists over the years to assist us in funds management. And, of course, there is always the exchange of ideas with fellow bankers." *- Gary Paulson, First Holding Company, Park River, N.D.*

Building relationships…

"I have been a member of the Bank Holding Company Association for more than 20 years, during which I have attended Spring and Fall Seminars regularly. The value of this association is the great contacts and speakers who inevitably become business relationships. The BHCA brings together bank owners who have the same problems and concerns within their own organization. I challenge bankers to find a better value for an annual membership which is as little as $400." *- Douglas Jilek, Prairie Bancshares, Inc., Lester Prairie, Minn.*

A great value…

"Our holding company is a charter member of the BHCA. The association provides excellent value as evidenced by the networking opportunities, top-notch speakers, and the wide range of educational opportunities available through the concurrent breakout sessions. In this day of aggressive cost-cutting, our BHCA membership is a certain renewal!" *- Pat Gates, Security Financial Services, Inc., Hibbing, Minn.*

Membership:

Annual dues to the Bank Holding Company Association range from $400 to $1,000 per year, depending on the size of your organization.

For more information, please call us at 952-835-2248 or 1-800-813-4754

www.theBHCA.org

BANK OWNER
7400 Metro Blvd., #217
Minneapolis, MN 55439

CALENDAR

Note these dates

Oct. 4-5	2012 Fall Seminar, Bloomington, Minn.
Oct. 5	BHCA annual meeting, election of new officers
Oct. 5	Night at the Chanhassen Dinner Theater, "Bye Bye Birdie"
Nov. 15	Webinar: *Emotional issues surrounding succession planning*
Dec. 4	Part 1 of outside directors' series: *Credit risk management*
Dec. 11	Part 2 of outside directors' series: *Key ratios and red flags*
Dec. 18	Part 3 of outside directors' series: *Bank Secrecy Act*
May 6-7, 2013	2013 BHCA Spring Seminar

Register for events online at www.theBHCA.org