

Bank Owner

The magazine of the Bank Holding Company Association

INTELLIGENCE FOR SUCCESS

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October 6-7

INSIDE:

Increasing access to capital
for Sub S holding companies

Tech issues can pose
hidden costs to acquisition

Fed urges look
at tax allocation agreements

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800-592-7500

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763-550-9000

Stinson Leonard Street LLP

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Adam Maier, attorney
612-335-1412

Sycorr

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Jeremy Neuharth, president
701-212-1155

UMACHA

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Fred Laing II, president
763-549-7000

Value Consulting Group

Minneapolis
Eric Fink, senior financial analyst
612-436-0559

Wilary Winn LLC

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

Winthrop & Weinstine, P.A.

Minneapolis
Edward J. Drenttel, attorney
612-604-6400

Wipfli

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651-636-6468

Our mission:

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

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.

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This list corrects a previously published Minnesota list which contained an error that invalidated most of the information.

New to BHCA

The BHCA welcomes the following holding company which recently joined the association:

American Heritage Holding Company,
Jay Johnston, CEO & Chairman, St. Cloud, Minn.

The BHCA also is pleased to welcome the following Associate Member:

Value Consulting Group,
Eric Fink, Senior Financial Analyst, Minneapolis
Value Consulting Group provides quality bank appraisals for all types of engagements, including estate planning, ESOPs, recapitalizations, S corporation election, estate settlements and shareholder agreements, among others.

Strategic planning session set at your holding company? Consider these survey results

The “2014 Banking Industry Outlook Survey” by KPMG is worth studying. Although the survey focuses on the largest banks, I think all of us can learn from the results, which were recently published in a report called “Banking on the Customer.” I found several key points to be interesting.

Survey respondents said they are concentrating on non-credit services to increase their income. Asset and wealth management is a popular emerging service area, partly because it can be offered with little impact on capital. Asset/wealth management is a long-term proposition; there’s probably no quick fix to the bank earnings conundrum.

Additionally, there seems to be a sense that most new bank business is going to come from existing customers. The top 10 percent of customers are likely your best prospects for new products and services. That means good data has never been more important. As you survey the landscape trying to figure out the best way to meet the needs of your customers, you are going to need all the information you can get about your customers. Good data gives a bank the opportunity to develop highly specialized products and services – perhaps even customized for key customers. This means making the most of your existing core processing software and other information systems in the bank.

It also means that as you plan for technology upgrades in your bank, you may want to put priority on an ability to gain better access to more customer data. New technology should bring together silos of information which may exist in your current systems.

The surveyed bankers also talked about moving from their current multi-channel product and service delivery model to an omni-channel approach. In other words, it’s not merely good enough to offer several options; it seems now it is essential for a bank to offer all the options. That may or may not be true in your market but apparently this is the thinking among the largest banks, which are likely your competitors.

Clearly mobile banking is on the rise. When you consider the explosion in the use of cell phones, it is understandable that people would increasingly demand mobile banking. But here’s an interesting caveat. A recent Federal Reserve study reports that while 93 percent of mobile banking customers regularly check account balances on their phone, only 17 percent used their phone to make a mobile payment.

The other point to note about an omni-channel approach is that it means the branch is not dead. Despite all the hoopla about electronic banking, there are still many people who like to come into the branch to do their banking. In fact, in the KPMG study, 41 percent of the respondents said they plan to add branches in the coming year, while only 25 percent said they plan to shed branches. And referring to that Fed study again, 82 percent of bank customers reported visiting a branch and talking to a teller in the last year.

Fall is traditionally a time when banks conduct strategic planning. As you plan for your future, you might find some of this info worth considering.

Another good way to get the latest information on the banking industry is to attend the BHCA’s Fall Seminar, Oct. 6-7 at the Minneapolis Airport Marriott in Bloomington, Minn. We have a great line-up of speakers, which you can read about in this magazine. Don’t delay, register today. Encourage your board members and senior managers to attend as well.

I look forward to seeing you there! □



By William Rosacker
United Bankers'
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Bloomington, Minn.

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Toll Free
(800) 813-4754

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(952) 835-2248

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M&A application process described, other hot topics discussed at Mpls Fed event

The Federal Reserve Bank of Minneapolis hosted a well-attended outreach event on August 6. Many topics were covered, including merger and acquisition applications. Daniel Hanger, manager of the Minneapolis Fed's applications department, described some of the factors considered when evaluating a Section 3 application.

First, he said, the Fed considers the financial condition of the applicant, the subsidiary depository institutions, the target holding company and subsidiaries, and any affiliates. The implications of any "less than satisfactory" ratings also are considered. And the Fed always considers how the proposed transaction will affect the holding company's ability to serve as a source of strength to the subsidiary depository institutions.

The Fed will also consider capital adequacy and dividend restrictions. Hanger said the days of highly leveraged acquisitions are over, and that most deals require a down payment of at least 25 percent of the acquisition price.

Second, he said the Fed will consider the managerial resources of the applicant institution and the target institution. The Fed will evaluate the competence, experience, and integrity of each institution's officers, directors and principal shareholders. The implications of a "less than satisfactory" rating in the management component of the CAMELS scale will be considered, as well as similar ratings as it applies to risk management and consumer compliance.

The size of the acquisition, the business plan for the proposed combined entity, and the proposed management team are closely scrutinized, Hanger said. If the acquirer plans to substantially change the target's business model, Hanger said the Fed is likely to look even closer at the proposed business plan.

Third, the convenience and needs of the community are considered in M&A transactions with respect to the Community Reinvestment Act. The public will have an opportunity to comment on the transaction, and Hanger said the Fed takes submitted comments quite seriously. He said in larger transactions such comments can substantially extend the time it takes to approve a transaction.

Fourth, Hanger said the Fed looks closely at the record of both parties regarding the Bank Secrecy Act and anti-money laundering performance.

And finally, Hanger said other considerations include supervisory factors, financial stability, attempts by the acquirer to control day-to-day business operations at the target, golden parachute/severance agreements at banks in troubled condition, and interstate transactions.

In another presentation, Executive Vice President Ron Feldman said Federal Reserve officials are keeping their eye on risk posed by loan concentrations and the coming rising interest rate environment. Reviewing industry conditions throughout the district, Feldman noted that ag banks with high concentrations of ag loans do not, in

general, have more capital than ag banks with smaller concentrations of ag loans.

Furthermore, he said growth among ag banks is most pronounced among the banks with the relatively smallest amounts of capital. Feldman declined to call the situation a problem, but he said it is a situation that he and his colleagues are monitoring.

Feldman also shared data that shows the impact of rising interest rates. A sudden 200-basis-point hike in interest rates, he said, would produce a hit to earnings at 40 percent of the banks in the Ninth District. Conversely, a sudden jump in rates would mean more earnings at 60 percent of the banks.

In a "hot topics" panel discussion, senior examiner Stephanie Weber explained that the Fed is discouraging holding companies with trust preferred securities from entering into new deferral periods. Holding companies that are seeking authorization to bring trust preferred securities interest payments up to date will also be expected to demonstrate they are able to stay current on those payments into the future. Although trust preferred securities generally permit debtors to begin another five-year deferment period after bringing their obligation current, Weber said the Fed is not allowing holding companies to defer. Weber said the Fed believes if a holding company has the financial wherewithal to bring existing trust preferred obligations current, it should be able to remain current.

Matthew Diette, assistant vice president, encouraged bankers to study SR 09-4, which provides guidance on the declaration and payment of dividends. Diette clarified that the guidance does not specifically target trust preferred payments. The guidance, Diette pointed out, applies in any situation where the payment of dividends could raise a safety and soundness issue. He said the guidance applies to the payment of dividends related to subchapter S tax obligations just as it would to the payment of any qualifying dividend.

Leanne Kelly, senior examiner, reminded bankers they have the opportunity to select Financial Holding Company status for their institution. Referring to Section 225.82 of Regulation Y, she said a holding company can obtain such status simply by sending a letter to the Federal Reserve. The letter should declare the FHC election, provide the name and address of the holding company and its depository institution subsidiaries, and certify that each depository institution is well capitalized and well managed. She said institutions with FHC designation can engage in activities that typically are not available to standard holding companies.

Kelly said there are 13 Financial Holding Companies with less than \$500 million in assets in the Ninth District. □



By Tom Bengtson
BHCA Managing Director

Subchapter S banks seek capital access improvements

THE 2,200 SUBCHAPTER S BANKS in the United States make up about a third of all community banks. Unfortunately, their needs and circumstances are often overlooked by regulatory agencies and legislative bodies. We have seen it first-hand with the original TARP and SBLF programs that failed to address Subchapter S banks. Now more than ever, it is important that the Subchapter S bank community work together in a concerted effort with regulators and legislators to improve capital access and assure the long term ability of Sub S banks to grow and serve their communities.

Based on poll results from its membership, the Subchapter S Bank Association is advocating for legislative action to increase the maximum number of allowable shareholders in a Subchapter S bank and to authorize the issuance of preferred stock. Based on the overwhelming support for these reforms, we are organizing a coalition of Subchapter S banks from around the country to begin the process of moving these legislative priorities forward.

The Subchapter S Capital Access Coalition and Task Force has been organized for the specific purpose of increasing opportunities for banks, thrifts, trust companies and their parent holding companies that have elected Subchapter S federal tax treatment to raise capital and ensure the health and future success of their organizations. Our goal is to

enact legislation that would allow Subchapter S banks to issue “qualified preferred stock” and increase the maximum number of allowable S corporation bank shareholders from 100 to 500.

Qualified Preferred Stock

S corporations are currently prohibited from issuing more than one class of stock. Under Internal Revenue Code (“IRC”) Section 1361(b)(1)(D) and Treasury Regulations (“Regulation”) Section 1.1361-1(l)(1), a corporation that has more than one class of stock will not qualify as a small business corporation, and thus, cannot be an S corporation. This prohibition precludes S corporation banks from participating in a major source of capital – issuance of preferred stock. The proposed legislation offers an alternative to this outright prohibition of “qualified preferred stock” in the case of S corporation depository institutions and their holding companies.

The holders of qualified preferred stock would not be treated as shareholders of the S corporation. The resulting benefits of allowing Subchapter S banks to issue qualified preferred stock would be two-fold: it would allow otherwise ineligible shareholders (e.g. corporations, partnerships, LLCs, and foreign persons) to invest in S corporations and it would enable S corporations to raise capital resources without having to terminate their S election (preserving their pass-through status).

Qualified preferred stock would not be treated as a second class of stock and would be specifically defined as stock that is not entitled to vote; is limited and preferred as to dividends and does not participate in corporate growth; and has redemption and liquidation rights that do not exceed the price of the stock (except for a reasonable redemption or liquidation premium). Qualified preferred stock would be convertible into common stock of the corporation, and distributions made by the S corporation with respect to the qualified preferred stock would be taxed as ordinary income to the holder and deductible to the corporation as an expense – similar to “restricted bank director stock” that S corporation banks may now issue. Holders of qualified preferred stock would not be allocated any income, loss, deduction, credit or non-separately computed income or loss with respect to such stock. Further, purchasers of qualified preferred stock would be attracted by their preferred status and senior position to holders of common stock.

Shareholder Limit

Under IRC Section 1361(b)(1)(B), a Subchapter S corporation may not have more than 100 shareholders. The proposed legislative initiative would increase that limit to 500 shareholders for S corporation banks. This is the

Subchapter S,
Continued on page 8

Hidden Technology Costs: 3 ways to lose money in an acquisition

BANKS PLANNING TO ACQUIRE

other institutions have numerous considerations; a consideration that poses the greatest unknown is technology. Many organizations believe they accurately account for all technology costs up front, but when they look back after the deal is done they realize that there are hidden costs to deal with.

The majority of the time, organizations accurately find the obvious and critical technology costs such as the migration of core data, training for different teller line software, and of course the cost of online banking migration. However, it is when everyone intently focuses only on the “elephants in the room” that we neglect to run our due diligence at a different altitude. Operationally, your institution runs on a number of smaller technology offerings, and when their summed cost come into play you might find yourself surprised at the difference between what you estimated and what your final costs actually were.

Here are the three most common ways organizations leak money during a merger or acquisition:

Software Licensing

When combining institutions there is often a discrepancy in desktop, server and network licensing, and most organizations fall into one of three categories of software licensing: corporate agreements, individual licenses, and insufficient (that is, more installations than purchased licenses).

Primarily focused on the daily operations, these software licenses can include anything from operating systems to desktop tools such as Microsoft Office.

As an example, let’s assume your institution has a corporate, site-wide agreement that states every installation of a particular operating system in the organization must fall under the site-wide agreement – no retail or OEM licenses allowed. In this instance, regardless of which three categories the acquired institution lays, it is apparent you would need to buy new licenses under their agreement to stay in compliance.

In short, there is no question your back office has software licensing costs that go beyond an interface into the core system. On both sides of the acquisition, accounting for software licenses can help you discover the real cost of what it will take to merge your operations team, and possibly even some cost savings by bringing light to unneeded duplicate agreements.

Data Migration of Supporting Systems

Core systems always take the limelight during M&A activity. Retail, retirement, and insurance systems are never missed when putting together cost estimates. However, it is the consolidation of numerous supporting systems such as bill pay, document imaging, and CRM platforms that can take a large bite out of your acquisition budget.

Operational systems that may need

consolidation but are not directly integrated to the larger core systems might exist as well. As an example, there may be help desk systems, project management solutions, and mortgage platforms that are directly supporting teams in your back office but are not on the radar of executives.

You are most likely already documenting all of these systems for auditing purposes, but at the time of M&A it is paramount you review not only the target institution’s system list but also your own. This will give you a tremendous amount of insight on both the short and long term costs associated with merging your operations.

Internet Marketing Assets

It may not be an immediate pocket drainer, but neglecting to create a good migration plan for your website, social media accounts, and email newsletters may result in a large loss of customer satisfaction (and thus customer retention) of the acquired institution.

Too often, the customer experience during an acquisition is little more than a note on a website with some hollow words of welcome. This creates a huge lost opportunity to not only technically migrate your internet marketing assets, but to also win the hearts and minds of your new customers. Remember, this is a fragile time for customers as they will

Technology costs,
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Subchapter S,

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number that has historically been the threshold for non-public companies prior to the Jobs Act of 2012, which permitted shareholder numbers to grow to 2,000 before a company is required to register and be subject to the reporting requirements of the Securities Exchange Act of 1934. It is also the maximum number of allowable partners/members before a limited partnership or LLC becomes subject to SEC reporting obligations.

When Subchapter S of the Internal Revenue Code first came into existence in 1958, an S corporation was limited to 10 shareholders. This limit was first increased to 25 in 1976 and has grown progressively larger over the years, as advances in technology have reduced the cost and increased the ease with which these larger shareholder groups could be managed. The limit was most recently raised to 100 as a result of the American Jobs Creation Act of 2004. With shareholder management software and digital technology advances, managing 500 shareholders and generating 500 K-1s no longer presents a significant burden on many S corporations, including many banks that are already managing shareholder groups near the current 100-shareholder limit.

As shareholder groups have changed and increased in size over time, capital needs have also increased as banks grow and seek the ability to meet ever-evolving challenges. Many Subchapter S banks have reached or are close to approaching the current 100 shareholder limit. Both concerns about shareholder group size and access to capital can be

met by an increase in the maximum number of shareholders to 500. The historical, progressive expansion of the shareholder limit demonstrates that its primary purpose is one of administrative convenience. As the sophistication of S corporation banks continues to grow, so should their capacity to take on and manage additional shareholders. Finally, this 500 shareholder limit is still far below the level at which corporations are subject to the reporting requirements of the SEC.

Conclusion

This legislative effort would further bolster the ability of Subchapter S banks to grow and continue to serve their communities. The ability to issue qualified preferred stock and expand a Subchapter S bank's shareholder base would substantially increase opportunities to raise capital at an important time. Both measures should also be attractive to the regulatory agencies, which are closely monitoring bank capital. The strengthening of capital adequacy requirements under the Dodd-Frank Act and Basel III have created an environment in which community banks require additional avenues through which to raise capital to continue to thrive in today's challenging economy. ■

Patrick J. Kennedy, Jr. is founder of the Subchapter S Bank Association and Kennedy Sutherland LLP, which provides comprehensive legal services to banks, bank holding companies, and directors, officers and shareholders. He can be reached at pkennedy@kslawllp.com or 210-228-4431. Kennedy is scheduled to lead a breakout session presentation at the BHCA Fall Seminar.

Technology costs,

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already be feeling a sense of loss, and if too much trouble during migration occurs they could decide to move to the competition.

During the transition period, it is important to create a full-blown campaign that informs, comforts and educates the migrating customers, and it is important to leverage all the online assets at your disposal. The acquired institution's website and social media should cease all marketing efforts and focus solely on the transition by providing cut-over dates and new, clear instructions for consumer services. Your website should have a welcome campaign that centers on the benefits of now being part of a new family.

As the acquired institution sunsets, be sure to redirect any internet traffic to your existing online properties. This includes forwarding the acquired institution's website to your website, posting one last message on social media to follow on your account, and migrating any email lists. This also includes updating any branch locations in the search engines, such as Google Maps or Bing Local, with your brand. With any luck, your new customers will seamlessly start finding and following you through the breadcrumbs you strategically have placed. ■

Max Pool is the founder of Sycorr, a Fargo, N.D.-based technology company that is an associate member of the Bank Holding Company Association.



BHCA Fall Seminar

Monday and Tuesday

Oct. 6-7, 2014

Minneapolis Airport Marriott Hotel

Bloomington, Minn.

Intelligence for SUCCESS

Make plans now to attend the year's most compelling event for intelligence in the bank ownership and holding company arena. The **Fall Seminar** of the Bank Holding Company Association, "**Intelligence for Success**," is set for Monday and Tuesday, Oct. 6-7, 2014 at the Minneapolis Airport Marriott Hotel in Bloomington, Minn.

Steven Kent and **Jack Vonder Heide** will share their highly sought-after insight on Oct. 7. Kent, president of River Branch Capital in Chicago, is one of the country's leading experts on bank mergers and acquisitions. He will cover the landscape in terms of deals that are happening now, valuation trends and opportunities for both buyers and sellers. Vonder Heide is one of the nation's leading authorities on technology and its impact on American businesses. He will speak specifically about what you and your directors need to know to stay ahead of the game when it comes to bank IT issues.

The BHCA Fall Seminar is also your opportunity to meet the new state economist for Minnesota, **Laura Kalambokidis**. From labor markets to interest rates to taxes, Kalambokidis examines the factors that impact the economy and your bottom line.

Our seminar gets off to a strong start with former Minnesota Twins baseball player **Al Newman** as our after-dinner speaker on Monday, Oct. 6. In addition to sharing his thoughts

about team leadership, Newman will recall some of the exciting moments from his career, including World Series' appearances in 1987 and 1991.

Paul Douglas, television meteorologist and entrepreneur, will wrap up our event by telling us about some of his adventures in business, local television, and weather.

Our informative break-out sessions will give attendees information on post-merger valuations and accounting issues, Bitcoin, how to avoid regulatory mediocrity, and issues affecting subchapter S institutions. Our breakout sessions are recorded so attendees can listen to the sessions they were not able to attend in person.

Our Tuesday agenda concludes with an á la carte opportunity to see **Hello Dolly!** at the **Chanhasen Dinner Theatres**.

Register today online at www.theBHCA.org.

Be sure to bring along colleagues from your senior management team and board of directors. If you are coming in from out of town, make your hotel reservation by Sept. 15 to get the best rate at the Marriott.

Don't wait; register now. The BHCA Fall Seminar is your best two days in banking!

Seminar Sponsors



Fall Seminar Agenda

MONDAY, OCT. 6, 2014

5:00 p.m. to 6:30 p.m. ~ Registration and reception

6:30 p.m. to 8:30 p.m. ~ Dinner and program

“Leadership Lessons from Two World Series”

Al Newman played for the Minnesota Twins from 1987 to 1991, just long enough to play in two World Series. The switch-hitter filled in where needed, including second base, third base, short-stop and left field. In 1990, he was part of a record-setting two triple plays in a single game. Also playing for the Expos and Rangers, Newman concluded his career as a coach. In addition to stories from the baseball diamond, Newman will share ideas for converting his experiences into useful leadership lessons.

TUESDAY, OCT. 7, 2014 ~ GENERAL SESSION

7:30 a.m. to 8:30 a.m. ~ Registration/breakfast

8:15 a.m. to 8:30 a.m. ~ Annual BHCA Business Meeting

8:30 a.m. to 9:30 a.m.

“Behind the M&A Headlines”

Steven P. Kent, president of River Branch Capital, LLC, Chicago, will take us beyond the press releases and newspaper stories in a comprehensive look at the bank mergers and acquisitions scene. Planning to buy or sell a bank, branch or holding company? Kent will describe the current market, analyze the trends and offer ideas about how to succeed in an M&A marketplace that seems to be heating up. Prior to joining River Branch Capital, Kent was Managing Director at Keefe, Bruyette & Woods, Inc., for 13 years.

9:30 a.m. to 10:30 a.m.

“The Tech-Savvy Board:
Helping Directors Understand Technology”

Jack Vonder Heide, president of Technology Briefing Centers, Inc., Chicago, leads this information-packed session designed for your directors and senior management. IT risk and strategy has become more consequential as customers migrate to electronic delivery channels. New laws, guidance and regulations require a higher level of board and senior management focus on IT. Vonder Heide provides an easy-to-understand overview of current and emerging bank technology issues with a practical assessment of their benefits and risks.

11:00 a.m. to noon ~ Breakout Sessions

Choose from four timely topics.

12:15 p.m. to 12:45 p.m. ~ Lunch

1:00 p.m. to 1:45 p.m.

“Surveying the Economic Landscape”

Laura Kalambokidis, the new state economist for Minnesota, will share her thoughts on current economic conditions, including taxes, labor markets, interest rates and more from a national, regional

and state perspective. Kalambokidis, a professor in the Department of Applied Economics with the University of Minnesota, is an expert on public sector economics and tax policy issues.

2:00 p.m. to 3:00 p.m.

“Forecast for Weathering Today’s Business Environment”

Paul Douglas, former KARE 11 and WCCO television personality, is a nationally respected meteorologist at WeatherNation TV, a new 24/7 weather channel. Founder of Media Logic Group, Douglas and his colleagues provide weather services for a variety of media outlets. A scientist and an entrepreneur, Douglas will share insights based on his experience working in a high-visibility, drastically-changing industry, as well as starting his own businesses.

TUESDAY’S BREAKOUT SESSIONS

Session A

“Turn Risk into Rewards:

How to Avoid Regulatory-Inspired Mediocrity”

New regulatory requirements are fundamentally changing the way bank managers develop risk/reward strategies for their organizations. **Bart Smith** of Performance Trust Capital Partners, Chicago, will share insights into the regulatory process and discuss keys for managing regulatory issues. Smith is a former senior manager with the FDIC.

Session B

“Bitcoin: Opportunity, Risk or Fad?”

We’ve all heard of Bitcoin, but how many of us can explain what it is and how it works? In this session, **George Meinz** and **Hailey Hollenhorst** of the Gray Plant Mooty (St. Cloud, Minn.) law firm will provide a primer, with comments about how this open-source payments system might affect your bank.

Session C

“Deal Closed, Now What?”

The accounting and legal work in a bank merger or acquisition transaction is not complete at the end of the closing. What happens as the acquirer begins to merge two sets of books into one? What balance sheet implications should be considered before a potential buyer even considers a deal? **Douglas Winn** and **Brenda Lidke** of the Wilary Winn Risk Management firm in St. Paul, walk us through the post-merger accounting implications of a bank M&A transaction.

Session D

“Access to Capital and Other Subchapter S Issues”

While offering tax advantages, subchapter S incorporation status raises unique issues which can affect an organization’s ability to raise capital. **Patrick Kennedy** of the Kennedy Sutherland LLP law firm of San Antonio, Texas, will look at the issues specific to subchapter S bank holding companies and banks. Kennedy also is president of the Subchapter S Bank Association.

Talking Taxes: New Addendum to the Interagency Policy Statement on Income Tax Allocations

By Leanne Kelly

Fed Notes is provided through a partnership the Bank Holding Company Association shares with the Federal Reserve Bank of Minneapolis. If there are topics you would like to see addressed in this column, please contact Ron Feldman, senior vice president, Federal Reserve Bank of Minneapolis, at 612-204-5176 or ron.feldman@mpls.frb.org

The 1998 Interagency Policy Statement on Income Tax Allocation in a Holding Company Structure and the June 19, 2014, Addendum to the Policy Statement provide guidance to banks on tax payments made as a member of a consolidated group. Holding companies and banks are expected to ensure that their tax allocation agreements comply with the Policy Statement and are updated for the Addendum, and tax payments and refunds are handled consistent with supervisory guidance. (Note that because the Policy Statement and Addendum only apply to banks filing as part of a consolidated group, they do not apply to Sub Chapter S institutions). This article begins with a discussion of the Policy Statement and Addendum requirements and concludes with an action plan for holding company organizations to ensure compliance by the Oct. 31, 2014, deadline in the Addendum.

Policy Statement and Addendum Requirements

In general, the Policy Statement requires that for each bank, the applicable income taxes should be calculated as if the bank had filed on a separate entity basis and the amount and timing of payments or refunds should be no less favorable to the bank than if it were a separate taxpayer. The Policy Statement encourages holding companies and their subsidiaries to enter into written, comprehensive tax allocation agreements that require the bank to compute its income taxes on a separate entity basis. The agreement should also address the timing of the bank's payments for current tax expense, reimbursements to the bank when it has a loss for tax purposes, and prohibition of the payment or other transfer of deferred taxes by the bank to another member of the consolidated group.

Although the Policy Statement sets out parameters on the treatment of a bank's tax refunds, there have been disputes between holding companies in bankruptcy and their failed subsidiary banks regarding the ownership of tax refunds generated by the bank. In these disputes, some courts have found that tax refunds generated by the bank were the property of its holding company based on certain language contained in their tax allocation agreement. These courts interpreted this as the creation of a debtor-creditor relationship instead of an agency relationship contrary to the intent of the Policy Statement.

The Addendum clarifies and supplements the Policy Statement with regard to tax allocation agreements and ownership of refunds. The Addendum requires that agreements expressly acknowledge an agency relationship between a holding company and its bank and discusses application of certain requirements of sections 23A and 23B of the Federal Reserve Act. Overall, the Policy Statement and Addendum provide supervisory guidance for holding companies and banks regarding policies and practices that will ensure that a bank is not paying more than it would pay if it filed a separate return and that any tax refund attributed to the bank receives appropriate treatment.

The Addendum further instructs banks and their holding companies to ensure that the tax allocation agreement is consistent with the requirements of sections 23A and 23B of the FRA. The Addendum clarifies that section 23B of the FRA requires a holding company to promptly transmit tax refunds received from a taxing authority to its bank. In cases where the tax allocation agreement does not clearly acknowledge that an agency relationship exists or allows the holding company to hold and not promptly transmit the tax refund, the bank may be subject to additional requirements under section 23A of the FRA regarding collateral requirements as this would create an extension of credit from the bank to its affiliated parent company.

Holding Company Actions Required

The guidance and the regulators ask that you take a fresh look at your tax allocation agreement. As a holding company you need to act as a source of strength to your bank. Holding company management

Holding Company Transaction Report

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

- ▷ The Yellowstone Bank, Laurel, Mont., authorized to purchase 1st Bank, Sidney, Mont., and thereby establish a branch.
- ▷ First Farmers Bank & Trust, Converse, Ind., filed to purchase nine branches of BMO Harris Bank, N.A., Chicago.
- ▷ Page County Federal Savings Association, Clarinda, Iowa, authorized to become a member of the Federal Reserve System. The bank's name will change to Cornerstone Bank.
- ▷ Charles A. Bon, Robinson, N.D., and Thomas A. Bon, Fargo, N.D., each filed to acquire 25 percent or more of The First and Farmers Bank Holding Company, Portland, N.D., and thereby gain control of The First and Farmers Bank, Portland.
- ▷ Change in control notice filed by Neil Anderson, Chanhassen, Minn., Charles Budde, Faribault, Minn., and David Hellmuth, Eden Prairie, Minn., as a group acting in concert, to acquire 25 percent or more of Morristown Holding Company, and thereby acquire Lake Country Community Bank, Morristown, Minn.
- ▷ Change in control notice filed by Carol A. Nelson, Lake Shore, Minn., and Lee W. Anderson, Tower, Minn., to each acquire 25 percent or more of Timberland Bancorp, Baxter, Minn., and thereby control First National Bank of Buhl, Mountain Iron, Minn.
- ▷ FCWB, Inc., filed to become a bank holding company through the acquisition of First Capital West Bankshares, Inc., parent of Capital West Bank, all in Laramie, Wyo.
- ▷ Notification submitted by Elizabeth Lane Bitterlin, Milford, Kan., and Chad Edward Chase, Manhattan, Kan., as members of the Chase Family group, to acquire control of First Team Resources Corporation, Derby, Kan., parent of Verus Bank, Derby.
- ▷ KSRS, LLC, Osceola, Mo., filed to become a bank holding company by acquiring 32.11 percent, and together with its owners and group acting in concert, to acquire control of Bancorp II, Inc., Kansas City, Mo., parent of Citizens Community Bank, Pilot Grove, Mo.
- ▷ Notification submitted by Prairie Star Bancshares, Inc. Revocable Trust, Overland Park, Kan., to acquire Prairie Star Bancshares, Inc., parent of Bank of the Prairie, both in Olathe, Kan.
- ▷ Citizens National Corporation, Wisner, Neb., authorized to acquire additional shares of Republic Corp., Omaha, and its subsidiary, United Republic Bank.
- ▷ First Midwest Bank, Itasca, Ill., filed to purchase 12 branches of Banco Popular North America, New York, N.Y.
- ▷ First Business Financial Services, Inc., Madison, Wis., filed to acquire Aslin Group, Inc., Leawood, Kan., and thereby acquire Alterra Bank, Leawood, Kan.
- ▷ Treynor Bancshares, Inc., Treynor, Iowa, filed to acquire 20 percent of TS Contrarian Bancshares, Inc., Treynor, and thereby acquire The Bank of Tioga, N.D. In addition, TS Contrarian Bancshares filed to become a bank holding company by acquiring The Bank of Tioga.
- ▷ First Interstate BancSystem, Inc., Billings, Mont., authorized to merge with Mountain West Financial Corp., Helena, and thereby acquire Mountain West Bank, N.A.
- ▷ MB Financial, Inc., Chicago, authorized to acquire Taylor Capital Group, Inc., Rosemont, Ill., and thereby acquire Cole Taylor Bank, Chicago.
- ▷ QCR Holdings, Inc., Moline, Ill., filed to engage in extending credit and servicing loans through a joint venture in Ruhl Mortgage, LLC, Moline.
- ▷ Notice filed by a group to acquire more than 25 percent of First Mazon Bancorp, Inc., Mazon, Ill., and thereby acquire control Mazon State Bank.
- ▷ Change in control notice filed by Lois A. Bednar, Fargo, N.D., as a proposed trustee of the Bank Forward ESOP, Hannaford, N.D., to join a group to acquire and retain 10 percent or more of Security State Bank Holding Company, Fargo and thereby control Bank Forward, Hannaford.
- ▷ Wilcox Bancshares, Inc., Grand Rapids, Minn., filed to acquire Crow River State Bank, Delano, Minn.
- ▷ J & B Financial Holdings, Inc., Minneapolis, authorized to acquire DUBOIS BankShares, Inc., d/b/a 1st State Agency, Sauk Centre, and thereby acquire First State Bank of Sauk Centre and indirectly engage in general insurance agency activities.
- ▷ Minnwest Corporation, Minnetonka, Minn., authorized to acquire HiLine Credit Corporation, Morris, Minn., by merging it into Minnwest Corporation's subsidiary, Minnwest Finance, Inc., Minnetonka, and thereby engage in extending credit and servicing loans and leasing personal or real property.
- ▷ Cedar Valley Bankshares, LTD, Charles City, Iowa, filed to acquire Hampton State Bank, Hampton, Iowa.
- ▷ Eagle Bancorp Montana, Inc., Helena, Mont., filed to become a bank holding company by acquiring Opportunity Bank of Montana, Helena. Opportunity Bank of Montana, a state-chartered interim commercial bank, proposes to become a member of the Federal Reserve System. Opportunity Bank of Montana also intends to merge with American Federal Savings Bank, Helena, with Opportunity Bank of Montana as the survivor, and incident thereto, establish 12 branches. American Federal Savings Bank is currently a wholly-owned subsidiary of Eagle Bancorp Montana.
- ▷ Farmers State Bancshares II, Inc., Spencer, Neb., filed to become a bank holding company by acquiring Spencer State Bank, Spencer.
- ▷ FCWB, Inc., Laramie, Wyo. authorized to become a bank holding company by acquiring First Capital West Bankshares, Inc., Laramie, and its subsidiary, Capital West Bank.
- ▷ Platte Valley Bank, Torrington, Wyo., authorized to purchase the Evansville branch of Buffalo Federal Bank, Buffalo, Wyo.
- ▷ Barlow Banking Corporation, Iowa Falls, Iowa, filed to acquire up to 19.39 percent of Northfield Bancshares, Inc., Northfield, Minn., and thereby acquire Community Resource Bank, Northfield, Minn.
- ▷ American State Bank of Grygla, Minn., authorized to merge with American State Bank of Erskine, and thereby establish a branch. ■

MINNESOTA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*	HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
1.U.S. BANCORP, MINNEAPOLIS U.S. BANK, N.A. CINCINNATI, OH	364,021,000	360,478,278	24.VERMILLION BANCSHARES, INC., VERMILLION VERMILLION STATE BANK, VERMILLION	493,186	492,729
2.TCF FINANCIAL CORP., WAYZATA TCF NATIONAL BANK, SIOUX FALLS, SD	18,402,494	18,396,839	25.WALKER BAN CO., WALKER FIRST NATIONAL BANK OF WALKER, WALKER LAKES STATE BANK, PEQUOT LAKES	484,690	365,910 118,780
3.BREMER FINANCIAL CORP. SAINT PAUL BREMER BANK, N.A., WILLMAR BREMER BANK, N.A., ALEXANDRIA BREMER BANK, N.A., BRAINERD BREMER BANK, N.A., MENOMONIE, WI BREMER BANK, N.A., SOUTH SAINT PAUL BREMER BANK, N.A., SAINT CLOUD BREMER BANK, N.A., INTERNATIONAL FALLS BREMER BANK, N.A., GRAND FORKS, ND BREMER BANK, N.A., FARGO, ND	8,650,905	725,566 652,573 353,394 712,285 2,794,680 718,204 116,352 978,709 1,653,993	26.SECURITY BANCSHARES CO., GLENCOE SECURITY BANK AND TRUST COMPANY OF GLENCOE SECURITY BANK WACONIA,	455,809	274,180 178,247
4.STEARNS FINANCIAL SERVICES, INC., ST. CLOUD STEARNS BANK OF HOLDINGFORD, N.A., HOLDINGFORD STEARNS BANK, N.A., SAINT CLOUD STEARNS BANK OF UPSALA, N.A., UPSALA	1,649,573	115,576 1,481,962 90,705	27.HIGHLAND BANCSHARES, INC., SAINT MICHAEL HIGHLAND BANK, SAINT MICHAEL	450,215	450,435
5.FRANSDEN FINANCIAL CORP., ARDEN HILLS FRANSDEN BANK & TRUST, LONSDALE	1,635,663	1,630,992	28.INDEPENDENT BANCSHARES, INC., CLARKFIELD F&M BANK MINNESOTA, CLARKFIELD GRANITE FALLS BANK SECURITY STATE BANK OF FERGUS FALLS	443,954	104,307 209,550 132,831
6.KLEIN FINANCIAL, INC., CHASKA KLEINBANK, BIG LAKE	1,584,942	1,584,614	29.HERITAGE BANCSHARES GROUP, INC., WILLMAR HERITAGE BANK, N.A., SPICER	426,642	425,225
7.MINNWEST CORP., MINNETONKA MINNWEST BANK CENTRAL, MONTEVIDEO MINNWEST BANK LUVERNE MINNWEST BANK METRO, EAGAN MINNWEST BANK, M.V., REDWOOD FALLS MINNWEST BANK SIOUX FALLS, SD MINNWEST BANK SOUTH, TRACY	1,545,304	302,139 170,934 212,621 507,879 110,697 216,964	30.VENTURE BANCSHARES, INC., BLOOMINGTON VENTURE BANK, BLOOMINGTON	412,227	412,093
8.ANCHOR BANCORP, INC., WAYZATA, ANCHOR BANK, N.A., SAINT PAUL	1,432,870	1,431,964	31.MCLEOD BANCSHARES, INC., SHOREWOOD FIRST MINNESOTA BANK, MINNETONKA	410,591	404,644
9.MERCHANTS FINANCIAL GROUP, INC., WINONA MERCHANTS BANK, N.A., WINONA	1,366,017	1,362,044	32.FIDELITY HOLDING COMPANY, MINNETONKA FIDELITY BANK, EDINA	403,660	403,623
10.MARQUETTE FIN'L. COMPANIES, MINNEAPOLIS MERIDIAN BANK, N.A., PHOENIX, AZ MERIDIAN BANK TEXAS, FORT WORTH, TX	1,162,078	701,231 267,346	33.CITIZENS BANK GROUP, INC., SAINT JAMES PIONEER BANK, MAPLETON	377,430	376,995
11.CENTRAL BANCSHARES, INC., GOLDEN VALLEY CENTRAL BANK, GOLDEN VALLEY	1,153,128	1,152,266	34.CROSTOWN HOLDING COMPANY, BLAINE 21ST CENTURY BANK, LORETTO	370,503	358,425
12.UNIV. FIN'L. CORP, INC. DBA SUNRISE BANKS, ST PAUL SUNRISE BANKS, N.A., SAINT PAUL	849,617	847,415	35.BORDER BANCSHARES, INC., GREENBUSH BORDER STATE BANK, GREENBUSH	360,725	358,777
13.UNITED BANKERS' BANCORP., INC., BLOOMINGTON UNITED BANKERS BANK, BLOOMINGTON	715,384	714,933	36.METRO NORTH BANCSHARES, INC., ELK RIVER THE BANK OF ELK RIVER MIDWEST BANK GROUP, INC., DETROIT LAKES MIDWEST BANK, DETROIT LAKES	357,813	355,437 354,292 343,790
14.EASTWOOD FINANCIAL CORP., ROCHESTER EASTWOOD BANK, ROCHESTER	670,746	669,013	37.NORTHEAST SECURITIES CORP., MINNEAPOLIS NORTHEAST BANK, MINNEAPOLIS	347,092	346,718
15.215 HOLDING CO., MINNEAPOLIS FIRST FARMERS & MERCHANTS NATIONAL BANK, LUVERNE FIRST FARMERS & MERCHANTS NATIONAL BANK, FAIRMONT FIRST FARMERS & MERCHANTS STATE BANK OF GRAND MEADOW FIRST FARMERS & MERCHANTS STATE BANK, BROWNSDALE FIRST FARMERS & MERCHANTS BANK, CANNON FALLS	668,734	165,187 95,214 48,971 93,001 267,917	38.EXCELSIOR FIN'L. SERVICES, INC., SHOREWOOD BEACON BANK, SHOREWOOD	345,217	344,364
16.MESABA BANCSHARES, INC., GRAND RAPIDS AMERICAN BANK OF THE NORTH, NASHWAUK THE LAKE BANK, TWO HARBORS	642,830	539,254 101,132	39.N.A. CORPORATION, ROSEVILLE NORTH AMERICAN BANKING COMPANY, ROSEVILLE	344,501	342,135
17.ALLIANCE FINANCIAL SERVICES, INC., SAINT PAUL ALLIANCE BANK, LAKE CITY	598,661	597,895	40.CITIZENS BANCORP. OF NEW ULM, INC., NEW ULM CITIZENS BANK MINNESOTA, NEW ULM	344,353	344,353
18.FIRST BEMIDJI HOLDING COMPANY, BEMIDJI FIRST NATIONAL BANK OF BEMIDJI	596,047	596,047	41.VFSC, INC., EDEN PRAIRIE VOYAGER BANK, EDEN PRAIRIE	338,450	336,941
19.BRIDGEWATER BANCSHARES, INC., BLOOMINGTON BRIDGEWATER BANK, BLOOMINGTON	576,266	576,114	42.PROFINIUM FINANCIAL HOLDINGS, INC., FAIRMONT PROFINIUM, INC., TRUMAN	315,829	315,578
20.FARMERS STATE CORP., MANKATO UNITED PRAIRIE BANK, MOUNTAIN LAKE	562,783	560,803	43.AMERICAN BANCORP., MENDOTA HEIGHTS AMERICAN BANK OF SAINT PAUL,	314,627	312,984
21.FORSTROM BANCORP., INC., CLARA CITY CITIZENS ALLIANCE BANK, CLARA CITY FIRST BANK OF LINCOLN, LINCOLN, MT FIRST VALLEY BANK, SEELEY LAKE, MT	556,193	484,510 18,556 52,331	44.STERLING FINANCIAL GROUP, INC., ROCHESTER STERLING STATE BANK, AUSTIN	310,088	310,191
22.FINLAYSON BANCSHARES, INC., FINLAYSON FIRST INDEPENDENT BANK, RUSSELL NORTHVIEW BANK, SANDSTONE	532,868	289,997 242,416	45.CENTRAL TRUST COMPANY, EDINA CENBANK, BUFFALO LAKE CENTRAL BANK & TRUST COMPANY, LANDER, WY GRAND MARAIS STATE BANK, GRAND MARAIS	309,671	61,929 160,929 81,243
23.DUKE FINANCIAL GROUP, INC., MINNEAPOLIS FIRST NATIONAL BANK OF SO. CALIFORNIA, RIVERSIDE PEOPLES BANK OF COMMERCE, CAMBRIDGE STATE BANK OF NEW PRAGUE	527,726	141,042 273,020 111,206	46.REPUBLIC BANCSHARES, INC., DULUTH REPUBLIC BANK, INC., DULUTH	306,185	306,185
			47.LAKE ELMO BANCSHARES, INC., LAKE ELMO LAKE ELMO BANK, LAKE ELMO	305,419	304,867
			48.FIRST NATIONAL FINL. SERVICES, INC., ELK RIVER FIRST NATIONAL BANK OF ELK RIVER, ELK RIVER	302,278	301,371
			49.BAKKEN SECURITIES, INC., SAINT LOUIS PARK CITIZENS INDEPENDENT BANK, SAINT LOUIS PARK	300,243	299,070
			50.WASECA BANCSHARES, INC., WASECA ROUNDBANK, WASECA	298,946	298,904
			51.GATO HOLDINGS, INC., THIEF RIVER FALLS NORTHERN STATE BANK OF THIEF RIVER FALLS	292,302	292,314
			52.TYSAN CORP., MINNEAPOLIS LAKE COMMUNITY BANK, LONG LAKE PINE COUNTRY BANK, LITTLE FALLS	285,057	113,509 166,116
			53.CHEROKEE BANCSHARES, INC., SAINT PAUL BANKCHEROKEE, SAINT PAUL	263,868	262,971

Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2013. *Dollar amounts in thousands

MINNESOTA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*	HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
54. WINONA BANC HOLDING CO., WINONA WINONA NATIONAL BANK, WINONA	263,223	259,943	86. RUM RIVER BANCORP., INC., MILACA FIRST NATIONAL BANK OF MILACA	181,705	181,704
55. SAINT JOSEPH BANCSHARES ACQUISITIONS, INC. SENTRY BANK, SAINT JOSEPH SHERBURNE STATE BANK, BECKER	262,512	180,989 81,523	87. FARIBAULT BANCSHARES, INC., FARIBAULT STATE BANK OF FARIBAULT FARMERS & MERCHANTS AGENCY, INC., PIERZ FARMERS AND MERCHANTS STATE BANK OF PIERZ	177,041	175,941 175,384 175,379
56. TRADITION BANCSHARES, INC., EDINA TRADITION CAPITAL BANK, EDINA	261,655	258,577	88. PLAZA AGENCY, INC., WAITE PARK PLAZA PARK STATE BANK, WAITE PARK	174,939	174,939
57. FREEDOM BANCORP, INC., LINDSTROM LAKE AREA BANK, LINDSTROM	260,309	259,270	89. HENNING BANCSHARES, INC., HENNING FIRST NATIONAL BANK OF BATTLE LAKE FIRST NATIONAL BANK OF HENNING, OTTERTAIL	173,096	69,460 103,287
58. DEERWOOD BANCSHARES, INC., DEERWOOD FIRST NATIONAL BANK OF DEERWOOD	260,016	259,861	90. SAINT PETER AGENCY, INC., SAINT PETER NICOLLET COUNTY BANK OF SAINT PETER	172,647	172,615
59. AMERICAN BANCORP. OF MINN., INC., BRAINERD AMERICAN NATIONAL BANK OF MINNESOTA, BAXTER	253,356	252,559	91. PLAINVIEW BANKSHARES, INC., PLAINVIEW FORESIGHT BANK, PLAINVIEW	169,149	159,659
60. PERHAM STATE BANCSHARES, INC., PERHAM UNITED COMMUNITY BANK, PERHAM	251,018	249,430	92. VILLAGE BANCSHARES, INC., SAINT FRANCIS VILLAGE BANK, SAINT FRANCIS	165,625	165,398
61. CENTRA VENTURES, INC., FOLEY FALCON NATIONAL BANK, FOLEY STATE BANK OF RICHMOND	244,089	156,245 86,936	93. PROGRESSIVE GROWTH CORP., GAYLORD PROGROWTH BANK, NICOLLET	160,994	159,591
62. WELLS FINANCIAL CORP., WELLS WELLS FEDERAL BANK, WELLS	243,801	243,660	94. PEOPLES BANKSHARES, INC., MORA PEOPLES NATIONAL BANK OF MORA	160,931	160,511
63. SIGNATURE BANCSHARES, INC., MINNETONKA SIGNATURE BANK, MINNETONKA	240,530	240,633	95. STONEBRIDGE BANCORP, MINNEAPOLIS STONEBRIDGE BANK, MINNEAPOLIS	157,663	157,638
64. AMERICAN HERITAGE HOLDING CO., ST. CLOUD AMERICAN HERITAGE NATIONAL BANK, LONG PRAIRIE	238,780	238,646	96. COMMERCE BANCSHARES, INC., EDINA COMMERCE BANK, GENEVA	156,823	156,160
65. WILCOX BANCSHARES, INC., GRAND RAPIDS GRAND RAPIDS STATE BANK, GRAND RAPIDS	237,503	236,568	97. COUNTRY BANKERS, INC., BLOOMING PRAIRIE CITIZENS STATE BANK OF HAYFIELD FARMERS AND MERCHANTS STATE BANK OF BLOOMING PRAIRIE	155,896	82,813 72,824
66. NORTH SHORE FINANCIAL CORP., DULUTH NORTH SHORE BANK OF COMMERCE, DULUTH	236,094	236,094	98. HEYWOOD BANCSHARES, INC., NORTHFIELD FIRST NATIONAL BANK OF NORTHFIELD	152,983	152,733
67. NORTHFIELD BANCSHARES, INC., NORTHFIELD COMMUNITY RESOURCE BANK, NORTHFIELD	235,088	237,069	99. WYOMING BANCSHARES, INC., WYOMING FIRST STATE BANK OF WYOMING	152,458	152,458
68. SAUK CENTRE FIN'L. SERVICES, INC. MINNESOTA NATIONAL BANK, SAUK CENTRE	231,470	231,410	100. FINANCIAL SERVICES OF WINGER, INC., WINGER ULTIMA BANK MINNESOTA, WINGER	147,296	147,147
69. FIRST RUSHMORE BANCORP, INC., WORTHINGTON FIRST STATE BANK SOUTHWEST, PIPESTONE	228,464	228,244	101. KANDIYOHI BANCSHARES, INC., WILLMAR HOME STATE BANK, LITCHFIELD	144,100	143,410
70. ZUMBROTA AGENCY, INC., ZUMBROTA BANK OF ZUMBROTA, ZUMBROTA PINE ISLAND BANK, PINE ISLAND	226,488	146,258 77,726	102. WESTERN BANCORP., INC., DULUTH WESTERN NATIONAL BANK, DULUTH WESTERN NATIONAL BANK OF CASS LAKE	143,380	112,784 30,596
71. MIDWEST BANCORP., INC., EDEN PRAIRIE STAR BANK, MAPLE LAKE	222,527	222,321	103. FARIBAULT FSL BANCORP., INC., FARIBAULT 1ST UNITED BANK, FARIBAULT	142,789	142,789
72. UNIVERSAL FINANCIAL SERVICES, INC., BAYPORT FIRST STATE BANK AND TRUST, BAYPORT	214,899	214,529	104. PRIVATE BANCORP., INC., MINNEAPOLIS PRIVATE BANK MINNESOTA, MINNEAPOLIS	142,522	142,257
73. PARK RAPIDS BANCSHARES, INC., PARK RAPIDS CITIZENS NATIONAL BANK OF PARK RAPIDS	212,841	212,862	105. MILLE LACS BANCORP., INC., ONAMIA WOODLANDS NATIONAL BANK, HINCKLEY	138,740	137,502
74. VERNON CENTER BANCSHARES, INC. COMMUNITY BANK MANKATO, VERNON CENTER	212,165	211,553	106. ADAMS BANCSHARES, INC., ADAMS UNITED FARMERS STATE BANK, ADAMS FARMERS STATE BANK OF ELKTON	137,381	84,235 53,146
75. NORLO, INC., PRIOR LAKE PRIOR LAKE STATE BANK, PRIOR LAKE	208,425	205,759	107. NORTHWESTERN BANCSHARES, INC., DILWORTH NORTHWESTERN BANK, N.A., DILWORTH	136,076	135,861
76. PIESCO, INC., SPRINGFIELD CITIZENS STATE BANK, NORWOOD YOUNG AMERICA FARMERS & MERCHANTS STATE BANK OF SPRINGFIELD	206,711	85,420 119,494	108. LAKE CENTRAL FINANCIAL, INC., ANNANDALE ANNANDALE STATE BANK, ANNANDALE	132,504	132,504
77. ROSEAU REALTY CO., INC., ROSEAU CITIZENS STATE BANK OF ROSEAU	206,407	204,120	109. PLATINUM BANCORP, INC., OAKDALE PLATINUM BANK, OAKDALE	132,490	132,481
78. FIRST MINNETONKA BANCORP., INC., MINNETONKA FIRST MINNETONKA CITY BANK, MINNETONKA	201,561	201,539	110. CORNERSTONE BANCORP., INC., LE SUEUR CORNERSTONE STATE BANK, MONTGOMERY	130,683	130,185
79. CATTAIL BANCSHARES, INC., ATWATER CITIZENS STATE BANK OF WAVERLY, INC. HARVEST BANK, KIMBALL	196,609	62,876 133,535	111. SECURITY STATE BANCSHARES OF BEMIDJI, INC. SECURITY BANK USA, BEMIDJI	125,523	123,430
80. CITIZENS BANCSHARES OF HUTCHINSON, INC. CITIZENS BANK & TRUST COMPANY, HUTCHINSON	193,927	193,692	112. SECURITY FINANCIAL SERVICES, INC., HIBBING SECURITY STATE BANK OF HIBBING	124,648	123,833
81. WRZ BANKSHARES, INC., PLAINVIEW PEOPLES STATE BANK OF PLAINVIEW	193,535	191,049	113. WADENA BANKSHARES, INC., WADENA WADENA STATE BANK, WADENA	122,193	122,184
82. CNB FINANCIAL CORP., LITCHFIELD CENTER NATIONAL BANK, LITCHFIELD	191,781	191,781	114. EAGLE INVESTMENT COMPANY, INC., GLENWOOD EAGLE BANK, GLENWOOD	121,888	119,694
83. CROWN BANKSHARES, INC., EDINA CROWN BANK, EDINA	191,293	190,898	115. BANKWEST FINANCIAL, INC., ROCKFORD BANKWEST, ROCKFORD	121,855	111,886
84. BANCOMMUNITY SERVICE CORP., SAINT PETER FIRST NATIONAL BANK MINNESOTA, SAINT PETER	188,790	188,710	116. WABASHA HOLDING CO., WABASHA FIRST STATE BANK OF WABASHA	120,750	120,692
85. FNB BANCSHARES, INC., BLUE EARTH FIRST BANK BLUE EARTH	186,542	186,538	117. FRANKSON INVESTMENT CORP., WASECA FIRST NATIONAL BANK OF WASECA	120,066	120,123

Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2013. *Dollar amounts in thousands

MINNESOTA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*	HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
118.LAKE CRYSTAL BANCORP., INC., LAKE CRYSTAL MINNSTAR BANK, N.A., LAKE CRYSTAL	119,939	119,602	152.M.I.F. LIMITED, CHISHOLM FIRST NATIONAL BANK OF CHISHOLM	82,495	82,257
119.MIDWEST BANCSHARES, INC., CHANHASSEN AMERICANA COMMUNITY BANK, SLEEPY EYE	119,531	119,531	153.SAINT CLAIR AGENCY, INC., SAINT CLAIR SAINT CLAIR STATE BANK, INC., SAINT CLAIR	82,280	82,181
120.PSB FINANCIAL SHARES, INC., PRINSBURG PRINSBANK, PRINSBURG	119,000	119,380	154.FIRST NAT'L. AGENCY OF BAGLEY, INC., FOSSTON FIRST NATIONAL BANK, BAGLEY	80,591	79,940
121.GATEWAY BANCORP., INC., MENDOTA HEIGHTS GATEWAY BANK, MENDOTA HEIGHTS	115,772	115,289	155.PIONEER BANK SHARES, INC., DULUTH PIONEER NATIONAL BANK OF DULUTH	79,866	79,866
122.RIVERS RIDGE HOLDING CO., EDINA BANKVISTA, SARTELL	114,994	115,346	156.MAPLE BANC SHARES, INC., MAPLE PLAIN BANK OF MAPLE PLAIN	79,681	78,874
123.KENSINGTON BANCORP., INC., KENSINGTON KENSINGTON BANK, KENSINGTON	111,834	111,658	157.JAN-MAR CORP., COLERAINE FIRST NATIONAL BANK OF COLERAINE	77,665	77,665
124.MARINE BANCSHARES, INC., MARINE ON ST CROIX SECURITY STATE BANK OF MARINE, MARINE ON SAINT CROIX	110,220	110,211	158.DELANO STATE AGENCY, INC., DELANO STATE BANK OF DELANO	75,567	75,567
125.NASB SHARES, INC., BELGRADE NORTH AMERICAN STATE BANK, BELGRADE	108,896	108,385	159.PLATO HOLDINGS, INC., SAINT PAUL DRAKE BANK, SAINT PAUL	75,267	75,267
126.KANDI BANCSHARES, INC., NEW LONDON LAKE REGION BANK, NEW LONDON	108,050	108,050	160.PROVINCIAL CORP., LAKEVILLE PROVINCIAL BANK, LAKEVILLE	74,679	74,609
127.AVON BANCSHARES, INC., AVON AVON STATE BANK, AVON	105,961	105,653	161.RELIANCE BANCORP., INC., FARIBAULT RELIANCE BANK, FARIBAULT	74,623	74,623
128.NORBANC GROUP, INC., PINE RIVER PINE RIVER STATE BANK, PINE RIVER	105,499	105,506	162.WANAMINGO BANCSHARES, INC., WANAMINGO SECURITY STATE BANK OF WANAMINGO	74,123	74,123
129.BELLE PLAINE BANCORP., INC., BELLE PLAINE STATE BANK OF BELLE PLAINE	104,763	104,763	163.FIRST FINANCIAL SERVICES OF MOOSE LAKE, INC. FIRST NATIONAL BANK OF MOOSE LAKE	74,017	73,911
130.WEB, INC., FAIRMONT STATE BANK OF FAIRMONT	103,726	103,726	164.NOBLE BANK HOLDING COMPANY, INC., RED WING FIRST STATE BANK OF RED WING	73,927	73,927
131.DUBOIS BANKSHARES, INC., SAUK CENTRE FIRST STATE BANK OF SAUK CENTRE	103,590	102,127	165.FSB HOLDING COMPANY, INC., TRIMONT FARMERS STATE BANK OF TRIMONT	73,638	72,729
132.F & M FINANCIAL SERVICES, INC., PRESTON F&M COMMUNITY BANK, N.A., PRESTON	102,441	102,397	166.TRAVERSE CTY INVESTMENT CORP., WHEATON STATE BANK OF WHEATON	73,620	72,720
133.HUBBARD BANCSHARES, INC., PARK RAPIDS STATE BANK OF PARK RAPIDS	101,968	101,918	167.FIRST STATE AGENCY OF LE CENTER, INC. FIRST STATE BANK OF LE CENTER	73,036	70,966
134.SECURITY STATE AGENCY OF AITKIN, INC. SECURITY STATE BANK OF AITKIN	96,994	91,692	168.THE FISCHER CORP., LEWISTON SECURITY STATE BANK OF LEWISTON	71,976	65,394
135.LAKE BANK SHARES, INC., ALBERT LEA SECURITY BANK MINNESOTA, ALBERT LEA	96,399	96,124	169.GREAT NORTHERN CORP., SAINT MICHAEL GREAT NORTHERN BANK, SAINT MICHAEL	71,230	71,230
136.FREEPORT BANCSHARES, INC., FREEPORT FREEPORT STATE BANK, FREEPORT	95,985	95,984	170.ORONO FINANCIAL, INC., NAVARRE FIRST NATIONAL BANK OF THE LAKES, NAVARRE	69,889	69,706
137.COMMUNITY PRIDE BANK CORP., HAM LAKE COMMUNITY PRIDE BANK, ISANTI	95,855	95,855	171.KERKHOVEN BANCSHARES, INC., KERKHOVEN FINANCIAL SECURITY BANK, KERKHOVEN	68,575	68,573
138.JOHNSON HOLDINGS, INC., ISANTI LANDMARK COMMUNITY BANK, N.A., ISANTI	95,477	95,247	172.JOHNSON BANCSHARES, INC., CHATFIELD ROOT RIVER STATE BANK, CHATFIELD	68,309	68,309
139.BANKSHARES OF HAWLEY, HAWLEY STATE BANK OF HAWLEY	95,093	95,068	173.REMER BANCORP., INC., GRAND RAPIDS WOODLAND BANK, DEER RIVER	67,505	67,221
140.NEW RICHLAND BANCSHARES, INC. STATE BANK OF NEW RICHLAND	94,827	93,876	174.FIRST ADVANTAGE BNC SHRS., INC., COON RPDS FIRST ADVANTAGE BANK, COON RAPIDS	66,788	66,609
141.HARTLAND BANCSHARES, INC., HARTLAND FARMERS STATE BANK OF HARTLAND	94,815	94,735	175.HIGGINS BANCORP., INC., ROSEMOUNT FIRST STATE BANK OF ROSEMOUNT	66,754	66,671
142.FIRST BANCSHARES, INC. OF COLD SPRING GRANITE COMMUNITY BANK, COLD SPRING	92,063	91,404	176.FIRST LEROY BANCORP., INC., LE ROY FIRST STATE BANK MINNESOTA, LE ROY	66,366	66,246
143.FLAGSHIP FINANCIAL GROUP, INC., EDEN PRAIRIE FLAGSHIP BANK MINNESOTA, WAYZATA	91,651	90,636	177.DARWIN BANCSHARES, INC., DARWIN FARMERS AND MERCHANTS STATE BANK, PAYNESVILLE FARMERS STATE BANK OF DARWIN	66,024	26,885 39,124
144.EITZEN INDEPENDENTS, INC., EITZEN EITZEN STATE BANK, CALEDONIA	91,099	90,830	178.BIGFORK BANCSHARES, INC., BIGFORK FIRST STATE BANK OF BIGFORK	65,565	65,565
145.WARROAD BANCSHARES, INC., WARROAD SECURITY STATE BANK OF WARROAD	90,805	90,806	179.TAUNTON BANCSHARES, INC., TAUNTON STATE BANK OF TAUNTON	65,327	65,313
146.MARKET BANCORP., INC., ELKO NEW MARKET NEW MARKET BANK, ELKO NEW MARKET	90,582	89,468	180.OSAKIS BANCSHARES, OSAKIS FIRST NATIONAL BANK OF OSAKIS	64,621	64,571
147.FIRST SO.EASTERN BANC GROUP, INC., HARMONY FIRST SOUTHEAST BANK, HARMONY	90,145	89,676	181.TRIMONT BANCORP., TRIMONT TRIUMPH STATE BANK, TRIMONT	63,809	63,777
148.MAHNOMEN BANCSHARES, INC., MAHNOMEN FIRST NATIONAL BANK MAHNOMEN TWIN VALLEY	88,108	88,105	182.JANESVILLE HOLDING COMPANY, JANESVILLE JANESVILLE STATE BANK, JANESVILLE	63,671	61,363
149.MENAHGA BANCSHARES, INC., MENAHGA FIRST NATIONAL BANK OF MENAHGA & SEBEKA	87,938	87,936	183.CROOKSTON FIN'L. SERVICES, INC., CROOKSTON CROOKSTON NATIONAL BANK, CROOKSTON	62,981	62,842
150.TRAXSHARES, INC., LE CENTER FIRST NATIONAL BANK OF LE CENTER	87,538	85,156	184.CURRIE BANCORP., INC., CURRIE CURRIE STATE BANK, CURRIE	61,584	61,565
151.CRSB BANCORP., INC., DELANO CROW RIVER STATE BANK, DELANO	85,846	85,846			

Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2013. *Dollar amounts in thousands

MINNESOTA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*	HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
185. NEW YORK MILLS BANCSHARES, INC. FARMERS & MERCHANTS STATE BANK OF NEW YORK MILLS, INC.	61,218	57,600	219. ADRIAN BUILDING CORP., ADRIAN ADRIAN ST BANK, ADRIAN	42,413	43,343
186. PALMER BANCSHARES, INC., KASSON KASSON STATE BANK, KASSON	60,644	60,644	220. INVER GROVE BANCSHARES, INC. KEY COMMUNITY BANK, INVER GROVE HEIGHTS	41,890	41,889
187. WABASSO BANCSHARES, INC., WABASSO INTEGRITY BANK PLUS, WABASSO	60,410	60,410	221. FINANCIAL SERVICES OF LOWRY, INC. LOWRY STATE BANK, LOWRY	41,792	41,786
188. NORTH STATE BANCSHARES, INC., SHAKOPEE PRIME SECURITY BANK, KARLSTAD	60,376	60,235	222. ODIN BANCSHARES, INC., ODIN ODIN STATE BANK, ODIN	41,701	41,026
189. KES BANCSHARES, INC., VIRGINIA NORTHERN STATE BANK OF VIRGINIA	58,875	58,775	223. ELYSIAN, INC., ELYSIAN ELYSIAN BANK, ELYSIAN	41,071	41,071
190. FNB ACQUISITION HOLDING CO., WADENA FIRST NATIONAL BANK IN WADENA	57,716	56,538	224. NEISEN BANCSHARES, INC., WATKINS FARMERS STATE BANK OF WATKINS	40,991	40,712
191. RUSHFORD STATE BANCORP, INC., RUSHFORD RUSHFORD STATE BANK, INC., RUSHFORD	57,588	57,588	225. RIVERLAND BANCORP., JORDAN RIVERLAND BANK, JORDAN	39,120	39,120
192. MATSON FINANCIAL, INC., BLOMKEST CONCORDE BANK, BLOMKEST	55,103	55,092	226. LAKE PARK BANCSHARES, INC., LAKE PARK STATE BANK OF LAKE PARK	37,716	37,614
193. OLMSTED BANCORP., INC., BYRON FIRST SECURITY BANK, BYRON	54,541	54,147	227. FERTILE BANCSHARES, INC., FERTIL FIRST STATE BANK OF FERTILE	37,484	36,672
194. LAKEVIEW BANCORP., INC., LAKEVILLE LAKEVIEW BANK, LAKEVILLE	54,532	54,529	228. MILAN AGENCY, INC., MILAN PRAIRIE SUN BANK, MILAN	36,317	36,302
195. MAPLE FINANCIAL HOLDING CO., CHAMPLIN MAPLE BANK, CHAMPLIN	54,045	54,126	229. VISION BANCSHARES, INC., SAINT LOUIS PARK VISIONBANK, SAINT LOUIS PARK	35,824	35,784
196. PRAIRIE BANCSHARES, INC., LESTER PRAIRIE FIRST COMMUNITY BANK, LESTER PRAIRIE	53,838	53,589	230. RANDALL BANCORP, INC., PINE RIVER RANDALL STATE BANK, RANDALL	34,491	34,491
197. UNDERWOOD BANCSHARES, INC., UNDERWOOD FARMERS STATE BANK OF UNDERWOOD	53,592	53,389	231. HERMAN BANCSHARES, INC., HERMAN FIRST NATIONAL BANK OF HERMAN	33,927	33,759
198. ARLCO, INC., ARLINGTON ARLINGTON STATE BANK, ARLINGTON	53,569	53,538	232. HOFFMAN BANCSHARES, INC., HOFFMAN FARMERS STATE BANK OF HOFFMAN	32,664	32,559
199. LINDELL BANCSHARES, INC., COLD SPRING STATE BANK OF COLD SPRING	53,356	53,332	233. PARK BANK CORP. OF DULUTH PARK STATE BANK, DULUTH	32,609	32,585
200. COMMUNITY FINANCIAL CORP., OWATONNA COMMUNITY BANK OWATONNA,	53,124	53,122	234. SO. MINNESOTA BANCSHARES, INC., WELLS PARAGON BANK, WELLS	32,346	32,346
201. ELLINGSON CORP., KENYON SECURITY STATE BANK OF KENYON	51,792	51,782	235. ASHBY BANCSHARES, INC., ASHBY FIRST STATE BANK OF ASHBY	32,102	31,938
202. VERGAS BANCORP., INC., VERGAS VERGAS STATE BANK, VERGAS	49,665	49,664	236. EDEN VALLEY BANCSHARES, INC., EDEN VALLEY STATE BANK IN EDEN VALLEY	30,687	30,685
203. OLMSTED HOLDING CORP., ROCHESTER OLMSTED NATIONAL BANK, ROCHESTER	49,662	49,538	237. MORRISTOWN HOLDING CO., EXCELSIOR LAKE COUNTRY COMMUNITY BANK, MORRISTOWN	29,888	29,888
204. MPS INVESTMENT COMPANY, APPLETON FARMERS AND MERCHANTS STATE BANK OF APPLETON	49,356	49,351	238. SWANVILLE BANCSHARES, INC., SWANVILLE FIRST STATE BANK OF SWANVILLE	29,682	29,682
205. WEST 12 BANCORP., INC., BENSON STATE BANK OF DANVERS, BENSON	49,246	49,246	239. FIRST NATIONAL AGENCY AT SAINT JAMES, INC. FIRST NATIONAL BANK AT SAINT JAMES	29,082	29,082
206. DOUGLAS CTY. BANCSHARES, INC., ALEXANDRIA NEIGHBORHOOD NATIONAL BANK, ALEXANDRIA	48,637	47,101	240. PEOPLES EQUITY CORP., WELLS PEOPLES STATE BANK OF WELLS	28,930	28,930
207. LISMORE FINANCIAL SERVICES, INC., LISMORE STATE BANK OF LISMORE	48,599	48,308	241. FORT RIDGELY NAT'L. BANCORP., INC., FAIRFAX FIRST NATIONAL BANK OF FAIRFAX	28,620	28,620
208. SE MINNESOTA BANCSHARES, INC., ALTURA ALTURA STATE BANK, ALTURA	48,147	48,036	242. ORMSBY BANCSHARES, INC., ORMSBY ORMSBY STATE BANK, ORMSBY	28,200	28,179
209. EMPIRE BANCSHARES, INC., COTTONWOOD UNITED SOUTHWEST BANK, COTTONWOOD	47,896	47,896	243. CARLSON BANKSHARES, INC., NEW LONDON UNITED MINNESOTA BANK, NEW LONDON	27,603	27,716
210. EQUITY BANK HOLDING CO., INC., MINNETONKA EQUITY BANK, MINNETONKA	47,661	47,661	244. GIBBON BANCSHARES, INC., GIBBON STATE BANK OF GIBBON	26,792	26,538
211. WEST CONCORD BANCSHARES, INC., W. CONCORD FARMERS STATE BANK OF WEST CONCORD	47,522	47,522	245. POE INVESTMENT CO., EXCELSIOR FARMERS & MERCHANTS STATE BANK OF SACRED HEART	26,556	26,082
212. RED RIVER FINANCIAL SERVICES, INC., HALSTAD RED RIVER STATE BANK, HALSTAD	47,339	47,171	246. MEDR BANCSHARES, INC., ERSKINE AMERICAN STATE BANK OF ERSKINE	26,339	23,874
213. KNOFF BANCSHARES, INC., COKATO FIRST NATIONAL BANK OF COKATO	45,570	45,569	247. CYRUS BANCSHARES, INC., CYRUS HOMETOWN COMMUNITY BANK, CYRUS	25,558	25,749
214. FIRST FIN'L. HOLDINGS, INC., GOLDEN VALLEY FIRST NATIONAL BANK AND TRUST, BARRON	45,413	45,209	248. WELCOME BANCSHARES, INC., WELCOME WELCOME STATE BANK, WELCOME	25,539	25,407
215. CITIZENS INVESTMENT CO., INC., GLENVILLE CITIZENS STATE BANK OF GLENVILLE	44,396	43,371	249. GRYGLA FINANCIAL CORP., GRYGLA AMERICAN STATE BANK OF GRYGLA	24,753	24,753
216. CHANDLER BANCSHARES, INC., CHANDLER STATE BANK OF CHANDLER	44,036	44,019	250. BROWNS VALLEY BANCSHARES, INC. UNION STATE BANK OF BROWNS VALLEY	24,326	24,326
217. MCGREGOR BANCO, INC., MCGREGOR GRAND TIMBER BANK, MCGREGOR	43,703	40,107	251. TIMBERLAND BANCORP., BAXTER FIRST NATIONAL BANK OF BUHL-MOUNTAIN IRON	23,958	23,958
218. KRAUSE FINANCIAL, INC., WINNEBAGO FIRST FINANCIAL BANK IN WINNEBAGO	43,099	43,115	252. VAN DEUSEN BANCORP, INC., MADISON LAKE PEOPLES STATE BANK OF MADISON LAKE	23,541	23,497

Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2013. *Dollar amounts in thousands

MINNESOTA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*	HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
253. WINTHROP BANCSHARES, INC., WINTHROP WINTHROP STATE BANK, WINTHROP	23,406	23,406	260. CITIZENS STATE AGENCY OF TYLER, INC. CITIZENS STATE BANK OF TYLER, INC.	19,686	19,708
254. J&B FINANCIAL HOLDINGS, INC., MINNEAPOLIS RED ROCK BANK, SANBORN	23,004	22,815	261. KIESTER INVESTMENTS, INC., KIESTER FIRST STATE BANK OF KIESTER	19,559	19,541
255. HAMBURG FINANCIAL, INC., EXCELSIOR STATE BANK OF HAMBURG	22,279	22,104	262. HARTMAN BANCSHARES, INC., OKABENA FIRST STATE BANK OF OKABENA (INC.)	18,063	18,063
256. FOLDEN FINANCIAL CORP., HENDRICKS FIRST SECURITY BANK - HENDRICKS	21,783	21,588	263. DAKOTA FINANCIAL, INC., MARIETTA STATE BANK OF MARIETTA	14,121	14,120
257. EAGLE COMM. BANCSHARES, INC., BRKLYN PARK EAGLE COMMUNITY BANK, MAPLE GROVE	21,756	20,638	264. CEYLON BANCORP., INC., CEYLON STATE BANK OF CEYLON	11,686	11,685
258. NORTHERN STAR FINANCIAL, INC., MANKATO NORTHERN STAR BANK, MANKATO	20,709	20,709	265. MINNDAK BANCSHARES, INC., KENT VANTAGE BANK, KENT	11,649	11,649
259. EASTON BANCSHARES, INC., EASTON STATE BANK OF EASTON	20,277	20,277			

Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2013. *Dollar amounts in thousands

The Bank Holding Company Association presents these Webinars...



Considerations for Building a New Bank or Branch

Date: Thursday, Oct. 9, 2014

Presenter: Jeff Pfpisen of HTG Architects

A new facility represents a major investment. While all building owners want a functional facility, they also want an office that increases the bank's business potential. What will the building do to bring in new customers or deepen existing relationships?

How to Make the Most of Your Strategic Planning

Date: Wednesday, Oct. 22, 2014

Presenter: David Saber of Wipfli

Many bankers and bank owners approach their annual strategic planning process with a lack of enthusiasm. They go through the motions only to produce a document that sits on the shelf until next year. Competitive pressure, however, is so significant in today's banking environment that no bank owner or officer can afford to squander a strategic planning opportunity.

Webinars cost just \$59 for BHCA members and \$99 for non-members. Webinars begin at 10 am Central time and last approximately one hour.

Register today at: www.theBHCA.org

Fed Notes,

Continued from page 12

and directors need to ensure that they and the holding company do what is in the best interest of the bank and do not disadvantage the bank or cause the bank to violate any banking statutes, particularly those related to affiliate transactions. Making sure that your income tax allocation policy and practices conform to the Policy Statement and Addendum is one way to meet this requirement.

In reviewing your tax allocation agreement, the agreement should clearly acknowledge that an agency relationship exists between the holding company and its banks with respect to tax refunds, and not contain other language to suggest a contrary intent. To further this goal, the Addendum states that you should amend your tax allocation agreement to include the paragraph or substantially similar as found in SR 14-6.

If you have questions as you address the Addendum, please feel free to contact the safety and soundness staff at the Federal Reserve Bank of Minneapolis. Leanne Kelly is senior examiner with the Federal Reserve Bank of Minneapolis.

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, the Dakotas, Iowa, Illinois and Nebraska, 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 hosts as-needed 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.

Bottom-line Impact...

"At the October 2008 seminar, one of the breakout speakers showed that Municipals were under-valued relative to Treasuries. Realizing the Fed would be lowering rates to zero sooner or later, we moved ALL our Fed Funds into Municipals — not longer than five years, and Midwest only. That locked in \$70,000 of income per year. For a \$40 million bank, that has made a difference." - Douglas Farmer, Golden Oak Bancshares, Inc., Holmen, Wis.

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

Fall Seminar Special Outing

Tuesday night, Oct., 7, 2014

Hello Dolly! at the Chanhassen Dinner Theatres

If you will be attending the Fall Seminar, consider joining your BHCA friends and colleagues for a special evening at the Chanhassen Dinner Theatres. The Chanhassen is bringing back *Hello Dolly!* for the first time in 22 years. If you've never seen this show, take this special opportunity to enjoy dinner and a classic musical production.

Dolly Levi is a delightfully scheming busybody who makes her living as a matchmaker in glamorous New York City. She's out to make a match for Horace Vandergelder, the "well-known half-a-millionaire," with the charming hat maker, Irene Molloy - but in the process, Dolly snares a groom for herself. Dolly masterfully orchestrates romance and adventure in a glittering mixed up night on the town.

We'll meet in the lobby of the Minneapolis Airport Marriott Hotel at 4:15 p.m. and board a luxurious coach to travel to the Chanhassen Dinner Theatres. There will be time for refreshments before seating for dinner begins at 6 p.m. Enjoy a wonderful meal from the Chanhassen dinner menu. Then sit back and enjoy the show, with curtain going up at 8 p.m. After the show, our coach brings us back to the Marriott in Bloomington. This is a great social event for you to entertain your spouse or guests/colleagues from the bank.

Our price includes everything except beverages.

Special package rate for Fall Seminar attendees: \$125 per person

