

Bank Owner

The magazine of the Bank Holding Company Association

Bountiful Autumn

**Harvest ideas
for success
at Fall Seminar**



**FDIC Chair hopeful
for resurgence of new banks**

**Meet new president
of the Minneapolis Fed**

**New SEC rule may open
door to additional deposits**

**Fall Seminar preview,
registration materials**

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Mission Statement:

The Bank Holding Company Association, the premier national organization for bank holding company owners, directors and employees, provides education and networking opportunities to those who work in, or serve, the financial services industry. Through seminars, webinars, printed materials and other means, the association supports the vitality of bank holding companies.

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 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.

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Minneapolis Fed's new president has keen public policy focus

I was fortunate enough to receive an invitation from the Federal Reserve Bank of Minneapolis for an outreach event on July 8. I was one of about 100 people who attended the event, conducted at the bank's downtown Minneapolis offices.

This was my first opportunity to hear in person the Fed Bank's new president, Neel Kashkari. He joined the bank earlier this year. Like you, I have read some news reports about him in the local media. Most notably, he is leading a public policy research effort around the topic of too big to fail banks. In an hour-long dialogue at the July 8 event, he talked about the TBTF effort and a lot more.

The Ohio native with an engineering degree explained that he worked for Goldman Sachs when Henry Paulson was the investment banking company's president. In 2006, Paulson was named Treasury Secretary, and Kashkari asked if he could come along with him. He was 32 years old at the time. His colleagues at Goldman thought he was crazy to give up the security of a Goldman Sachs job for the likely monotony of a government job.

The financial crisis unfolded and Kashkari ended up running the high-profile Troubled Asset Relief Program. That was in 2008.

While unpopular with the public, Kashkari said TARP was essential to containing the financial crisis. "The reason you have TARP can be explained by the guy who smokes in bed," Kashkari explained. "He knows he shouldn't; everyone tells him not to. But he does and his house catches on fire. There is a certain voice in us that says 'let his house burn down, that's what he deserves.' But we don't do that. We put the fire out, not because we are helping him avoid justice but because we know that houses are built close to one another and we don't want the surrounding houses to burn down, too. We know that if a house burns down, there is a chance the house next door will catch fire if we don't do anything, and we don't want that. So we save the big banks not because we want them to avoid justice but because we don't want a bunch of other banks to fail as a result."

In 2014, Kashkari ran for governor of California as a Republican and lost. Not long after the conclusion of his campaign, a headhunter contacted him to gauge his interest in the Minneapolis Federal Reserve Bank job, which opened up when Narayana Kocherlakota announced he planned to retire as president.

"I care a great deal about public policy. I am good at public policy," Kashkari said. "If you want to help 1,000 people, donate to a charity. If you want to help a million people, affect public policy. At a federal reserve bank, we have an opportunity to affect public policy."

He said good public policy surrounding the nation's economic issues is very important. "When I look around at our country I don't see a lot of long-term economic thinking," he said.

Kashkari explained that his job as president of the Minneapolis Federal Reserve Bank involves three responsibilities: management, public policy, and representing the 9th Fed District.

"When I interviewed for this job, I said I wanted to weigh in on the most important issues facing our country. When I joined the bank, I asked the staff, 'what's the biggest economic issue we face?' I asked our researchers to think about the biggest issues. They said 'we still have work to do on Too Big To Fail.'

"They wrote a book on it in 2004," Kashkari continued, referring to "Too Big To Fail: The Hazards of Bank Bailouts" written by former Minneapolis Federal Reserve Bank President Gary Stern and Senior Vice President Ron Feldman, who remains at the bank. "As we dug into it, we realized there is a lot more to be done."



By Paul Means
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President's Observations, Continued on page 12

Fall Seminar looks to live up to its reputation as 'Your best two days in banking'

Our Spring Seminar was a big success, in terms of attendance and according to the comments attendees recorded on the evaluation forms. We intend to build on that momentum with our Fall Seminar, scheduled for Oct. 3-4 at the Minneapolis Airport Marriott Hotel in Bloomington, Minn. You can read all about the seminar in this magazine. More importantly, you can register now, either by filling out the form in this magazine, or by filling out an electronic form online at our website, www.theBHCA.org. Don't delay. We are expecting a robust turnout, and if you are staying overnight, you will want to secure your hotel space before the Sept. 11 deadline for getting the Fall Seminar room rate.

Our theme plays off of the election season — *Decision 2016: Choose to Thrive*. I like this theme because it reminds us that success is a choice. Granted, there is always a little bit of luck or serendipity in success, but the majority of any success story is typically good strategic planning, clear decision-making, hard work and follow-through. While you can't control everything, you can control a lot. People who take seriously their opportunity to control their future generally have more to show for their efforts than those who fail to plan. We are bringing in experts for our Fall Seminar who will give you a lot to think about as you make your own plans to thrive.

Our Monday afternoon educational session features two highly-experienced industry consultants who will discuss the nitty gritty of getting more customers, decreasing expenses and increasing revenues. These are "roll up your sleeve" sessions where you will want to take notes. One of the speakers is Lynn David who spoke to our group a few years ago and received outstanding feedback on our evaluations.

I am also very excited about having Stevie Ray as our after-dinner speaker on Monday. He addressed the mini-seminar we hosted in Iowa last March and was a big hit. He's funny and entertaining, but far more important, he is informative. His advice for improving communication and ideation really work.

We know that Monday, Oct. 3, is the date of the big football game in the new U.S. Bank stadium. We have moved up our schedule for that evening by half-an-hour so you have plenty of time to catch the game on TV.

Monday is also the day Performance Trust Capital Partners is presenting a special pre-seminar conference called "MoneyBall for Bankers and the BHCA." Chad Bergan of Dacotah Banks, Aberdeen, S.D., is the vice president of the BHCA. When he heard Performance Trust was coming out to the seminar, he was excited. "I took their program and it is fantastic," he commented. "I learned so much from them when I did the program three years ago. This is highly worth your time."

Rich Berg, CEO of Performance Trust, spoke at the BHCA

seminar in the Spring. If you liked what you heard, then come early for this pre-seminar event. He teams with Phil Nussbaum, chairman and co-founder of Performance Trust Capital Partners, to present education designed to help you maximize the profitability of your bank. Come at 7:30 a.m. for breakfast and be ready for an 8 a.m. start, with presentations all morning. The session concludes at 2 p.m., which gives you time to catch your breath for the official 3 p.m. start of the BHCA Fall Seminar. There is no extra charge for the MoneyBall event, so come early to make the most of your seminar experience.

Tuesday promises to be every bit as impactful as Monday. We open with Joe Calloway, a renowned business consultant who will help you clarify your organization's distinguishing features and leverage them to take your operation to the next level. Calloway, who is based in Tennessee, is in demand all over the country and we were able to bring him into our seminar only because he had another professional engagement in the area at Fall Seminar time. We are very fortunate to have him as our lead-off speaker on Tuesday.

I have wanted to get John Blanchfield to speak to our group for a long time. This is the year we were able to make it happen. I have known John for years; he is one of the country's leading experts on banking and agriculture. Many BHCA members own ag banks; many other members might be thinking about buying an ag bank or doing business with an ag bank. With the incredible impact agriculture has on our economy in the upper Midwest, it makes sense to have someone like John in from time to time to give us the "lay of the land," so to speak.

Our breakout sessions are always a seminar highlight, and this Fall Seminar should not be an exception. Each of these sessions will be presented twice:

- Former banker Vicki Turnquist will share her first-hand account of helping to found Private Bank in downtown Minneapolis in 1996, shepherding it through ups and downs including the financial crisis of 2008, and selling the bank to Alerus Financial in 2014. She shares what went right and what she might do differently if she could do it all over again.
- Attorney James Sherref of the Rienhart Boerner Van Deuren law firm in Milwaukee and Josh Miller of KeyState Captive Management, will team to explain how a bank holding company



By Tom Bengtson
BHCA Managing Director

Down to Business, Continued on page 7

FDIC Chair notes *de novos* could increase upon earnings improvement

Editor's note: FDIC Chairman Martin Gruenberg testified on July 13 before a U.S. House of Representatives committee on de novo bank activity. Following are excerpts from that testimony.

The FDIC remains supportive of the formation of new financial institutions and welcomes applications for deposit insurance. The entry of new institutions helps to preserve the vitality of the community banking sector, fill important gaps in local banking markets, and provide credit services to communities that may be overlooked by other financial institutions.

Recent FDIC research on new bank formation since 2000 highlights both the economic benefits of *de novo* banks and their vulnerability to economic shocks. Of the more than 1,000 new banks formed between 2000 and 2008, 634 institutions were still operating as of September 2015, holding \$214 billion in total loans and leases. FDIC researchers also found that the failure rate of banks established between

2000 and 2008 was more than twice that of small established banks—consistent with previous research that found *de novo* banks to be susceptible to failure under adverse economic conditions. These findings underscore the importance of promoting the formation of new banks and establishing an effective application process and supervisory program that will ensure new banks adopt appropriate risk management practices and enhance their prospects for long-term success.

From 2000 through 2007—the seven years leading up to the recent financial crisis—the FDIC received more than 1,600 applications for deposit insurance. Of those, 75 percent were approved, 12 percent were returned and 13 percent were withdrawn. Included were 57 applications for deposit insurance for ILCs, 53 of which were acted upon during this period. Just over half were approved, 23 percent were returned and 26 percent were withdrawn.

During the crisis from January 2008

through December 2010, the FDIC received 140 applications for deposit insurance (excluding those for the acquisition of failed banks and for the conversion of credit unions), with the number received dropping significantly in each year. Of those applications, approximately 20 percent were approved, 32 percent were returned, 46 percent were withdrawn and 1 percent are still pending. Included were seven applications for deposit insurance for ILCs with one approved, two returned, two withdrawn and two pending.

The approval rate for applications received during the crisis was less than one-third of the rate of approval during the pre-crisis period. The primary reason for this difference was the challenging economic environment that made it difficult for applicants to demonstrate viable business plans.

De novo formation has always been cyclical. *De novo* activity surged in the economic upswings, such as those of post-World War II, the mid-1990s, and the early 2000s. A significant share of pre-crisis chartering activity occurred in the Southeast and the West, as the economies in those areas rapidly expanded. Of the 899 new institutions chartered from 2002 through 2007, 275 (31 percent) were headquartered in the FDIC's Atlanta region, and 227 (25 percent) were headquartered in the FDIC's San Francisco region. These two regions also led the country in bank failures, as their economies experienced severe downturns during the recession.

Since January 2011, the FDIC has received only 10 applications for deposit insurance for *de novo* institutions. Of those applications, three have been approved, five have been withdrawn and two remain in process. No new applications for ILCs were received in this period. A drop in *de novo* activity also occurred after the last financial crisis in the

De Novo Applications Received by Year, and The Disposition of Those Applications By Number					
Applications Received January 1, 2000, through June 30, 2016*					
Year Received	Total	Approve	Return	Withdrawn	Pending
2000	205	161	22	22	
2001	156	116	22	18	
2002	147	111	17	19	
2003	161	112	20	29	
2004	214	148	39	27	
2005	299	237	39	23	
2006	232	184	16	32	
2007	223	161	19	43	
2008	101	28	27	45	1
2009	33		17	15	1
2010	6		1	5	
2011	1			1	
2012					
2013	4	1		3	
2014	1	1			
2015	2	1		1	
2016	2				2
Total	1,787	1,261	239	283	4

1980s and early 1990s, when *de novo* bank formation declined to historically low levels before recovering as economic conditions improved.

Even with the recovery in community bank earnings following the recent financial crisis, low interest rates and narrow net interest margins have kept bank profitability ratios (return on assets and return on equity) well below pre-crisis levels, making it relatively unattractive to start new banks. Recent research by economists at the Federal Reserve suggests that economic factors alone—including a long period of zero interest rates—explain at least three-quarters of the post-crisis decline in new charters. If this model is accurate, one would expect the rate of new charters to rise as interest rates normalize.

The rate of *de novo* formations can be affected by other factors as well. For example, a Federal Reserve Bank of Kansas City study found that markets with more merger activity experienced higher rates of new bank formation, and that the mergers with the strongest link to new bank formation were those in which small banks were taken over

“*De novo* formation has always been cyclical... Since January 2011, the FDIC has received only 10 applications for deposit insurance for *de novo* institutions.”

by large banks or local banks taken over by distant banks. These mergers can create gaps in service to small businesses and customers with a strong preference for personal contact and contribute to new bank formation. As a Federal Reserve Bank of Philadelphia study observed, in these markets, *de novos* are also more likely to find a ready supply of skilled, experienced bankers displaced from the merger and acquisition activity.

De novo activity, however, represents only a portion of total new investment in the banking industry. In many cases, interested applicants have opted to buy a failed bank or problem bank rather than start a *de novo* institution. Acquiring an existing institution, instead of pursuing a *de novo* strategy, has the advantage of providing a core deposit and loan base on which the new investors can build a sustainable franchise.

As the economy continues to improve, we anticipate that interest in new charters will increase. Over the past several quarters, the FDIC has seen indications of increased interest from prospective organizing groups in filing applications for new insured depository institutions.

In conclusion, the current economic environment with narrow net interest margins and modest overall economic growth remains challenging for U.S. banks and the establishment of *de novo* institutions. The FDIC is committed to working with and providing support to groups with an interest in organizing a bank or an industrial loan company. The FDIC continues its efforts to provide interested organizing groups with a clear path to forming a new insured depository institution, regardless of the type of charter pursued by an organizing group. ■

Down to Business, Continued from page 5

can set up a captive insurance company. There are several banks, particularly in Wisconsin and Indiana, that have set up these companies. Sherrif and Miller will explain why and how they work.

- Bryan Freeman and Mark Dietzen of the Lindquist & Vennum law firm in Minneapolis will talk about cybersecurity from the board level. This has grown to far more than an IT issue. What issues should directors be monitoring or directly managing? Freeman and Dietzen will share examples from their own experience, as well as from across the industry.

- As banks rely more on third party partners, contract negotiation has never been more important. Sherry Jessen of CliftonLarsonAllen will offer insight into how to get the most out of the negotiation process.

We will conclude our seminar with a luncheon featuring the President of the Federal Reserve Bank of Minneapolis, Neel Kashkari as our speaker. I had a chance to listen to Mr. Kashkari

speak recently and it was a real treat. Mr. Kashkari is passionate, engaging and compelling. He's only 43 years old, but he brings a lot of varied experience to his new job at the Minneapolis Fed. Be sure to bring your questions as Mr. Kashkari intends to engage in a wide-ranging dialogue. See the "President's Observations" column by Paul Means on page 4 for more on Mr. Kashkari. We are inviting our friends from the Risk Management Association to join us for this luncheon presentation. We have done this in the past and have found it to be a win-win partnership.

Our event concludes with dinner and a show at the Chanhassen Dinner Theater. The show is Camelot, a classic favorite. We have done several of these events at the theater and they are always a lot of fun. If you have never participated, I hope you will give it a try this time around. Bring your spouse or a colleague from your bank. I am confident you will have a good time and find it to be well worth it.

We have long called our seminar "your best two days in banking" and we really mean it. □

Attracting an untapped wealth of depositors, complements of new SEC regulation

By Patrick Larson

Worried about the “stickiness” of customer deposits? This October, a terrific opportunity for banks to attract and retain deposits may present itself. The Securities and Exchange Commission has adopted regulations regarding the stable valuation feature (\$1 NAV) of non-U.S. Government institutional money market funds. The result will be that non-U.S. Government money market fund values will float with market levels. This change will introduce the potential for non-U.S. diversified money market funds to have a value less than \$1 per share in adverse market conditions. It will affect investments by shareholders deemed to be non-retail investors. Retirement plans such as defined contribution plans are deemed to be retail-based investments so they are eligible for the \$1 net asset value (NAV) product.

In response, and due to the likely diminished demand for floating-value money market funds, some fund groups have announced they are exiting the business and focusing on the delivery of U.S. Government money funds. This lack of diversification may result in insufficient investment opportunities due to fund closures and specific market risk that investors may wish to avoid.

The impact of investment sponsors eliminating diversified options and the potential for significant fund flows to U.S. Government based money funds, could result in significant demand for those securities. Increase in demand for the underlying assets in related funds may reduce the opportunity to experience competitive yields in those

types of investments.

In addition to the lack of certainty as it relates to the value of impacted investors, the new regulation introduces uncertainty to account holders regarding the ability to access their funds. Specifically, money market funds’ board of directors can impose liquidity fees of up to 2 percent in order to slow fund withdrawals. If the environment is especially turbulent and money market funds drop below certain thresholds of weekly liquidity, fund boards can temporarily suspend redemptions for as many as 10 business days.

Through the eyes of many institutional customers, the market value volatility and the risk of not being able to access funds will likely push them to make a change. Others see it as a potential structural change that could offer banks an opportunity to bring key customers’ outside assets into the bank. It may also offer a leverage point for bankers to start conversations with new depositors.

The most likely choices for money market fund investors include:

- Maintain position in diversified money fund, opening up the opportunity to experience a floating NAV and liquidity restrictions in periods of significant market volatility. Current yields in this segment are 0.13 percent to 0.45 percent with mutual fund expense ratios generally ranging from 0.12 percent to 0.27 percent.
- Move cash reserves to U.S. Government Money Market funds which will preserve the \$1 NAV but will also restrict the investment universe. Current yields in this segment are 0.01

percent to 0.30 percent with expense ratios of 0.07 percent to 0.25 percent.

- Explore one of many substitute solutions with a financial institution. Banks are uniquely able to offer solutions that address many of the specific wishes of large depositors: principal protection, liquidity and a competitive rate of return. Collateralized deposits may offer customers a similar flexibility as compared to government money market funds, with a yield that may modestly exceed those offered by the money market funds. Bank money market funds will likely offer a yield advantage and ample liquidity but it may expose the customer to credit risk. Banks that participate in the Certificate of Deposit Account Registry Service (CDARS) may offer the customer up to \$50 million in FDIC insurance protection in an account at one bank with competitive rates but the solution requires more involvement on the part of the depositor as they will play a part in selecting the initial term of the investment as well as making reinvestment decisions as their CDs mature. Finally, banks that participate in the Insured Cash Sweep (ICS) program can offer depositors a money market vehicle with both competitive rates and FDIC insurance coverage that have limits on the order of the CDARS limits.

- Establish a customized, short-duration investment management strategy with a Registered Investment Advisor. A RIA with fixed-income expertise can establish a strategy that invests across a broad range of short-term fixed income securities to satisfy the client’s specific investment mandate. Many

RIAs will only consider custom accounts with balances in excess of \$25 million and charge management fees of 0.20 percent to 0.60 percent.

Although inertia often drives many investment decisions, we think significant deposit dollars will be in motion following the forced change caused by the new regulations which will make the utility of money markets for institutions less attractive. The relationship nature of banking lends itself better than most other money market substitutes to identify and capitalize on the ability to ask customers if they have liquid funds outside of the bank. This action emphasizes the bank's role as problem solver and collaborator. Particularly large liquid asset holders will likely employ several of the suggested substitutions. An integrated solution with your bank's deposit solutions and a custom fixed-income portfolio managed by a third party may offer the dual benefit of better serving clients while defending the relationship against intrusion from outside entities.

In the current low yield environment it is difficult to offer customers a dramatic yield distinction among potential solutions. The liquidity fees and gates that can be imposed on non-government money market fund assets for institutional investors, however, are likely meaningful risks to your more sophisticated customers. The market turbulence and dire state of many aspects of the financial markets in 2008 may be fresh enough in the minds of both customers and prospects to allow bank-based deposit options to stand out in the crowd. ■

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BHCA WEBINARS FOR 2016



Fundamentals of Estate Planning

September 8

Presented by Ryan Laughlin of Wipfli.

Ryan is a senior manager with more than 12 years of experience helping clients make the most of the estate planning process. He utilizes a unique blend of accounting, tax and legal expertise to provide tax and transaction planning to business owners, bankers and others.

Strategies for Succession Planning

September 22

Presented by Don Johnson and Rhea Hemish of Eide Bailly.

Don has more than 28 years of public accounting experience with a focus on financial institutions, while Rhea has more than 20 years of experience in financial institution taxation and consulting. They will offer experience-based observations in response to questions no bank owner can avoid about their long-range plans.

Maximizing Profitability Through Cost Containment/Revenue Enhancement

October 20

Presented by Larry Pruss of Strategic Management Resources.

With a proven track record of developing new products, increasing revenues, and improving operating efficiency, Larry has helped numerous companies increase profitability by driving growth and negotiating deals. Larry offers significant expertise in analytics, consulting, payments, loyalty marketing, and more.

ID Theft Protection: Why it's Key to Your Cybersecurity

December 1

Presented by Sally King, co-founder and managing partner, NXG Strategies

This webinar will help you identify steps to protect customers from ID theft and your institution from cybersecurity threats. Presenter Sally King is a nationally recognized authority on data breach and identity theft. For the last eight years her company, NXG Strategies, has pioneered many of the innovations in the field of identity theft resolution for both consumers and businesses.

- Each webinar is just \$59 for members, \$99 for non-members.
- All webinars start at 10 a.m. central and run for 60 minutes.
- Webinars are recorded and available to registrants to listen again after initial presentation.

Register online at www.theBHCA.org
Questions? Call us at 952-835-2248 or 1-800-813-4754

These webinars are ideal for owners, senior officers, managers and others working with bank holding companies and banks. The Bank Holding Company Association is devoted exclusively to education related to bank ownership and holding company issues.

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.

▷ County Bank Corp, Lapeer, Mich., authorized to merge with Capac Bancorp, Inc., Capac, Mich., and for Lapeer County Bank & Trust Co., Lapeer, to merge with CSB Bank, Capac, and thereby establish branches.

▷ Blackhawk Bancorp, Inc., Beloit, Wis., has elected to become a financial holding company.

▷ First National Bank, Fontanelle, Iowa, authorized to retain membership in the Federal Reserve System on conversion to a state-chartered bank, FNB Bank.

▷ CBI Bank & Trust ("CBI"), Muscatine, Iowa, authorized to purchase a branch in Davenport, Iowa from MidWestOne Bank, Iowa City, Iowa.

▷ Robert Greco, Wayne, Ill., and others filed to acquire more than 10 percent of STC Bancshares Corp., St. Charles, Ill., and thereby control of STC Capital Bank, St. Charles.

▷ Columbia Bancshares, Inc., Clarence, Mo., filed to become a bank holding company by acquiring Clarence State Bank, Clarence, Mo.

▷ First Interstate BancSystem, Inc., Billings, Mont., filed to acquire Flathead Bank of Bigfork, Mont. In addition, First Interstate Bank filed to merge with Flathead Bank of Bigfork and establish a branch.

▷ Flagship Financial Group, Inc., Eden Prairie, Minn., filed to merge with Landmark Investor Group, Inc., Eden Prairie, and thereby acquire Landmark Community Bank, National Association, Isanti, Minn.

▷ Northern Interstate Financial, Inc., Norway, Mich., filed to merge with C.F.C. Bancorp, Inc., Crystal Falls, Mich., and thereby acquire First National Bank of Crystal Falls.

▷ Ascent Bancorp, Helena, Mont., authorized to become a bank holding company by acquiring First Security Bank of Helena.

▷ First National Bank of Bemidji ESOP & Trust, Bemidji, Minn., authorized to increase its ownership of First Bemidji Holding Company, Bemidji, and thereby increase its ownership of The First National Bank of Bemidji.

▷ First Newton National Bank, Newton, Iowa will retain membership in the Federal Reserve System on conversion to a state-chartered bank, FNNB Bank.

▷ Fentura Financial, Inc., Fenton, Mich., filed to acquire via merger Community Bancorp, Inc., Saint Charles, Mich., and thereby acquire Community State Bank, Saint Charles, Mich.

▷ QCR Holdings, Inc., Moline, Ill., filed to acquire Community State Bank, Ankeny, Iowa.

▷ Robert Greco, Wayne, Ill., and others filed to acquire more than 10 percent of STC Bancshares Corp., St. Charles, Ill., and thereby control of STC Capital Bank, St. Charles.

▷ Saints Avenue Bancshares, Inc., St. Charles, Mo., filed to become a bank holding company by acquiring 43.90 percent of New London Bancshares, Inc., New London, Mo., and thereby acquire RCSBank, New London.

▷ Uptown Bancorporation, Inc., Britton, S.D., filed to acquire at

least 72 percent of First American State Bank, Oldham, S.D.

▷ Bank Forward ESOP & Trust, Fargo, N.D., authorized to increase its ownership of Security State Bank Holding Company, Fargo, and thereby increase its ownership of Bank Forward, Hannaford.

▷ Central Bancshares, Inc., Muscatine, Iowa, authorized to acquire Brimfield Bank, Brimfield, Ill.; and for The Farmers and Mechanics Bank, Galesburg, Ill., to merge with Brimfield Bank and establish a branch.

▷ First Gothenburg Bancshares, Inc., Gothenburg, Neb., authorized to acquire Nebanco, Inc., Wallace, Neb., and thereby acquire Farmers State Bank.

▷ Guaranty Bancorp, Denver, Colo., authorized to acquire by merger Home State Bancorp, Loveland, and thereby acquire Home State Bank. Furthermore, Guaranty Bank and Trust Company, Denver, authorized to merge with Home State Bank, Loveland, and thereby establish branches.

▷ J&B Financial Holdings, Inc., Minneapolis, authorized to acquire 1st United Bank, Faribault.

▷ Peoples Equity Corp., Wells, Minn., authorized to acquire Paragon Bank, Wells.

▷ Cornerstone Bank, York, Neb., authorized to acquire the Wilcox branch of Iowa-Nebraska State Bank, South Sioux City, Neb.

▷ Nebraska Bankshares, Inc., Farnam, Neb., and First Gothenburg Bancshares, Inc., Gothenburg, Neb., have elected to become financial holding companies.

▷ Citizens National Corporation, Wisner, Neb., filed to acquire up to an additional 0.57 percent for a total of 35.12 percent of Republic Corp., parent of United Republic Bank, both in Omaha, Neb.

▷ Otto Bremer Trust, St. Paul, Minn., and Bremer Financial Corp., authorized to acquire, through Bremer Insurance Agencies, Inc., the insurance agency business of Ernest I. Fink Agency, Inc., St. Paul.

▷ Sandhills Financial Services, LLC, Bassett, Neb., authorized to acquire Keystone Investment, Inc., Keystone, Neb., parent of Bank of Keystone.

▷ Stupp Bros., Inc., St. Louis, and Midwest BankCentre, Inc., authorized to indirectly acquire Bremen Bancorp, Inc., St. Louis, and thereby acquire Bremen Bank and Trust Co., and for Midwest BankCentre, St. Louis, to merge with Bremen Bank and Trust Company and thereby establish branches.

▷ Lee County Bank and Trust, National Association, Fort Madison, Iowa will retain membership in the Federal Reserve System on conversion to a state-chartered bank, Lee County Bank.

▷ Mackinac Financial Corp., Manistique, Mich., filed to acquire Niagara Bancorporation, Inc., Niagara Wis., and thereby acquire The First National Bank of Niagara.

▷ Notification submitted by the Duke Trust and Susan K. McMurry, as trustee, both of Casper, Wyo., to acquire control of Jonah Bankshares, parent of Jonah Bank of Wyoming, both of Casper.

▷ Change in control notice filed by Jeffrey A. Fisher, Bigfork, Minn., to acquire 25 percent or more of Bigfork Bancshares, Inc., Bigfork, and thereby gain control of First State Bank of Bigfork.

▷ Frandsen Bank & Trust, Lonsdale, Minn., filed to merge with Provincial Bank, Lakeville, Minn., and establish a branch.

▷ United Community Bancorp, Inc., Chatham, Ill., filed to merge with Illini Corp., Springfield, Ill., and thereby control Farmers State Bank of Camp Point, Ill., and Illini Bank, Springfield.

▷ Adage, LLC, Ogallala, Neb., filed to become a bank holding company through the acquisition of 68.85 percent of Adbanc, Inc., parent of Adams Bank & Trust, both of Ogallala.

▷ First Mid-Illinois Bancshares, Inc., Mattoon, Ill., authorized to merge with First Clover Leaf Financial Corp, Edwardsville, and

Transaction Report,
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Information Fed Expects When Reviewing Requests

By Leanne R. 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

Reserve Bank staff members often are asked if there is a form that a holding company can use when making a request to the Reserve Bank. The holding company may be requesting approval, consultation, or the opinions of the Reserve Bank relating to regulation, supervisory guidance, an enforcement action, or another matter. For certain filings, such as Change in Bank Control Act applications, specific forms such as the Notice of Change in Control (FR 2081 a) and Biographical and Financial Report (FR 2081 c) may need to be filed. Forms like these and others are available on the Board of Governors website at www.federalreserve.gov under the Reporting Forms tab. However, for requests where there is no corresponding form on the board's website, what information should you send to the Reserve Bank? The simple answer is, it depends on the regulatory or supervisory guidance and the circumstances.

Most requests sent to the Reserve Bank by holding companies come as letters, with enclosures such as schedules, financial statements, and cash flow projections. Sending a letter is fine. Of course, a request sent to the Reserve Bank should contain a description of the situation and proposed transaction as appropriate, and other pertinent information to let us know why you are sending the request, as well as the facts and circumstances relevant to the situation. The Reserve Bank will review the information for technical compliance as well as the impact of the requested transaction or event on the condition of the holding company and its subsidiary banks, which could raise supervisory concerns.

We often receive such letters from holding companies requesting consultation with the Reserve Bank on the payment of dividends that exceed earnings, as described in SR letter 09-4 (Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies). The letter should discuss the funding source for the dividend, capital adequacy and strength of earnings, the company's ability to service debt and pay operating expenses without unduly burdening the subsidiary bank(s), and any outstanding enforcement actions at the holding company and subsidiary bank(s). Useful enclosures may include current financial statements, pro forma statements, cash flow projections, and expected capital ratios of the holding company and subsidiary bank, as applicable, in order to show that the payment of the dividend would not result in a material adverse change in the company's capital structure or raise a supervisory concern. In addition, if the subsidiary bank requires approval from its bank regulator, include a copy of the approval letter.

As another example, if a bank holding company acquired assets or real estate in the collection of a debt previously contracted (DPC property) and has held the DPC property for nearly two years (the amount of time a bank holding company can hold DPC property without prior Reserve Bank approval), the bank holding company needs to request the Reserve Bank's approval to hold the DPC property beyond the two years. Regulation Y states that upon request the Reserve Bank may extend the two-year period for up to three additional years (and may permit additional extensions for up to five more years). Information important to the Reserve Bank's review is whether an extension can be given pursuant to Regulation Y, for how long it can legally be extended, and whether the company has demonstrated that it has made good faith attempts to dispose of the DPC property. Generally, we anticipate that the relevant information would include, at a minimum, a description of the property, the acquisition date (the start of the allowable holding period), the value of the DPC property (to understand its size relative to the organization and proper accounting and reporting), and comments on the company's

The Bank Holding Company Association welcomes these new Members:

George Borgerding, Chairman

NASB Shares, Inc.
Belgrade, Minn.
North American State Bank

Dan Christianson

F&M Financial Services, Inc.
Preston, Minn.
F&M Community Bank, N.A.

Robert A. Slagter, COO/CFO

American Bancorporation of Minnesota, Inc.
Brainerd, Minn.
American National Bank of Minnesota

The BHCA also would like to welcome these new Association Members:

Eckberg Lammers, P.C.

Nick Vivian

Attorney, Shareholder

Stillwater, Minn.

Eckberg Lammers provides legal services to bank holding companies, including corporate compliance, geographic expansion, corporate structure, capital-raising, and mergers and acquisitions.

Advanced Capital Group

Patrick Larson

Principal

Dean Miller

Senior Business Development Officer

Minneapolis

Advanced Capital Group provides bank investment portfolio advisory services. Our team assists clients with portfolio strategy in the context of the institution's specific asset/liability position as well as working to save clients' time in the areas of security procurement, regulatory compliance, credit analysis, and managing the flow of information. Beyond those duties, clients see our professionals as outsourced employees, able to help with ad hoc special needs related to economic data, market commentary, risk management statistics and information for executive decision making.

SDN Communications

Nikki Gronli

Marketing Specialist

Sioux Falls, S.D.

SDN is the premier business broadband provider. With 30,000 miles of fiber optics reaching into eight states, we specialize in connecting companies with multiple locations. SDN leads the market in cybersecurity solutions such as Distributed Denial of Service (DDoS) Protection, Managed Firewalls and Routers, and Remote Networking Monitoring.

President's Observations, Continued from page 4

Kashkari said average people across the country were angry about the financial crisis of 2008. He called it deeply unfair, noting the trouble wasn't caused by any of the people who lost their jobs and/or their homes. Reform legislation came after the crash, but it only went so far, he said.

"In 2010, they took drastic reform off the table. They said the economy was too unstable and that it was not the time to implement drastic reforms," Kashkari told us. "Today the economy is stable.

"I think there are too-big-to-fail banks. I think if certain banks failed, taxpayers would be tapped to save them. We were told this would not happen again.

"We are looking at transformational ideas to address this issue," he continued. "The idea is to put the information out there, to be open and transparent, and then let the public decide if we have done enough."

Kashkari described himself as an engineer, deliberately noting "I am not an economist." He called that an advantage, adding "I am a humble pragmatist."

Kashkari has a very energetic, charismatic delivery which draws in his audience. I really enjoyed listening to him on July 8 and I am very glad that you will have an opportunity to listen to him at our Fall Seminar. Kashkari is our luncheon speaker on Tuesday, Oct. 4. You can read about the great seminar we have planned for this fall in this edition of *Bank Owner*. I am delighted that Kashkari will be a part of our Fall Seminar, and I hope you will be a part of it also. □

Fed Notes, Continued from page 11

efforts to divest the property as well as the length of extension being requested.

We suggest that companies provide at least 30 days advance notice to the Reserve Bank if possible. We will contact you with questions or comments to let you know if we need additional information.

We encourage firms to contact Safety and Soundness or Applications staff at your local Federal Reserve Bank for additional information if you have questions about information to be submitted in relation to a supervisory request. ■

Leanne R. Kelly is senior examiner, enforcements and holding company supervision for the Supervision, Regulation, and Credit Department at the Federal Reserve Bank of Minneapolis.

Transaction Report,

Continued from page 10

thereby acquire First Clover Leaf Bank, National Association.

▷ Ottawa Savings Bancorp, MHC, Ottawa, Ill., authorized to convert to stock form and to merge into Ottawa Savings Bancorp, Inc., Ottawa; and, through a series of transactions, for Ottawa Bancorp, Inc., to become a savings and loan holding company by acquiring Ottawa Savings Bank, Ottawa.

▷ Wintrust Financial Corporation, Rosemont, Ill., filed to acquire First Community Financial Corporation, Elgin, Ill.,

and thereby acquire First Community Bank, Elgin, Ill. In addition, Wintrust Financial Corporation's subsidiary bank, St. Charles Bank & Trust Company, St. Charles, Ill., filed to merge with First Community Bank. As a result of the merger, First Community Bank offices will become branches of St. Charles Bank & Trust Company.

▷ TCB Mutual Holding Company, Tomahawk, Wis., and TCB Financial, Inc., authorized to indirectly acquire Merrill Federal Savings & Loan Association, Merrill, through the merger of Merrill Federal S&L into Tomahawk Community Bank S.S.B., Tomahawk. ■

NORTH DAKOTA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*	HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
1.STATE BANKSHARES, INC., FARGO BELL STATE BANK & TRUST, FARGO	3,667,296	3,656,580	32.CITIZENS BANK HOLDING CO., FINLEY CITIZENS STATE BANK OF FINLEY	134,622	134,449
2.WATFORD CITY BANCSHARES, INC. FIRST INTERNATIONAL BANK AND TRUST, WATFORD CITY	2,137,290	2,136,230	33.HAZEN BANCORP., INC., HAZEN UNION STATE BANK OF HAZEN	132,397	130,985
3.ALERUS FINANCIAL CORP., GRAND FORKS ALERUS FINANCIAL, N.A., GRAND FORKS	1,744,863	1,738,618	34.BEALL BANCSHARES INC., VELVA PEOPLES STATE BANK OF VELVA	130,178	120,056
4.AMERICAN BANCOR, LTD., DICKINSON AMERICAN BANK CENTER, DICKINSON UNITED COMMUNITY BANK OF NORTH DAKOTA, LEEDS	1,662,106	1,311,151 322,899	35.SARGENT BANKSHARES, INC., FORMAN SARGENT COUNTY BANK, FORMAN	129,380	129,380
5.STARION BANCORP., BISMARCK STARION FINANCIAL, BISMARCK	1,200,511	1,200,081	36.GOOSE RIVER HOLDING CO., MAYVILLE GOOSE RIVER BANK, MAYVILLE	127,156	127,157
6.CHOICE FINANCIAL HOLDINGS, INC., FARGO CHOICE FINANCIAL GROUP, FARGO	1,117,034	1,115,257	37.PEMBINA COUNTY BANKSHARES, LTD., CAVALIER CITIZENS STATE BANK - MIDWEST, CAVALIER	118,870	118,870
7.WESTBRAND, INC., MINOT FIRST WESTERN BANK AND TRUST, MINOT	992,645	992,256	38.MCINTOSH CTY. BANK HOLDING CO., INC., ASHLEY MCINTOSH COUNTY BANK, ASHLEY	101,353	93,338
8.BNCCORP, INC., BISMARCK BNC NATIONAL BANK, GLENDALE, AZ	904,246	903,318	39.TOLNA BANCORP, INC., TOLNA FARMERS & MERCHANTS BANK OF N. D., TOLNA COMMERCIAL BANK OF MOTT ESOP, MOTT COMMERCIAL BANK OF MOTT	100,998	100,998 97,320 97,320
9.WESTERN STATE AGENCY, INC., DEVILS LAKE WESTERN STATE BANK, DEVILS LAKE	836,898	831,999	40.UNION BANCSHARES, INC., FARGO UNION STATE BANK OF FARGO	94,787	94,787
10.CORNERSTONE HOLDING CO., INC., FARGO CORNERSTONE BANK, FARGO	797,599	797,442	41.F & M BANCSHARES, INC., LANGDON FARMERS AND MERCHANTS STATE BANK, LANGDON	94,410	94,410
11.DAKOTA COMMUNITY BANSHARES, INC., HEBRON DAKOTA COMMUNITY BANK & TRUST, N.A., HEBRON	779,665	779,575	42.FIRST HARVEY BANCORP., INC., HARVEY FIRST STATE BANK OF HARVEY	86,350	86,100
12.AMERICAN STATE BANK HLDG. CO., INC., WILLISTON AMERICAN STATE BANK & TRUST CO. OF WILLISTON	655,515	655,513	43.LIBERTY BANCORP., INC., POWERS LAKE LIBERTY STATE BANK, POWERS LAKE	82,509	82,509
13.SECURITY STATE BANK HOLDING CO., FARGO BANK FORWARD, HANNAFORD	511,694	510,317	44.STATE BANK OF BOTTINEAU HOLDING CO. STATE BANK OF BOTTINEAU	74,971	74,173
14.JORGENSEN WILLISTON HOLDING CO., KENMARE FIRST NATIONAL BANK & TRUST CO. OF WILLISTON	480,114	480,114	45.WISHEK BANCORP., INC., WISHEK SECURITY STATE BANK, WISHEK	73,784	73,776
15.BLACKRIDGE FINANCIAL, INC., WEST FARGO BLACKRIDGE BANK, FARGO	409,607	407,247	46.PEOPLES STATE HOLDING CO., WESTHOPE PEOPLES STATE BANK, WESTHOPE	71,122	71,023
16.FIRST FINANCIAL CORP., ARTHUR FIRST STATE BANK OF NORTH DAKOTA, ARTHUR	341,427	341,426	47.FNB BANKSHARES, INC., MILNOR FIRST NATIONAL BANK, MILNOR	70,208	70,208
17.RAMSEY FINANCIAL CORP., DEVILS LAKE RAMSEY NATIONAL BANK, DEVILS LAKE	266,614	266,503	48.NAPOLEON BANCORP., INC., NAPOLEON STOCK GROWERS BANK, NAPOLEON	69,913	69,913
18.NORTH STAR HOLDING CO., INC., JAMESTOWN UNISON BANK, JAMESTOWN	266,241	266,241	49.LINCOLN HOLDING CO., HANKINSON LINCOLN STATE BANK, HANKINSON	69,458	69,458
19.DAKOTA WESTERN BANKSHARES, INC., BOWMAN DAKOTA WESTERN BANK, BOWMAN	259,746	259,746	50.STRASBURG BANSHARES, INC., STRASBURG STRASBURG STATE BANK, STRASBURG	62,812	62,812
20.FIRST HOLDING CO. OF CAVALIER, INC., CAVALIER UNITED VALLEY BANK, CAVALIER	253,584	252,579	51.JBS, INC., KULM HEARTLAND STATE BANK, EDGELEY	62,562	62,562
21.FIRST HOLDING CO. OF PARK RIVER, INC. FIRST FINANCIAL BANK, ANETA FIRST UNITED BANK, PARK RIVER	242,560	47,812 194,980	52.CANDO HOLDING CO., INC., CANDO FIRST STATE BANK OF CANDO	57,711	57,636
22.MCLEAN BANK HOLDING CO., GARRISON BANK OF TURTLE LAKE FARMERS SECURITY BANK, WASHBURN GARRISON STATE BANK AND TRUST, GARRISON	228,204	53,425 50,621 123,447	53.FIRST AND FARMERS BANK HLDG. CO., PORTLAND FIRST AND FARMERS BANK, PORTLAND	57,267	56,267
23.KIRKWOOD BANCORP. CO., BISMARCK KIRKWOOD BANK AND TRUST CO., BISMARCK	224,926	221,765	54.TRINITY INVESTMENTS, INC., GLEN ULLIN BANK OF GLEN ULLIN	56,318	56,316
24.HUNTER HOLDING CO., HUNTER DAKOTA HERITAGE BANK OF NORTH DAKOTA, HUNTER	200,861	200,335	55.LAKOTA BANK HOLDING CO., INC., LAKOTA STATE BANK OF LAKOTA	47,671	47,434
25.OLIVER BANCORP., INC., CENTER SECURITY FIRST BANK OF NORTH DAKOTA, NEW SALEM	187,883	185,225	56.CITIZENS STATE BANCSHARES, INC., LANKIN CITIZENS STATE BANK OF LANKIN	44,066	44,066
26.JORGENSEN HOLDING CO., KENMARE CITIZENS STATE BANK AT MOHALL STATE BANK & TRUST OF KENMARE FULL SERVICE INSURANCE AGENCY, INC., BUXTON FIRST STATE BANK, BUXTON	186,454	66,409 120,045 175,766 175,636	57.HSB FINANCIAL CORP., HARWOOD HARWOOD STATE BANK, HARWOOD	37,789	37,789
27.VISION BANK HOLDINGS, INC., FARGO VISIONBANK, FARGO	158,524	157,928	58.GRANT COUNTY BANCORP., INC., CARSON GRANT COUNTY STATE BANK, CARSON	36,477	36,249
28.MUNICH BANCSHARES, INC., MUNICH HORIZON FINANCIAL BANK, MUNICH	154,396	151,839	59.QUALITY BANKSHARES, INC., PAGE QUALITY BANK, FINGAL	29,290	29,267
29.FIRST BOTTINEAU, INC., BOTTINEAU FIRST NATIONAL BANK AND TRUST CO. OF BOTTINEAU	148,934	148,898	60.DAKOTAH BANKSHARES, INC., FAIRMOUNT PEOPLES STATE BANK, FAIRMOUNT	28,229	28,229
30.UNION HOLDING CO., HALLIDAY UNION BANK, BEULAH	144,524	144,524	61.HATTON BANCSHARES, INC., FARGO FARMERS AND MERCHANTS NATIONAL BANK OF HATTON	26,523	26,370
31.DRAYTON BANCOR, INC., DRAYTON KODABANK, DRAYTON	142,307	140,556	62.WALL STREET HOLDING CO., HAMILTON BANK OF HAMILTON	20,667	20,667

Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2015.
*Dollar amounts in thousands

SOUTH DAKOTA BANK HOLDING COMPANIES

HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*	HOLDING COMPANY, LOCATION Subsidiary Bank, Location	CONSOLIDATED ASSETS*	SUBSIDIARY ASSETS*
1.GREAT WESTERN BANCORP, INC., SIOUX FALLS GREAT WESTERN BANK, SIOUX FALLS	9,957,215	9,952,150	32.PAGE HOLDING CO., PLANKINTON FARMERS AND MERCHANTS STATE BANK, PLANKINTON	107,801	107,751
2.UNITED NATIONAL CORP., SIOUX FALLS FIRST PREMIER BANK, SIOUX FALLS	2,402,422	1,547,327	33.NORTHEAST BANCORP, INC., BRANDON FIRST STATE BANK, WILMOT PEOPLES STATE BANK, SUMMIT	106,771	44,489 62,137
3.DACOTAH BANKS, INC., ABERDEEN DACOTAH BANK, ABERDEEN	2,235,201	2,227,404	34.ROSCOE COMMUNITY BANKSHARES, INC., ROSCOE FIRST STATE BANK OF ROSCOE	103,617	103,617
4.FISHBACK FINANCIAL CORP., BROOKINGS FIRST BANK & TRUST, BROOKINGS FIRST BANK & TRUST, SIOUX FALLS	2,048,735	1,337,244 716,170	35.GREAT PLAINS BANK CORP., EUREKA GREAT PLAINS BANK, EUREKA	92,969	92,606
5.SECURITY NATIONAL CORP., DAKOTA DUNES NORTHWESTERN BANK, ORANGE CITY SECURITY NATIONAL BANK OF SIOUX CITY SECURITY NATIONAL BANK OF SOUTH DAKOTA, DAKOTA DUNES	1,359,566	212,161 946,593 179,149	36.DRAPER HOLDING CO., INC., FORT PIERRE DAKOTA PRAIRIE BANK, FORT PIERRE	87,190	87,228
6.FIRST DAKOTA FINANCIAL CORP., YANKTON DAKOTA STATE BANK, BLUNT FIRST DAKOTA NATIONAL BANK, YANKTON	1,337,803	41,796 1,293,340	37.WESSINGTON BANKSHARES, INC., WESSINGTON HEARTLAND STATE BANK, REDFIELD	77,731	77,689
7.HF FINANCIAL CORP., SIOUX FALLS HOME FEDERAL BANK, SIOUX FALLS	1,171,885	1,170,034	38.DCNB HOLDING CO., CLEAR LAKE DNB NATIONAL BANK, CLEAR LAKE	73,810	74,004
8.MINNEHAHA BANSHARES, INC., SIOUX FALLS FIRST NATIONAL BANK IN SIOUX FALLS	1,150,536	1,136,579	39.UPTOWN BANCORP, INC., BRITTON FIRST NATIONAL BANK, DAVENPORT, IA	72,596	71,922
9.SOUTH DAKOTA BANCSHARES, INC., PIERRE BANKWEST, INC., PIERRE	916,635	915,092	40.LINCOLN INVESTMENT CO., LENNOX VALLEY EXCHANGE BANK, LENNOX	68,605	67,451
10.STOCKMENS FINANCIAL CORP., RAPID CITY SECURITY FIRST BANK, LINCOLN	898,719	891,231	41.FIRST BANK SHARES CORP., WARNER FIRST STATE BANK OF WARNER	66,681	66,680
11.CAPITOL BANCORP, INC., BRITTON FIRST NATIONAL BANK, FORT PIERRE	878,192	848,094	42.RCN HOLDING CO., SISSETON ROBERTS COUNTY NATIONAL BANK OF SISSETON	61,348	61,115
12.HOPKINS FINANCIAL CORP., MITCHELL CORTRUST BANK N.A., MITCHELL	733,752	727,923	43.ADINO CO., ONIDA SUNRISE BANK DAKOTA, ONIDA	60,392	60,389
13.BELLE FOURCHE BANCSHARES, INC., SPEARFISH PIONEER BANK & TRUST, BELLE FOURCHE	636,572	636,572	44.IPSWICH COMMUNITY BANCSHARES, INC., IPSWICH IPSWICH STATE BANK, IPSWICH	54,637	54,637
14.LEACKCO BANK HOLDING CO., INC., WOLSEY AMERICAN BANK & TRUST, WESSINGTON SPRINGS	605,651	605,274	45.BELLINGHAM CORP., SIOUX FALLS STATE BANK OF BELLINGHAM,	48,890	48,257
15.FIDELITY CORP., BURKE FIRST FIDELITY BANK, BURKE	364,481	364,466	46.LINCOLN HOLDING CO., CANTON FARMERS STATE BANK OF CANTON	43,278	48,625
16.FIRST SLEEPY EYE BANCORP, INC., SIOUX FALLS CAPITAL BANK, SAINT PAUL, MN FIRST SECURITY BANK - CANBY FIRST SECURITY BANK - SLEEPY EYE, MN	310,500	35,552 68,006 203,689	47.EMERY SECURITY BANCORP, INC., EMERY SECURITY STATE BANK, EMERY	42,587	42,581
17.BIG SIOUX FINANCIAL, INC., ESTELLINE RELIABANK DAKOTA, ESTELLINE	304,685	304,199	48.MENNO HOLDING CO., MENNO MENNO STATE BANK, MENNO	39,255	39,255
18.PHILIP BANCORP, INC., PHILIP FIRST NATIONAL BANK IN PHILIP	274,755	274,204	49.WESTERN DAKOTA HOLDING CO., TIMBER LAKE WESTERN DAKOTA BANK, TIMBER LAKE	35,572	35,572
19.FULDA BANCORP, INC., BRITTON FIRST NATIONAL BANK, SLAYTON, MN	210,654	204,707	50.BRYANT BANCSHARES, INC., BRYANT BRYANT STATE BANK, BRYANT	34,206	32,272
20.PARKSTON INVESTMENT CO., PARKSTON FARMERS STATE BANK, PARKSTON	208,400	206,939	51.SCOTLAND HOLDING CO., SCOTLAND FARMERS AND MERCHANTS STATE BANK, SCOTLAND	28,918	28,918
21.BHCB HOLDING CO., RAPID CITY BLACK HILLS COMMUNITY BANK, N.A., RAPID CITY	184,525	184,280	52.RANDALL BANCSHARES, INC., LAKE ANDES ANDES STATE BANK, LAKE ANDES	25,667	25,667
22.HOWARD CTY. LAND AND CATTLE CO., RAPID CITY CITIZENS BANK & TRUST CO., SAINT PAUL, NE	166,088	163,732	53.H2H BANCSHARES, INC., HOSMER FARMERS STATE BANK, HOSMER	20,234	20,234
23.H & W HOLDING CO., FREEMAN MERCHANTS STATE BANK, FREEMAN	156,866	156,907			
24.MIDWEST BANCSHARES, INC., TYNDALL SECURITY STATE BANK, TYNDALL	153,091	152,811			
25.M & H FINANCIAL SERVICES, INC., MILLER QUOIN FINANCIAL BANK, MILLER	151,356	150,809			
26.BEULAH BANCORP, INC., SIOUX FALLS FIRST SECURITY BANK - WEST. BEULAH, ND VALLEY BANK AND TRUST, MAPLETON, IA	150,914	72,724 75,191			
27.COMMERCIAL HOLDING CO., WAGNER COMMERCIAL STATE BANK OF WAGNER	150,425	149,682			
28.ELKTON HOLDING CO., ELKTON BANKSTAR FINANCIAL, ELKTON	134,819	134,819			
29.FIRST STATE BANKING CORP., ALCESTER STATE BANK OF ALCESTER	120,001	119,900			
30.LEWIS BANSHARES, INC., SIOUX FALLS FIRST STATE BANK, ARMOUR	113,470	113,139			
31.MERCHANTS HOLDING CO., SIOUX FALLS MERCHANTS BANK, RUGBY, ND	112,203	110,797			

Source: Regulatory financial reports filed by bank holding companies and banks, data as of Dec. 31, 2015.
*Dollar amounts in thousands

October 3-4, 2016

**Minneapolis Airport Marriott Hotel,
Bloomington, Minn.**



DECISION 2016

Choose to Thrive

Of all the decisions you have to make, none is more important than the decision you make about your future. The Bank Holding Company Association Fall Seminar will give you the information and inspiration you need to choose to thrive. Despite the challenges and headwinds, you can choose to make the most of the opportunity in your marketplace, so that you, your staff, shareholders and customers all thrive well into the future.

We are bringing in some of the nation's leading industry and business experts. Consultants **David Furnace** and **Lynn David** team Monday afternoon to open with practical counsel for reducing expenses and increasing revenue. **Joe Calloway**, who has made a career of taking businesses to the next level, will help bankers clarify their distinguishing assets so they can focus on the things that make them most competitive. And **John Blanchfield** focuses on agricultural loans, offering insights that will help you make the most of this important asset class, whether you work in an ag bank or intend to acquire ag assets.

Our breakout sessions tackle topics such as captive insurance companies, cybersecurity and contract negotiation essentials. In addition, a former banker will share her 18-year experience starting, running and selling a bank.

Our fast-paced program concludes with a free-wheeling discussion of industry issues with **Neel Kashkari**,

the new president of the Federal Reserve Bank of Minneapolis. Kashkari will offer comments based on his varied experiences, but will field questions to lead a dialogue that is certain to bring to light observations from across the issues spectrum.

As a bonus, BHCA has teamed with **Performance Trust University** to offer a special pre-seminar education session called "MoneyBall for Bankers and the BHCA." This intense program will help you rethink bank profitability. Real world case studies will be used to help attendees develop the best framework for making decisions that will dramatically improve your bank's performance. *See page 17 for details.*

We conclude with our à la carte event at the Chanhassen Dinner Theatre, where we will enjoy the timeless classic, **Camelot**.

Register today online at www.theBHCA.org or by filling out the form in this brochure and returning it with your check. Be sure to bring along colleagues from your senior management team and board of directors. If you are coming in from out of town, be sure to make your hotel reservation by Sunday, Sept. 11 to get the best rate at the Marriott.

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

2016 Fall Seminar Agenda

MONDAY, OCTOBER 3

2:30 to 3:00 p.m.
Registration

3:00 to 4:00 p.m.
"Strategies to Win the War for Customers and Profitability"

David Furnance, CEO of Haberfeld Associates, is a former community banker who will describe how successful institutions sell more products to more people. He will explore winning strategies to capitalize on competitive advantages, expand market share, monetize the customer base and segment for maximum profitability.

4:00 to 5:00 p.m.
"Branch Profitability: A Key to Unlock Your Efficiency Ratio"

Lynn A. David, CEO of Community Bank Consulting Services, Inc., will explain how branch profitability can be enhanced by both increasing income and decreasing expenses. Income will improve with additional customers and more relationships per customer. Expenses will decline with decreasing hours and appropriate staffing. Building the best model will generate the most effective income.

5:00 to 6:15 p.m.
Reception

6:15 to 7:00 p.m.
Dinner

7:00 to 8:00 p.m.
"Next Stage Communication"

Stevie Ray, founder and executive director of Stevie Ray's Improv Company, is a renowned corporate entertainer and educator. In this dynamic program, bankers will learn simple steps that will take your communication skills to the next level, improving lives and organizations. Demonstrating techniques for "whole brain thinking," Ray will describe the "steps of persuasion" designed to inspire action.

TUESDAY, OCTOBER 4

7:30 to 8:30 a.m.
Registration/Breakfast

8:15 to 8:30 a.m.
BHCA annual meeting

8:30 to 9:30 a.m.
"Be the Best at What Matters Most"

Joe Calloway, author, consultant, and executive in residence at Belmont University's Center for Entrepreneurship, helps great companies like yours get even better. This presentation will encourage listeners to clarify what's really important, what their priorities should be, and what actually drives results in today's marketplace. When you focus on creating value for customers, it cleans out the noise, brings a team together, and drives positive results.

9:30 to 10:30 a.m.

"Agricultural Credits in the 21st Century Community Bank Portfolio"

John Blanchfield, president of Agricultural Banking Advisory Services, will describe the challenges facing banks with significant agricultural assets on their books. He believes agriculture will continue to be a top performing asset; there are important features of this unique asset class, however, that merit particular attention. Blanchfield surveys the landscape, giving you plenty to think about if you own an ag bank or are considering purchasing one.

10:30 to 10:50 a.m.
Break

10:50 to 11:20 a.m.
Round 1 of breakout sessions

11:30 to noon
Round 2 of breakout sessions

Each breakout session will be presented twice:

"Banker's Odyssey: From Private Bank's 1996 start-up to its 2014 sale"

By co-founder and president Vicki Turnquist

"Why More Bank Holding Companies are Setting Up Captive Insurance Companies"

By James Sheriff, Reinhart Boerner Van Deuren, and Josh Miller, KeyState Captive Management

"What Directors Need to Know About Cybersecurity"

By Bryan Freeman and Mark Dietzen, Lindquist & Vennum

"Contract Negotiation Essentials for the Bank CEO"

By Sherry Jessen of CliftonLarsonAllen

12:15 to 1:00 p.m.
Lunch

1:00 to 2:00 p.m.
"View from the Fed"

Neel Kashkari, president of the Federal Reserve Bank of Minneapolis since the beginning of the year, will share his thoughts on monetary policy, the general economy, the potential of public policy, and the opportunity to make a difference. Kashkari will describe the Minneapolis Fed's initiative on seeking transformational solutions to end Too Big To Fail. Kashkari, who ran the Trouble Asset Relief Program in 2008 and ran for governor of California in 2014, will take questions in an open-ended dialogue with attendees.

2:00 p.m.
Adjourn

Tuesday evening
Dinner and Show

2016 Fall Seminar Agenda

PRE-SEMINAR EVENT MONDAY, OCTOBER 3

MoneyBall for Bankers and the BHCA

Performance Trust University is conducting a special pre-seminar educational session at the Minneapolis Airport Marriott Hotel. Learn the decision framework that will lead to answers that may dramatically improve your franchise. Here's the schedule:

7:30 a.m.

Registration and Breakfast

8:00 a.m.

The Science of Winning an Unfair Game, part 1

Rich Berg, CEO

9:30 a.m.

Break

9:45 a.m.

The Science of Winning an Unfair Game, part 2

Rich Berg

11:00 a.m.

Lunch

11:30 a.m.

Total Return Portfolio Management

Phil Nussbaum, Chairman & Co-Founder

12:30 p.m.

The Finance of Banking

Phil Nussbaum

2:00 p.m.

Closing & Questions

There is no additional fee to participate in this informative pre-seminar event. Reserve your place by indicating your interest on the reservation form.

Join your BHCA colleagues for a night out at the *Chanhassen Dinner Theater*

Conclude your Fall Seminar experience with a night out at the theater. On Tuesday, Oct. 4, we will travel roundtrip by coach from the lobby of the Minneapolis Airport Marriott Hotel to the Chanhassen Dinner Theater to see a great American Musical Theater classic, Camelot!

Come along to the idyllic kingdom of Camelot. Revel in the rich, deeply romantic legend of King Arthur and his beloved Queen, Guenevere. Celebrate the dashing Sir Lancelot, the gallant Knights of the Round Table, the mystical wizard Merlin and the Lady of the Lake from the mists of Avalon.

Beyond the romance, noble quests and magic spells there are twisted plots, inner demons and betrayal – all threatening to snuff out Arthur's dreams to build the greatest kingdom ever known – one where true justice and compassion reign supreme. The ideals of Camelot are ones we long for in our own day, making Camelot a hopeful legend for all time.

Written by Alan Jay Lerner and Frederick Loewe (My Fair Lady, Brigadoon), Camelot is a multi-Tony Award-winner, including one for Best Musical Score. Camelot is based on the King Arthur legends found in T.H. White's novel The Once and Future King.

This is a great outing for your entire board of directors or senior staff! Bring your spouse and your colleagues. It's a fun night out with games on the coach, time for drinks and visiting before dinner, a great meal and a fantastic show.

2016 Fall Seminar Sponsors include:

LINDQUIST

Bell Bank

Fredrikson
& BYRON, P.A.

BARACK FERRAZZANO

Financial Institutions Group



PERFORMANCE TRUST
CAPITAL PARTNERS

EideBailly
CPAs & BUSINESS ADVISORS

RSM



CliftonLarsonAllen

HTG
architects

Bank Holding Company Association

Fall Seminar Registration ~ Oct. 3-4, 2016

Personal Information:

Name _____

Company Name _____

Address _____

City _____ State _____ ZIP _____

Phone _____

Email _____

Guest Name(s) _____

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

REGISTRATION OPTIONS:

Monday, Oct. 3 – Seminar, Reception, Dinner and Program

Fee Schedule Per Person:		Number	Amount
Members and Associate Members:	\$100	_____	_____
Outside directors from member institutions:	\$75	_____	_____
Non-members:	\$175	_____	_____

Tuesday, Oct. 4 – Seminar

Fee Schedule Per Person:		Number	Amount
Members and Associate Members:	\$250	_____	_____
Outside directors from member institutions:	\$150	_____	_____
Non-members:	\$375	_____	_____

Tuesday evening at the Chanhassen Dinner Theater

	Number	Amount
Includes transportation, dinner and one ticket to <i>Camelot</i>	\$125	_____

Membership dues, if applicable

Annual dues for new members only: _____

Total amount enclosed: \$ _____

I plan to attend the **"MoneyBall"** pre-seminar event _____yes _____ no

Please indicate dietary restrictions here: _____

For overnight hotel reservations, contact the Minneapolis Airport Marriott Hotel direct at 952-854-7441. The room rate is \$146 per night if you register before 3 p.m., Sunday, Sept. 11. The cost of the meals, entertainment and breaks included in the registration fee for this meeting are estimated at \$50 for the Monday evening session and at \$95 for the Tuesday seminar session. This information is provided for your tax records in keeping with IRS deductibility provisions. By registering, you authorize the BHCA to use your photo and/or video image for promotional purposes. 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

**ONLINE REGISTRATION
AVAILABLE AT
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 2017 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**

The BHCA: A unique value

- ✓ **Bank owners**
- ✓ **Presidents & Senior Officers**
- ✓ **Directors**



If you are a bank owner, or expect to be one down the road, 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 unbeatable value.

SEMINARS

Members receive discounted registration rates 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, such as succession planning, tax issues, merger and acquisition preparation, legal/accounting issues and more.

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.



NETWORKING

Get access to other owners, decision-makers.

One of the most valuable features of our 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 and decision-makers from across the Upper Midwest.

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.

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.

Bottom-line Impact...

"At the October 2008 seminar, one of the break-out 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.

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

BHCA presents: **Director's Series WEBINARS** November 2016

Insights into Capital Planning

November 3

Presented by CliftonLarsonAllen

Top Legal Issues Affecting Banks and How to Prepare

November 10

Presented by Lindquist & Vennum

Bank Secrecy Act Training

November 17

Presented by RSM

**BHCA members can
purchase a Series Pass
for all three of the
Directors' Series
presentations for \$139!**

- Each webinar is just \$59 for members, \$99 for non-members.
- All webinars are on Thursdays; they all start at 10 a.m. central time and run for 60 minutes.
- Webinars are recorded and available to registrants to listen again after initial presentation.

These webinars are ideal for owners, senior officers, managers and others working with bank holding companies and banks. The Bank Holding Company Association is devoted exclusively to education related to bank ownership and holding company issues.

Register online at www.theBHCA.org

Questions? Call us at 952-835-2248 or 1-800-813-4754

