

theBHCA.org — Spring 2022

Bank Owner

Bank Holding Company Association Magazine



Expectations for Success

Spring Seminar focuses
on family-owned banks, technology

Board Governance is your bank's guiding light

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The Bank Holding Company Association exists to provide education and business connections critical to the vitality of bank holding companies.

Founded in 1981, the BHCA 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 *Bank Owner* magazine is the quarterly publication of the BHCA. The magazine is your best source for BHCA information, including upcoming events. Members receive the magazine in the mail and have access to an online version at theBHCA.org. Managing Director Tom Bengtson serves as editor. Contact him at (952) 835-2248 or 1-800-813-4754 or email us at info@thebhca.org.



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Bank Owner

Spring 2022

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Gratitude emerges from banking career, opportunities through BHCA

Having been active in the Bank Holding Company Association for many years, and starting my sixth year on the Board of Directors, I am so pleased to have the opportunity to serve as your president. Started in 1981, the BHCA has a great history of pulling bankers and bank owners together for education and networking. It has been really exciting to see the association grow, especially through the pandemic to welcome new members.

We are planning two great Twin Cities events for 2022 and I hope you will attend both the Spring Seminar, May 5-6, and the Fall Seminar, Oct. 2-3. You will find a great description of our Spring Seminar plans, along with registration information, in this issue of *Bank Owner*.

I have been in the banking industry for more than 40 years. My wife Marci and I have three children, and eight grandchildren. Without going into all the details of my career, let me share a few of the highlights.

I went to Concordia College in Moorhead, Minn., and after college I took my first job at First National Bank of Walker, which is owned by the Elsenpeter family. Perhaps foreshadowing, they are BHCA members today. After two years in Walker, I went to work for my uncle, Dick Solberg at State Bank of Fargo, which today is Bell Bank. I loved working for Dick, and learned many of the banking philosophies I use today.

In 1996, I was offered the job of President and CEO of First State Bank of Cavalier, N.D. (now United Valley Bank). Over the years, we grew that organization from \$44 million in assets to \$435 million and went from one location to nine. I presently still serve on the United Valley Bank Board of Directors.

Cavalier is a great community, but one thing my partners and I realized was that the local economy wasn't growing. But we knew our fixed costs at the bank were increasing. We understood we needed to grow to offset the expenses and developed a strategy of branching and acquisitions. Over the years, we branched into Grand Forks, N.D., and purchased banks throughout northern Minnesota including Argyle, Lancaster, Mahanomen, Hallock, Twin Valley and Crookston. Each acquisition had its own story.

I also thought about the Twin Cities. Should we put a branch there? Minneapolis and St. Paul were thriving. But I had to be realistic and came to understand that without some experience in that market, it would be risky. So I set out to learn about the market by investing in a bank in Stillwater, Minn., called Eagle Valley Bank. I joined its Board of Directors and learned the market. The great recession hit shortly after I joined the board. We survived but it was a very challenging time. We acquired First Resource Bank of Lino Lakes in 2017 and took the First Resource name.

My son Aaron received his law degree from the University of North Dakota. After law school, Aaron worked for the FDIC as an examiner for four-and-a-half years. He knew he wanted to work for a bank and in 2013 he joined the staff at Eagle Valley Bank. In 2016, we put together a transition plan, where Aaron would join the Board of Directors. He was named President in 2018. At the time Aaron was named President, I had the opportunity to join the bank as its CEO.

As I looked at my banking career, my wife and I decided there was not a better way to finish the final chapter than working alongside my son. At the end of 2019, I resigned as President



By Tim Siegle
Ameri Financial Group, Inc.
Lino Lakes, Minn.

President's Observations, Continued on page 12

2022 BHCA BOARD OF DIRECTORS

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Spring Seminar to focus on family-owned banks, technology

Registration for the Spring Seminar is now open, and I hope you will go to our website and register today. Or, if you like, fill out the form in this edition of *Bank Owner* and mail it in with your check. We have a fantastic Spring Seminar planned and the only thing that could make it better is if you attend!

The theme for the May 5-6 event is Expectations for Success. These are challenging times but there is still great opportunity and bankers who work at it really can expect excellent results. We are devoting the first day of the seminar to family-owned bank issues. Our education will focus on ways family-owned banks can leverage their franchise and make the most of their unique ownership situation. I am especially excited about the panel we will be presenting featuring representatives from four great family-owned institutions. If past seminars are any indication, sometimes the best information comes from other bankers.

The second day of the seminar is devoted to technology. The spotlight will be on our “tech showcase,” presented by Bank Venture, which gives community banks the opportunity to invest in thoroughly vetted tech companies that have a connection to community banking. Our showcase will feature Adlumin, which focuses on cybersecurity, NYDIG, which helps community banks offer digital currency to its customers, and Modus, a middleware software solution. Reps from these companies will quickly explain the problems they are solving in the community banking space. Whether you are highly versed in tech issues or you avoid tech at all costs, this will be your opportunity to get your questions answered about technology in the community banking echosphere.

The seminar features four highly-sought-after speakers; we are unbelievably fortunate to get them all in one event. First, is speaker Sean Payant of Habersfeld, the consulting firm that specializes in community banking. If you attended the Acquire or Be Acquired conference or the ABA Community Bankers Conference earlier this year, you likely heard Sean share thought-provoking insight about how to serve your customers better and make more money in the process. Second, we have luncheon speakers Kathryn Pearson (May 5) and Elliott Eisenberg (May 6). Kathryn, a University of Minnesota Associate Professor, handles politics, while Elliott addresses economics. Both will provide timely updates. And, finally, our after-dinner speaker on May 5, will share leadership ideas based on his experience as a former member of the U.S. Olympic Bobsled Team.

I am so thrilled that several of our BHCA Associate Members are contributing to the general session presentation stage, including BKD partner Damien Martin speaking on family-owned bank issues; a trio from CliftonLarsonAllen expanding

on a recent OCC warning to Guard Against Complacency; an SOB (Son of a Banker) from Performance Trust who will share investment insights; and Wipfli’s Marcie Bomberg-Montoya sharing her cryptocurrency expertise. Plus, we have breakout sessions set to address topics such as artificial intelligence, treasury management and tips for developing a marginal cost structure.

One of the stars of the Spring Seminar is likely to be the venue, the brand new Omni Viking Lakes Hotel in Eagan, Minn. This is a luxurious hotel, beautifully designed for an event of our size. It is located next to the Minnesota Vikings Football training facility, which includes the Vikings Museum. After we conclude early Friday afternoon, you are highly encouraged to take in the museum. If you are a Vikings fan, you will appreciate the unique collection of memorabilia.

Also, we are bringing back the seminar dinner. On Thursday, we will conclude our day with a reception, and a sit-down dinner, followed by our speaker. It has been a while since we have had a dinner and I think you will find this to be a relaxing event. If you like, invite a guest to join you. We expect the meal to be excellent and the speaker to be memorable.

We are very excited about planning an in-person event. As of this writing, the pandemic is weakening and prospects look positive for our early May meeting. Of course, we will monitor the situation and adjust accordingly, if necessary. Regardless, your safety is our chief concern and we will take steps to mitigate any risks.

Please register today by going to our website at www.theBHCA.org. Plan to bring your spouse to the dinner. You might also find that our program is suitable for your senior leadership team. We have registration options that allow for one-day registrations and for some individual meals.

Lessons from Phoenix

I attended the Acquire or Be Acquired conference in Phoenix earlier this year. The attendance was strong, which I found reassuring given where we are in the pandemic. People seem eager to get together again. With no ABOA conference in 2021, perhaps pent-up demand fueled attendance this year. The value of personal connections is not lost on bankers.

As with almost all conferences and seminars I attend, I



By Tom Bengtson
BHCA Managing Director



AGENDA ITEM NO. 1: GOOD GOVERNANCE

***Your board of directors is the bank's guiding light.
Here's how to make the most of it.***

By Phil Davies

Executive sessions have become a regular thing for the board of Bank Midwest in Spirit Lake, Iowa. These end-of-meeting confabs might be more accurately called non-executive sessions; inside directors and other bank employees must leave the room to let the outside directors — including a veterinarian and a university professor — discuss bank affairs among themselves. Nine times out of 10 the outside directors have nothing to address that wasn't covered in the regular portion of the meeting, said board Chair Becki Drahota, herself an outside director whose day job is heading a communication and marketing firm. “But it gives people the opportunity, if they have issues, questions or challenges that may be sensitive, to have a very candid conversation in a timely manner.”

Holding executive sessions is one way that Bank Midwest, a \$1.2 billion community institution with locations in Iowa, Minnesota and South Dakota, practices sound governance — an essential ingredient of success for any community bank, whether large or small, closely or widely held. Thriving banks depend on their boards of directors for clear-eyed guidance in setting policies and pursuing strategies that create value for shareholders while serving customers and the community.

Just as banks must adapt their strategic goals and operations to changes in local business conditions, the broader economy and consumer preferences, governance must also evolve in order to effectively oversee management and protect the interests of shareholders. “Right now a lot of organizations are stepping back to look at their structure and asking, ‘how can we enhance or improve it?’” said Karen Grandstrand, who heads the banking practice at the

Fredrikson & Byron law firm in Minneapolis. Grandstrand is a corporate governance expert.

Bank Owner spoke to governance advisers and community bank leaders about how banks can make the most of their boards—best practices for nominating directors and tapping their collective wisdom to chart a course for prosperity and growth.

Outside looking in

One of the biggest changes in the governance of community banks and their holding companies (in the case of a one-bank holding company, the directors of parent and bank are usually the same people) is the prominence of independent voices. Independence—the idea that outside directors hold BHC and bank management accountable by asking questions and challenging the status quo if necessary—has always been a bedrock principle of governance. But over the past two decades many community banks have followed the lead of large, publicly held banks in emphasizing the role of outside directors on their boards.

Traditionally community banks invited large commercial customers to join their boards, often with the expectation that they bring in new business. Today forward-looking institutions look for candidates who aren't necessarily customers but have connections in core business lines or new market segments where opportunity beckons. And they seek directors with specific talents and perspectives that can help their bank meet the myriad challenges facing financial institutions, from M&A to workforce development, virtual banking and cybersecurity.

Agenda Item No. 1, Continued on page 11

2022 SPRING SEMINAR

EXPECTATIONS FOR SUCCESS

OMNI VIKING LAKES HOTEL EAGAN MINN.
THURSDAY-FRIDAY MAY 5-6



The Bank Holding Company Association Spring Seminar is designed to help bankers in community-oriented institutions make the most of their potential. We have invited leading industry experts to discuss ways to make the most of the community bank franchise. Family-owned institutions get the spotlight in our May 5-6 event, with insights from a panel of bankers in family-owned banks who will share first-hand experiences and best practices.

We will also take a practical look at strategies for maximizing profitability without compromising on service. In addition, the seminar will offer perspectives on investment

strategies and compliance management. As a bonus, our luncheon speaker will survey the political landscape, offering thoughts on what to expect from the upcoming midterm elections.

Day two of our event at the fabulous Omni Viking Lakes Hotel in Eagan, Minn., is devoted to education about technology. A tech showcase will introduce participants to three leading edge fintechs, focused on cybersecurity, digital currency and middleware. Whether you are looking to purchase a fintech solution or invest directly in a fintech company, our showcase will open new possibilities for your bank.

Our Spring Seminar closes with the highly entertaining

“Bowtie Economist,” Dr. Elliot Eiseberg. He will present economic reality in the context of current events that you are certain to find both useful and thought-provoking. Throughout the event, we have breakout sessions, great opportunities for networking, and we are bringing back the Thursday evening dinner, where a former U.S. Olympian will share thoughts on leadership.

We are planning a truly spectacular event. We hope you will attend with your entire senior leadership team and board of directors. Plus, we invite you to bring your spouse, who is sure to enjoy the food and presentations at the lunches and dinner.

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BALLARD SPAHR | UNITED BANKERS BANK | RSM
MALZAHN STRATEGIC | COUNTRY CLUB BANK | PRIMAX | UMB

2022 SPRING SEMINAR AGENDA

Thursday, May 5

9:10 am

Welcome and opening remarks

By Tom Bengtson, Managing Director, BHCA

Stacking the Deck in Your Favor: Secrets to High Performing Banks

By Dr. Sean Payant, Haberfeld

What do high-performing banks do differently? Where do they put their focus? Do they perform better in every category...or do they actually underperform in certain categories in order to dramatically outperform in others? We define high-performing banks as those that have achieved the top 5 percent on ROE for five consecutive years. During our session, we will evaluate the data from banks that made the cut. How do they derive this extraordinarily high level of performance? The answers might surprise you.

BREAK

Solutions for the Family-Owned Bank

By Damien R. Martin, CPA, Partner, BKD Private Client
It's been a busy and turbulent couple of years amid the global pandemic and economic uncertainty. Have you checked in on what all of the recent developments might mean for your tax and succession plan? Join us for a discussion on recent tax law changes and how the current environment is impacting decisions to structure as an S corporation or a C corporation, merger and acquisition activity, and more.

Noon

LUNCH

Surveying the Political Landscape

By Kathryn Pearson, Associate Professor,
Department of Political Science, University of Minnesota
Pearson connects the dots between current events and political developments, including what's going on in Washington, what to look for in upcoming elections, women and politics, and partisan polarization. This timely presentation will set the stage for this fall's midterm elections.

Family-Owned Bank Panel

By Craig Larson, Starion Bank, Bismarck, N.D.
Rick Wall, Highland Bank, St. Paul, Minn.
Doug Farmer, Park Bank, Holmen, Wis.
David Johnson, Reliabank Dakota, S.D.

BREAK

Insights from an SOB (Son of a Banker)

By Brian Leibfried, Partner & Managing Director,
Performance Trust

Having grown up in a bank and worked his way through the ranks, Performance Trust's Managing Director of Client Insights, Brian Leibfried, discusses how the pandemic not only changed the way we work and live but also dramatically changed banks' ability to create a risk-adjusted return. His family business experiences help him see the risks that many banks unintentionally take and show them how to reframe the problems and unveil new ways for making better balance sheet decisions.

Guarding Against Complacency

By Joshua Juergensen, David Heneke and Liz Rider,
CliftonLarsonAllen

In community banking, it's easy to get complacent. We've been very successful historically. We're entrenched in our communities. The business model has always worked. But as we look into the ever-evolving landscape of community banking, it is littered with disruptions. This session will cover topics for future consideration such as growth, strategic planning, disruptor partnerships, and more.

5:00 pm

Reception

6:15 pm

Dinner

Think Like an Olympian

Johnny Quinn, U.S. Olympic Bobsledder

Nothing happens without taking action. Ultra-performers are men and women who find a way to get the job done with the current resources available. Johnny Quinn powerfully simplifies the elite action steps he developed in the Olympics and in professional football to help everyone in your organization become an ultra-performer and win in the marketplace.

8:30 pm

Recess for the evening

SPEAKERS



Sean Payant
Haberfeld



Kathryn Pearson
University of Minnesota



Dr. Elliott Eisenberg
Keynote Speaker



Johnny Quinn
Keynote Speaker

Friday, May 6

7:30 am

BREAKFAST Buffet

FinTech Showcase

By Brandon Oliver, BankTech Ventures

Adlumin | NYDIG | Modusbox

Brandon Oliver will host a fast-paced series of presentations from representatives of three leading fintech: Adlumin which provides cybersecurity solutions to community banks; NYDIG which helps community banks offer cryptocurrencies to their customers, and Modusbox, a middleware solution which helps banks make the most of the data in their core systems. Each presenter will get 15 minutes to describe the problem they are tackling and the solution they are offering. Oliver will explain how community banks can not only use solutions from these companies, but can invest in them as well.

What You Need to Know About Cryptocurrencies

By Marcie Bomberg-Montoya, Principal, Wipfli

Cryptocurrencies and Digital Assets are all the buzz. Cut through the hype and hear about the many ways financial institutions are finding their way in this rapidly changing landscape, regardless of risk appetite, size and expertise.

Breakout Sessions

11:00 to 11:45 am

Session 1

Digital to Future-Proof Your Lending Business

By Justin Bjerkaas, Micah Group

Lending is highly manual, expensive to scale, and prone to human error. Artificial intelligence and digitization are helping bankers scale and stay ahead of the competition.

Session 2

Increase Non-Interest Income by Increasing Your Treasury Management Customer Penetration

By Marci Malzahn, President & Founder, Malzahn Strategic

Treasury Management is one of the top income opportunities for community banks. In this session, you will gain a deeper understanding of how the most popular Treasury Management products and services bring value to your business clients and how to focus on “value versus features.” We will cover the ideal organizational design for Treasury Management and how to incentivize the sales team.

Session 3

Developing a Marginal Cost Structure

By John Biestman, Federal Home Loan Bank of Des Moines

What will impact the cost of your deposits going forward: The end of a zero interest rate policy? Reallocations of deposit dollars? Either way, you'll need to assess your cost of funds by looking at how much it costs to fund your bank at the margin — taking into account the impact on your total funding costs for each increment of funding. This session will review marginal cost analytical tools that can help sensitize cannibalization assumptions, deposit rates, new funding balance objectives and other variables.

Session 4

Don't be Victimized by Payments Fraud

By Cailin Houlton-Kuntz

You can minimize the effects of payments fraud on your bank. Leveraging the personalized customer service and agile responsiveness of a community bank, plus advances in technology and security procedures best practices will help you combat wire, ACH and check fraud schemes.

Noon

LUNCH, served

The Economic Forecast and the Unintended Consequences of Government Regulation

By Dr. Elliott Eisenberg, economist

Dr. Eisenberg discusses how GDP will perform, what interest rates will do, how the labor market will behave, how much firms will spend, how the residential housing sector and real estate in general will perform and how a whole host of other economic variables (including incomes, auto sales, savings rates, energy prices, exports, government spending and so on) are bound to impact the economy this year (no sugar coating), and why! Dr. Eisenberg will also comment on the often unfortunate consequences of excessive government intervention.

2:00 pm

Adjourn

Plan to stay in order to visit the Vikings Museum
(Separate admission fee charged.)

EXPECTATIONS FOR SUCCESS

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Location

Omni Hotel & Resorts
Viking Lakes | Minnesota
2611 Nordic Way,
Eagan, MN 55121

To make your reservations,
please contact the hotel
directly at (651) 689-9800

Book your room today to
lock in our special rate by
Monday, April 18, 2022!

Name _____

Company Name _____

Address _____

City _____ State _____ Zip _____

Phone _____ Email _____

Guest Name(s) _____

Please indicate dietary restrictions here: _____

FULL SEMINAR:

	Number	Amount
BHCA Member	\$500 _____	_____
Non-Member	\$750 _____	_____

SINGLE-DAY:

		Number	Amount
Thursday ONLY (May 5)	Members	\$350 _____	_____
	Non-Members	\$500 _____	_____
Friday ONLY (May 6)	Members	\$300 _____	_____
	Non-Members	\$400 _____	_____

A LA CARTE OPTIONS:

		Number	Amount
Thursday Reception and Dinner ONLY	Members	\$150 _____	_____
	Non-Members	\$250 _____	_____
Friday Lunch ONLY	Members	\$75 _____	_____
	Non-Members	\$125 _____	_____

TOTAL AMOUNT ENCLOSED: \$ _____

Mail Registration to:

Bank Holding Company Association

945 Winnetka Ave. N., Suite 145, Minneapolis, MN 55427

 Or Register online at www.theBHCA.org. Need more info? Call **952-835-2248**

The cost of the meals, entertainment and breaks included in the registration fee for this event are estimates at \$100 for Thursday, and \$80 for Friday. This information is provided for your tax records in keeping with IRS deductibility provisions. By registering, you authorize the BHCA to use your image for promotional purposes. Cancellation Policy: Due to commitments and expenses, all cancellations after April 15 will be subject to \$75 processing fee. We regret that no refunds will be given after April 22, 2022; however, substitutes are welcome anytime. The BHCA assumes no liability for any nonrefundable travel, hotel or related expenses incurred by registrants. Cancellations or substitutions must be made in writing to Tom@theBHCA.org.

Agenda Item No. 1, Continued from page 6

“The whole organization has been very intentional about what it is that we need,” said Drahota of Bank Midwest. “What are we missing? Is there a key line of business that is not represented on the board? Is there a thought leader who isn’t represented? Is there an industry that we need to better understand?”

Ten of Bank Midwest’s dozen directors are outsiders. One heads a bulk fuels and transport firm; another is a veterinarian serving hog farms—a key constituency of the ag-focused bank. Another, a computer scientist at an Arizona university, joined the board to advise on bank data security.

Similarly, First State Bank and Trust, a \$350 million community bank headquartered in Bayport, Minn., has outside directors on its board from different walks of life in communities up and down the St. Croix River Valley. “We try to find a balance between shareholder representation, community connection and skill set,” said CEO Jason Howard, the only insider on the board. Most directors own stock in the widely held bank, but rainmaking is optional: “We don’t put any business development requirements on our board members. All we ask is that they take an active role in the community and positively promote the organization.”

Electing women and racial minorities to bank boards has become a higher priority in recent years. A survey last year of bank board best practices by *Bank Director* magazine found that almost 60 percent of respondents—CEOs and chairs of small- to mid-sized banks—view diverse boards as beneficial. More women have gained entry to the boardroom—in addition to Drahota, five women sit on Bank Midwest’s board—but recruiting qualified candidates of color has proven difficult, especially outside metro areas. The lone minority director of a community bank in southern Wisconsin racks up frequent-flier miles attending board meetings; he lives in Texas.

A call to order

No matter how well constituted, no board can function without support from bank owners and management. Close attention to how the board interacts with the C-suite and conducts its business makes for better governance and can curb frustrations that may lead to poor decisions and director burnout.

Trust and candor in the boardroom is essential; the CEO and other inside directors must respect the right of independent directors to dissent from the majority view, and freely share information about the bank’s finan-

cial standing, major risks and strategies. “We’re really transparent with our board,” said Todd James, CEO and chair of the holding company for Blackhawk Bank, a \$1.3 billion institution based in Beloit, Wis. “We don’t go in there trying to spin a narrative...if I’ve got bad news I tell them right away.”

As at Bank Midwest, executive sessions provide a forum for airing outside directors’ views out of management’s earshot, and outside directors on the audit committee have the opportunity to meet privately with Blackhawk’s third-party auditor.

Effective boards have a robust committee structure that delegates oversight of spheres of bank operations to smaller teams of directors with the requisite expertise. Getting down in the weeds at the committee level allows the full board to focus on overarching bank policy and strategy, says Kevin Schalk, a partner in the Milwaukee office of Baker Tilly, a national accounting and advisory firm. “Everybody on the board can’t know the same stuff; there’s no time. You’ve got to have these committees where one or two people on the board can really dive into those details. They become experts in that area and then can report high-level to the rest of the board.”

The FDIC requires community banks with assets of \$500 million or more to form a board audit committee. Bank boards typically form additional committees to oversee lending, regulatory compliance, risk management and other areas of operations. First State has an executive committee in charge of recruiting new directors and shareholder relations. At United Bank & Trust, a community bank with nine Kansas locations, the entire eight-person board sits on a committee dedicated to mapping the bank’s future. Recently the strategic planning committee has grappled with leadership succession—“a very important part of what the board should be doing,” said CEO Leonard Wolfe.

Drowning in data is an occupational hazard of board service at banks. Michael Flaxbeard, a director at BKD CPAs & Advisors, a national financial consulting firm, has witnessed directors distractedly flipping through hundreds of pages of documents in board and committee meetings. “It becomes ineffective in a hurry.” He says the onus is on management to prioritize and condense financial documents, staff reports and other information to help directors quickly grasp key facts about the condition and operations of the bank—hopefully making meetings shorter and more productive.

Bank Midwest prepares a “guided agenda” for board meetings that points directors to the relevant must-

Agenda Item No. 1, Continued from page 11

read sections of management reports. “We’re trying to stay very focused on what you need to read to be up to speed at the meeting,” Drahota said.

Keeping things interesting

Community bank boards take pride in their collegiality—a feeling of mutual trust and respect that stems from shared responsibility for the welfare of the institution. But over time—in *Bank Director’s* best practices survey the median length of board service was 12 years—directors can become complacent and subservient to management, weakening oversight and exposing the bank to risk. “The longer you serve on the board with the same people, particularly if things have been going just fine for a long period of time, the easier it is to fall into the trap of going with the flow,” said Patrick Neuman, a banking attorney with the Boardman Clark law firm in Madison, Wis.

Holding board elections annually or every few years can help to keep directors on their toes and open the door to new blood. Blackhawk’s 12 directors serve staggered three-year terms, but must step down when they reach 70. At that age “it’s just time,” said chair and CEO Todd James. “It creates an opportunity to bring somebody else on the board.”

And continuing education for board members is crucial. An onboarding process at banks is standard to familiarize new directors with bank operations and ensure that they understand their fiduciary duties and other governance fundamentals (such as the personal liability that goes with the post—good bank D&O insurance goes a long way toward allaying any concerns). But many community banks strive to educate board members throughout their tenure

to feed their curiosity and impart new skills.

First State board meetings have featured talks by bank officers or outside consultants on the bank’s strategic marketing and community involvement efforts, bank regulations, cybersecurity and other timely topics. Bank Midwest hosts similar “deep dives” at least quarterly, Drahota said. Both banks cover the expenses of directors who attend conferences sponsored by state banking associations and national organizations such as the BHCA.

Annual assessments are another tool to keep boards at the top of their game. In the past few years, 360 reviews and self-assessments have come into vogue at banks as a way to gauge the mettle of directors and their commitment to the job. Board members anonymously rate each other, and at some banks directors are given the opportunity to reflect upon their own performance. “It’s really important, and very valuable for the individual,” said Schalk of Baker Tilly. “You’ve got to ask yourself, ‘am I doing what I was asked to do, or are there ways for me to improve?’”

Bank owners could ask themselves the same question in regard to governance. When it comes to the bank’s performance, attention usually focuses on senior management. But the board, the institution’s guiding light in good times and bad, warrants at least as much duty and care. “Good governance is rule one,” Drahota said. “The board’s responsibility is to stay in its lane, to not manage from the boardroom, but to provide leadership, and the insights and skills needed to help the bank move forward in creating shareholder value. That’s what we do.” ■

Freelance economics and business writer Phil Davies is a former editor with the Federal Reserve Bank of Minneapolis.

President’s Observations, Continued from page 4

and CEO of United Valley Bank and in January of 2020, I became the CEO of First Resource Bank. I have really enjoyed working with Aaron and am extremely optimistic about the direction of the bank. Today, First Resource Bank has about \$350 million in assets.

These are challenging times, but I see a lot of opportunities. I think the Paycheck Protection Program was very important to the economy to keep things going. Today, we are serving people in companies that used that money to weather all the uncertainty of the last two years. I am looking forward to a future marked by growth.

There were key people in my life who helped me, people who showed me the way. I am thankful to my family, who was always

there to show me love and support. There were people who took chances on me, and my career every step of the way. I have been fortunate to work with some of the most talented bankers in the area and I feel grateful for all of them. I also am thankful for my partners, both at United Valley Bank and First Resource Bank and the support they provided me.

I have found the BHCA to be beneficial to me because it provides me an opportunity to connect with other bankers, and to learn from people like you. Hearing from you, learning how you have handled situations, has been so helpful to me. Sharing knowledge is a very important way for all of us to establish our legacy. The BHCA gives us an opportunity to do that.

Best wishes to all of you. I look forward to connecting with you during the coming year. ■

PROTECT AGAINST SPRING STORM DAMAGE RISKS

By Craig Collins, Intact Insurance

With each passing season, community banks face weather-related hazards. With spring just around the corner, banks should prepare for the threat of potentially dangerous storms. While the costliest product of a thunderstorm is hail, the most violent storm is a tornado. According to the NOAA, 2021 was marked by extremes across the United States, including exceptional warmth, devastating severe weather and the second-highest number of billion-dollar weather and climate disasters on record. Last year was an active year for tornadoes, with 1,376 being reported.

As the seasons begin to change, community bankers can take this opportunity to look at measures that could help protect people, buildings and property before a storm potentially causes damage.

Before a Storm

For a community bank, the building's roof is one of the primary causes for concern when a storm arrives. It is the first line of defense against most severe weather. To ensure the roof is in good condition, have it inspected by a reputable professional and make appropriate repairs as needed. If your bank is in a part of the country that sees frequent hail storms, it is worth evaluating the need for a type of roof with a higher impact resistance rating.

Banks should be aware of any other potential property that could be exposed during storms. Assess the property for movable signs, furniture or fixtures vulnerable to hazardous high-winds. By planning ahead, you will know where to store these items if a storm is predicted. Having a severe weather plan in place can help you move quickly and be effective in preventing damage.

Additionally, you should review your community's emergency evacuation plans and communicate them to your employees. Identify where the nearest safe shelter is located, whether on or off your property.

When a Storm Approaches

Monitor the weather to know if any precautionary steps need to be taken if an intense storm is approaching.

In the case of many severe storms, technology typically allows for advance warning, and Doppler Radar can help determine the size of the hailstones. However, tornadoes may appear with little to no warning, so learning the signs of a tornado (hail, calm before the storm, an approaching cloud of debris) can help accelerate making decisions if a storm arises.

Community banks should be aware of the risks to customers and employees who are on the premises when a storm strikes. If you are aware that severe weather is approaching, notify employees of the situation and work with them to calmly inform customers of the pending storm.

In the case of hail, try to cover any outdoor property that could potentially sustain damage from hail. If it is an option, park any vehicles under a carport or in a garage. If the weather becomes so severe that employees and customers need to seek shelter within the bank, know where you can best protect them from the weather. Move everyone to a windowless interior space on the ground floor, or if possible, the basement. The vault may seem like a logical place to seek shelter, but there are issues to be addressed if you consider bringing people into the vault – such as the door locking from the outside, a potential lack of fresh air supply and of course, securing the cash inside. Additionally, a lack of cell phone service within the vault could hamper communication.

In the case of a tornado, follow emergency plans and remember that personal safety is most important. If you must evacuate the property, proceed immediately to a safe shelter and avoid automobiles and the open countryside. If there is no time to reach shelter, the lowest floor or a basement is the safest place to be. Small interior rooms, such as restrooms or closets, are the next option. If possible, shelter should be taken under a sturdy piece of furniture or blanket to protect against flying debris. Most importantly, stay away from windows (which should be closed), doors and outside walls.

Protect Against Spring Storm, Continued on page 14

Protect Against Spring Storm, Continued from page 13

After a Storm

Once the storm has passed, evaluate the property for damage. Use extreme caution when inspecting the property and keep the safety of your customers and employees a primary concern.

Do not enter a building that was affected by a tornado, as structural, electrical and other damage may not be apparent. Be cautious of any electrical equipment that may be damaged or wet, and avoid restoring power until all electrically charged components have been checked. Inspect the foundation and interior for structural damage, and determine whether the walls, ceiling and roof are in place.

After a hail storm, you can judge potential damage to the roof based on the size of the hailstones and the damage to shrubbery and landscaping. If the hailstones are smaller than a ping pong ball, most commercial roofs should escape damage. However if plants have been shredded by the hail, it is a safe bet that there could be damage to roofs or equip-

ment mounted on the roof. Siding, screens and windows could also be affected by hail. Immediately clean up any broken glass from building or car windows, and cover any broken windows with plastic or a tarp. If you notice that hailstones have accumulated in walkways or in parking lots, try to clear a pathway to prevent slips and falls.

Following a storm, it is a good practice to have a contractor examine the building and have damages repaired as necessary. Be aware however, that anyone who goes door to door offering contracting services after a severe storm could potentially be unlicensed and uninsured.

When preparing for spring's severe weather, remember that hail and tornadoes can be violent and costly. When the storm clouds roll in, be sure that your bank isn't caught unaware and unprepared. ■

Craig Collins is president of Intact Financial Services, a BHCA Associate member. He can be reached at ccollins@intactinsurance.com.

Down to Business, Continued from page 5

learned a lot. Let me conclude this column by sharing some of my key takeaways:

1. APIs are enabling third parties to vastly expand the technical capabilities of community banks. By connecting to the bank's core system, smaller tech companies are giving community banks all kinds of bells and whistles to add to their product offerings – things that customers seem to want. Not that long ago, banks seemed captive to their cores, but not these days. Banks have options. Certainly it costs money to do more, but at least the core doesn't necessarily have the final say on what a bank can and cannot do to the extent it did years ago.
2. Technology has become such a significant part of banking that I dare say all banks, regardless of size, need a Chief Technology Officer. These roles have other names, like Chief Digital Officer or Chief Information Officer. But whatever you call this person, a bank needs someone who understands the technological landscape and how the bank fits into that landscape. While this person is tech savvy, they are not the IT person plugging in cables and making sure your desktop computer syncs to your laptop. This is a CEO-type person who sees the big picture and is empowered to make decisions that will have sweeping impact across the bank.
3. In terms of product delivery, it's all about the hand-held device. Customers do their banking on their phone. This is the trend for both the retail business and commercial customers. Retail customers need to be able to initiate a relationship with your bank through their phone, and commercial customers need to be able to maintain a credit relationship that they likely started with a personal

meeting. The branch experience is important, but the digital experience is every bit as important, if not more so.

4. Geography means less and less. Banks that are growing are gathering deposits and/or attracting loan customers online. Some banks even develop online-only brands to complement their traditional brick and mortar franchise. While your office might serve a market made up of everyone located within a 10 mile radius, your bank has the capability of serving a nationwide market, and the most successful banks are figuring out how to do that.
5. Successful banking is an incredible balancing act. Interest rates have been low for a decade and bankers have accepted the low net interest margins that come with that kind of an interest rate environment. Now rates are on the rise, and NIM may grow. But, low and behold, higher rates bring asset quality issues that have been largely non-existent in recent years. Higher rates might mean more margin for bankers, but they also mean borrowers have more to deal with and may be more cautious about seeking credit at all.
6. The credit union-buying-bank trend is for real and it's not going away. Hovde's Curtis Carpenter told us there have been 52 transactions where credit unions bought banks. Last year, credit unions purchased nearly \$6 billion in bank assets. The number of buyers for smaller banks is dwindling; in many cases the only viable buyer is a credit union. Some of the banker associations say they want to outlaw such deals, but I don't know how this helps the owner of a small bank in an isolated market. The public policy issues raised by a tax-exempt organization taking a tax-paying organization off the tax rolls is real, but should be handled by expanding taxation to credit unions, not by reducing the number of potential buyers for banks. ■

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.

- ▷ Bank of Montreal, Quebec, Canada and BMO Financial Corp., Wilmington, Del., filed to acquire BancWest Holding Inc., San Francisco, Calif., and thereby acquire Bank of the West, San Francisco. Following the acquisition, BMO Financial Corp., will merge with BancWest Holding Inc., with BMO Financial Corp being the surviving entity.
- ▷ First Federal Bank of Wisconsin ESOP, Racine, filed to acquire shares of FFBW, Inc, Brookfield, Wis., and to acquire shares of First Federal Bank of Wisconsin, Waukesha.
- ▷ MidWestOne Financial Group, Inc., Iowa City, Iowa, filed to merge with Iowa First Bancshares Corp., Muscatine, Iowa and thereby acquire First National Bank of Muscatine, and First National Bank in Fairfield, Iowa.
- ▷ Daniel Otten, Hayward, Minn., filed to acquire shares of Minnesota Community Bancshares, Inc., Albert Lea, Minn., and to acquire shares of Arcadian Bank, Hartland, Minn.
- ▷ Clarkson Bancshares, LLC, Clarkson, Neb., filed to become a bank holding company through acquisition of Clarkson Bank, Clarkson.
- ▷ Harold Guyon Townsend III, with Sarah F. Rowland, filed to join the Rowland/Townsend Family Group, to acquire shares of Lead Financial Group, Inc., and thereby to acquire shares of Lead Bank, both of Kansas City, Mo.
- ▷ Xinwei Lu, Glen Head, New York and others filed to form a group to acquire shares of My Anns Corporation, and thereby acquire shares of Piqua State Bank, both of Piqua, Kan.
- ▷ Graydon J. Kincaid, Jr., Mission Hills, Kan., filed to acquire shares of Northeast Kansas Bancshares, Inc., and thereby acquire shares of Kendall Bank, both of Overland Park, Kan.
- ▷ Maria Blanca del Valle Perochena, Mexico City, Mexico, and Maria de Guadalupe del Valle Perochena, Mexico City, authorized to become limited partners in MBG Investors I, L.P., Ontario, Canada, and thereby acquire shares of Byline Bancorp, Inc. and Byline Bank, Chicago.
- ▷ CNB Holdings, Inc., filed to become a bank holding company through the acquisition of Community National Bank in Monmouth, Ill.
- ▷ Luminate Capital Corp., filed to become a bank holding company by acquiring American Equity Bank, both of Minnetonka, Minn.
- ▷ Bank Michigan Financial, Brooklyn, Mich., authorized to become a bank holding company by acquiring Bank Michigan, Brooklyn.
- ▷ CUSB Bank, Cresco, Iowa filed to purchase the Waverly and Shell Rock offices of Security State Bank, Springfield, Iowa.
- ▷ Notice filed by the N. Schulte Trust and others to acquire control of Milco Bancorporation, Inc., Iberia, Mo.
- ▷ Ascent BanCorp, Helena, Mont., and others filed to acquire shares of Antler Land Company and thereby to acquire shares of Little Horn State Bank, both of Hardin, Mont.
- ▷ Scott D. Hewitt filed to acquire shares of Dorset Bancshares, Inc., and thereby acquire shares of Northwoods Bank of Minnesota, all of Park Rapids, Minn.
- ▷ The Connor Family Trust and others filed to acquire shares of Northern Wisconsin Bank Holding Company, Inc., Laona, Wis., and thereby acquire Laona State Bank.
- ▷ Old National Bancorp, Evansville, Ind., authorized to acquire First Midwest Bancorp, Inc., and thereby acquire First Midwest Bank, both of Chicago.
- ▷ Entrepreneurs Bancshares, Inc., Bloomington, Min., authorized to become a bank holding company by acquiring a *de novo* bank, EntreBank, Bloomington.
- ▷ First Mid Bancshares, Inc., Mattoon, Ill., authorized to merge with Delta Bancshares Company and thereby acquire Jefferson Bank and Trust Company, both of St. Louis, Mo.
- ▷ QCR Holdings, Inc., Moline, Ill., filed to merge with Guaranty Federal Bancshares, Inc., Springfield, Mo., and for Springfield First Community Bank to merge with Guaranty Bank, both of Springfield.
- ▷ Alerus Financial Corporation, Grand Forks, N.D., filed to merge with MPB BHC, Inc., and thereby acquire Metro Phoenix Bank, both of Phoenix, Ariz.
- ▷ David R. Rounds, St. Louis Park, Minn., authorized to acquire control of Fidelity Holding Company, Minnetonka, Minn., by becoming a trustee of the Gerald Rauenhurst 2004 Children's Trust, which owns Fidelity HC and thereby owns Fidelity Bank, Edina, Minn.
- ▷ James P. Liggett, Vancouver, Wash., and others authorized to acquire shares of First National Utica Company, and thereby acquire shares of First Bank of Utica, Neb., and to form the Liggett Family Group.
- ▷ Tom E. Marantz, Springfield, Ill., and others authorized to acquire shares of Bank of Springfield, Ill.
- ▷ TC Financial Holdings, Inc., New Lenox, Ill., authorized to become a bank holding company by acquiring Town Center Bank, Frankfort, Ill.
- ▷ Southern Bank, Poplar Bluff, Mo., authorized to merge with FortuneBank, Arnold, Mo., and to retain the acquired facilities as branches.

New to BHCA

The Bank Holding Company Association welcomes new holding company members:

Tonganoxie Bankshares, Inc.
Jilinda White, President
Tonganoxie, Kan.
First State Bank & Trust

Village Bancshares
Alesha Webb, President
St. Francis, Minn.

The Bank Holding Company Association also welcomes a new Associate Member:

Invictus Group
George Dean Callas
Chief Revenue Officer
Bronx, N.Y.

The Invictus Group is a data-driven strategic advisory firm that gives clients a competitive advantage in strategic intelligence, M&A, strategic planning, stress testing and CECL. Our approach to strategic intelligence relies on industry growth patterns, as well as loan-level data, giving banks a unique blueprint for how, when and where to grow.



2022 SPRING SEMINAR

EXPECTATIONS FOR SUCCESS

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FRI**
**MAY
5-6**



**OMNI
VIKING
LAKES
HOTEL**
**EAGAN
MINN.**

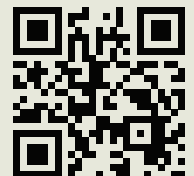
KEY TOPICS *FAMILY-OWNED BANKS TECHNOLOGY*

Sean Payant, Haberfeld
Making the most of your core customer

Dr. Elliot Eisenberg
The Economic Outlook

Marcie Bomberg, Wipfli
Cryptocurrencies

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