

RESOLUTION OF THE COMMON COUNCIL

Resolution Accepting McFarland State Bank as the Issuer of the Letters of Credit Required in the Kettle Park West Development Agreement

Committee Action: Finance Committee Approved

Fiscal Impact: N/A

File Number: R-34-2015

Date Introduced: February 23, 2015

A. The City and Developer are parties to the Amended and Restated Agreement to Undertake Development dated as of November 13, 2014 (the "Development Agreement"), concerning the development known as Kettle Park West.

B. The Development Agreement requires the Developer to, among other things, provide letters of credit to the City to secure the completion of various improvements needed to serve the development, and to secure Developer's obligation to guarantee that the City will receive sufficient tax increment to pay the City's debt service on anticipated borrowing that will be used to pay for the construction of improvements needed to serve the development.

C. The Development Agreement further requires that the letters of be issued by an entity that is acceptable to the City, or that has or that has a rating of its long-term unsecured debt not lower than A1 by Moody's Investors Service or A+ by Standard and Poor's.

D. Developer is proposing to obtain the letters of credit from McFarland State Bank.

E. The Common Council has reviewed general and financial information regarding McFarland State Bank compiled by its financial advisor, Springsted Investment Advisors. The Common Council has determined that McFarland State Bank is an acceptable issuer of the letters of credit required by the Development Agreement.

NOW, THEREFORE, the Common Council hereby resolves that McFarland State Bank is an acceptable issuer of the letters of credit required by the Development Agreement.

Approved by the Common Council at a regular meeting on February 24, 2015.

By: _____
Donna Olson, Mayor

Attest: _____
Lana Kropf, City Clerk

Council Action: ☐ **Adopted** ☐ **Failed** **Vote** _____

Mayoral Action: ☐ **Accept** ☐ **Veto**

Donna Olson, Mayor _____ Date _____

Council Action: _____ ☐ **Override** **Vote** _____

FINANCE COMMITTEE MEETING MINUTES

February 10, 2015 – 5:30 p.m.

Council Chambers, Public Safety Building

Present:

Alderpersons Greg Jenson, Ron Christianson, Pat O'Connor, Tim Swadley and Mayor Donna Olson

Others Present:

Finance Director Laurie Sullivan, Streets Superintendent Karl Manthe

Absent and Excused: None

Call to order:

Finance Chair Christianson called the meeting to order at 5:32p.m.

Communications:

None

Reports / Contingency:

No action taken

Finance Committee Minutes of January 27, 2015:

Motion by Jenson, second by O'Connor to recommend approval of the Finance Committee minutes of January 27, 2015 as presented. Motion carried unanimously by acclamation 5-0.

Resolution Accepting McFarland State Bank as the Issuer of the Letters of Credit Required in the Kettle Park West Development Agreement

Motion by Jenson, to recommend that Council approve the resolution accepting McFarland State Bank as the Issuer of the letters of Credit Required in the Kettle Park West Development Agreement, second by O'Connor. Joe Murray from Springsted addressed the committee and talked about the rating for McFarland State Bank and recommended McFarland State Bank as the Issuer of the Letters of Credit. Springsted can also provide quarterly monitoring of McFarland bank while the City holds the letters of credit. Motion carried unanimously by acclamation 5-0.


Kettle Park West Financing Plan

- a) Initial Resolution Authorizing \$4,860,000 General Obligation Bonds of the City of Stoughton for Projects in Tax Incremental District No.7
- b) Resolution Directing Publication of Notice to Electors
- c) Resolution Providing for the Sale of Not to Exceed \$4,860,000 Bond Anticipation Notes

Joe Murray from Springsted reviewed the recommended plan for financing the Kettle Park West project. The recommendation is to proceed with a three year Bond Anticipation Note followed by longer term borrowing. The benefit of

Confidential Memorandum
Privileged Lawyer-Client Communication

To Mayor Donna Olson
City of Stoughton Finance Committee
City of Stoughton Common Council

From Matthew P. Dregne, City Attorney 

Date February 5, 2015

Re Kettle Park West – Approval of bank issuing letters of credit

The development agreement between the City and Kettle Park West, LLC, requires the Developer to provide two letters of credit to the City. One letter of credit is required to secure the construction of public improvements needed to serve the development. The second letter of credit is required to secure the Developer's obligation to guarantee that the City will receive sufficient tax increment to pay the City's debt service on borrowing used to pay for public improvements.

Both letters of credit are to be issued by an entity that is acceptable to the City, or that has a rating of its long-term unsecured debt not lower than A1 by Moody's Investors Service or A+ by Standard and Poor's. The Developer is proposing to obtain the letters of credit from McFarland State Bank.

Springsted Investment Advisors ("Springsted") has sent a letter dated February 2, 2015 to Laurie Sullivan regarding McFarland State Bank. The letter provides information that Springsted has gathered about McFarland State Bank. The purpose of the letter is to assist the City in evaluating McFarland State Bank as the issuer of the letters of credit required by the City's development agreement with Kettle Park West. The City Council will need to determine whether McFarland State Bank is acceptable to the City as the issuer of the letters of credit.

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Springsted

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Greenwood Village, CO 80111

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Fax: 303-771-1334
www.springsted.com

February 2, 2015

Ms. Laurie Sullivan,
Director of Finance and Economic Development
City of Stoughton
381 E. Main Street
Stoughton, Wisconsin 53589

RE: McFarland State Bank Evaluation

Dear Ms. Sullivan:

Springsted Investment Advisors ("SIA") has compiled general and financial information on McFarland State Bank ("MSB") for the purpose of assisting the City in evaluating MSB as a suitable financial institution to act as a letter of credit ("LOC") provider in connection with the City's proposed Kettle Park West ("KPW") development. Financial information detailed herein is as of December 31, 2014, the most current data available.

SIA utilizes, and has relied upon, the nationally recognized bank rating services of SNL Financial ("SNL") as a source of the data contained herein. SNL's financial industry analysis combines exclusive in-depth data in real time. The financial data on banks is derived from quarterly regulatory filings of the banks to the Federal Deposit Insurance Corporation ("FDIC"). The detailed SNL report included with this letter (and made part hereof) documents historical data for the past five years and should be examined independently by the City.

As a result of our analysis summarized herein, SIA believes that, as of December 31, 2014, MSB exhibited a sound condition, demonstrated by sustainable profitability, good asset quality, very strong capitalization and adequate liquidity.

Overview of MSB

McFarland State Bank provides personal and business banking services. Its personal banking services include checking and savings accounts, certificates of deposit, individual retirement accounts, consumer and mortgage loans, mortgage servicing, home equity lines of credit, debit, credit and ATM cards, investment services and electronic banking. Its business banking services include checking and savings accounts, certificates of deposit, loans and credit cards, letters of credit, e-business solutions and investment and other services.

MSB is a state-chartered bank founded in 1904 and is based in McFarland, Wisconsin with additional offices in Stoughton and Sun Prairie, Wisconsin. MSB is wholly-owned by Northern Bankshares, Inc. and appears to be the parent's only holding.

As of December 31, 2014, MSB reported \$427.049 million in total assets. At that date, loans and deposits held by the bank amounted to \$352.229 million and \$314.103 million, respectively. The bank's equity base of \$55.895 million produced an equity/assets ratio of 13.09%.

The five year snapshot of this bank indicates a steady growth in assets and equity, operating profit and moderate growth in liquidity. It should be noted that MSB's acquisition of the failed Evergreen State Bank in Stoughton in 2011 caused the data in that year and subsequent years to appear less stable. It is important to note that since 2011, key indicators are trending in a positive direction.

Capital Analysis

Bank capitalization provides a protection against loss for bank customers, creditors, shareholders and the FDIC. Regulators place a high degree of importance upon assessments of capitalization and assign regulatory standards to determine capital adequacy.

For the one-year period ending December 31, 2014, MSB reported a positive rate of growth in equity capital. The bank's capitalization is very strong with an equity capital (net worth) to total assets ratio of 13.09%.

In addition, MSB has a risk-based capital ratio of 17.29% (a/k/a regulatory capital ratio). This is well above the regulatory requirement for this bank of 10%.

Asset Quality

Asset quality is a key element of the sustainability of any banking institution. Poor asset quality will have a direct impact on other components, and bank regulators delve deeply to evaluate the quality of a bank's loans and investments.

The ratio of non-performing loans to total loans as of 12-31-14 was 4.13%. The adjusted Texas ratio was 32.31%. The Texas ratio is a measure of a bank's prospective credit troubles and is calculated by dividing the value of a bank's non-performing assets by the sum of its tangible common equity capital and loan loss reserves. Both these indicators are marginally above the ideal range of below 3% and under 30%, respectively; however, both these indicators have been improving substantially and trending lower since 2011.

Earnings

Bank profitability is crucial to building capital, establishing ample loss reserves and paying dividends to shareholders.

Return on Average Assets @ 1.14% (anything above 1% is considered good)

Return on Average Equity @ 8.64% (very healthy)

Efficiency Ratio @ 59.00% (very good)

Net Interest Margin @ 4.00% (above average among peer group)

Liquidity

Liquidity furnishes funding for everyday bank operations and represents a reserve for unanticipated circumstances.

Liquidity Ratio (Liquid Assets/Total Liabilities) @ 8.84% (considered satisfactory)

Bank Ratings Assigned by SNL

SNL rates over 20,000 financial institutions across the country from institutions with less than \$100 million in assets to institutions with well over \$1 billion in assets. Ratings are computed using quarterly data obtained from regulatory filings. Three ratings are calculated:

National – compares all institutions of like types to all others in the nation

Regional – compares all institutions of like types to all others in a certain region

Asset Size Peer Group – compares all institutions of like types to others based on their asset size

The SNL ratings use both current and historical data in evaluating a bank's current rating. The four key categories that are considered are capital adequacy, asset quality, earnings and liquidity.

It should be noted that these ratings are not credit ratings, but can be used to estimate an institution's overall health and potential for failure. The SNL ratings are based on a scale from 0-99 with 0 being the lowest and 99 being the highest. Ratings are distributed on a bell curve with the large majority of institutions falling somewhere in the middle. In general, a rating below 30 is a cause for concern.

As of September 30, 2014 (most recent data available), MSB's SNL ratings were as follows:

Bank National Rating	65
Bank Regional Rating	69
Bank Peer Group Rating	69

Please note the SNL ratings below for the same quarter for some of the country's largest banks, who also have credit agency ratings (credit agency ratings verified as of 2-1-15) as detailed below.

<u>Bank</u>	<u>National</u>	<u>Regional</u>	<u>Peer Group</u>
Bank of America National Association ("A2" Moody's; "A" S&P; "A" Fitch)	57	66	42
Citibank, NA ("A2" Moody's; "A" S&P; "A" Fitch)	66	64	57
U.S. Bank National Association ("Aa3" Moody's; "AA-" S&P; "AA-" Fitch)	70	74	62
Wells Fargo Bank National Association ("Aa3" Moody's; "AA-" S&P; "AA-" Fitch)	66	63	55

Of significance is the fact that, since 2008, credit rating agencies have issued downgrades to nearly every bank, both domestic and foreign, largely as a result of the instability of the global economy. The number of banks rated in the AA category has dwindled to an elite few banks with a majority of the rated banks falling into the single A and even triple B categories.

Peer Group Statistics

As part of our analysis, we examined financial information for eleven other banks in Wisconsin having characteristics similar to MSB, i.e. a regional bank with similar asset size, economies and performance. As you can see from the attached chart, MSB's performance among its peers is average or above average in most categories.

Conclusion

Based on the information contained herein, Springsted Investment Advisors, as of the date of this writing, believes McFarland State Bank to be a viable institution to provide Letter of Credit services for the City. We would also recommend that the City continue to perform periodic evaluations of the bank for the term of the Letter of Credit to monitor the bank's condition.

If you have any questions, or if SIA can be of any further assistance, please feel free to contact me at (303) 893-5800, or tkraser@springsted.com.

Sincerely,



Theresa Kraser
Vice President

McFarland State Bank (McFarland, WI)

Provided by SNL Financial

5990 US Highway 51 McFarland, WI 53558	Commercial Bank Cert Number (2476)
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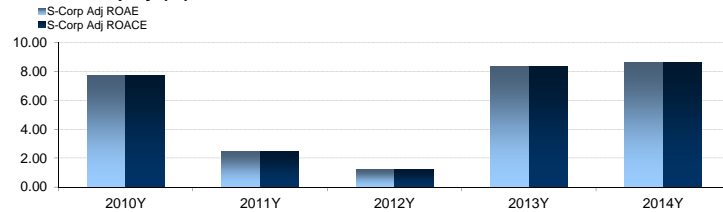
MSA: Madison, WI (Metro)

Credit Ratings:	Rating	Date	Direction	Watch
S&P LT Issuer Rating	--	--	--	--
Moody's LT Issuer Rating	--	--	--	--
Fitch LT Issuer Rating	--	--	--	--

Government Programs	Veribanc Ratings Data
TARP Status	No
Amount TARP Received (\$000)	NA
TAGP Status	Participated
TDGP Status	Participated
Amount TDGP Issued (\$000)	NA
	Veribanc Safety Rating GREEN/**
	Est Reg Capital Class Well Capitalized
	Estimated CAMELS Score 1.5
	Veribanc data as of 09/30/2014

AVERAGE INTEREST RATES (%)*	Bank	National	Consumer	Bank	National
Deposits					
Regular Savings - \$1k	0.05	0.13	New Car - 60 Mo	5.15	3.96
Interest Checking - \$5k	0.01	0.09	Home Eq. - LOC	3.99	4.23
Money Market - \$10k	0.10	0.16	Credit Card	9.99	9.91
6 Mo CD - \$10k	0.15	0.24	Mortgage		
1 Yr CD - \$10k	0.25	0.38	15 Yr Fixed	3.13	3.18
3 Yr CD - \$10k	0.55	0.81	30 Yr Fixed	3.88	3.86

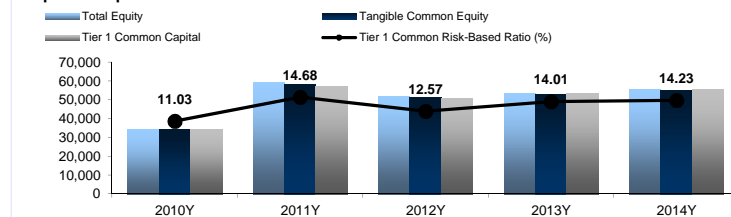
Return on Equity (%)



PROFITABILITY RATIOS (%)	2010Y	2011Y	2012Y	2013Y	2014Y
End of Period Date	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
S-Corp Adj ROAA	0.77	0.27	0.15	1.03	1.14
S-Corp Adj ROAE	7.76	2.49	1.23	8.35	8.64
S-Corp Adj ROACE	7.76	2.49	1.23	8.35	8.64
Net Interest Margin (FTE)	3.61	3.58	3.74	4.04	4.00
Efficiency Ratio (FTE)	44.22	50.66	56.85	61.65	59.00
Com Div Decl/Net Income	118.45	275.08	687.04	65.65	71.96
Net Interest Income/ Tot Rev	82.33	62.61	76.01	86.95	88.76
Salary Expense/ Total Revenue	24.69	22.88	28.38	32.74	33.54

CAPITAL ADEQUACY (\$000)	2010Y	2011Y	2012Y	2013Y	2014Y
End of Period Date	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Total Equity	34,552	59,211	51,930	53,407	55,895
Tangible Common Equity	34,552	58,416	51,239	52,814	55,399
Equity Cap/ Total Assets (%)	9.82	12.23	11.88	12.88	13.09
Tang Common Equity/Tang Assets (%)	9.82	12.09	11.74	12.76	12.99
Tier 1 Risk Based Ratio (%)	11.03	14.68	12.57	14.01	14.23
Risk Based Capital Ratio (%)	14.53	17.74	15.51	17.11	17.29
Leverage Ratio (%)	9.63	11.55	10.48	12.90	13.08
Tier 1 Common Capital	34,552	57,074	50,974	53,368	55,486
Tier 1 Common Risk-Based Ratio (%)	11.03	14.68	12.57	14.01	14.23

Capital + Capital Ratios



LIQUIDITY (%)	2010Y	2011Y	2012Y	2013Y	2014Y
End of Period Date	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Loans/ Assets	90.45	79.79	84.18	84.90	84.71
Brokered Dep/Total Deposits	5.98	4.03	3.18	6.00	7.56
Liquidity Ratio ¹	6.88	11.38	6.44	7.16	8.84
Pledged Secs/Tot Securities	0.00	100.00	79.32	85.54	76.58
Net NonCore Funding Dependence ²	11.51	12.51	18.69	17.51	14.93
Net Short-term Liab/ Tot Assts ³	-33.87	-22.94	-17.56	-22.15	-25.43
Loans/ Deposits	107.61	109.29	114.35	115.98	115.17
On Hand Liquidity/ Tot Liab ⁴	5.36	8.76	3.79	4.30	7.03
Reliance on Wholesale Funding ⁵	11.04	18.00	17.40	19.78	20.70
Liquid Assets/Assets ⁶	6.20	9.99	5.68	6.24	7.68

YIELD/COST/RATE (%)	2010Y	2011Y	2012Y	2013Y	2014Y
End of Period Date	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Yield on Loans and Leases	6.27	5.74	5.53	5.58	5.41
Yield on Total Secs(Debt+Eq)	7.06	3.59	4.99	2.58	2.47
Yield on Earning Assets	5.96	5.38	5.10	5.14	4.88
Cost of Time Deposits >\$100K	5.98	3.33	2.52	2.05	1.81
Cost of All Other Time Deposits	2.10	2.41	2.00	0.69	0.23
Cost of Int Bearing Deposits	2.52	1.97	1.32	0.91	0.64
Cost of Borrowings	5.49	4.02	4.11	4.11	3.96
Cost of Interest Bearing Liab	2.70	2.30	1.80	1.51	1.25
Yield/ Cost Spread	3.26	3.08	3.30	3.63	3.63

Rate Sensitive Assets (\$000)	193,560	223,152	152,442	132,095	153,064
Rate Sensitive Liabilities (\$000)	176,315	237,860	192,783	164,271	177,998
One Year Gap Amnt (BS Only) (\$000)	17,245	-14,708	-40,341	-32,176	-24,924
One Year Gap Ratio (BS Only)	4.90	-3.04	-9.23	-7.76	-5.84

1 - Liquid Assets (Cash&Bal Due Dep Inst+Securities+Fed Fund&Repos+Trading Accounts-Pledged Secs)/ Total Liabilities

2 - [(Non-Core Liabilities) - (Short-term Investments)] / [(Long-term Assets)]. The net non-core funding dependence ratio indicates the degree of reliance on funds from the professional money markets.

3 - [(Short-term Liabilities) - (Short-term Assets)] / [Total Assets]. The ratio indicates the degree of exposure assumed by funding assets with short-term liabilities.

4 - [(Interest-bearing Balances) + (Total Securities) + (Fed Funds Sold & Reverse Repos) - (Fed Funds Purch & Repos) - (Pledged Securities)] / [Total Liabilities]. Measures a bank's ability to meet liquidity needs from on-hand liquid assets.

5 - [(Total borrowings) + (Brokered Deposits)] / [(Total borrowings) + (Total Deposits)]. This ratio depicts the portion of a bank's total funds that are from wholesale sources.

6 - Liquid Assets (Cash&Bal Due Dep Inst+Securities+Fed Funds&Repos+Trading Accounts-Pledged Secs)/ Total Assets

HIGHLIGHTS (\$000)	2010Y	2011Y	2012Y	2013Y	2014Y
End of Period Date	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Total Assets	351,840	484,118	437,298	414,512	427,049
Total Net Loans	310,018	377,653	356,643	341,044	352,229
Total Deposits	295,724	353,418	321,913	303,431	314,103
Net Income	4,194	1,990	1,057	6,688	7,212
Full-time Eqv Employees (Actual)	44	89	84	75	80
Loans/Deposits (%)	107.61	109.29	114.35	115.98	115.17

ASSET QUALITY (\$000)	2010Y	2011Y	2012Y	2013Y	2014Y
End of Period Date	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Nonaccrual Loans	1,317	33,116	16,796	5,070	2,314
Restructured Loans	11,794	23,491	11,033	19,325	12,628
Nonperforming Loans	13,111	56,607	27,829	24,395	14,942
OREO: Tot Other RE Owned	586	2,554	17,275	8,394	5,671
Debt Secs & Oth Assets NA	0	0	0	500	300
Nonperforming Assets	13,697	59,161	45,104	33,289	20,913
Tot Loans & Leases 90+ Days PD	0	0	0	0	0
Debt Secs & Oth Assets 90+	0	0	0	0	0
NPAs & Loans 90+ Days Past Due	13,697	59,161	45,104	33,289	20,913

NPAs/Total Assets (%)	3.89	12.22	10.31	8.03	4.90
Nonaccrual+90PD+OREO/ Assets (%)	0.54	7.37	7.79	3.25	1.87
NPAs/Equity+Reserves (%)	32.03	87.23	71.13	51.78	31.96
Adjusted Texas Ratio (%)	32.03	88.27	71.92	52.26	32.21
NPAs/ Tang Equity + LLRs (%)	32.03	88.27	71.92	52.26	32.21
Nonaccrual Loans/ LLR (%)	16.05	384.71	146.34	46.57	24.28
NPLs/Tot Lns (%)	4.12	14.66	7.56	6.93	4.13
Adj Nonaccrual Lns/ Total Lns (%)	0.41	8.57	4.56	1.44	0.64
Reserves/Loans (%)	2.58	2.23	3.12	3.09	2.63
Reserves/ NPLs (%)	62.60	15.21	41.24	44.63	63.79
Reserves/NPAs (%)	59.93	14.55	25.45	32.71	45.58
NCOs/Avg Loans (%)	0.04	2.55	1.40	0.31	0.39
LLP/NCOs (%)	NM	103.79	155.11	45.91	0.00

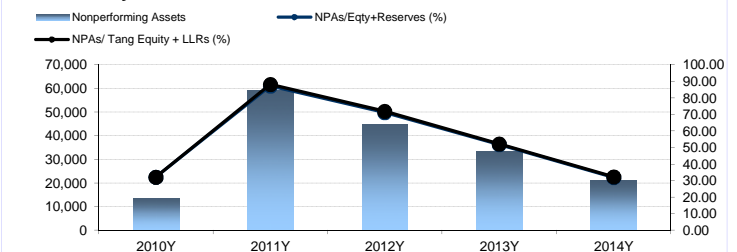
CHANGES IN ALLOWANCE FOR LOAN & LEASE LOSSES (\$000)	2010Y	2011Y	2012Y	2013Y	2014Y
End of Period Date	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
Beginning Balance (End of Prior Year)	4,369	8,208	8,608	11,477	10,888
Total Recoveries	25	451	627	145	163
LESS: Total Charge-offs	153	10,992	5,833	1,234	1,519
Provision Expense	3,967	10,941	8,075	500	0
LESS: Writedown transfer Loans HFS	0	0	0	0	0
Adjustments	0	0	0	0	0
Ending Loan Loss Reserve Balance	8,208	8,608	11,477	10,888	9,532

Note: The section above, "Changes in Allowance for Loan & Lease Losses", is presented on a Year-to-Date basis.

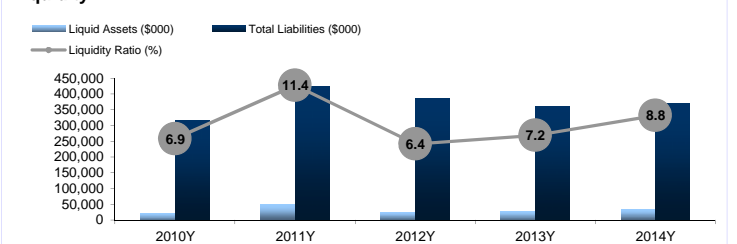
COMMERCIAL REAL ESTATE EXPOSURE (%)	2010Y	2011Y	2012Y	2013Y	2014Y
End of Period Date	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14
CRE Loans/ Total Risk-Based Capital	396.77	248.19	252.55	229.32	245.84
Delinq CRE Loans/ CRE Loans	0.25	7.56	2.48	2.17	0.52
Noncurrent CRE Loans/ CRE Loans	0.21	7.53	1.82	2.17	0.37
Nonaccrual CRE Loans/ CRE Loans	0.21	7.53	1.82	2.17	0.37
CRE Loans/ Total Loans	56.76	44.32	43.15	42.47	45.81

*CRE consists of nonfarm, nonresidential real estate loans (except for Savings Institutions, which include farm loans)

Asset Quality

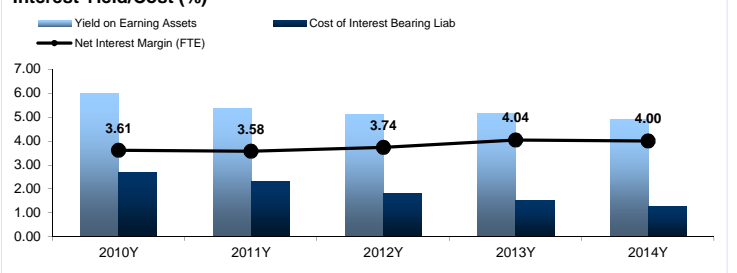


Liquidity



Liquid Assets = Cash & Due + FedFunds & Repos + Securities (net Pledged Secs., if available) + Trad Acct Assets

Interest Yield/Cost (%)

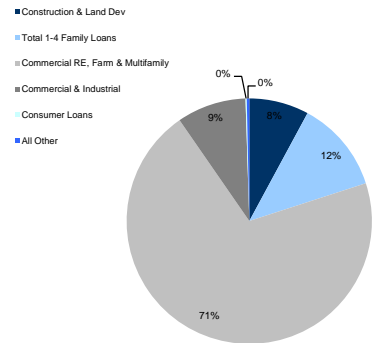


McFarland State Bank (McFarland, WI)

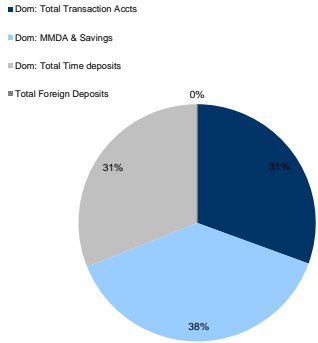
Provided by SNL Financial

BALANCE SHEET (\$000)						INCOME STATEMENT (\$000)					
2010Y						2010Y					
2011Y						2011Y					
2012Y						2012Y					
2013Y						2013Y					
2014Y						2014Y					
End of Period Date						End of Period Date					
12/31/10						12/31/10					
12/31/11						12/31/11					
12/31/12						12/31/12					
12/31/13						12/31/13					
12/31/14						12/31/14					
Cash & Balances Due						Interest Income					
Fed Funds Sold & Reverse Repos						Int Inc: 1-4 Family Loans					
Tot Treas, Agcy, & GSA Debt						Int Inc: Other RE Loans					
St & Pol: Total Securities						Int Inc: Real Estate Loans					
Total RMBS						Int Inc: Com & Ind Loans					
Total CMBS						Int Inc: Consumer Loans					
Total ABS						Int Inc: State & Pol Loans					
Structured Financial Products						Int Inc: Loans & Leases					
Equity Securities (Net)						Int Inc: Total Deposits					
Other Debt Secs						Int Inc: Mortgage-backed Secs					
Total Securities						Int Inc: Total Securities					
Constr & Land Dev						Int Inc: Deposits & Inv Secs					
Total Closed-End 1-4 Family						Int Inc: Other Assets					
Revolving 1-4 Fam (HE Lines)						Int Inc: Total					
Total Comm RE & Farm Loans						Svngs Inst Only: Div Inc Not Subj FASB					
Multifamily Loans						Interest Expense					
Foreign Office R/E Loans						Int Exp: Domestic Deposits					
Total Real Estate Loans						Int Exp: Foreign Deposits					
Commercial & Industrial Loans						Int Exp: Deposits					
Consumer Loans						Int Exp: FHLB Advances					
Agricultural Production Loans						Int Exp: Sub Debt&Mand Conv Secs					
Tot Lns Dep Inst/Accept						Int Exp: Other Liabilities					
Foreign Government Loans						Net Int Inc Before Loss Provision					
State & Pol Loans						Provision for Loan Losses					
Other Loans						Net Int Inc after Provisions					
Total Leases						Noninterest Income					
Total Non-Real Estate Loans						Nonint Inc:Fiduciary Activities					
Gross Lns & Leases						Nonint Inc:Svc Chgs on Dep Acct					
Unearned Income						Nonint Inc: Trading Revenue					
Total Lns & Leases						Nonint Inc: Fees & Oth Charges					
Total Reserves						Nonint Inc:Oth Svc Chgs & NII					
Net Lns & Leases						Nonint Inc: Total					
Trade Account Assets						Noninterest Expense					
Premises & Fixed Assets						Nonint Exp: Salary & Benefits					
OREO (Incl RE Held for Inv)						Nonint Exp: Office & Equip					
Inv in Subs						Nonint Exp: Amort of Intang					
Mortgage Servicing Rights						Nonint Exp: Other					
Goodwill & Other Intangibles						Nonint Exp: Total					
Life Insurance Assets						Net Income before Gain (Loss)					
Other Assets						Gain (Loss) on Sale of Securities					
Total Assets						Net Income before Tax/Adjust					
Domestic: Total Transaction Accts						Income Tax					
Domestic: MMDA & Savings						Minority Interest					
Domestic: Retail Time						Net Income before Extra Items					
Domestic: Jumbo Time						Extraordinary Items					
Domestic: Total Time Deposits						Net Income					
Total Foreign Deposits						Memo:Subchapter S Election?					
Total Deposits						Yes					
Svngs Inst Only: Unamortized Yield Adj						Yes					
Fed Funds Purchased						Yes					
Repurchase Agreements Sold						Yes					
FFunds Purch & Repos						Yes					
Commercial Paper						Yes					
FHLB Advances						Yes					
Other Borrowings						Yes					
Sub Debt & Mand Cnv Sec						Yes					
Trading Liabilities						Yes					
Total Borrowings						Yes					
Other Liabilities						Yes					
Total Liabilities						Yes					
Redeem Prf Stk & Minority Interest						Yes					
Pref Stk & Surplus						Yes					
Com Stk & Surplus						Yes					
Retained Earnings						Yes					
Unrhz Loss Equity Secs						Yes					
Other Comprehensive Income						Yes					
Other Capital Items						Yes					
Total Equity Capital						Yes					
Total Liabilities + Minority Int. + Equity						Yes					
Balance Sheet Memo Items (\$000)						Yes					
Pledged Securities						Yes					
1-4 Fam Loans in Process of Foreclosu						Yes					
Total Non Interest Bearing Deposits						Yes					
Total Interest Bearing Deposits						Yes					
Brokered Deposits						Yes					

Loan Composition (12/31/14)

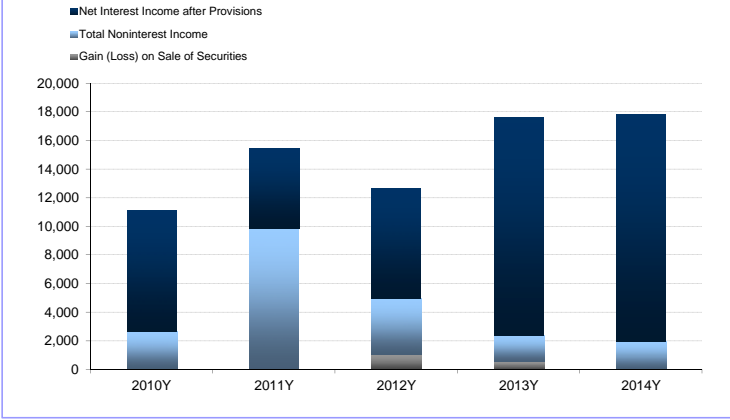


Deposit Composition (12/31/14)



Source: SNL Financial

Revenue Breakout (\$000)



Source Data Used in Charts

Loan Composition (12/31/14)	2010Y	2011Y	2012Y	2013Y	2014Y	Revenue Breakout (\$000)	2010Y	2011Y	2012Y	2013Y	2014Y
Construction & Land Dev	36,674	38,199	30,764	29,259	28,528	Net Interest Income after Provisions	8,468	5,589	7,712	15,250	15,831
Total 1-4 Family Loans	50,722	77,266	59,638	45,998	43,792	Total Noninterest Income	2,577	9,844	3,949	1,807	2,005
Commercial RE, Farm & Multifamily	203,081	228,625	242,641	241,535	254,586	Gain (Loss) on Sale of Securities	91	28	1,034	557	0
Commercial & Industrial	24,167	38,374	33,443	33,449	33,104						
Consumer Loans	1,565	1,257	677	614	498	"Liquid" Assets	2010Y	2011Y	2012Y	2013Y	2014Y
All Other	2,017	2,540	957	1,077	1,253	Cash & Balances Due	6,631	19,558	20,889	13,904	8,553
	318,226	386,261	368,120	351,932	361,761	Fed Funds Sold & Reverse Repos	11,450	28,786	0	9,021	19,756
Deposit Composition (12/31/14)						Securities (Net of Pledged Securities, if any)	3,750	0	3,928	2,935	4,500
Dom: Total Transaction Accts	34,385	70,732	86,290	93,173	95,987	Trade Account Assets	0	0	0	0	0
Dom: MMDA & Savings	96,984	110,757	110,565	114,372	120,571	Liquid Assets (\$000)	21,831	48,344	24,817	25,860	32,809
Dom: Total Time deposits	164,355	171,929	125,058	95,886	97,545	Liquidity Ratio (%)	6.88	11.38	6.44	7.16	8.84
Total Foreign Deposits	NA	NA	NA	NA	NA	Total Liabilities (\$000)	317,288	424,907	385,368	361,105	371,154
						Tier 1 Common Risk-Based Ratio (%)	2010Y	2011Y	2012Y	2013Y	2014Y
							11.03	14.68	12.57	14.01	14.23

Veribanc Data Definitions

Veribanc Safety Rating:
Safety and soundness rating based on the company's profitability and equity levels in relation to assets. Ratings are based on a color coding and star system. There are three color codings: (1) Green -- an institution's equity is > 5% of assets and was profitable during the most recent quarter, (2) Yellow -- an institution's equity is between 3% and 5% of assets and/or it incurred a net loss during the quarter (if there was a net loss, that loss was not sufficient to erode a significant proportion of equity), or (3) Red -- an institution's equity < 3% of assets and/or it incurred a significant net loss during the most recent quarter. The color codings are used in conjunction with a star (*) system. There are four possible star categories: (1) *** -- equity > 5% of assets, equity after deducting "problem" assets is > 4% of assets, positive net income for the quarter, insider lending <= 35% of equity, (For BHCs only) all subs combined Sara Haselbauer must receive at least a ** rating, (2) ** -- an institution meets two of the three primary conditions for a *** rating, has equity > than "problem" assets, if the institution had a net loss the loss was not significant, (For BHCs only) all subs combined must receive at least a ** rating, (3) * -- an institution meets one of the three primary conditions for a *** rating, has equity > 3% assets, equity > than "problem" assets, if the institution had a net loss the loss was not significant, (For BHCs only) all subs combined must receive at least a * rating, (4) None (or U) -- A firm meets none of the criteria outlined in the * system above. Green/*** would be the best rating, while Red/U (or simply Red) would be the worst. In addition to color/star system above Veribanc also assigns the letters B or BB to institutions that meet unusually high standards and pay exceptional attention to safety and soundness. Institutions that receive these ratings are termed "Blue Ribbon Banks." An example of this rating would be Green/***B. Firms which have received the blue ribbon distinction for eight or more consecutive quarters receive the BB distinction (Green/***BB -- the highest rating an institution can obtain in this system).

Est Reg Capital Class:
Established Regulatory Capital Class from Veribanc. Classifications of an institution's capitalization using the FDIC and OTS ratings. The five ratings include: Well Capitalized, Adequately Capitalized, Undercapitalized, Significantly Undercapitalized and Critically Undercapitalized. There will be no ratings for institutions that are Bank Holding Companies.

Estimated CAMELS Score:
Estimated CAMELS Score presents how Veribanc Safety ratings theoretically line up with CAMELS ratings. The actual CAMELS ratings are confidential and are not released to the public by supervisory agencies. Each letter in CAMELS stands for a type of measure as follows: Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk. The ratings are assigned on a scale from 1 to 5, where 1 is the best and 5 the worst. Banks with ratings of 1 or 2 present very few supervisory concerns, while banks with ratings of 3, 4, or 5 present moderate to extreme degrees of supervisory concern. In this theoretical line-up, each estimated CAMELS score equates to one or more Veribanc ratings as seen below: Est CAMELS=1: Veribanc=GREEN/***B, Est CAMELS between 1 and 2 (not directly comparable): GREEN/***, Est CAMELS=2: GREEN/**, Est CAMELS between 2 and 3 (not directly comparable): YELLOW/**, Est CAMELS=3: GREEN/* and GREEN, Est CAMELS=4: YELLOW/* and YELLOW, Est CAMELS=5: RED.

SNL Bank Operating Performance Report

McFarland State Bank - Peer Banks' Statistics as of September 30, 2014

Company Name	Company Type	State	City	End of Period	Total Assets			Net Interest		Efficiency	Noninterest		Noninterest	Yield on Loans	Yield on		Cost of	Yield/ Cost
				Date	MstRctQtr	ROAA	LTM (%)	ROAE	LTM (%)		Ratio (FTE)	Assets LTM	Expense/ Avg		Assets LTM	Earning	Interest-	
						(\$000)						(%)				Assets LTM	Liabilities LTM	Spread LTM
Monona State Bank	Commercial Bank	WI	Monona	9/30/2014		410,246	0.83	6.85	4.03	67.97	0.62	2.98	4.71	4.51	0.78	3.73		
River Bank	Commercial Bank	WI	Stoddard	9/30/2014		434,484	1.50	13.03	3.43	46.12	0.14	1.60	4.68	4.10	0.99	3.11		
First National Bk - Fox Valley	Commercial Bank	WI	Neenah	9/30/2014		369,254	0.72	6.72	4.01	64.75	0.42	2.68	4.72	4.45	0.68	3.77		
West Pointe Bank	Commercial Bank	WI	Oshkosh	9/30/2014		273,644	1.13	6.76	3.89	50.66	0.22	2.01	4.77	4.41	0.84	3.57		
Choice Bank	Commercial Bank	WI	Oshkosh	9/30/2014		222,590	0.98	9.80	3.71	55.99	0.22	2.15	4.95	4.51	0.94	3.57		
Southport Bank	Commercial Bank	WI	Kenosha	9/30/2014		269,252	1.04	11.98	3.65	102.36	0.27	3.74	5.04	4.31	0.84	3.47		
Commerce State Bank	Commercial Bank	WI	West Bend	9/30/2014		343,605	0.42	4.28	3.80	73.00	0.32	2.77	4.88	4.63	0.99	3.64		
Oregon Community Bank & Trust	Commercial Bank	WI	Oregon	9/30/2014		193,252	1.49	11.41	4.23	44.72	0.34	1.96	4.99	4.60	0.58	4.02		
Horicon Bank	Commercial Bank	WI	Horicon	9/30/2014		585,473	1.28	10.88	4.36	67.06	0.52	3.17	4.78	4.66	0.45	4.21		
Bank of Wisconsin Dells	Commercial Bank	WI	Wisconsin Dells	9/30/2014		409,180	1.23	10.83	4.20	45.49	0.55	2.07	5.51	4.55	0.56	3.99		
DMB Community Bank	Commercial Bank	WI	De Forest	9/30/2014		333,572	1.19	10.17	3.76	51.99	0.44	2.10	4.86	4.48	0.95	3.53		
Minimum						193,252	0.42	4.28	3.43	44.72	0.14	1.60	4.68	4.10	0.45	3.11		
Median						343,605	1.13	10.17	3.89	55.99	0.34	2.15	4.86	4.51	0.84	3.64		
Average						349,505	1.07	9.34	3.92	60.92	0.37	2.48	4.90	4.47	0.78	3.69		
Maximum						585,473	1.50	13.03	4.36	102.36	0.62	3.74	5.51	4.66	0.99	4.21		
McFarland State Bank	Commercial Bank	WI	McFarland	9/30/2014		426,409	1.65	12.59	4.13	60.83	0.16	2.50	5.53	5.02	1.27	3.75		

