Nicolet National Bank is a $600M community bank. Our customers are in Northeast Wisconsin region. We formed the bank in 2000 to consciously align the interests of owners, employees, and customers. We have 260 shareholders, 35% of the shares are voted by our board members. Our employees own 10% of the shares. Many of our customers are shareholders and most of our shareholders bank with us. In a rough sense one could think of us as a commercial banking co-op; except that we pay taxes.

In December we received a $15MM TARP investment and raised $9.5MM of private capital.

We participated in TARP because we believe in its social purpose and we thought it would be beneficial to our shareholders. We were and are very well capitalized. We did not ask for, nor did we need, a bailout.

Nicolet did not originate subprime loans. Since we own our mistakes why would make them on purpose? We have a low concentration of development real estate as a matter of philosophy. We don't hold problem assets in our investment portfolio. Our risk is in the loan portfolio where it belongs. We made money in 2008 and our non-performing assets were 1% of as of 12/31/08 (about the same today). We did not pay management bonuses in 2008.

We are positioned the way a sound bank should be on the front end of a recession. The recession has impacted our region differently.

1. Before September 2008 - The crisis was confined to the real estate and finance sectors until September, 2008. In NE Wisconsin, finance and real estate are not the "core industries". They remain derivatives of the "real economy". Right up until last fall people may have been rattled at the news reports and concerned about their 401k balance, but privately wondered what all the fuss was about.

   In the wake of the internet bubble and 911, federal policy was to flood the markets with liquidity so that real estate would lead the recovery. Stimulus stimulated. We were amazed at the scale of speculative real estate development in a market that historically had built to order. Speculative real estate construction was dominated by a handful of developers using a handful of banks all of which are now troubled institutions. By 2005 we could observe the developers selling properties to each other in round robin fashion to generate new appraisal equity.

2. After September 2008 - This recession bit hard and deep beginning in October, 2008. Our traditional core industries of paper, wood products, food processing, shipbuilding, equipment manufacturing and transportation continue to show strength, but they comprise a much lower proportion of total employment than earlier decades. There are a

lot of competent, motivated people without work. Unemployment exceeds 12% in the City of Green Bay. This is a new problem for us.

3. The Future - We are planning for two scenarios. We are hopeful that a gradual recovery will begin in late 2009 and early 2010. The "stress test" scenario is what we call credit driven stagflation. This would be characterized by a collapse of the US dollar as global investors lose confidence in our credit worthiness. The need to fund structural deficits at the resultant high Treasury rates will make domestic private borrowing very expensive. The stress would continue until global investors believe we have the political will to live in an economically responsible fashion.

4. Nicolet's responsibilities - We understand that banking is a private business and a public trust. We are lending money and gaining new customers. Deposits are growing especially fast. We are also looking for acquisitions which will strengthen our funding base. We are aggressively seeking to tell our customers and community how we see this crisis. Many of them have taken the tough measures necessary to manage their costs and strengthen their balance sheets. They are looking for opportunities beyond the moment, but proceeding very cautiously. Many are concerned about the fiscal and monetary stability of the US and quite concerned about an atmosphere of hostility toward business. We are concerned that the coming regulatory changes will punish the horses that didn't leave the barn.

5. Systemic Risk - We must manage the risks created by the too big to fail institutions (Toobtofs). Rather than seeking to manage the external social costs of the Toobtofs, we would urge you to consider using the tax code to minimize systemic risk. Size serves no social purpose. Instead of spending more money to regulate, Toobtof taxation will generate revenue, reduce risk and level the playing field which has consistently favored the larger institutions in recent decades.

Finance need not be as complicated as we have made it. It really ought to be a very personal, regional business. We should adopt policy measures which decentralize the work, the ownership, the risk and the return.