



The Baraboo Bancorporation, Inc.

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Baraboo, Wisconsin 53913-0050
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March 4, 2009

VIA E-MAIL AND UPS
SIGTARP.RESPONSE@DO.TREAS.GOV

Neil M. Barofsky
Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W. Suite 1064
Washington, D.C. 20220

RE: The Baraboo Bancorporation, Inc.

Dear Mr. Barofsky:

I am writing in response to the inquiry we received from your office dated February 6, 2009 with respect to your audit of the use by The Baraboo Bancorporation, Inc. of funds it received under the Troubled Asset Relief Program and its sale of preferred stock pursuant to the Department of Treasury's Capital Purchase Program. Your inquiry set forth two issues to be addressed in our response, which have been reproduced below, followed in each case by our response:

- (1) *A narrative response specifically outlining (a) your anticipated use of TARP funds; (b) whether the TARP funds were segregated from other institutional funds; (c) your actual use of TARP funds to date; and (d) our expected use of unspent TARP funds. In your response, please take into consideration your anticipated use of TARP funds at the time that you applied for such funds, or any actions that have taken that you would not have been able to take absent the infusion of TARP funds.*

The Board of Directors of The Baraboo Bancorporation, Inc. (the "Company") applied to sell \$20,749,000 of TARP preferred stock to the Department of Treasury ("Treasury") largely because of the uncertain economic times facing the company and its subsidiary bank, The Baraboo National Bank (the "Bank"). The board of directors of the Company determined that the TARP funds represented a cost-effective source of capital that was readily available to the Company in a challenging capital raising environment.

The Company closed on its sale of TARP preferred stock to Treasury on January 16, 2009. The \$20,749,000 proceeds were deposited into a money market deposit account at the Bank and are listed as a separate line item in the capital

section of the Company's internal balance sheet, but have not been segregated from other institutional funds.

Because the proceeds of the Company's TARP preferred stock offering were not earmarked for any specific projects, it is difficult to say with certainty how such funds were expended. However, the Bank has increased its lending by \$21,966,000 to date in the first quarter of 2009, from \$667,492,000 at December 31, 2008 to \$689,458,000 at February 26, 2009. The Bank intends to continue such lending activity, on a prudent basis, in the communities it currently serves. If the Bank had not received TARP funds, its lending activity would almost certainly have been curtailed.

For your convenience, unaudited summary balance sheets for the Company as of February 28, 2009 and December 31, 2008 are attached hereto as Exhibit A.

- (2) *Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding. Information provided regarding executive compensation should also include any assessments made of loan risks and their relationship to executive compensation; how limitations on executive compensation will be implemented in line with Department of Treasury guidelines; and whether any such limitations may be offset by other changes to other, longer-term deferred forms of executive compensation.*

The board of directors of the Company intends to continuously monitor compliance with the American Recovery and Reinvestment Act of 2009 and rulemaking thereunder.

The Company's executive compensation arrangements are currently compliant with the current guidance available on the Treasury Department's website,¹ although the Company is awaiting further guidance to comply with ARRA, including guidance to comply with the written certification of compliance required by the chief executive officer and the chief financial officer under Section 7001 (amending section 111(b)(4) of the Emergency Economic Stabilization Act of 2008).

The Company's compensation plans do not include any features that would encourage the manipulation of earnings or would otherwise encourage employees to take unnecessary and excessive risks

(b) (4)

¹ *Emergency Economic Stabilization Act*, <http://www.ustreas.gov/initiatives/eesa/executivecompensation.shtml> (as of March 3, 2009).

(b) (4)

(b) (4) In 2008, the Company did not pay any bonus or incentive compensation to the senior executive officers that, under current guidance from Treasury, could have been subject to “clawback.”

(b) (4)

The Company’s board of directors will meet on March 11, 2009 with the Company’s risk officer, and thereafter as necessary or required, to review executive compensation arrangements and ensure the arrangements do not encourage executives to take unnecessary and excessive risks.

As necessary under rules promulgated under ARRA, the Company intends to require recovery of any bonus or incentive compensation to employees if the payments are made on the basis of materially inaccurate financial statements or other materially inaccurate performance metric criteria.

(b) (4)

The Board of Directors of the Company intends to continuously monitor compliance of the Company’s executive compensation arrangements under any rules promulgated under ARRA.

The Company has consulted counsel to ensure compliance with the Section 162(m)(5) deduction limit under the guidance currently available from Treasury. The Company intends to continuously monitor compensation deductions to ensure that Company will not deduct any compensation amounts that exceed the \$500,000 deduction limit under Section 162(m)(5), including any deferred deduction executive remuneration that may exceed the deduction limit.

As necessary under rules promulgated under ARRA, the Company will put in place a company-wide policy prohibiting unreasonable or excessive luxury

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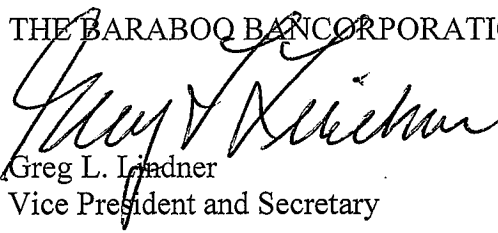
expenditures. The Company's board of directors intends to continuously monitor compliance with ARRA and any rulemaking promulgated thereunder.

The Company intends to preserve the appropriate documentation and records to substantiate its compliance with the executive compensation limitations on TARP recipients.

By signing this response, I, Greg L. Lindner, Vice-President and Secretary of the Company, certify that I have reviewed this response and supporting documents and, based on my knowledge, this response and supporting documents do not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Very truly yours,

THE BARABOO BANCORPORATION, INC.



Greg L. Lindner
Vice President and Secretary

Exhibit "A"

Listed below is a condensed version of The Baraboo Bancorporation, Inc. unaudited balance sheet as of December 31, 2008 and February 26, 2009:

(in thousands)	<u>Dec 31, 08</u>	<u>Feb 26, 09</u>
Cash and Investments	77,160	63,749
Net Loans	667,492	689,458
Other Assets	<u>39,660</u>	<u>34,924</u>
Total Assets	<u><u>784,312</u></u>	<u><u>788,131</u></u>
Deposits	669,571	669,746
Other Liabilities	50,750	31,606
TARP - Preferred	0	20,749
Capital	<u>63,991</u>	<u>66,030</u>
Total Liabilities and Capital	<u><u>784,312</u></u>	<u><u>788,131</u></u>