



BankFirst

NATIONAL

March 11, 2009

Mr. Neil M. Barofsky
Special Inspector General
1500 Pennsylvania Ave, NW, Suite 1064
Washington, D.C. 20220

RE: RSSD No. 0001208009

Dear Mr. Barofsky:

First Manitowoc Bancorp, Inc., parent company of Bank First National anticipates that the \$12 million it received from the U.S. Department of the Treasury under the TARP Capital Purchase Program will be used to fund loan growth and continued local economic expansion. The funds received from the Treasury are segregated. Since receipt of the funds on January 16, 2009 through February 23, 2009, Bank First National has made more than \$17.6 million in new loans throughout the markets we serve. We have created a restructure loan program designed for Bank First National loan customers encountering difficulties in paying their mortgage loans as an alternative to foreclosure proceedings. We currently have 2 loans in the program totaling \$372,200. We expect to continue making loans to persons and businesses in our market area in line with our strategic goals and objectives.

Bank First National is currently developing an executive compensation plan that will meet the guidelines associated with the receipt of the TARP CPP funding. The bank has a designated Compensation Committee, which operates under a written charter approved by the Board of Directors. The Compensation Committee is charged with reviewing the performance of the bank's executive officers and other key employees and determines their compensation on a discretionary basis. There was no identifiable correlation to loan risk and executive compensation. The bank's current executive salary structure falls well within the limitations imposed under the Treasury's guidelines.

We have enclosed the following documentation in support of our TARP CPP decision and our anticipated use of the funds:

- Attachment 1: Impact of Potential TARP financing
- Attachment 2: TARP Effective Interest Rate analysis
- Attachment 3: News Release – TARP CPP media announcement
- Attachment 4: Budget – TARP Scenario #1 approved by the Board of Directors.

I certify the accuracy of all statements, representations, and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Sincerely,

Michael B. Molepske
Chief Executive Officer

David J. Diedrich
President

For Better Banking, Think First.



Member FDIC

ATTACHMENT 1

Impact of Potential TARP Financing

First Manitowoc Bancorp, Inc. (FMWC)

		Issue 1% of RWA to UST	Issue 1.5% of RWA to UST	Issue 2.12% of RWA to UST	Issue 3% of RWA to UST	
Common Shares Outstanding ==>	6,605,110					
First Manitowoc Bancorp Y-9C filing ==>	9/30/2008					
Total Equity Capital	77,193,000	77,193,000	77,193,000	77,193,000	77,193,000	
Less Adjustments	(71,000)	(71,000)	(71,000)	(71,000)	(71,000)	
Less Disallowed Goodwill	(17,845,000)	(17,845,000)	(17,845,000)	(17,845,000)	(17,845,000)	
Qualifying Trust Preferred Securities	-	-	-	-	-	
Subtotal	59,277,000	59,277,000	59,277,000	59,277,000	59,277,000	
Less Disallowed Tax Assets	(271,000)	(271,000)	(271,000)	(271,000)	(271,000)	
UST Preferred Stock (Tier 1 qualifying)	-	5,657,840	8,486,760	12,000,000	16,973,520	
Tier 1 Capital	59,006,000	64,663,840	67,492,760	71,006,000	75,979,520	
Qualifying Sub Debt	-	-	-	-	-	
Cumulative Perp Preferred Stock includible in Tier 2	-	-	-	-	-	
Allowance for LLL includible in Tier 2	5,356,000	5,356,000	5,356,000	5,356,000	5,356,000	
Other Tier 2	-	-	-	-	-	
Tier 2 Capital	5,356,000	5,356,000	5,356,000	5,356,000	5,356,000	
Total Risk Based Capital	64,362,000	70,019,840	72,848,760	76,362,000	81,335,520	
Average Total Assets (est)	751,812,000	757,469,840	760,298,760	763,812,000	768,785,520	
Less Goodwill	(17,845,000)	(17,845,000)	(17,845,000)	(17,845,000)	(17,845,000)	
Less Disallowed Tax assets	(271,000)	(271,000)	(271,000)	(271,000)	(271,000)	
Average Total Assets for Leverage	733,696,000	739,353,840	742,182,760	745,696,000	750,669,520	
Risk Weighted Assets	565,784,000	568,612,920	570,027,380	571,784,000	574,270,760	
<i>Tier 1 Leverage Ratio</i>	8.04%	8.75%	9.09%	9.52%	10.12%	5.00% <small>well capitalized minimum</small>
<i>Tier 1 Risk Based Capital Ratio</i>	10.43%	11.37%	11.84%	12.42%	13.23%	6.00%
<i>Total Risk Based Capital Ratio</i>	11.38%	12.31%	12.78%	13.36%	14.16%	10.00%
Impact on Equity Ownership						
Preferred Shares before warrant		5,658	8,487	12,000	16,974	
Principal Amount of Warrants at 5% of Pref Issue		\$ 282,892	\$ 424,338	\$ 600,000	\$ 848,676	
Warrants exercised to become add'l preferred shares		283	424	600	849	
Total Preferred Shares		5,941	8,911	12,600	17,822	
Exercise of warrant proceeds from Treasury		\$ 3	\$ 4	\$ 6	\$ 8	
Total equity after TARP and warrants issuance		82,850,843	85,679,764	89,193,006	94,166,528	
Percent of equity owned by Treasury		7%	10%	13%	18%	

ATTACHMENT 2

TARP Effective Interest Rate

Preferred Stock	12,000,000
FV of warrant	600,000
FV of preferred stock	<u>11,400,000</u>
preferred warrants at 9% entire term	600,000
annual interest on \$12 mill at 5% and \$600,000 at 9%	654,000
5 years of interest	3,270,000
effective interest rate first 5 years	6.31%
tax effected rate	10.52%
annual interest at 9% on \$12.6 million	1,134,000
5 years of interest	5,670,000
effective interest rate last 5 years	9.45%
Effective rate over entire term	7.43%
tax effected effective rate	12.38%

NEWS RELEASE

ATTACHMENT 3


BankFirst
NATIONAL

P.O. Box 10
Manitowoc, WI 54221-0010

For further information, contact:
Lisa M. O'Neill, Chief Financial Officer
Phone: (920) 652-3262

FOR IMMEDIATE RELEASE – January 23, 2009

**First Manitowoc Bancorp, Inc. Receives \$12 million Investment under U.S.
Treasury's Capital Purchase Program.**

First Manitowoc Bancorp, Inc. (Nasdaq: FMWC.OB), ("Company") parent company of Bank First National, announced today that it has completed raising \$12 million in capital by issuing preferred stock to the U.S. Department of the Treasury as a voluntary participant in the Treasury's TARP Capital Purchase Program. The transaction is part of the Treasury's program to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy.

"We are pleased to have been approved to participate in the Treasury's program and to have been supported by our primary federal regulator," said Michael B. Molepske, Chief Executive Officer. "In 2008, we generated \$58 million in loan growth, and our strategic plan forecasts similar loan growth goals for 2009 and 2010. We believe this additional capital will assist us in funding anticipated loan growth with quality customer relationships and will support continued local economic expansion in the market we serve."

The preferred shares issued by First Manitowoc Bancorp, Inc., pay cumulative dividends of 5% a year for the first five years and 9% a year thereafter and are considered Tier 1 capital for regulatory purposes. After three years, the Company may, at its option, redeem the preferred securities.

"We already exceed the industry's "well-capitalized" standards and the Capital Purchase Program investment will even further strengthen our balance sheet. The Treasury's

investment in our Company is an indication of our soundness and the Treasury's support of our plans going forward," noted David J. Diedrich, President.

First Manitowoc Bancorp, Inc. provides financial services through its sole subsidiary, Bank First National, a national banking association incorporated in 1894. The Bank is an independent community bank with 15 banking locations in Manitowoc, Brown, Calumet, and Sheboygan counties. The Bank has grown through both acquisitions and de novo branch expansion. The Bank offers loan, deposit, investment advisory and trust products at each of its banking offices. Insurance products are available through its wholly owned subsidiary, the Vincent Group and asset management services are available through its wholly owned subsidiary, The George V. Reis Investment Group, Inc. The Bank employs approximately 250 full time equivalent staff and has assets of \$793 million as of December 31, 2008.

Further information about the Company and Bank First National is available at its website at <http://www.bankfirstnational.com>

ATTACHMENT 4

Bank First National

(b) (4)

