

Citizens Community Bancorp Inc.  
Form DEF 14A  
July 27, 2018  
Table of Contents

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**CITIZENS COMMUNITY BANCORP, INC.**

**(Name of Registrant as Specified in Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other than the Registrant)**

Payment of filing fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
  
- (2) Aggregate number of securities to which transaction applies:
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
- (4) Proposed maximum aggregate value of transaction:
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
  
- (2) Form, Schedule or Registration Statement No.:
  
- (3) Filing Party:
  
- (4) Date Filed:



Table of Contents

**CITIZENS COMMUNITY BANCORP, INC.**

**2174 EASTRIDGE CENTER**

**EAU CLAIRE, WISCONSIN 54701**

**Notice of Special Meeting of Stockholders**

**to be held on September 25, 2018**

A special meeting of stockholders (the Special Meeting ) of Citizens Community Bancorp, Inc., a Maryland corporation (the Company or Citizens ), will be held at the Holiday Inn Eau Claire located at 4751 Owen Ayres Ct, Eau Claire, Wisconsin 54701, on Tuesday, September 25, 2018, at 4:00 p.m. local time, for the following purposes:

1. To approve, for purposes of NASDAQ Listing Rule 5635, the Company s issuance of shares of common stock upon the conversion of the Company s 8.00% Series A Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock (the Issuance Proposal ).
2. To approve the adjournment of the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt Proposal 1(the Adjournment Proposal ).

Any action may be taken on the foregoing proposals at the Special Meeting on the date specified above, or on any date or dates to which the meeting may be adjourned or postponed. Stockholders of record at the close of business on July 20, 2018 are entitled to notice of and to vote at the Special Meeting and any adjournment or postponement thereof. Pursuant to the Company s bylaws, the only business permitted to be transacted at the Special Meeting are the purposes stated in this notice of the Special Meeting.

Whether or not you plan to attend the meeting in person, you are requested to complete, sign and date the enclosed proxy card, which is solicited on behalf of the Board of Directors, and to mail it promptly in the enclosed envelope. Your vote is important to ensure that a majority of our stock is represented. The prompt return of proxy cards will save the Company the expense of further requests for proxies to ensure a quorum at the meeting. If you send in your proxy card, you may still decide to attend the Special Meeting and vote your shares in person. Your proxy is revocable in accordance with the procedures set forth in the accompanying proxy statement. Stockholders holding shares in brokerage accounts ( street name holders) who wish to vote at the Special Meeting will need to obtain a proxy form and voting instructions from the institution that holds their shares.

If you have any questions or require assistance with voting your proxy card, please contact our proxy solicitor Regan & Associates, Inc. at 800-737-3426.

By order of the Board of Directors

Stephen M. Bianchi,  
President and CEO

Eau Claire, Wisconsin

July 27, 2018

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>GENERAL INFORMATION</u></b>	2
<b><u>PROXIES AND VOTING PROCEDURES</u></b>	2
<b><u>STOCKHOLDERS ENTITLED TO VOTE</u></b>	2
<b><u>QUORUM; REQUIRED VOTE</u></b>	2
<b><u>PROPOSAL 1: ISSUANCE PROPOSAL</u></b>	4
<b><u>PROPOSAL 2: ADJOURNMENT PROPOSAL</u></b>	12
<b><u>OTHER MATTERS</u></b>	12
<b><u>SECURITY OWNERSHIP</u></b>	13
<b><u>STOCKHOLDER PROPOSALS</u></b>	16
<b><u>HOUSEHOLDING INFORMATION</u></b>	17
<b><u>INFORMATION INCORPORATED BY REFERENCE</u></b>	18
<b><u>WHERE YOU CAN FIND MORE INFORMATION</u></b>	19

**Table of Contents**

**CITIZENS COMMUNITY BANCORP, INC.**

**2174 EASTRIDGE CENTER**

**EAU CLAIRE, WISCONSIN 54701**

**Proxy Statement for the Special Meeting of Stockholders**

**to be Held on September 25, 2018**

**Important Notice Regarding the Availability of Proxy Materials for the**

**Special Meeting of Stockholders to be Held on September 25, 2018:**

**The Notice of Special Meeting, this Proxy Statement and the Accompanying Annual Report**

**are Available on the Internet at: [www.cstproxy.com/ccf/sm2018](http://www.cstproxy.com/ccf/sm2018)**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Citizens Community Bancorp, Inc. (the Company or Citizens ) of proxies to be used at the Special Meeting of Stockholders (the Special Meeting ) of Citizens for the purposes set forth in the accompanying Notice of Special Meeting to be held at the Holiday Inn Eau Claire located at 4751 Owen Ayres Ct, Eau Claire, Wisconsin 54701, on Tuesday, September 25, 2018, at 4:00 p.m. local time, and any adjournments thereof. Only stockholders of record at the close of business on July 20, 2018 will be entitled to notice of and to vote at the Special Meeting.

Our principal executive offices are located at 2174 EastRidge Center, Eau Claire, Wisconsin 54701. It is expected that this Proxy Statement and the form of Proxy will be mailed to stockholders on or about July 27, 2018.

**Table of Contents**

**GENERAL INFORMATION**

**Proxies and Voting Procedures**

Stockholders can vote by completing and returning a proxy card in the form accompanying this Proxy Statement or, if shares are held in street name, by completing a voting instruction form provided by your broker.

The shares represented by each validly executed proxy received by Citizens or its authorized agents in time will be voted at the Special Meeting in accordance with the instructions thereon. If no instructions are specified in a signed proxy returned to Citizens, the shares represented thereby will be voted **FOR** the approval, for purposes of NASDAQ Listing Rule 5635, the Company's issuance of shares of common stock upon the conversion of an equivalent number of 8.00% Series A Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock (the Issuance Proposal), and **FOR** the approval of the adjournment of the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt Proposal 1 (the

Adjournment Proposal). If any other matters are properly presented at the Special Meeting, including, among other things, consideration of a motion to adjourn the meeting to another time or place, the individuals named as proxies and acting thereunder will have the authority to vote on those matters according to their best judgment to the same extent as the person delivering the proxy would be entitled to vote. If the Special Meeting is adjourned or postponed, a proxy will remain valid and may be voted at the adjourned or postponed meeting. Pursuant to the Company's bylaws, the business transacted at the Special Meeting will be confined to the matters referred to in the accompanying Notice of Special Meeting.

Stockholders may revoke proxies at any time before they are voted by giving us written notice or by a later executed proxy submitted by mail. Attendance at the Special Meeting will not automatically revoke a proxy, but a stockholder attending the Special Meeting may request a ballot and vote in person, thereby revoking a prior granted proxy. The cost of solicitation of proxies will be borne by Citizens. Solicitation will be made primarily by use of the mail; however, some solicitation may be made by our employees, without additional compensation, by telephone, by facsimile or in person. We have also retained Regan and Associates to assist us with the solicitation of proxies for the Special Meeting for a fee of not more than \$10,000 plus a reasonable amount to cover the expenses of such solicitation firm.

**Stockholders Entitled to Vote**

Citizens common stock, \$0.01 par value per share (the common stock), is the only class of security entitled to vote at the Special Meeting. Only holders of record of the Company's common stock at the close of business on July 20, 2018 will be entitled to notice of and to vote at the Special Meeting. On the record date, we had outstanding 5,914,379 shares of our common stock, entitled to one vote per share.

**Quorum; Required Vote**

Stockholders holding a majority of the shares of common stock entitled to vote at the Special Meeting, either present in person or by proxy, shall constitute a quorum with respect to the meeting. The approval of the Issuance Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting by stockholders present in person or by proxy. Abstentions and broker nonvotes (*i.e.*, shares held by brokers in street name, voting on certain matters due to discretionary authority or instructions from the beneficial owners but not voting on other matters due to lack of authority to vote on such matters without instructions from the beneficial owner) will count as present for purposes of determining quorum, but will not be counted as votes cast with regard to any proposal. The Inspector of Election appointed by our Board of Directors will count the votes and ballots.





**Table of Contents**

Certain shares of our issued and outstanding common stock are held by participants in our 401(k) Profit Sharing Plan (the 401(k) Plan ). If you hold shares of our common stock in the 401(k) Plan, the trustee for the 401(k) Plan will vote the shares you hold through the plan as you direct. We will provide plan participants who hold common stock through the 401(k) plan with forms on which participants may communicate their voting instructions. In the event that a 401(k) Plan participant fails to give timely voting instructions to the trustee of the 401(k) Plan with respect to the voting of shares of our common stock at the Special Meeting that are allocated to the participant in the 401(k) Plan, then the trustee shall vote such shares in such manner as directed by the Plan Administrator.

**Table of Contents**

**PROPOSAL 1:  
ISSUANCE PROPOSAL**

**Background of the Private Placement**

In 2018, the Company's management and Board considered alternatives to raise capital for the funding of acquisition opportunities and general corporate purposes, including supporting strong capital levels. The Company's management and Board, following consultation with the Company's financial advisors, ultimately exercised their business judgment and determined that a private placement of equity securities was the most effective method for raising capital under the current circumstances and in the best interests of the Company and its stockholders.

On June 20, 2018, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreements") with each of a limited number of institutional and other accredited investors, including certain officers and directors of the Company (collectively the "Purchasers"), pursuant to which the Company sold on June 21, 2018 an aggregate of 500,000 shares of the Company's 8.00% Series A Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock, par value \$0.01 per share, (the "Series A Preferred Stock"), in a private placement (the "Private Placement") at a purchase price of \$130 per share, for aggregate gross proceeds of \$65 million. The terms of the Series A Preferred Stock provide for the mandatory conversion of each share of Series A Preferred Stock into ten shares of the Company's common stock, par value \$0.01 per share ("common stock") upon approval of the Issuance Proposal. The Private Placement transaction was completed on June 21, 2018. The material terms of the Series A Preferred Stock are discussed below. The Private Placement of the Series A Preferred Stock was exempt from Securities and Exchange Commission ("SEC") registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506(b) of Regulation D promulgated thereunder.

On June 20, 2018, the Company also entered into a Registration Rights Agreement with each of the Purchasers, pursuant to which the Company agreed, among other things, to register for resale the shares of common stock to be issued upon conversion of the Series A Preferred Stock (the "Registration Rights Agreement").

**Summary of the Proposal**

Because our common stock is listed on the NASDAQ Global Market, we are subject to NASDAQ Listing Rule 5635. NASDAQ Listing Rule 5635(c) requires stockholder approval prior to the issuance of common stock (or securities convertible into or exercisable for common stock) by a listed company to its officers, directors, employees, or consultants, in a private placement at a price less than the market value of the stock. NASDAQ Listing Rule 5635(d) requires stockholder approval prior to the issuance of securities in connection with a transaction, other than a public offering, involving the sale, issuance or potential issuance by a company of common stock (or securities convertible into or exercisable for common stock) equal to 20% or more of the then outstanding shares of common stock or 20% or more of the voting power before the issuance of such additional shares at a price that is less than the greater of book or market value of the stock.

Upon conversion of the Series A Preferred Stock, the Company will issue 5,000,000 shares of common stock. Following conversion of the Series A Preferred Stock, the common stock issued as a result of conversion of the Series A Preferred Stock will represent approximately 45.8% of the aggregate number of outstanding shares of common stock based on the 5,914,379 shares of common stock currently outstanding as of July 20, 2018 plus the 5,000,000 shares of common stock issuable upon conversion of the Series A Preferred Stock. The conversion price of \$13.00 per share of common stock was less than the closing price of the Company's common stock on June 19, 2018, the day immediately prior to the Company's entry into the Securities Purchase Agreements, of \$13.46 per share on the

NASDAQ Global Market.

## **Table of Contents**

In order to comply with NASDAQ Listing Rule 5635, the Company is seeking the approval of its stockholders for the issuance of the common stock to be issued upon the conversion of the Series A Preferred Stock.

### **Use of the Net Proceeds**

The Company will not receive any proceeds from the issuance of the common stock to be issued upon the conversion of the Series A Preferred Stock. The net proceeds to us from the issuance of the Series A Preferred Stock were approximately \$61 million, after deducting the placement agent's fees, structuring fees and other fees and expenses payable by us in connection with the Private Placement. The Company expects to use the proceeds to, in part, fund the acquisition of United Bank (the Acquisition) and for general corporate purposes, including supporting our growth strategy, which may include organic growth, funding acquisition opportunities, de novo branching into new markets or other organic expansion of our business.

**The Acquisition is NOT part of the Issuance Proposal and the Company's stockholders are NOT being asked to vote on the Acquisition.** Further, the results of the vote of the stockholders at the Special Meeting will have no effect on the Acquisition or whether the Company completes the Acquisition. The Private Placement was not conditioned upon the successful completion of the Acquisition or any other transaction. Accordingly, even if the Acquisition does not occur, we will have no obligation to offer to repurchase any or all of the shares of Series A Preferred Stock sold in the Private Placement. In the event the Acquisition does not occur, our management will retain broad discretion in the allocation of the net proceeds of the Private Placement. The precise amounts and timing of our use of the net proceeds will depend upon market conditions and the availability of other funds, among other factors.

### *Summary of the Acquisition*

The following is a summary of the material terms of the Acquisition. More detailed information can be found in our Form 8-K filed on June 21, 2018, which is incorporated by reference herein.

On June 20, 2018, the Company entered into a Stock Purchase Agreement (the Stock Purchase Agreement) with United Bancorporation (Parent) and its wholly-owned subsidiary, United Bank, a Wisconsin chartered bank (United Bank), pursuant to which the Company will, subject to the terms and conditions set forth therein, acquire 100% of the common stock of United Bank for approximately \$50.7 million in cash, subject to adjustment as provided in the Stock Purchase Agreement. At the closing of the Acquisition, United Bank will become a wholly-owned subsidiary of the Company. Immediately following the closing of the Acquisition, the Company intends to merge United Bank with and into Citizens Community Federal, N.A. (CCF Bank), a federally-chartered national bank and a wholly-owned subsidiary of the Company, with CCF Bank surviving the Acquisition.

Completion of the Acquisition is subject to certain customary mutual conditions, including: (i) receipt of all required regulatory approvals and expiration of all related statutory waiting periods (and the absence of a burdensome condition (as defined in the Stock Purchase Agreement) in connection with obtaining any such approvals); and (ii) the absence of any law or order prohibiting the consummation of the Acquisition. Each party's obligation to complete the Acquisition is also conditioned upon certain additional customary conditions, including (i) the accuracy of the representations and warranties of the other party (subject to certain exceptions and qualifications); and (ii) material compliance by the other party with its obligations under the Stock Purchase Agreement. The Company's obligation to complete the Acquisition is further conditioned upon the absence of a material adverse effect (as defined in the Stock Purchase Agreement) with respect to United Bank or Parent.

The Stock Purchase Agreement contains customary representations and warranties by each of the parties, and each party has agreed to customary covenants. United Bank and Parent have also agreed to customary covenants relating to

the conduct of United Bank's business during the interim period between the execution of

## **Table of Contents**

the Stock Purchase Agreement and the completion of the Acquisition, and customary non-solicitation covenants relating to alternative acquisition proposals.

The Stock Purchase Agreement contains indemnification obligations of the Company and Parent with respect to breaches of certain of such party's representations, warranties and covenants and certain other specified matters, which party's indemnification obligations are also subject to various specified limitations.

The Stock Purchase Agreement provides certain customary termination rights for the Company and Bank Parent, including, among others, (i) a breach of the Stock Purchase Agreement by the other party that is not cured within 30 days' notice of such breach and which cause the non-breaching party's closing conditions to not be satisfied; (ii) a final, non-appealable denial of required regulatory approvals or an injunction prohibiting the transactions contemplated by the Stock Purchase Agreement; and (iii) if the Acquisition has not closed on or prior to the twelfth month anniversary of the date of signing, as may be extended by six months, if necessary, to obtain regulatory approvals.

### **Consequences Associated with the Approval of this Proposal**

*Conversion of the Series A Preferred Stock into Common Stock.* Each share of Series A Preferred Stock will automatically convert into ten shares of common stock on the third business day following stockholder approval.

*Payment of Dividends on Series A Preferred Stock.* Each share of Series A Preferred Stock accrues a dividend at the rate of 8.0% per annum on the liquidation value (\$130 per share) and is payable semiannually in arrears commencing on December 31, 2018. If the shares of Series A Preferred Stock are converted on or prior to December 31, 2018, then no dividends will be payable on the Series A Preferred Stock.

*Elimination of Dividend and Liquidation Rights of Series A Preferred Stock.* Upon stockholder approval and conversion of the Series A Preferred Stock into common stock, all shares of the Series A Preferred Stock will be cancelled. As a result, approval of the proposal will result in the elimination of the dividend rights and liquidation preference existing in favor of the Series A Preferred Stock. See Description of the Series A Preferred Stock.

*Elimination of Separate Voting Rights of Holders of Series A Preferred Stock.* Holders of Series A Preferred Stock have approval rights for certain Company actions, and the conversion of Series A Preferred Stock into common stock will eliminate these separate voting rights. For more information regarding such voting, see Description of Series A Preferred Stock.

*Rights of Investors.* If stockholder approval is received, the rights and privileges associated with our common stock issued upon the conversion of the Series A Preferred Stock will be identical to the rights and privileges associated with the common stock held by our existing common stockholders, including the right to vote on all matters presented to the holders of our common stock.

*Dilution.* If stockholder approval is received, the conversion of the Series A Preferred Stock will result in the issuance of 5,000,000 shares of our common stock. Following conversion of the Series A Preferred Stock, the common stock issued as a result of conversion of the Series A Preferred Stock will represent approximately 45.8% of the aggregate number of outstanding shares of common stock based on the 5,914,379 shares of common stock currently outstanding as of July 20, 2018 plus the 5,000,000 shares of common stock issuable upon conversion of the Series A Preferred Stock. As a result, we expect there to be a dilutive effect on the earnings per share of our common stock. In addition, our existing stockholders will incur substantial dilution to their voting interests and will own a smaller percentage of our outstanding common stock.

*Market Effects.* The conversion of the Series A Preferred Stock may impact trading patterns and adversely affect the market price of our common stock. Additionally, in accordance with the Registration Rights Agreement, we intend to file a resale registration statement with the SEC to enable the holders of the Series A



## **Table of Contents**

Preferred Stock to freely sell their shares of common stock to be issued upon conversion of the Series A Preferred Stock. If significant quantities of the common stock are sold (or if it is perceived that they may be sold) in the public market, the trading price of our common stock could be adversely affected.

### **Consequences Associated with the Failure to Approve this Proposal**

*The Series A Preferred Stock Will Remain Outstanding.* Unless stockholder approval is received or unless our stockholders approve a similar proposal at a subsequent meeting, the Series A Preferred Stock will remain outstanding in accordance with its terms.

*Continued Dividend Payment and Potential Market Effects.* If stockholder approval is not obtained, we would expect that the shares of Series A Preferred Stock will remain outstanding for the foreseeable future and, beginning December 31, 2018, and for so long as such shares remain outstanding, we would be required to pay dividends on the Series A Preferred Stock, on a non-cumulative basis, at an annual rate of 8.0% of the liquidation value of the Series A Preferred Stock (\$130 per share).

*Continued Separate Voting Rights of Holders of Series A Preferred Stock.* If stockholder approval is not obtained, holders of Series A Preferred Stock have certain separate voting rights, and the holders of our common stock will be unable to take certain actions without approval by the holders of the Series A Preferred Stock. For more information regarding such voting, see Description of Series A Preferred Stock.

*Additional Stockholder Meetings.* Pursuant to the Securities Purchase Agreement, we would be required to call additional stockholder meetings every three months and recommend approval of the Issuance Proposal at each meeting to the stockholders, if necessary, until such approval is obtained. We will bear the costs of soliciting the approval of our stockholders in connection with these meetings.

*Restriction on Payment of Dividends.* If stockholder approval is not obtained, the shares of Series A Preferred Stock will remain outstanding and, beginning December 31, 2018, and for so long as such shares remain outstanding, if dividends payable on all outstanding shares of the Series A Preferred Stock have not been declared and paid, or declared and funds set aside therefor, we will not be permitted to declare or pay dividends with respect to, or redeem, purchase, or acquire any of our junior securities, or redeem, purchase or acquire any parity securities, subject to limited exceptions.

*Participation in Dividends on Common Stock.* So long as any shares of Series A Preferred Stock are outstanding, if we declare any dividends on our common stock or make any other distribution to holders of our common stock, the holders of the Series A Preferred Stock will be entitled to participate in such distribution on an as-converted basis.

*Liquidation Preference.* For as long as the Series A Preferred Stock remains outstanding, it will retain a senior liquidation preference over shares of our common stock in connection with any liquidation of us and, accordingly, no payments will be made to holders of our common stock upon any liquidation of us unless the full liquidation preference on the Series A Preferred Stock is paid.

### **Pro Forma Financial Information**

To assist in your understanding of the impact of the Issuance Proposal, we are providing the following pro forma financial information. The following table sets forth our capitalization and regulatory capital ratios on a consolidated basis as of March 31, 2018 on:

(1) an actual basis; and

(2) an adjusted basis to give effect to the issuance of 500,000 shares of the Series A Preferred Stock in the Private Placement on a (i) non-converted basis and (ii) converted basis.

**Table of Contents**

The table should be read in conjunction with and is qualified in its entirety by our audited and unaudited financial statements and notes thereto incorporated by reference into this proxy. For more information, see Information Incorporated by Reference below.

	<b>As of March 31, 2018</b>		
	<b>(in thousands, except share and per share data)</b>		
	<b>As Adjusted for the Offering</b>		
	<b>If the Preferred</b>		
	<b>Stock IS</b>		
	<b>NOT</b>		
	<b>converted</b>		
	<b>to</b>		
	<b>Common</b>		
	<b>Stock</b>		
	<b>Actual</b>	<b>Common</b>	<b>If the Preferred</b>
		<b>Stock</b>	<b>Stock IS</b>
			<b>converted to</b>
			<b>Common</b>
			<b>Stock</b>
<b>Stockholders Equity:</b>			
Common stock \$0.01 par value, 30,000,000 shares authorized, 5,902,481 shares issued and outstanding; 10,902,481 shares issued and outstanding as adjusted for the issuance of the common stock to be issued upon the conversion of the Series A Preferred Stock.	\$ 59	\$ 59	\$ 109
Preferred stock \$0.01 par value, \$130.00 per share liquidation, 1,000,000 shares authorized, 500,000 shares issued and outstanding		61,000	
Additional paid-in capital	63,575	63,575	124,525
Retained earnings	12,401	12,401	12,401
Unearned deferred compensation	(515)	(515)	(515)
Accumulated other comprehensive income (loss)	(2,011)	(2,011)	(2,011)
Total stockholders equity	\$ 73,509	\$ 134,509	\$ 134,509
<b>Consolidated Capital Ratios:</b>			
Total capital (to risk weighted assets)	11.7%	20.5%	20.5%
Tier 1 capital (to risk weighted assets)	8.7%	17.5%	17.5%
Common equity tier 1 capital (to risk weighted assets)	8.7%	8.7%	17.5%
Tier 1 leverage ratio (to adjusted total assets)	6.5%	13.2%	13.2%
Shares of common stock outstanding	5,902,481	5,902,481	10,902,481
Book value per share of common stock	\$ 12.45	\$ 12.45	\$ 12.34
Ownership of current common stockholders	100%	100%	54.1%

**Description of the Series A Preferred Stock**

The following is a summary of the material terms and provisions of the preferences, limitations, voting powers and relative rights of the Series A Preferred Stock as listed in the Articles Supplementary. Stockholders are urged to read carefully the Articles Supplementary in its entirety, which is attached as Exhibit 3.1 to the our Form 8-K filed on June 21, 2018 and incorporated by reference herein. Although we believe this summary covers the material terms and provisions of the Series A Preferred Stock as contained in the Articles Supplementary, it may not contain all the

information that is important to you.

*Authorized Shares, Par Value and Liquidation Preference.* We have designated 500,000 shares as 8.00% Series A Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock, each of which has a \$0.01 par value and a liquidation preference of \$130 per share.

*Mandatory Conversion.* The Series A Preferred Stock of each holder will convert into shares of common stock on the third business day following the approval by the holders of our common stock of the conversion of the Series A Preferred Stock into common stock as required by the applicable NASDAQ rules. Assuming stockholder approval of the Issuance Proposal at the Special Meeting, each share of Series A Preferred Stock will convert into ten shares of common stock.

## **Table of Contents**

*Dividends.* If stockholder approval is not obtained, the shares of Series A Preferred Stock will remain outstanding and, beginning December 31, 2018, and for so long as such shares remain outstanding, we will be required to pay dividends on the Series A Preferred Stock, on a non-cumulative basis, at an annual rate of 8.0% of the liquidation value of the Series A Preferred Stock (\$130 per share). Dividends after December 31, 2018 will be payable semi-annually in arrears on June 30 and December 31, beginning on December 31, 2018. If all dividends payable on the Series A Preferred Stock have not been declared and paid for an applicable dividend period, the Company shall not declare or pay any dividends on any stock which ranks junior to the Series A Preferred Stock, or redeem, purchase or acquire any stock which ranks *pari passu* or junior to the Series A Preferred Stock, subject to customary exceptions. If all dividends payable on the Series A Preferred Stock have not been paid in full, any dividend declared on stock which ranks *pari passu* to the Series A Preferred Stock shall be declared and paid pro rata with respect to the Series A Preferred Stock and such *pari passu* stock.

*Participation in Dividends on Common Stock.* So long as any shares of Series A Preferred Stock are outstanding, if we declare any dividends on our common stock or make any other distribution to our holders of common stock, the holders of the Series A Preferred Stock will be entitled to participate in such distribution on an as-converted basis.

*Ranking.* The Series A Preferred Stock will rank senior to all of the Company's common stock and will rank *pari passu* or senior to all future issuances of the Company's preferred stock.

*Voting Rights.* The holders of the Series A Preferred Stock will not have any voting rights other than as required by law, except that the approval of the holders of a majority of the Series A Preferred Stock, voting together with any class or series of parity securities, shall be required for certain matters, including to (i) authorize or issue, or increase the authorized, issued or outstanding amount of, any shares of any class or series of stock ranking senior to the Series A Preferred Stock with respect to the payment of dividends or distribution of assets on the Company's liquidation, dissolution or winding up or (ii) adversely affect the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of the Series A Preferred Stock.

*Liquidation.* In the event the Company voluntarily or involuntarily liquidates, dissolves or winds up, the holders of the Series A Preferred Stock shall be entitled to liquidating distributions equal to \$130 per share plus any declared and unpaid dividends.

*Redemption.* The Series A Preferred Stock shall be perpetual unless converted in accordance with the Articles Supplementary. The Series A Preferred Stock will not be redeemable at the option of the Company or any holder of Series A Preferred Stock at any time.

*Preemptive Rights.* Holders of the Series A Preferred Stock have no preemptive rights.

## **The Securities Purchase Agreements**

The following is a summary of the material terms of the Securities Purchase Agreements. More detailed information can be found in our Form 8-K filed on June 21, 2018, which is incorporated by reference herein.

*Purchase and Sale of Stock.* Pursuant to the Securities Purchase Agreements, we issued and sold 500,000 shares of the Series A Preferred Stock, in the aggregate, to the Purchasers (defined therein).

*Representations and Warranties.* We made customary representations and warranties to the Purchasers relating to us, our business and our capital stock, including with respect to the shares of Series A Preferred Stock issued to the

Purchasers pursuant to the Securities Purchase Agreements. The representations and warranties in the Securities Purchase Agreements were made for purposes of the Securities Purchase Agreements and are subject to qualifications and limitations agreed to by the respective parties in connection with negotiating the

## **Table of Contents**

terms of the Securities Purchase Agreements. In addition, certain representations and warranties were made as of a specific date, may be subject to a contractual standard of materiality different from what might be viewed as material to stockholders, or may have been used for purposes of allocating risk between the respective parties rather than establishing matters as facts. The representations and warranties and other provisions of the Securities Purchase Agreements should not be read alone, but instead should only be read together with the information provided elsewhere in this document and in the documents incorporated by reference into this document, including the periodic and current reports and statements that we file with the SEC.

*Agreement to Seek Stockholder Approval.* We agreed to call the Special Meeting, as promptly as reasonably practicable but in no event later than September 30, 2018, and to recommend and seek stockholder approval of the Issuance Proposal. In addition, we agreed to prepare and file this proxy statement with the SEC and to cause the proxy statement to be mailed to stockholders within specified timeframes. If such approval is not obtained at the Special Meeting, we have agreed to call additional meetings and recommend approval of the Issuance Proposal to the stockholders every three (3) months thereafter until such approval is obtained.

*Transfer Restrictions.* The Series A Preferred Stock issued in the Private Placement constitutes restricted securities under federal securities laws and is accordingly subject to significant restrictions on transfer. The Company committed, pursuant to the Registration Rights Agreement into which it also entered with each Purchaser, to register both the Series A Preferred Stock and the common stock to be issued upon conversion of the Series A Preferred Stock, for resale under the Securities Act. See The Registration Rights Agreement.

*Other Covenants.* We also agreed to a number of customary covenants, including covenants with respect to the reservation and listing on NASDAQ of the common stock to be issued upon conversion of the Series A Preferred Stock.

*Indemnity.* We have agreed to customary indemnification provisions for the benefit of each Purchaser relating to certain losses suffered by each Purchaser arising from breaches of our representations, warranties and covenants in the Securities Purchase Agreements or relating to certain losses arising from actions, suits or claims relating to the Securities Purchase Agreements or the transactions contemplated thereby.

*Expenses.* The Purchasers and the Company are solely responsible for and bear all of their own expenses, including, without limitation, expenses of legal counsel, accountants and other advisors (including financial intermediaries and advisors), incurred at any time in connection with the transactions contemplated by the Securities Purchase Agreements.

## **The Registration Rights Agreement**

The following is a summary of the material terms of the Registration Rights Agreement. More detailed information can be found in our Form 8-K filed on June 21, 2018, which is incorporated by reference herein.

On June 20, 2018, we also entered into a Registration Rights Agreement with each of the Purchasers pursuant to which we agreed to (i) file a registration statement with the SEC within 30 days of June 21, 2018, to register the common stock to be issued upon conversion of the Series A Preferred Stock, for resale under the Securities Act; (ii) use commercially reasonable efforts to cause such registration statement to be declared effective within 120 days of June 21, 2018 (or 150 days in the event of an SEC review), subject to specified exceptions; and (iii) continue to take certain steps to maintain effectiveness of the registration statement and facilitate certain other matters.

Failure to meet these deadlines and certain other events may result in the Company's payment to the Purchasers of liquidated damages in the monthly amount of 0.5% of the purchase price. The Company will bear all expenses incident to performing its obligations under the Registration Rights Agreement regardless of whether any securities are sold pursuant to a relevant registration statement, including registration and filing fees,



## **Table of Contents**

printing expenses, legal fees, and other incidental expenses. The Company is not responsible for any underwriting discounts, broker or similar fees or commissions, or legal fees, of any Purchaser. The Registration Rights Agreement also provides for customary reciprocal indemnification provisions relating to certain losses suffered by either party arising from any untrue or alleged untrue statement of a material fact, or material omission, in any relevant registration statement or prospectus.

## **Interest of Certain Persons**

Certain of the Company's directors and executive officers participated in the Private Placement and therefore have an interest in the outcome of the Issuance Proposal. The following directors and executive officers purchased shares of Series A Preferred Stock in the Private Placement in the following amounts: Kristina Bourget, 250 shares; Francis Felber, 769 shares; James Lang, 2,769 shares; James Moll, 1,000 shares; Timothy Olson, 385 shares; Michael Swenson, 385 shares; Stephen Bianchi, 1,154 shares; and James Broucek, 769 shares. Mr. Felber is a part owner of AG Risk Managers LLC, which acquired 769 shares in the Private Placement, and Mr. Felber disclaims beneficial ownership of the shares held by AG Risk Managers LLC except to the extent of his pecuniary interest therein. If stockholder approval of the Issuance Proposal is obtained, the conversion price of the common stock issuable upon conversion of the Series A Preferred Stock will be a price below the closing price on the day immediately prior to the Company's entry into the Securities Purchase Agreements.

Assuming stockholder approval of the Issuance Proposal and the resulting issuance of common stock upon the conversion of the shares of Series A Preferred Stock, none of these individuals will have beneficial ownership in excess of five percent (5%) of the outstanding shares of the common stock.

## **Vote Required for Approval**

Approval of the Issuance Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting by stockholders present in person or by proxy. Abstentions and broker non-votes will not count toward the determination of whether this proposal is approved.

## **Board of Directors Recommendation**

**The Board of Directors recommends a vote *FOR* the Issuance Proposal.**

**Table of Contents**

**PROPOSAL 2:**

**ADJOURNMENT PROPOSAL**

If we fail to receive a sufficient number of votes to constitute a quorum to hold the Special Meeting or to approve Proposal 1 at the Special Meeting, we may propose to adjourn or postpone the Special Meeting, whether or not a quorum is present, to (i) constitute a quorum for purposes of the Special Meeting or (ii) solicit additional Proxies from stockholders who have not submitted proxies in favor of the approval of Proposal 1, as necessary. If it is necessary to adjourn the meeting, no notice of the adjourned Special Meeting is required to be given to stockholders other than an announcement at the meeting of the hour, date and place to which the meeting is adjourned, provided that the adjourned meeting is no more than 120 days after the record date for the Special Meeting.

We currently do not intend to propose adjourning or postponing the Special Meeting if there are sufficient votes represented at the Special Meeting to approve Proposal 1.

**Vote Required for Approval**

Approval of the Adjournment Proposal requires the affirmative vote of a majority of the votes cast at the Special Meeting by stockholders present in person or by proxy. Abstentions and broker non-votes will not count toward the determination of whether this proposal is approved.

**Board of Directors Recommendation**

**The Board of Directors recommends that you vote *FOR* the Adjournment Proposal.**

**OTHER MATTERS**

Our directors know of no other matters to be brought before the meeting. If any other matters properly come before the meeting, including any adjournment or adjournments thereof, it is intended that proxies received in response to this solicitation will be voted on such matters in the discretion of the person or persons named in the accompanying proxy form.

It is not expected that a representative of Baker Tilly Virchow Krause, LLP, our independent registered public accounting firm, will be present at the Special Meeting.

**Table of Contents****SECURITY OWNERSHIP**

The following table sets forth information regarding the beneficial ownership of shares of our common stock as of July 20, 2018 by (1) each director and named executive officer (as defined below), (2) all directors and executive officers as a group, and (3) each person or other entity known by us to beneficially own more than 5% of our outstanding common stock.

The following table is based on information supplied to us by the directors, officers and stockholders described above or in information otherwise publicly available in filings with the SEC. We have determined beneficial ownership in accordance with the rules of the SEC. Unless otherwise indicated, the persons and entities included in the table have sole voting and investment power with respect to all shares beneficially owned, except to the extent authority is shared by spouses under applicable law. Shares of our common stock subject to options that are either currently exercisable or exercisable within 60 days of July 20, 2018 are treated as outstanding and beneficially owned by the option holder for the purpose of computing the percentage ownership of the option holder. However, these shares are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The table lists applicable percentage ownership based on 5,914,379 shares of common stock outstanding as of July 20, 2018.

Unless otherwise indicated, the address for each person listed below is 2174 EastRidge Center, Eau Claire, Wisconsin 54701.

Name	Shares of Common Stock Beneficially Owned(15)	Percent of Common Stock Beneficially Owned(15)
<b><u>Principal Stockholders:</u></b>		
Jeffrey L. Gendell (1)	528,440	8.93%
Tontine Financial Partners, L.P. (1)	404,336	6.84%
Tontine Management, L.L.C. (1)	404,336	6.84%
EJF Capital LLC (2)	351,181	5.94%
Emanuel J. Friedman (2)	351,181	5.94%
EJF Sidecar Fund, Series LLC - Series E (2)	351,181	5.94%
Martin S. Friedman (3)	345,373	5.84%
Thomson Horstmann & Bryant, Inc.(4)	341,568	5.78%
<b><u>Directors, Director Nominees and Executive Officers:</u></b>		
Richard McHugh (5)	208,975	3.53%
Michael L. Swenson (6)	4,115	*
James D. Moll (7)	21,206	*
James R. Lang (8)	36,995	*
Francis E. Felber (9)	6,515	*
Kristina M. Bourget (10)	678	*
Timothy L. Olson (11)	678	*
Stephen M. Bianchi (12)	57,750	*
James S. Broucek (13)	20,186	*
Mark C. Oldenberg (14)	16,830	*

All directors and executive officers as a group (9 persons)	357,098	6.04%
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\* Denotes less than 1%

- (1) As set forth in Schedule 13G/A filed with the SEC by Tontine Financial Partners, L.P. ( TFP ), Tontine Management, L.L.C. ( TM ), Tontine Asset Associates, LLC ( TAA ) and Jeffrey L. Gendell on February 9, 2018. The Schedule 13G/A reports that 404,336 shares are held by TFP, of which TM is the general partner, and 124,104 shares are held by Tontine Capital Overseas Master Fund II, LP, of

**Table of Contents**

which TAA is the general partner. Mr. Gendell is the managing member of TM and TAA. Mr. Gendell has shared voting power over 528,440 shares and shared dispositive power over 528,440 shares. TFP and TM have shared voting power over 404,336 shares and shared dispositive power over 404,336 shares. The address of TFP, TM, TAA and Mr. Gendell is 1 Sound Shore Drive, Suite 304, Greenwich, CT 06830-7251.

(2) As set forth in Schedule 13G/A filed with the SEC by EJF Capital LLC, Emanuel J. Friedman, and EJF Sidecar Fund, Series LLC Series E (the Fund ) on February 14, 2018. The Schedule 13G/A reports that the Fund is the record owner of the shares. EJF Capital LLC is the managing member of the Fund, and Mr. Friedman is the controlling member of EJF Capital LLC. Each of EJF Capital and Mr. E. Friedman may be deemed to have indirect beneficial ownership of the shares based on the relationships described above. The Fund, EJF Capital LLC and Mr. E. Friedman have shared voting power over 351,181 shares and shared dispositive power over 351,181 shares. The address of the Fund, EJF Capital LLC and Mr. E. Friedman is 2107 Wilson Boulevard, Suite 410, Arlington, VA 22201.

(3) Based on information provided by FJ Capital Management LLC as of July 11, 2018. Consists of 239,418 shares of common stock held by Financial Opportunity Fund LLC, of which FJ Capital Management LLC is the managing member, and 105,955 shares are owned directly by Mr. M. Friedman, the managing member of FJ Capital Management LLC.

Mr. M. Friedman disclaims beneficial ownership of the 239,418 shares held by Financial Opportunity Fund LLC but may be deemed to be a beneficial owner thereof. Mr. M. Friedman has sole voting power over 105,955 shares, shared voting power over 239,418 shares, sole dispositive power over 105,955 shares and shared dispositive power over 239,418 shares. The address of Financial Opportunity Fund LLC, FJ Capital Management, LLC, and Mr. M. Friedman is 1313 Dolley Madison Blvd, Ste 306, McLean, VA 22101.

(4) As set forth in Schedule 13G filed with the SEC by Thomson Horstmann & Bryant, Inc. on February 12, 2018. The Schedule 13G reports that the Thomson Horstmann & Bryant, Inc. is the beneficial owner of the shares, and has sole voting power over 183,130 shares and sole dispositive power over 341,568 shares. The address of Thomson Horstmann & Bryant, Inc. is 501 Merritt 7, Norwalk, CT 06851.

(5) Consists of 34,596 shares of our common stock held by Mr. McHugh s spouse, of which 321 shares are held by his spouse as custodian for her grandchildren (Mr. McHugh disclaims beneficial ownership of the shares held by his spouse except to the extent of his pecuniary interest therein), 160,139 shares of our common stock owned directly by Mr. McHugh and 14,240 shares of our common stock subject to stock options, which are currently exercisable or are exercisable within 60 days.

(6) Consists of 2,515 shares of our common stock owned directly by Mr. Swenson and 1,600 shares of our common stock held in his self-directed IRA.

(7) Consists of 11,582 shares of our common stock owned directly by Mr. Moll and 9,624 shares held in his self-directed IRA.

(8) Consists of 515 shares of our common stock owned directly by Mr. Lang, 30,000 shares held in his self-directed IRA, 2,500 shares held by the Leah Delaney Karge Trust, pursuant to which Mr. Lang serves as trustee and has investment discretion, and 3,980 shares held by the James & Patricia Lang Grandchildren Education Trust UAD 01/01/2002, pursuant to which Mr. Lang serves as investment manager and has investment discretion over such shares. Mr. Lang disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

(9) Consists of 1,515 shares of our common stock owned directly by Mr. Felber and 5,000 shares of our common stock held in his self-directed IRA.

(10) Consists of 678 shares of our common stock owned directly by Ms. Bourget.

(11) Consists of 678 shares of our common stock owned directly by Mr. Olson.

(12)

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Consists of 30,509 shares of our common stock owned directly by Mr. Bianchi, 19,241 shares held in his self-directed IRA and 8,000 shares of our common stock subject to stock options, which are currently exercisable or are exercisable within 60 days.

(13) Consists of 5,320 shares of our common stock owned directly by Mr. Broucek and 14,866 shares of our common stock held in his self-directed IRA.

(14) Consists of 16,830 shares of our common stock owned directly by Mr. Oldenberg. On October 17, 2017, Mr. Oldenberg resigned as Chief Financial Officer.

**Table of Contents**

(15) Does not include shares of common stock issuable upon conversion of the Series A Preferred Stock. The shares are not issuable, and the holders of the Series A Preferred Stock do not have a right to acquire the shares, until the Company receives stockholder approval of the Issuance Proposal. Based solely on information provided by the Purchasers to the Company as of July 12, 2018, assuming the conversion of the Series A Preferred Stock, the following persons may be deemed to be the beneficial owners of 5% or more of the Company's common stock based on the 5,914,379 shares of common stock currently outstanding as of July 20, 2018 plus the 5,000,000 shares of common stock issuable upon conversion of the Series A Preferred Stock:

Name	Shares of Common Stock Beneficially Owned if Preferred Stock is converted	Percent of Common Stock Beneficially Owned if Preferred Stock is converted
<b>Principal Stockholders:</b>		
Martin S. Friedman(a)	899,223	8.24%
FJ Capital Management LLC(a)	793,268	7.27