



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Sword Financial Corporation and Horicon Bank

Person to be contacted regarding this report:	Frederick F. Schwertfeger
UST Sequence Number:	1145
CPP Funds Received:	13,644,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	May 8, 2009
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	1202883
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	11236
City:	Horicon
State:	Wisconsin

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The \$13,644,000 invested into our organization enabled Horicon Bank to increase net new loans within our local communities by approximately \$32 million or 7% during the eight month period of 2009 after we received the funds.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	With this capital we were able to grow commercial real estate loans by approximately \$23 million, commercial & industrial loans by \$8 million, and residential mortgage loans by \$2 million within our local market areas. These are net increases after payoffs and write-downs
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	With the added capital, we were able to absorb the cost of higher reserves and related charge-offs associated with the U.S. economic business recession while maintaining strong capital ratios.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	Horicon Bank charged off \$2 million during the 2009 CPP period. The CPP funding allowed us to absorb these losses without contracting business activity due to capital constraints.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	During the eight CPP months of 2010, about half to the Treasury capital was contributed from the holding company to the bank. The balance can be considered as held as non-leveraged increase in total organizational capital and available if needed to further support economic development.

What actions were you able to avoid because of the capital infusion of CPP funds?

Having the capital infusion of CPP funds allowed our organization to continue our mission of providing financial support of our communities through growth of our loan portfolio. It enabled us to strengthen our capital ratios while maintaining loan loss reserves at appropriate levels during this business recession. These funds enabled us to avoid a contraction in our banking activity, especially in business lending.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The additional capital cushion enabled us to sustain our loan growth, increase our capital, and maintain appropriate reserves. Without such funds we may have had to significantly reduce our lending activity.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.