
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

February 20, 2009

CIB Marine Bancshares, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin

000-24149

37-1203599

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

N27 W24025 Paul Court, Pewaukee,
Wisconsin

53072

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

262-695-6010

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01 Other Events.

Sale Negotiations

CIB Marine Bancshares, Inc. (the "Company") reported in its quarterly report on Form 10-Q for the quarter ended September 30, 2008, filed on November 19, 2008, that it was engaged in negotiating a definitive agreement with a Midwest bank holding company. Subsequent to that date, in part as a result of the challenging market for mergers and acquisitions resulting from the current economic crisis, negotiations with that potential merger partner were suspended after the parties failed to reach mutually agreeable terms of a transaction. The Company is not presently engaged in active negotiations with any potential transaction partners and has focused its efforts on restructuring its outstanding trust preferred securities obligations, as described in greater detail below. In addition, the Company has continued its engagement of the investment banking firm Stifel, Nicolaus & Company, Incorporated, to assist it in evaluating all strategic options, including a sale of the Company.

Proposed Restructuring of the Company's Outstanding Trust Preferred Securities

Between March of 2000 and September of 2002, the Company issued approximately \$61.9 million of junior subordinated debentures (the "Debentures") to four separate statutory trusts (the "Trusts") in conjunction with the offering of certain trust preferred securities by the Trusts (the "Existing TruPS"). Pursuant to the terms of the indentures governing the Debentures (the "Indentures"), the Company is permitted to defer interest payments on the Debentures for up to 20 quarters. In accordance with a written agreement entered into between the Company and its primary federal regulator, the Company began deferring such interest payments on each series of the Debentures in 2004. Since that time, the Company has taken full advantage of the deferral right under the Indentures and the final permissible interest deferral period on the first of such Debentures expires on February 22, 2009. Failure to bring all interest current within 30 days after the expiration of the deferral period (the "Default Date") is a default under each of the Indentures. The Company does not currently have sufficient cash to make the required interest payments on the Debentures prior to the Default Date under each Indenture and, as a result, has undertaken a plan to restructure the Existing TruPS obligations as described herein.

The Company has been engaged in discussions with the trustees ("Trustees") of the various Trusts regarding a proposed consent solicitation (the "Consent Solicitation") to holders of the Existing TruPS to obtain their approval to restructure the Existing TruPS (the "Proposed Restructuring"). Under the Proposed Restructuring, approximately \$98.6 million of indebtedness under the Debentures as of September 30, 2008 (plus any accrued interest thereafter) would be replaced with approximately \$94.9 million aggregate liquidation preference of newly-issued Company 7% Fixed Rate Noncumulative Preferred Stock ("Company Preferred"), as well as a nominal cash payment intended to help defray holders' expenses incurred in connection with the Proposed Restructuring.

The Company is proposing the Proposed Restructuring because management believes that:

- The Proposed Restructuring, if effected, would prevent the Company from defaulting on its outstanding Debentures and would provide the Company with a more stable capital structure;
- The replacement of the Debentures with the Company Preferred would eliminate \$98.6 million of indebtedness from the Company's balance sheet and significantly improve the Company's regulatory capital position; and
- The substitution of noncumulative 7% dividends (on the Company Preferred) for higher-rate cumulative interest (on the Company's outstanding Debentures) would improve the Company's operating results.

By removing the short-term potential for default and improving its balance sheet, regulatory capital position and operating results, the Company hopes to position itself to seek a business combination transaction on terms that could be more advantageous to the Company and result in greater value for both the holders of the Existing TruPS, as well as the Company's common shareholders, although there can be no assurance that this strategy will be successful or that a business combination will occur at any particular time or at all.

The Consent Solicitation will be made separately with respect to each Trust. However, the Proposed Restructuring contemplates identical treatment of the holders of Existing TruPS issued by all four of the Trusts and cannot be consummated unless consent is obtained from all (100 percent) of the holders of the Existing TruPS of all four of the Trusts. The Existing TruPS issued by three of the four Trusts are themselves held by unrelated trusts ("Holder Trusts"), which the Company believes can provide the requested consent if authorized by a two-thirds (2/3) majority of the Holder Trust's senior securities. The Existing TruPS of the fourth Trust are held directly by a number of investors ("Direct Holders"), rather than through a Holder Trust, and may only provide the requested consent if authorized by all (100 percent) of the Direct Holders. If the Consent Solicitation is issued, there can be no assurance that it will be approved by the requisite number of holders of the Existing TruPS.

The Trustees and their respective legal counsel are currently reviewing the technical aspects of the proposed Consent Solicitation with respect to its permissibility under the constituent documents of the respective Trusts. The Company intends to formally issue the Consent Solicitation promptly upon completion of the Trustees' review. The Company expects to be able to issue the Consent Solicitation prior to the initial Default Date, but there is no assurance that it will be able to do so on that time schedule, or at all.

Regulatory Capital

The Company filed its Form FR Y-9C for the quarter ended December 31, 2008 with the Federal Reserve Bank of Chicago (the "Reserve Bank") on February 9, 2009, which reflected a tier 1 leverage ratio of 3.82%, a tier 1 risk-based capital ratio of 5.36% and a total risk-based capital ratio of 10.71%. As a result, the Company fell below the "minimum capital" thresholds as of December 31, 2008 under applicable regulatory capital guidelines of the Board of Governors of the Federal Reserve. The Company expects the proposed

Restructuring, if effected, will permit it to return to "well-capitalized" status upon consummation of the transactions contemplated thereby.

Executive Compensation Adjustments

The Company recently adopted a plan to reduce the compensation of its senior executive officers and certain of its other officers who, prior to adoption of the plan, earned in excess of a threshold amount determined by its Board of Directors. Pursuant to this plan, the Company's President and Chief Executive Officer, John P. Hickey, Jr., voluntarily agreed to waive the minimum salary provision in his employment agreement for the period between January 12, 2009 and June 30, 2009, taking a 15% reduction in his base salary. The remaining senior executive officers of the Company each agreed to take a 10% reduction in their respective salary as part of the plan, including the following named executive officers of the Company, as reflected in its proxy statement for its 2008 annual meeting of shareholders: Daniel J. Rasmussen and Michael L. Rechkemmer. Except for Mr. Hickey, none of the other named executive officers have an employment contract with the Company and their reduction in salary was effective beginning January 12, 2009, until modified by the Compensation and Stock Option Committee of the Board of Directors of the Company.

On January 29, 2009, the Executive Committee of the Company's Board of Directors authorized the implementation of retention bonuses for the following named executive officers, pending ratification by the Company's Compensation and Stock Option Committee: John P. Hickey, Jr., Daniel J. Rasmussen and Michael L. Rechkemmer, in addition to certain other officers of the Company. The retention bonuses are designed to provide an incentive for the executive officers to remain in management positions with the Company through the restructuring of the trust preferred securities, the implementation of various cost cutting measures at the Company and the consolidation of Central Illinois Bank and Marine Bank. Each of the executive officers who remains employed by the Company through his retention bonus payment date (June 30, 2009 for Mr. Rechkemmer, July 31, 2009 for Mr. Rasmussen and September 30, 2009 for Mr. Hickey) will receive a retention bonus equal to six (6) months' salary. In addition, if any executive officer's position is scheduled for elimination as part of the Company's reduction in force, such officer will have their retention bonus calculated on their pre-reduction salary as of December 31, 2008.

Contract Extension for dbrok group, LLC

The Company's Chief Financial Officer ("CFO"), Edwin J. Depenbrok, is a non-employee consultant providing services to the Company through his company, dbrok group, LLC. On January 29, 2009, the contract between the Company and dbrok group, LLC for the services of Mr. Depenbrok as CFO was amended. Pursuant to the amendment, the term of the contract with dbrok group, LLC was extended until July 31, 2009 and the total number of work days under the contract was expanded from 190 to 300.

REIT Tax Liability Settlement

As disclosed in Note 1 to the Company's unaudited consolidated financial statements included in its quarterly report on Form 10-Q for the quarter ended September 30, 2008, the Company had a current tax liability related to an investment it had in an Illinois Real Estate Investment Trust ("REIT"). In December 2008, the Company negotiated a settlement of the tax liability related to the operation of the REIT by paying the Illinois Department of Revenue \$500,000 in settlement of all amounts owing for 2000 and 2002. As a result of the settlement, the Company reversed a previously recorded tax liability in the amount of \$2,971,419.

Resignation of Chairman and Election of New Chairman

Stanley J. Calderon, the Company's Chairman recently announced that he resigned as Chairman effective February 1, 2009, but will continue to serve on the Company's Board of Directors and as Chairman of the Company's Compensation and Stock Option Committee. The Board of Directors elected John P. Hickey, the Company's President and Chief Executive Officer, to replace Mr. Calderon as Chairman effective as of the same date.

Bank Merger

The Company and its subsidiary banks, Marine Bank (Wauwatosa, Wisconsin) and Central Illinois Bank (Champaign, Illinois), have applied to the appropriate state and federal bank regulatory agencies to consolidate the two banks via merger of Marine Bank with and into Central Illinois Bank. If the transaction is approved by the regulators, the Company anticipates completing the merger in the second quarter of 2009. The Company and the subsidiary banks believe that the consolidation of the charters will allow the combined bank to operate more efficiently, will reduce costs by eliminating redundancies in the management of the entities and will allow for more efficient management and Board oversight of the bank.

Letter to Shareholders

On or about Monday, February 23, 2009, the Company plans to issue a letter to its shareholders in substantially the form of Exhibit 99.1 hereto.

Item 9.01 Financial Statements and Exhibits.

Exhibit 99.1 - Form of Shareholder Letter to be issued on or about February 23, 2009.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CIB Marine Bancshares, Inc.

February 20, 2009

By: *John P. Hickey, Jr.*

Name: John P. Hickey, Jr.

Title: President & CEO

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Shareholder Letter to be issued on or about February 23, 2009

Dear Shareholder,

Today, CIB Marine Bancshares, Inc. filed a Current Report on Form 8-K with the SEC that contains important information for our shareholders. This letter summarizes some of that information, but we encourage you to read the Form 8-K in its entirety (you can find it on our website, www.cibmarine.com).

In our last shareholder letter, we told you that we were in the process of negotiating a definitive agreement for a possible merger with a Midwest bank holding company. Unfortunately, due to a variety of factors including the difficult economic conditions faced by banks, generally, we were unable to agree on terms and negotiations were suspended. With the assistance of our investment banker, we are continuing to seek viable candidates for a potential merger or business combination, but we are not currently engaged in active discussions with any such parties.

Since suspension of the merger negotiations, we have been focusing on our trust preferred securities (“TruPS”) and our related indebtedness, which stood at \$98.6 million as of September 30, 2008. Approximately \$36.7 million of that amount represents interest payments that we have been deferring over the past 5 years and that will finally come due between now and the end of March. If we are unable to pay the entire \$36.7 million when it becomes due, we risk default on and acceleration of the entire \$98.6 million of TruPS-related debt.

We are engaged in discussions with the trustees of the statutory trusts that issued the TruPS, our regulators, external auditors, and the trustees of the trusts that hold the TruPS regarding a plan of restructuring the TruPS obligations (the “Proposed Plan”), which is discussed in more detail in the Form 8-K we filed today. As stated in the Form 8-K, the Proposed Plan is subject to approval by all of the holders of the TruPS and the ability of the trustees of the statutory trusts to implement the Proposed Plan under the trusts’ governing documents.

Under the Proposed Plan, our high-interest cumulative indebtedness would be canceled and in its place we would issue a slightly reduced amount (approximately \$94.9 million) of 7% fixed rate perpetual noncumulative preferred stock. The preferred stock would have no stated redemption date and the holders could never force us to redeem it. Further, because dividends would be noncumulative, we would only be required to make such dividends as we choose to declare from time to time, in our own discretion, subject to regulatory approval. The effects of the Proposed Plan, if it is approved and implemented, would be to improve earnings by eliminating the interest burden on us associated with the TruPS-related indebtedness, and to significantly improve our capital position. Approval of the Proposed Plan would also allow us to avoid default under the TruPS-related indebtedness.

If the Proposed Plan is not approved, we will be unable to bring all the TruPS interest current prior to their respective default dates, the first of which is March 22, 2009. In anticipation of that possibility, we are working with our advisors on available alternatives for dealing with the TruPS-related debt. A default on the TruPS-related debt would negatively impact our shareholders and our trust preferred securities holders. We are working diligently to avoid that situation.

Like most financial institutions, we have embarked on an aggressive cost reduction program in response to the current economic environment. We have implemented a salary reduction program that reduced the salary of our Chief Executive Officer by 15% and each of our other senior executive officers by 10%. Furthermore, the salaries of many other officers were reduced by 3-6%, and the salaries of all of our other employees were frozen at their 2008 levels. Additional cost cutting measures include the elimination of approximately 10% of the full-time positions from the parent company by June 2009, restructuring the board of directors at the subsidiary banks to improve efficiency and oversight, and limiting overtime pay and employee travel. We anticipate eliminating over \$4 million of costs on an annualized basis from these and other cost cutting measures.

We recently filed an application to merge Marine Bank into Central Illinois Bank. We believe that having only one subsidiary bank is appropriate for an organization of our size and operating under a single charter will create opportunities to improve our efficiency. The consolidation of the banks will not result in any branch closings. The headquarters of the combined bank will remain in Champaign, Illinois. In Wisconsin, our former Marine Bank offices will operate under the name “Marine Bank, a branch of Central Illinois Bank” upon consummation of the merger. Our subsidiary banks already maintain some of the highest capital bases for banks in their markets. The

extremely strong capital position of our banks remain above all regulatory thresholds for “well-capitalized” institutions and we intend to maintain that position.

Stanley J. Calderon resigned his position as Chairman of our Board of Directors effective February 1, 2009. Mr. Calderon will remain a member of our Board and will continue to serve as the Chairman of its Compensation and Stock Option Committee. The company thanks Mr. Calderon for his years of service as Chairman, and prior to that as Chief Executive Officer. We are grateful that he will continue as a director. The Board elected John P. Hickey, our Chief Executive Officer and President, to replace Mr. Calderon as Chairman.

For additional information about the company, including our SEC filings, shareholder letters and other company news, please visit www.cibmarine.com. We will provide updates to you when we have the results of the above-described vote on the TruPS restructuring plan, or any other important information about the company.



Sincerely,

John P. Hickey, Jr.
President and CEO

This letter contains forward-looking information. Actual results could differ materially from those indicated by such information. Information regarding risk factors and other cautionary information is available in Item 1A of CIB Marine's Annual Report on Form 10-K for the period ended December 31, 2007 and updated in Item 1A of Part II of CIB Marine's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.