

PREFERRED STOCK

- First, let's start with a synoptic review of our two classes of preferred stock.
- As mentioned earlier, when the Company was reorganized its trust preferred securities were exchanged for the Company's Series A & B preferred stock with a liquidation preference of \$60 million. Both classes are non-cumulative perpetual preferred stock.
- So, to be exceptionally clear: if the Company were liquidated in some fashion the Series A & B preferred would receive the first \$60 million as the senior security in the Company's capitalization structure, before any common shareholder is paid a penny.
- The Series A & B preferred stock are perpetual, non-cumulative preferred stock. Again, to leave no doubt in your mind, no preferred shareholder can compel the Company to pay a dividend on either series of preferred or redeem those shares.
- When it comes to the non-cumulative preferred stock in aggregate, the implication is that these two series of shares effectively have a cost of capital of zero for the Company.
- As a common shareholder the financial leverage now available to you with the Company's changing fortunes is worthy of your note. As a large shareholder recently said to me, and I paraphrase as I do not recall his exact words: "given our assessment of the enterprise value of CIB, nearly all the upside now appears to be poised to accrue to the common shareholders."

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- If the Company were to redeem the preferred shares, it must redeem all of the Series A shares, roughly \$ 55.6 million first, before it can start redeeming the \$4.4 million of convertible Series B shares.
- Before any voluntary redemption can occur, the Company is also obligated to pay four quarters of dividends to all the preferred shareholders. This is \$4.2 million dollars in the aggregate.
- If the Company engages in a transaction for which it is not the surviving entity – that is, it is purchased for enterprise value by an acquirer, each share of Series B preferred has the right to convert into 4,000 shares of common stock, effectively giving this group of shareholders 49% of the Company's outstanding common stock post-conversion.
- If CIB Marine purchases another banking entity, or the preferred stock is assumed by the acquiring entity with no changes to its rights and preferences, no conversion right of the Series B preferred is triggered.
- Management and the Board would like to redeem preferred shares at a discount as there is ample reason to believe this has occurred with a number of banks that had similar preferred stock outstanding. If we could do this at a substantial discount this would provide negotiated liquidity for the selling preferred shareholders and the discount from stated liquidation value could be highly accretive to the common shareholders.

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- Unfortunately, at this time, the Company's Articles of Incorporation are an impediment to such a redemption.
- Approximately 72% of the Company's Series A & B stock are held in three Collateralized Debt Obligations ("CDOs") with the remainder held by individual holders.
- In order to permit the Company to redeem the preferred stock at a discount, a number of amendments would need to be made to the rights and preferences of the preferred stock contained in our Articles of Incorporation, including reducing the stated liquidation value, as well as removing the requirement to pay four consecutive quarterly dividends prior to any redemption.
- In order to amend the Articles of Incorporation to make these changes, 50% plus one vote of each class of our stock (Common Stock, Series A Preferred Stock, and Series B Preferred Stock) voting as a separate class would need to vote in favor of the amendment.
- The CDO's have as their Corporate Trustee the Bank of New York/Mellon ("BONY"). We know that BONY has required that 100% of CDO holders would need to vote in the affirmative in two of the three CDOs – a functionally impossible hurdle to make.
- This last bullet is the primary impediment to dealing with the Company's preferred shareholders.

DIRECTOR COMPENSATION

We received two questions from shareholders about compensation issues. The first asked for a description of the fees paid to directors.

- In 2012, CIB Marine de-registered as an SEC reporting company.
- Unlike SEC reporting companies, CIB Marine is not required to report director compensation, but the Board believes it is important information for our shareholders to have available.
- Independent directors receive a fee for each meeting attended. While the Chairman and CEO are directors, they do not receive a meeting fee. They are compensated according to their positions with the Company.
- The basic meeting fee for directors are \$750 per bank board meeting and \$750 per holding company board meeting. Bank board meetings are monthly and holding company meetings have recently changed to quarterly.
- Most independent directors participate in one or more committees of the Board and receive a fee ranging from \$250 to \$750 per meeting, depending on the committee. The Chairman of a committee may receive a retainer or additional meeting fee to compensate him for the additional duties assumed.
- To verify that our director fees are reasonable and within industry standards, the Compensation Committee of the Board annually reviews public peer bank information and industry survey data to help it evaluate Board fees. Our director fees are comparable and competitive with peer financial institutions.

DIRECTOR COMPENSATION

A second shareholder requested that the Company prepare and provide certain SEC reporting information, including detailed executive compensation and beneficial stock ownership information by Company director and executive officer.

- As a non-SEC reporting company, CIB Marine is not required to and does not prepare the comprehensive executive compensation and beneficial ownership information that was requested.
- By de-registering CIB Marine's common stock in 2012, the Board of CIB Marine saved the Company approximately \$300,000 per year.
- While it may mean that our shareholders do not receive the same level of disclosures that shareholders of an SEC reporting company receive, we believe the tremendous savings and the robust disclosure reports the Company does make available to its shareholders are appropriate for a company of our size.

DTA & NOLs

- CIB Marine has \$44.3 million in DTA composed mostly of net operating loss carry forwards. It is carried on the balance sheet at \$0. DTA and valuation allowances are accounting measurements, not economic measurements.
- The DTA is a valuable asset to the Company, as it is used to substantially reduce its income tax liability going forward.
- Moreover, the net DTA can be increased on the balance sheet if the Company can show enough earnings history and a reliable forecast of future income to support a “more likely than not” estimate of usage of the tax asset in reducing future tax payments.
- Management believes the net DTA could be increased in the foreseeable future given the Company’s changing fortunes, causing an increase in earnings and a corresponding increase in capital.
- At December 31, 2015, the DTA before its valuation allowance was \$2.44 per share of common stock; and \$1.24 on a fully diluted basis.
- A DTA’s economic value depends on how much, when and who would use the tax asset as well as tax and discount rates as applied. In addition, a business combination could trigger limitations on DTA use under IRS Code Section 382.

DTA & NOLs

- Outside of a traditional business combination, an ownership change as defined under Section 382 could limit the use and reduce the value of our primary source of DTA, our net operating loss carry forwards.
- Section 382 says an ownership change occurs when current or new 5% shareholders increase their total combined ownership by 50% over a three-year period.
- The Board is currently evaluating adoption of a NOL preservation plan that protects these tax assets from an inadvertent or malicious act by others.
- Such a plan would not prevent a business combination the Board deemed to be in the best interest of the shareholders.

REVERSE STOCK SPLIT

- A reverse stock split is being evaluated to assist in enhancing the liquidity of the Company's common stock, which currently lists on the OTCQB under the symbol CIBH.
- A reverse stock split would not materially change our enterprise value or the number of shareholders, currently more than 1,000.
- By increasing the book value and share price to more than \$5 per share the stock would no longer be considered a penny stock, by that measure.
- This would assist in broker acceptance of trades in CIBH and it would remove an obstacle for the Company to move up in stock listing quality within the OTC market.
- As an example, using March 31, 2016, financials a reverse stock split of 25 current shares exchanged for 1 new share of common stock would increase the stated book value on a pro-forma basis to around \$10.25 per share (or \$22.50 using tangible book value).
- No decision on this matter has yet been made, but we continue to evaluate and seek shareholder input before pursuing this strategy.

NOTE 1: Fractional shares would be paid out in cash at market value based upon the sales of those aggregate fractional shares in the market place. If the price received for the fractional shares of CIBH on the OTCQB market were \$0.50 per share, then fractional share payouts, where applicable to any one shareholder, would range between \$0.50 and \$12.00 (or 1 share X \$0.50/share and 24 shares X \$0.50/share).

CLUTTERBUCK FUND LETTER

- Robert Clutterbuck is a professional investor and a former executive officer of a well-known and respected broker/dealer. He advises a small hedge fund complex, in which capacity he sent a letter to some, but interestingly, not all CIB Marine shareholders stating that he would nominate an alternate candidate for the Board.
- Mr. Clutterbuck publicly announced the plan, and then waited until a few hours before the deadline for submission to provide the notice of nomination to the Company. The notice was defective. Mr. Clutterbuck's hedge fund and the 100 common shares they own were not properly registered to allow it to make a nomination.
- Mr. Clutterbuck has argued that the hedge fund was disqualified on a "technicality", but the Company provided Mr. Clutterbuck and his fund's lawyer the By-Laws twice before the notice was sent and the fund still failed to comply with the requirements.
- Whether it was carelessness or a technicality, our By-Laws must be applied fairly and evenly to all shareholders. There can't be one standard for hedge funds and another for all other shareholders.
- Mr. Clutterbuck and his Cleveland-based fund are well known to your Board. For several years, Mr. Clutterbuck has aggressively pursued an agenda of liquidity for his fund's non-cumulative, perpetual preferred stock holdings.

CLUTTERBUCK FUND LETTER

- The Board recognizes that the preferred stock has limited liquidity and, at the request of Mr. Clutterbuck and a few other preferred stockholders, embarked on a two-year evaluation of alternatives to provide liquidity for preferred shareholders in a manner that would be accretive to the common shareholders.
- About a dozen alternatives were evaluated and each option failed for one of two reasons: 1) the inability to obtain the support of the CDOs that own 72% of the preferred stock, or 2) the restrictive provisions in CIB Marine's Articles of Incorporation which prevent Company redemption of the shares.
- Any transaction or redemption of the preferred shares at less than face value would require the consent of a majority of preferred shares, as would any amendment to the Articles of Incorporation.
- The internal voting requirements of the CDOs currently require a nearly impossible supermajority vote (100% consent in some cases) in order for the trustee of the CDO to vote in favor of any matter we put before them.
- After systematically eliminating all other possible paths to liquidity for the preferred shareholders, your board settled on a path of increasing the enterprise value of your company over the next 3 to 5 years.

CLUTTERBUCK FUND LETTER

- The Board believes that ownership consolidation, structural changes within the CDOs, or voluntary dissolution of the CDOs upon the direction of their investors, will create future opportunities for CIB Marine to obtain consent to a transaction or redemption.
- What is most important for our common shareholders to focus on is that time now operates in their favor . . . there is no cost to the Company in keeping the preferred stock outstanding under current circumstances as it is non-cumulative perpetual preferred stock . . . no preferred investor can force the redemption of their shares under the Company's Articles of Incorporation.
- We will continue to closely monitor the CDOs and speak with the Corporate Trustee of the CDOs looking for opportunities.

WILSON PROPOSAL

- The board believes that ownership consolidation, structural changes within the CDOs, or voluntary dissolution of the CDOs upon the direction of their investors, will create future opportunities for CIB Marine to obtain consent to a transaction or redemption.
- In late April, a newer shareholder to CIBM, named Don Wilson, sent a letter to certain common shareholders critical of the Company and promoting a transaction that he had proposed to the Board and its advisors in early 2016.
- In summary, Mr. Wilson proposed to acquire a slight majority, but certainly not all, of CIBM's common stock, in a structured transaction upon the following terms:
 - purchase 15 million newly issued shares of the Company's common stock;
 - engage in a tender offer to acquire an additional 3-5 million shares of outstanding common stock from the Company's current shareholders;
 - pay \$0.52 to \$0.60 per share, subject to due diligence adjustments; and
 - the acquisition was to be made by an investor group to be formed with cash to be raised on a "best efforts" basis.
- The Board of Directors engages in discussions with parties interested in doing transactions either as a buyer or seller on a fairly regular basis. Ordinarily, we would never make a public rebuke of a proposal as professional standards of conduct require that such matters be handled confidentially.

WILSON PROPOSAL

- Mr. Wilson disregarded those standards and made the matter public, putting us in the regrettable position of having to publicly respond to his proposal.
- Originally, I had anticipated making a presentation about the Wilson proposal, but our conversations with many shareholders and the near total lack of any support for the Wilson proposal, suggests that an abbreviated conversation is more appropriate.
- On May 6th we provided our shareholders a fairly detailed analysis of the issue which is available on the CIB Marine website. The Board's comprehensive review of the proposal identified a number of weaknesses. To expedite the process, I will focus on only a few of the larger problem areas:
 - An evaluation of a proposal from a start-up group requires evaluation of their ability to conclude the transaction. Do they have the resources to accomplish what they propose? In this case, Mr. Wilson didn't have the resources available, and even suggested to our advisors that he expected CIB Marine to pay the costs of his capital raise and due diligence.
 - The proposal provided very little liquidity for common shareholders and no liquidity to preferred shareholders. The purchase of 3-5 million shares of common stock from existing common shareholders would create liquidity for only 17-28% of outstanding CIBM common shares. The overwhelming majority of shareholders, including all preferred shareholders, would receive no cash under the Wilson proposal.

WILSON PROPOSAL

- The proposal was highly dilutive to existing common shareholders, and would effectively make them minority stakeholders in a company controlled by Mr. Wilson's investor group with little or no say in the operation of that company once Mr. Wilson's transaction concluded.
- The Wilson proposal would give him majority control of the common stock, control of the Board, and the CEO position. For the continuing shareholders, the Board needed to understand Mr. Wilson's business plan for the Company and fully vet his qualifications and character. Mr. Wilson refused to provide any elements of a business plan and refused to execute a confidentiality agreement or meet with the independent members of the Board.
- In his proposal, Mr. Wilson stated that he would not "force out" legacy CIBM shareholders at a price less than \$0.52 per share for one year. We wanted to know what his plans were to force out legacy shareholders at any point in time or at any price, but he would not elaborate.
- The greatest asset that CIB Marine has is the talented group of bankers it employs. Mr. Wilson's decision to publicly denigrate the Company and the employees that he hopes to one day lead, even going so far as to establish anti-CIB Marine websites, raises leadership and judgment concerns that need to be evaluated.
- Finally, with current trading values consistently higher than the Wilson proposal, it doesn't warrant a protracted discussion of the proposed price, but I would be remiss if I didn't tell you that the price proposed was not competitive with other indications of interest that have been received by the Company.

IMPACT OF ACTIVISTS

- The question is this: What was the impact on CIB Marine with regard to the coordinated effort by our two activist shareholders; that is letters, website activity, news articles, the proxy contest that never was, and the request that shareholders vote “withhold” in the director election?
- The impact on the shareholder vote was little, both in terms of the number of votes cast and votes withheld from Board nominees.
- Over the past five years, the average percentage of votes cast “withhold” with respect to Board nominees has been approximately 8%. This year, the average percentage of “withheld” votes for the three candidates was approximately 15%.
- However, if you assume that Mr. Wilson and his known investor(s) voted as Mr. Wilson directed and exclude those votes from the total, the increase in – “withheld” votes this year is negligible compared to the previous five years. An increase of less than 400,000 shares voting against the Board’s recommendation or approximately 2% of total outstanding shares.
- 85% of the votes cast were in favor of each of the Board’s nominees.
- We did incur hard costs in addressing these activist proposals. We do not have a final tally, but, to date, the Company has spent approximately \$30,000 responding to these activists, and that does not include executive man-hours that had to be redirected from revenue producing projects.

IMPACT OF ACTIVISTS

- One of the activists is not waiting for 2016 results. He has already told us that he plans to resume his activities in 2017. The minimum cost of a full blown proxy contest is expected to exceed \$100,000. That pledge makes it absolutely clear that the activists are not interested in the Company's performance or concerned about the damage they do to your company. They are simply interested in their personal agendas.
- There were a few positives that occurred in this process:
 - It has given us an opportunity to discuss a number of important issues with our shareholders. The discussions that we have had are extremely valuable as we plan for our future. We intend to continue those discussions and encourage those shareholders we have not heard from to contact us. Most important, we have heard your message and will utilize your input on the path forward.
 - The only market indicator that we have of the value of our common stock is the price quoted on OTCQB. Since March 1, 2016, the trading price of CIB Marine common stock on the OTCQB is up significantly.
- A final thought I'd like you to consider: stock ownership in a community bank is a unique opportunity. We need the input and support of our shareholders to continue to grow and build enterprise value. If you don't bank with us, please reconsider. If your mortgage isn't with us, give us a chance to earn it. If you are aware of opportunities we should pursue, please let us know. By working together we will continue to build and grow this company and the value of your investment.