



The FMCBank

STATEMENT

An Update For Our Customers

Volume 2, Number 1

Winter 2003

You're Invited to Tiptoe Through the Tulips at the Pella Tulip Festival

First Minnetonka City Bank Invites You on a Special Tour

As a service to our valued customers, First Minnetonka City Bank, along with Sunshine Travel, is pleased to invite you on a motorcoach tour to Pella, Iowa, from April 30 to May 2, 2003.

Tour participants will ride in a deluxe coach bus as they tour Iowa's scenic countryside. Highlights of the tour include stops at the following destinations:

- The 67th Annual Pella Tulip Festival, where the coming of spring is celebrated according to Dutch tradition
- Grotto of the Redemption in West Bend, Iowa, the world's largest grotto
- Scholte Gardens, which includes tulips and perennials of every imaginable color
- Pella Historical Village, where history and Dutch culture come alive in the village's 100-year-old buildings
- Amana Colonies, where you'll experience the legacy of the German pioneers who worked together for self-sufficiency

The tour's price is \$349 per person, based on double occupancy, which includes transportation, two nights lodging, four meals, sightseeing, and professional tour leadership by the Sunshine Travel Company.

Tour brochures are available at each branch. To register for the tour, please contact Tam Hubert at 952-935-8663 or thubert@fmcbank.com. Space is limited, so register today!

**PREVIEW THE TOUR
AT A TRAVEL SHOW
ON JANUARY 23, 2003**

If you're interested in learning more about the tour, you're encouraged to attend a special travel show on Thursday, Jan. 23, 2003, from 9:30 to 10:30 a.m. at the Glen Lake branch. Attendees will watch a slide show of a past Pella Tulip Festival trip, and have the opportunity to speak directly to the guide from Sunshine Travel who will lead the tour. Attendance to the show is free, and refreshments will be served. ●

For questions regarding this newsletter, please contact: Tom Rogers at 952.935.8663 or trogers@fmcbank.com



GLEN LAKE OFFICE | 14550 Excelsior Boulevard | Minnetonka, MN 55345 | 952.935.8663
COUNTRY VILLAGE OFFICE | 11500 Highway 7 | Minnetonka, MN 55305 | 952.935.5995

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2003 TAX CHANGES AFFECT YOUR RETIREMENT AND ESTATE PLANNING

With all the tax law changes taking effect every year, it's tough to keep up. That's why we've prepared the following tables to let you know how these changes affect your retirement plan contributions and estate planning for 2003 and 2004.

RETIREMENT PLANS

PLAN	2003 CONTRIBUTION LIMITS	2004 CONTRIBUTION LIMITS
Traditional and Roth IRA (under age 50)	Lesser of \$3,000 or earned income.	
Traditional and Roth IRA (over age 50)	Lesser of \$3,500 or earned income.	
SEP	25% of wages up to \$40,000 (20% of net SE income after SE tax deduction for self employed.) Compensation Limit = \$200,000.	
SIMPLE (under age 50)	Employee elective deferrals = lesser of \$8,000 or earned income. Employer must match up to 3% of wage.	Employee elective deferrals = lesser of \$9,000 or earned income. Employer must match up to 3% of wage.
SIMPLE (over age 50)	Employee elective deferrals = lesser of \$9,000 or earned income. Employer must match up to 3% of wage.	Employee elective deferrals = lesser of \$10,500 or earned income. Employer must match up to 3% of wage.
Money-Purchase Defined Contribution Plan	Contributions per participant up to lesser of 100% of compensation or \$40,000. Compensation limit = \$200,000. Employer deduction limited to 25% of aggregate compensation for all participants (20% of net SE income after SE tax deduction for self-employed).	
Profit-Sharing Defined Contribution Plan	Contributions per participant up to lesser of 100% of compensation or \$40,000. Compensation limit = \$200,000. Employer deduction limited to 25% of aggregate compensation for all participants (20% of net SE income after SE tax deduction for self-employed).	
401(k)	Employee elective deferrals limited to \$12,000 (\$14,000 for employees age 50 or older). Employer deduction limited to 25% of combined wages of all employees (elective deferrals do not reduce wages for purposes of 25% limit). Combined employer contributions and employee elective deferrals per employee limited to 100% of wages up to \$40,000.	Employee elective deferrals limited to \$13,000 (\$16,000 for employees age 50 or older). Employer deduction limited to 25% of combined wages of all employees (elective deferrals do not reduce wages for purposes of 25% limit). Combined employer contributions and employee elective deferrals per employee limited to 100% of wages up to \$40,000.
403(b) (under age 50)	Employee elective deferral portion only = \$12,000.	Employee elective deferral portion only = \$13,000.
403(b) (over age 50)	Employee elective deferral portion only = \$14,000.	Employee elective deferral portion only = \$16,000.
Employer Qualified Defined-Benefit Plans	Actuarially determined contribution. Limit on benefits received equals 100% of average compensation for highest three years not to exceed \$160,000.	

Continued on next page

NOTE: Dollar limits are also indexed for inflation for various items on this chart depending on the year in question. This chart is not intended to present all of the exceptions to this rule. The age 50 or older increases in elective deferrals for 401(k) plans also apply to SARSEPs.

2003 TAX CHANGES *Continued from page 2*

ESTATE TAXES*

YEAR	ESTATE TAX EXCLUSION	CREDIT
2002 - 2003	\$1 million	\$345,800
2004 - 2005	\$1.5 million	\$555,800
2006 - 2008	\$2 million	\$780,800
2009	\$3.5 million	\$1,455,800
2010	No Tax	No Tax

**The maximum family-owned business deduction is \$675,000. When the maximum business deduction is claimed, the estate tax exclusion is \$625,000. The family-owned business deduction is repealed for descendants dying after Dec. 31, 2003.*

GIFT TAXES

YEAR	GIFT TAX EXCLUSION	CREDIT
2002 - 2009	\$1 million	\$345,800
2010	\$1 million	\$330,800

NEW INFORMATION AVAILABLE ON 529 PLANS



Want to know more about the 529 College Savings Plans? Interested in opening an account? First Minnetonka Investment Center offers a wealth of information on 529 Plans to help you determine if they're an appropriate investment for you and your loved ones. Just go to www.fmcbank.com, click on "What's New" and follow the link "529 College Savings Plan Information." From that page, you'll be able to download a brochure that describes the 529 Plan in detail.

Certified Financial Planner, Tam Hubert, would be happy to discuss how 529 Plans can both serve as a valuable tool to help fund a college education, and to also bring estate planning benefits to you. Contact her today at thubert@fmcbank.com, or at 952-935-8663. ●

CONTACT OUR CERTIFIED FINANCIAL PLANNER TODAY.

GLEN LAKE OFFICE • 952-935-8663
Tam Hubert • thubert@fmcbank.com.

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CASH FLOW TIPS

In today's economy, managing cash flow is more difficult, and critical, than ever



Every day, business owners are focused on generating sales. But nearly as important—and even more important in difficult economic times like today—is properly managing your cash flow. We've prepared the following guidelines to help you in this process:*

ANTICIPATE CASH REQUIREMENTS

- Proper planning is the first step in avoiding serious cash shortages. Prepare monthly cash budgets that incorporate seasonal fluctuations. Also, anticipate the effects of an economic slowdown on your suppliers and customers: will sales remain the same? Will collections slow and increase the need for working capital?

MANAGE WORKING CAPITAL

- Effective monitoring and management of accounts receivable, inventories and accounts payable can prevent your operational budget from increasing. This can be done through the following: prepare and review monthly aged accounts receivable listings; run thorough credit checks on new customers to minimize the impact of bad debts; analyze inventory turnover and production processes to determine whether your inventories can be reduced; and utilize terms provided by creditors to defer cash payments, such as negotiating an increase in or initiating credit terms with your suppliers.

REVIEW DISCRETIONARY SPENDING

- Discretionary operating expenses may include travel, meals, entertainment, advertising, and promotion and bonus payments. Discretionary capital expenses may include leasehold improvements or a computer systems upgrade. Caution: do not eliminate or defer spending that will adversely affect your business' ability to generate revenues.

REVIEW EXISTING BORROWING FACILITIES

- This involves reviewing your business' capital structure to ensure that short-term operating requirements are financed with current assets and that long-term capital requirements are financed with long-term assets. Doing so helps fully utilize your business' borrowing capabilities.

SELL REDUNDANT ASSETS

- Examples may include marketable securities, vacant land or equipment not in use. The sale of these non-core assets can provide your business with additional cash flow.

One of our commercial bankers would be happy to discuss your cash flow needs and help you determine how the bank's working capital lines of credit may provide the short-term financing you need. Contact them today! ●

**The above article was excerpted from a Grant Thornton Management Issue Paper, "Managing cash flow in challenging economic times." 2002.*

FOR MORE INFORMATION ON MANAGING YOUR COMPANY'S CASH FLOW, CONTACT ONE OF THE FOLLOWING COMMERCIAL BANKERS TODAY.

GLEN LAKE • 952-935-8663

Amy Hennen • ahennen@fmcbank.com

Kevin VonBank • kvonbank@fmcbank.com

Del Smith • dsmith@fmcbank.com

COUNTRY VILLAGE • 952-935-5995

Glenn Keller • gkeller@fmcbank.com

THE REAL COSTS OF “NO-CLOSING-COST” LOANS



Recently, a great amount of attention has been given to refinancing home mortgages, with many mortgage companies promising no-cost loans. But when it comes time for closing, consumers are often surprised that the no-cost loans actually include a number of charges—both those that are tied to the mortgage’s amount and those that are fixed.

In fact, any time you refinance a loan, closing costs will be incurred. When a company says it offers mortgages with no closing costs, it actually means that customers may choose to have the mortgage company pay the costs, while they, in turn, pay a slightly higher interest rate. In addition, customers also typically have the option to not pay the costs out-of-pocket, and instead, to roll the costs into their mortgage balance.

The following example illustrates the typical closing costs associated with refinancing a \$150,000 loan, and the reasons why each cost is assessed.

Loan Amount: \$150,000

Origination Fee: \$1,500

- The amount charged by a lender or broker in connection with originating the loan. This fee differs from discount points which are used to buy down the rate.

Appraisal Fee: \$325

- The amount charged to conduct a professional estimate of the property’s value on a given date.

Credit Report Fee: \$52.80

- The amount charged to run a report that details the borrower’s credit history, which includes payment history on revolving

accounts (credit cards) and installment loans (car loans), and information from public records, such as tax returns and judgments.

Underwriting Fee: \$175

- The fee the mortgage company charges to underwrite the loan.

Escrow/Closing Fee: \$250

- The fee the title insurance company charges to close the loan.

Title Search Fee: \$125

- The fee charged for an examination of public records to determine the ownership of and encumbrances affecting the property.

Lender’s Title Insurance: \$487

- The fee for an insurance policy that protects the insured, typically the lender or the borrower, against a loss arising from title defects.

Recording/Filing Fee: \$75

- The fee the county charges to record the mortgage.

Registration Tax: \$360

- The tax the county charges, based on the loan’s value, at a rate of \$2.40 per thousand.

Tax Service Fee: \$65

- A one-time fee charged by the mortgage company for an annual review of the property’s real estate tax payments.

Survey/Plat Fee: \$60

- The fee the title company charges to confirm the property lies within the lot lines.

Name Search Fee: \$25

- The fee the title company charges to search the borrower’s name to identify any judgments, liens, etc., against the borrower, personally.

Special Assessment Search Fee: \$30

- The fee the county charges to identify any special taxes imposed on the property that may need to be paid, such as for improvements like sewer and water, street lights, sidewalks, etc.

Flood Search Fee: \$20

- The fee the mortgage company charges to confirm if the property lies within a federally designated flood zone.

Document Preparation Fee: \$75

- The fee the mortgage company charges for document preparation.

Total closing costs: \$3,624.80

If you’re considering refinancing your home mortgage and would like a good faith estimate of the closing costs you could expect, please contact First Minnetonka’s mortgage banker. ●

**FOR MORE INFORMATION ABOUT REFINANCING,
CONTACT OUR MORTGAGE BANKER TODAY.**

COUNTRY VILLAGE • 952-935-5995

Paul Tesarek • ptesarek@fmcbank.com



Paul is also available to help you determine, based on your unique situation, if it’s in your best interest to pay the costs out-of-pocket or to select a no-closing-cost option.

VISIT FIRST MINNETONKA AT THE HOME REMODELING FAIR



If you're thinking about starting a home improvement project, or are in the middle of one and need help, you'll want to visit the 11th Annual Home Remodeling Fair, on Sunday Feb. 23, from 10:30 a.m. to 3:30 p.m. at the Eisenhower Community Center*.

For no attendance charge, you'll be able to learn about a variety of home improvement projects, ranging from decorating to home maintenance to remodeling. Specific features of the fair include the following:

- Displays from more than 70 remodeling professionals, including contractors, architects, landscapers, interior designers and others
- An idea center with an "Ask the Pro" booth staffed by architects, interior designers and master gardeners
- Ongoing demonstrations on ceramic tiling, sheetrock installation, bathroom repair, window treatments and other do-it-yourself projects

- A variety of seminars on topics ranging from window replacement to refinishing wood floors

When you have your improvement plan established, be sure to visit First Minnetonka City Bank's booth at the fair. Our personal bankers will be on hand to help you determine how to finance your home remodeling projects. ●



* The center is located at 1001 Highway 7 in Hopkins, one mile west of the intersection of highways 7 and 169.

SAIL INTO FIRST MINNETONKA FOR YOUR BOAT LOAN

If the mere thought of the boat show sets your mind adrift on buying your dream boat, let a First Minnetonka loan help you set sail.

First Minnetonka City Bank offers flexible financing for a variety of new and used recreational vehicles, including powerboats, pontoons, houseboats, yachts and personal watercraft. Your loan's specific terms are dependent on your credit history and the type of recreational vehicle you want to finance.

If you'd like more information on our boat loans, or on any of our recreational vehicle loans, please contact one of our personal bankers. ●

**FOR MORE INFORMATION ON A RECREATIONAL VEHICLE LOAN,
CONTACT ONE OF THE FOLLOWING PERSONAL BANKERS TODAY.**

GLEN LAKE • 952-935-8663

Kevin VonBank • kvonbank@fmcbank.com

Jeff Scribner • jscribner@fmcbank.com

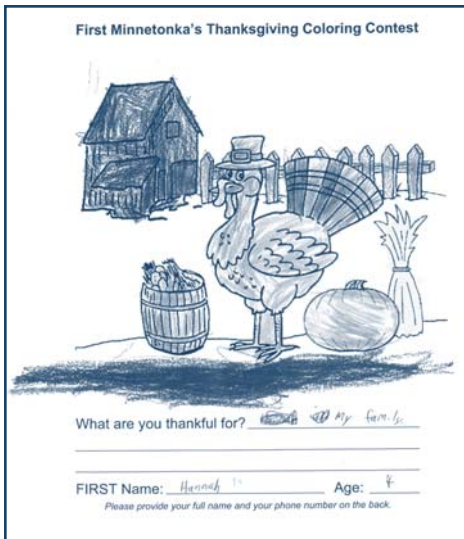
Ismath Qureshi • iqureshi@fmcbank.com

COUNTRY VILLAGE • 952-935-5995

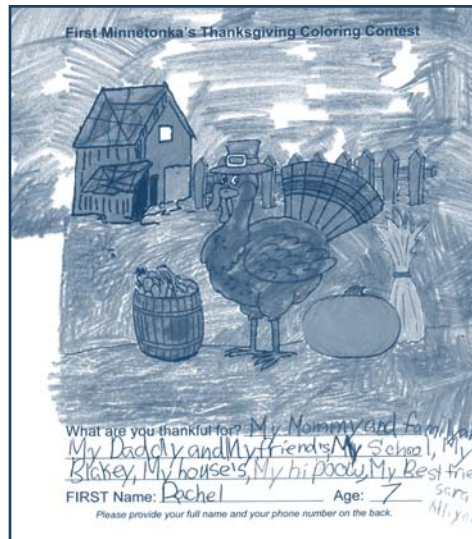
Glenn Keller • gkeller@fmcbank.com

CONGRATULATIONS TO OUR COLORING CONTEST WINNERS!

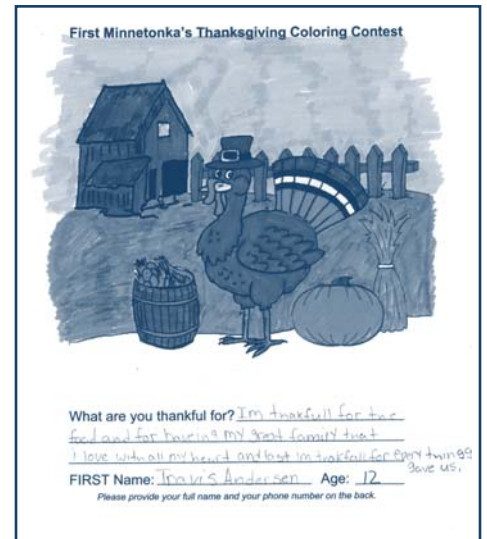
Thank you to the more than 42 children who entered First Minnetonka's coloring contest. The contest's judges had a difficult time choosing among all the creative and colorful entries, but were able to select one winner from each of the three age categories.



Hannah • Age 4



Rachel • Age 7



Travis • Age 12

You can view the winning entries on our web site, www.fmcbank.com.

PROUD TO BE YOUR HOMETOWN BANK

It seems that nearly every time you turn around, community banks are merging with or being acquired by larger banks. And more often than not, customers are left struggling to find a bank that truly has a hometown feel—and more importantly, that provides hometown-quality service.

At First Minnetonka City Bank, we pride ourselves on our status as an independent, family-owned community bank, and all the benefits it affords our customers. We take the time to know you—you're real people, not merely obscure numbers in our computer system. We're actively involved in our communities, both through our employees' participation in civic organizations and the various events, charities and services we help sponsor.

This winter, First Minnetonka City Bank will be celebrating the fact that we are proud to be your hometown bank. When you enter our bank lobbies, you will see posters and banners celebrating hometown banking. We're displaying them to remind you that it is our continued goal to provide the personal service you have come to expect at First Minnetonka—your hometown bank. ●

ONLINE BANKING

IMPORTANT NEWS FOR ONLINE BANKING USERS



Log-in location has moved

Wondering where the online banking log-in went? Instead of being located directly on our web site's home page, you can now find it by going to www.fmcbank.com, clicking on "Online Banking," and logging in as usual. All password and username information will continue to be sent within our site's secure network connections, but now, it will be transferred with an enhanced level of security.

Accounts not used in 90 days will expire

If you've enrolled in online banking but don't regularly use the tool, make sure you at least log in every 90 days if you want to keep the functionality available to you. If an account is not used at least once in a 90-day period, the system will label it inactive, and therefore the account will expire for security purposes. Users whose accounts have expired can use online banking in the future by simply re-enrolling. ●

CONGRATULATIONS TO OUR EMPLOYEES OF THE MONTH!

Each month, First Minnetonka recognizes a bank employee who exemplifies excellence and dedication on the job. During the past three months, we were pleased to acknowledge the efforts of the following bank employees:

October: **SANDY ENGELKING**, New Accounts Representative: According to customer testimonials, Sandy: “puts real meaning to the term customer service. Any bank can handle money, but it’s the Sandys out there who really make the difference.”

November: **THERESA HARRIS**, Senior Teller: “Theresa’s professionalism, along with her adherence to bank policy, prevented two attempts at check fraud, which protected the bank from a huge loss.”

December: **PAUL TESAREK**, Vice President, Mortgage Banking: “Even through he has been busier than ever with mortgage loans, Paul has been actively involved in the bank’s holiday activities, including acting as emcee at the employee brunch and directing the Country Village tree trim event. Paul is an example of what good employees are made of.”

First Minnetonka thanks these employees for work well done.

PRSR1 STD
U.S. POSTAGE
PAID
PERMIT # 784
HOPKINS, MN
55343

GLEN LAKE OFFICE
14550 Excelsior Boulevard • Minnetonka, MN
55345
COUNTRY VILLAGE OFFICE
11500 Highway 7 • Minnetonka, MN 55305
www.fmcbank.com

