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Step 6: Increasing Shareholder Value with Dividend Reinvestment Plans (DRIPs)

DRIPs allow shareholders to reinvest cash dividends for the purchase of additional bank shares.

Dividend Reinvestment Plans (DRIPs) offer privately-held banks the opportunity to add value for their shareholders with a proven strategy generally only available to large corporations. DRIP programs can only be accessed by shareholders.

Simply defined, a DRIP program allows bank shareholders the singular opportunity to reinvest their cash dividends for the purchase of additional shares in the bank. These shares are always purchased directly from the company/bank, acquired without any transactional fees, further increasing the individual's ownership.

To help privately-held community banks take advantage of a DRIP program, **CAMELS offers a special a special package** specifically designed for privately-held banks that is economical to implement, easy to manage and widely accepted by shareholders.

The benefits of implementing a DRIP include:

Capital Preservation and Augmentation

In basic terms, with a properly constructed DRIP dividend dollars go back into the bank's equity account. New shares acquired are returned to the companies in the form of capital, while plans that allow shares to be acquired from the street provide greater liquidity to shareholder investments.

Acquisition of shares with dividend dollars can be greatly expanded by allowable contributions, up to \$8,000 annually. This makes a CAMELS' DRIP program, a continued contributor to the bank's capital growth.

Maximizing Ownership Opportunity

In many cases, privately-held institutions suffer from lack of issued shares or satisfied ownership levels makes the availability of stock derived from normal trading opportunities difficult to increase one's percentage of ownership.

The inclusion of a DRIP program allows an institution with an adequate number of unissued but authorized shares, the ability to support any level of anticipated shareholder participation. DRIP programs must be well thought out to ensure shareholders embrace expansion of ownership.

CAMELS Provides Easily Managed DRIPs

CAMELS provides the structure, operational knowledge, procedures, systems, and marketing insights to make your DRIP program an effective ownership, capital preservation, and growth product. Successful DRIP programs are a direct result of marketing efforts of the company and CAMELS has designed a communication program that secures shareholder subscriptions.

Affordable Expertise, Knowledge and Legal Resources

CAMELS' legal partnerships has made DRIPs not only feasible, but most importantly, affordable even for the smallest community bank. CAMELS makes the complexities of a DRIP easily understood and recognizes that a cost benefit be immediately recognized in the implementation of this type of program.

To accomplish this task, CAMELS works exclusively with highly recognized legal firm(s) in the review and submission of plan elements to respective state securities agencies. Today's banking climate requires that institutions continually focus on capital ratios and increasing shareholder value.

CAMELS' DRIP programs accomplish both of these objectives.

Request a CAMELS DRIP Consultation

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