

## COUNTY BANCORP INC DESCRIPTION OF CAPITAL STOCK<sup>1</sup>

### General

We are a corporation organized under Chapter 180 of the WBCL. The following is a description of the material terms of our capital stock in accordance with our amended and restated articles of incorporation and amended and restated bylaws (hereinafter, articles of incorporation and bylaws, respectively) and certain material provisions of the WBCL, Wisconsin and federal bank holding company laws.

### Common Stock

Our articles of incorporation presently authorize 50,000,000 shares of \$0.01 par value common stock, of which 4,463,790 were outstanding as of September 30, 2014. Based upon the numbers of shares as of that date, upon completion of the offering, there will be 5,497,540 shares of common stock issued and outstanding.

**Voting Rights.** Each share of common stock is entitled to one vote per share on all matters with respect to which shareholders are entitled to vote. Under our articles of incorporation and the WBCL, shareholder approval is required for various matters, including the election of directors, and other “extraordinary” corporate decisions and transactions, such as the authorization of additional common stock for certain changes of corporate name, a merger with another company, the dissolution of the Company, or a sale of substantially all of our assets. Our articles of incorporation and bylaws provide for a classified board of directors consisting of two to three classes, as nearly equal as possible, with each class serving staggered three year terms.

**Dividends.** Subject to the rights and preferences of any shares of preferred stock that have been issued or might be issued in the future, holders of shares of common stock are entitled to receive such dividends as may be declared by the board of directors out of funds legally available for that purpose.

**Liquidation.** In the event of the liquidation or dissolution of the Company, each holder of common stock would be entitled to recover, after payment of all of the Company’s debts and liabilities, and subject to any liquidation preferences established for any shares of preferred stock that are outstanding or might be issued in the future, a pro rata portion of all assets of the Company available for distribution to holders of common stock.

**Rights and Preferences.** Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of our

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<sup>1</sup>Taken from the prospectus at [http://www.sec.gov/Archives/edgar/data/1470205/000119312515013206/d814362d424b4.htm#om814362\\_15](http://www.sec.gov/Archives/edgar/data/1470205/000119312515013206/d814362d424b4.htm#om814362_15)

preferred stock that we may designate in the future.

Fully Paid and Nonassessable. All outstanding shares of our common stock are fully paid and non-assessable, and the shares of common stock to be issued upon completion of this offering will be fully paid and non-assessable.

#### Series A Preferred Stock

Previously, the Company had issued Series A Preferred Stock. However, all shares of Series A Preferred Stock were subsequently redeemed and the class was extinguished.

#### Series B Nonvoting Noncumulative Perpetual Preferred Stock

Our articles of incorporation presently authorize 15,000 shares of Series B Nonvoting Noncumulative Perpetual Preferred Stock, also referred to as Series B Preferred Stock. As of the date of this offering, 8,000 shares of Series B Preferred Stock are outstanding.

Voting Rights. Shares of Series B Preferred Stock are not entitled to any voting rights, except for those voting rights that may not be denied under the WBCL. Under the WBCL, Series B Preferred Stock would be entitled to vote on, among other items, increases and decreases in the number of authorized shares of Series B Preferred Stock, any change that is prejudicial to the holders of outstanding Series B Preferred Stock, and any exchange or reclassification of all or part of the shares of Series B Preferred Stock into shares of another class.

Dividends. Shares of Series B Preferred Stock are entitled to non-cumulative dividends equal to the sum of the "Prime rate of interest" (the highest quoted base rate on corporate loans at large U.S. money center commercial Bank) and 0.50%, but in no case will the dividend rate be less than 4.00% per annum. Dividends payable with respect to Series B Preferred Stock have no preference in right of payment over dividends payable with respect to common stock or any other class or series of our capital stock.

Liquidation and Rank. In the event of a liquidation, dissolution, or winding up of the Company, holders of shares of Series B Preferred Stock would be entitled to receive \$1,000 per share of Series B Preferred Stock, plus any declared but unpaid dividend from the preceding quarter, and any unpaid and accumulated quarterly dividend prorated from the first day of the calendar quarter in which the liquidation, dissolution, or winding up occurs to the effective date of such liquidation or dissolution. Shares of Series B Preferred Stock are entitled to this payment upon liquidation or dissolution before any payment can be made or any assets distributed to the holders of common stock or any other class or series of our capital stock.

Conversion. Each share of Series B Preferred Stock is convertible into share(s) of common stock upon the occurrence of one of two events: (i) the Company fails to pay a quarterly dividend in full within 15 calendar days of the applicable payment date on eight separate occasions, or (ii) the Company pays a dividend on any other class or series of common or preferred stock after it has omitted payment of four dividends on the Series B Preferred Stock. The conversion feature on

the Series B Preferred Stock is triggered regardless of whether (i) the omitted dividends occur with respect to consecutive or non-consecutive payment dates, or (ii) subsequent to the 15th calendar day referred to in this paragraph the Company pays such dividend. When converted, each share of Series B Preferred Stock will be exchanged for that number of shares of common stock having an aggregate value equal to the sum of (i) \$1,000, (ii) any declared but unpaid dividend from the preceding quarter, and (iii) the unpaid and accumulated quarterly dividend prorated from the first day of the calendar quarter in which the conversion right was exercised to the issuance of the common stock. For purposes of converting Series B Preferred Stock, the per-share value of the common stock would be the most recent per-share appraised value of the common stock on an undiluted basis. However, if no appraisal has been performed within the 18 months next preceding the date of valuation, then the per share value of the common stock is calculated by multiplying the ratio that the most recent per-share appraised value bears to per-share book value as of the date of such appraisal, by per share book value based on our audited financial statements as of the year-end next preceding the year in which the valuation occurs. Any holder of Series B Preferred Stock who exercises conversion rights is required to exercise such rights as to all of the holder's shares of Series B Preferred Stock. However, the amount of common stock issued to any individual can never exceed 10% or more of the then-issued and outstanding shares of common stock, unless any required regulatory approval is obtained; provided, however, that in lieu of seeking and obtaining such regulatory approval, such holder of Series B Preferred Stock may elect to convert only a portion of the share of Series B Preferred Stock held, and shall retain ownership of the remainder and have an ongoing right to exercise the conversion right to those remaining shares of Series B Preferred Stock.

Redemption. Subject to approval by the Federal Reserve, but otherwise at our election and in our exclusive discretion, we have the right to redeem any or all of the shares of Series B Preferred Stock upon 30 days' notice to the holder(s) of such shares. Upon redemption, each share of Series B Preferred Stock would be exchanged for (i) one-thousand dollars (\$1,000), (ii) any declared but unpaid quarterly dividend, and (iii) the unpaid and accumulated quarterly dividend prorated for the then current calendar quarter.

Fully Paid and Non-Assessable. The outstanding shares of Series B Preferred Stock are fully paid and non-assessable.

Series C Noncumulative Perpetual Preferred Stock.

The Company has 15,000 shares of Series C Noncumulative Perpetual Preferred Stock, also referred to as the SBLF Preferred Stock, authorized and outstanding. The SBLF Preferred Stock was issued to the U.S. Treasury on August 23, 2011 as part of the federal government's SBLF Program.

Voting Rights. The holders of the SBLF Preferred Stock do not have voting rights other than with respect to certain matters relating to the rights of holders of SBLF Preferred Stock, on certain corporate transactions and, if applicable, the election of additional directors described

below.

In addition to any other vote or consent required by law or by our articles of incorporation, the written consent of the U.S. Treasury, if the U.S. Treasury holds any shares of SBLF Preferred Stock, or the holders of a majority of the outstanding shares of SBLF Preferred Stock, voting as a single class, if the U.S. Treasury does not hold any shares of SBLF Preferred Stock, is required to:

- amend our articles of incorporation for the SBLF Preferred Stock to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of stock ranking senior to the SBLF Preferred Stock with respect to the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up by or of us;
- amend our articles of incorporation so as to adversely affect the rights, preferences, privileges or voting powers of the SBLF Preferred Stock;
- consummate a binding share exchange or reclassification involving the SBLF Preferred Stock or a merger or consolidation with another entity, unless (1) the shares of SBLF Preferred Stock remain outstanding or, in the case of a merger or consolidation in which we are not the surviving or resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (2) the shares of SBLF Preferred Stock remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions, that are the same as the rights, preferences, privileges and voting powers, and limitations and restrictions of the SBLF Preferred Stock immediately prior to consummation of the transaction, taken as a whole; provided, that in all cases, our obligations are assumed by the resulting entity or its ultimate parent;
- sell all, substantially all or any material portion of, our assets, if the SBLF Preferred Stock will not be redeemed in full contemporaneously with the consummation of such sale; or
- consummate a Holding Company Transaction (as defined below), unless as a result of the Holding Company Transaction each share of SBLF Preferred Stock will be converted into or exchanged for one share with an equal liquidation preference of preference securities of us or the acquirer. Any such preferred stock must entitle its holders to dividends from the date of issuance of such stock on terms that are equivalent to the terms of the SBLF Preferred Stock, and must have such other rights, preferences, privileges and voting powers, and limitations and restrictions that are the same as the rights, preferences, privileges and voting powers, and limitations and restrictions of the SBLF Preferred Stock immediately prior to such conversion or exchange, taken as a whole;

provided, however, that (1) any increase in the amount of our authorized shares of preferred stock, and (2) the creation and issuance, or an increase in the authorized or issued amount, of any other series of preferred stock, or any securities convertible into or exchangeable or exercisable for any other series of preferred stock, ranking equally with and/or junior to the SBLF Preferred Stock with respect to the payment of dividends, whether such dividends are cumulative or non-cumulative, and the distribution of assets upon our liquidation, dissolution or winding up, will not be deemed to adversely affect the rights, preferences, privileges or voting powers of the SBLF Preferred Stock and will not require the vote or consent of the holders of the SBLF

## Preferred Stock.

A “Holding Company Transaction” means the occurrence of (a) any transaction that results in a person or group (1) becoming the direct or indirect ultimate beneficial owner of our common equity representing more than 50% of the voting power of the outstanding shares of our common stock or (2) being otherwise required to consolidate for GAAP purposes, or (b) any consolidation or merger of us or similar transaction or any sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of our consolidated assets to any person other than one of our subsidiaries; provided that, in the case of either clause (a) or (b), we or the acquiror is or becomes a bank holding company or savings and loan holding company.

To the extent holders of the SBLF Preferred Stock are entitled to vote, holders of shares of the SBLF Preferred Stock will be entitled to one vote for each share then held.

The voting provisions described above will not apply if, at or prior to the time when the vote or consent of the holders of the SBLF Preferred Stock would otherwise be required, all outstanding shares of the SBLF Preferred Stock have been redeemed by us or called for redemption upon proper notice and sufficient funds have been deposited by us in trust for the redemption.

Dividends. The SBLF Preferred Stock is entitled to receive non-cumulative dividends, payable quarterly, on each January 1, April 1, July 1 and October 1. The SBLF Preferred Stock pays a contractual dividend rate of between 1.0% and 9.0% depending on the amount of qualified small business lending the Bank engages in and the amount of time the SBLF Preferred Stock remains outstanding. As of the date hereof, the SBLF Preferred Stock is paying a dividend rate of 1.0%. In the first quarter of 2016, regardless of the levels of small business lending at the Bank, the dividend rate will increase to 9.0% until such time as the SBLF Preferred Stock is redeemed.

Dividends on the SBLF Preferred Stock are non-cumulative. If for any reason our board of directors does not declare a dividend on the SBLF Preferred Stock for a particular dividend period, then the holders of the SBLF Preferred Stock will have no right to receive any dividend for that dividend period, and we will have no obligation to pay a dividend for that dividend period. We must, however, within five calendar days, deliver to the holders of the SBLF Preferred Stock a written notice executed by our chief executive officer and chief financial officer stating our board of directors’ rationale for not declaring dividends. Our failure to pay a dividend on the SBLF Preferred Stock also will restrict our ability to pay dividends on and repurchase other classes and series of our capital stock, including our common stock.

When dividends have not been declared and paid in full on the SBLF Preferred Stock for an aggregate of four or more dividend periods, and during that time we were not subject to a regulatory determination that prohibits the declaration and payment of dividends, we must, within five calendar days of each missed payment, deliver to the holders of the SBLF Preferred Stock a certificate executed by at least a majority of the members of our board of directors stating that it used its best efforts to declare and pay such dividends in a manner consistent with safe and

sound banking practices and the directors' fiduciary obligations. In addition, (i) our failure to pay dividends on the SBLF Preferred Stock for five or more dividend periods, whether consecutive or not, will give the holders of the SBLF Preferred Stock the right to appoint a non-voting observer on our board of directors, and (ii) our failure to pay dividends on the SBLF Preferred Stock for six or more dividend periods, whether consecutive or not, and if the aggregate liquidation preference of the SBLF Preferred Stock then outstanding is of \$25,000,000 or more, will give the holders of the SBLF Preferred Stock the right to elect two directors. However, given that the liquidation preference for the SBLF Preferred Stock is less than \$25,000,000, it is unlikely that the foregoing provisions described in the last sentence would be applicable.

**No Sinking Fund.** The SBLF Preferred Stock is not subject to any sinking fund.

**Priority of Dividends.** So long as any share of the SBLF Preferred Stock remains outstanding, we may declare and pay dividends on our common stock only if full dividends on all outstanding shares of SBLF Preferred Stock for the most recently completed dividend period have been or are contemporaneously declared and paid. If a dividend is not declared and paid in full on the SBLF Preferred Stock for any dividend period, then from the last day of that dividend period until the last day of the third dividend period immediately following it, no dividend or distribution may be declared or paid on our common stock.

**Restrictions on Repurchases.** So long as any share of the SBLF Preferred Stock remains outstanding, we may repurchase or redeem shares of our common stock, only if dividends on all outstanding shares of SBLF Preferred Stock for the most recently completed dividend period have been or are contemporaneously declared and paid (or have been declared and a sum sufficient for payment has been set aside for the benefit of the holders of the SBLF Preferred Stock as of the applicable record date). If a dividend is not declared and paid in full on the SBLF Preferred Stock for any dividend period, then from the last day of that dividend period until the last day of the third dividend period immediately following it, no redemptions or repurchases of our common stock may be carried out, except in certain limited cases.

**Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, holders of the SBLF Preferred Stock will be entitled to receive for each share of SBLF Preferred Stock, out of our assets or proceeds available for distribution to our shareholders, subject to any rights of our creditors, before any distribution of assets or proceeds is made to or set aside for the holders of our common stock, payment of an amount equal to the sum of (1) the \$1,000 liquidation preference amount per share and (2) the amount of any accrued and unpaid dividends on the SBLF Preferred Stock.

For purposes of the liquidation rights of the SBLF Preferred Stock, neither a merger nor consolidation of us with another entity nor a sale, lease or exchange of all or substantially all of our assets will constitute a liquidation, dissolution or winding up of our affairs.

**Redemption and Repurchases.** The SBLF Preferred Stock may be redeemed at any time at our

option, at a redemption price of 100% of the liquidation amount plus accrued but unpaid dividends to the date of redemption for the current period, regardless of whether such dividends have been declared for that period, all subject to the approval of the federal banking regulator.

To exercise the optional redemption right, we must give notice of the redemption to the holders of record of the SBLF Preferred Stock, not less than 30 days and not more than 60 days before the date of redemption. In the case of a partial redemption of the SBLF Preferred Stock, the shares to be redeemed will be selected either pro rata or in such other manner as our board of directors or a committee of the board of directors determines to be fair and equitable but in any event the shares to be redeemed shall not be less than the lesser of (1) the amount equal to 25% of the aggregate liquidation amount of the SBLF Preferred Stock as of the date first issued and (2) all of the outstanding SBLF Preferred Stock.

Shares of SBLF Preferred Stock that we redeem, repurchase or otherwise acquire will revert to authorized but unissued shares of preferred stock, which may then be reissued by us as any series of preferred stock other than the SBLF Preferred Stock.

Conversion. Holders of the SBLF Preferred Stock have no right to exchange or convert their shares into any other securities.

Fully Paid and Nonassessable. The outstanding shares of SBLF Preferred Stock are fully paid and non-assessable.

Registration Rights. As part of the terms of our participation in the U.S. Treasury's SBLF Program, we agreed to provide the holders of our SBLF Preferred Stock with the right to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. For the reasons set forth below, the demand registration rights will not apply at the time of this offering. However, the "piggyback" registration rights granted to the U.S. Treasury do apply to this offering. The U.S. Treasury has exercised its piggyback registration rights and, as a result, we have included the U.S. Treasury's SBLF Preferred Stock in the registration statement of which this prospectus is a part. Under the securities purchase agreement, we must file a registration statement covering all of the SBLF Preferred Stock of such holders as promptly as practicable after the date we become subject to the reporting requirements of the Exchange Act, and no later than 30 days after such date. Notwithstanding the foregoing, if we are not eligible to file a registration statement on Form S-3 (which we currently are not eligible for), then we will not be obligated to file such a registration statement unless requested to do so by the U.S. Treasury. In the event that we propose to register any of our securities under the Securities Act (including in this offering), either for our own account or for the account of other security holders, these holders are entitled to notice of such registration and are entitled to certain "piggyback" registration rights allowing the holder to include their preferred stock in such registration, subject to certain limitations. We may, in certain circumstances, defer such registrations, and any underwriters will have the right, subject to certain limitations, to limit the number of shares included in such registrations.

## Preferred Stock—Not Classified

Our articles of incorporation authorize 570,000 shares of Preferred Stock that is not classified, par value \$0.01 per share. Our board of directors is authorized to issue from time to time, without shareholder authorization, in one or more designated series, shares of preferred stock out of the shares designated as Preferred Stock with such dividend, redemption, exchange, conversion and voting rights as may be specified in the particular series. In the event of a liquidation or dissolution of the Company, the issued shares of preferred stock would have priority over common stock to receive the amount specified in each particular series out of the remaining assets of the Company; however, such shares of preferred stock could rank senior, junior or equal to Series B Preferred Stock and our SBLF Preferred Stock in this regard. Additionally, the board of directors has authority, to the maximum extent permitted by Wisconsin law, to fix and determine the relative rights and preferences of each series of preferred stock. The issuance of one or more additional series of preferred stock could have an adverse effect on certain rights, including voting rights, of the holders of common stock. We have no current plan or intention to issue additional shares of preferred stock.