

WEST BANCORPORATION INC
Form PRER14A
November 18, 2008

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

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

WEST BANCORPORATION, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(4) Date Filed:

Preliminary Copy

WEST BANCORPORATION, INC.

**NOTICE OF SPECIAL SHAREHOLDERS' MEETING
TO BE HELD DECEMBER __, 2008**

Dear Fellow Shareholders:

A Special Shareholders' Meeting of West Bancorporation, Inc. will be held in the David L. Miller Conference Center on the second floor of the West Bank building at 1601 22nd Street, West Des Moines, Iowa, on [____], December __, 2008, at 10:00 a.m., central time, for the following purposes:

1. To approve an amendment to the Company's Restated Articles of Incorporation to authorize a class of 50 million shares of preferred stock, par value \$0.01 per share. A copy of the amendment is set forth in Exhibit A to the accompanying proxy statement.
2. Such other business as may properly come before the Special Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on November 7, 2008, as the record date for determination of Shareholders entitled to notice of and to vote at the Special Meeting. A list of eligible Shareholders will be maintained at the Company's offices at 1601 22nd Street, West Des Moines, Iowa, beginning two business days after the meeting notice has been mailed through the date of the meeting.

Whether or not you expect to attend the Special Meeting, in order to make sure your vote is received, please complete and return the enclosed proxy card or vote your proxy electronically via the internet as instructed on the card. A prompt response would be appreciated.

Thank you for your interest in the Company.

For the Board of Directors,

/s/ Thomas E. Stanberry

Thomas E. Stanberry
Chairman, President and Chief Executive Officer

November __, 2008

**PROXY STATEMENT
TABLE OF CONTENTS**

GENERAL INFORMATION	2
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	3
PROPOSAL TO AMEND RESTATED ARTICLES OF INCORPORATION	3
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS, AND EXECUTIVE OFFICERS	11
GENERAL MATTERS	
2009 Shareholder Proposals	12
Delivery of Documents to Shareholders Sharing an Address	12
Where You Can Find More Information	12
EXHIBITS	
Exhibit A: Amendment of the Restated Articles of Incorporation of West Bancorporation, Inc	14
Exhibit B: TARP Capital Purchase Program, Senior Preferred Stock and Warrants	15

WEST BANCORPORATION, INC.

1601 22nd Street
West Des Moines, IA 50266

**PROXY STATEMENT
SPECIAL SHAREHOLDERS' MEETING
To Be Held on December __, 2008**

GENERAL INFORMATION

This proxy statement is furnished in connection with the solicitation by the Board of Directors of West Bancorporation, Inc. (the "Board" and the "Company") of proxies to be used at the Special Shareholders' Meeting ("Special Meeting") and at any and all adjournments thereof. The meeting will be held in the David L. Miller Conference Center at the Company's headquarters, 1601 22^d Street, West Des Moines, Iowa, on December __, 2008, at 10:00 a.m., central time. This proxy statement and form of proxy are first being mailed to Shareholders on or about November __, 2008.

Only shareholders of the Company of record at the close of business on November 7, 2008 ("Shareholders" or "Shareholder") are entitled to notice of and to vote at the Special Meeting. There were 17,403,882 shares of the Company's Common Stock outstanding at the close of business on that date, all of which are entitled to vote at the Special Meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares as of that date is necessary to constitute a quorum for the transaction of business at the Special Meeting. Shareholders are entitled to one vote per share standing in their names on the record date on all matters to properly come before the Special Meeting.

The Company is not aware of any matters to be presented at the Special Meeting other than the proposal to approve an amendment to the Company's Restated Articles of Incorporation to authorize a class of preferred stock, as described below (the "Amendment Proposal"). If any proposal other than the Amendment Proposal is properly presented at the Special Meeting, the proxies will use their personal judgment to determine how to vote your shares. If the Special Meeting is adjourned, the proxies can vote your shares at the adjourned meeting as well, unless you have revoked your proxy instructions.

If you hold shares through a broker, follow the voting instructions provided by your broker. If you want to vote in person, a legal proxy must be obtained from your broker and brought to the Special Meeting. If you do not submit voting instructions to your broker, generally your broker will not be permitted to vote your shares on the Amendment Proposal. If a Shareholder abstains from voting on the Amendment Proposal, or if shares are held by a broker who has indicated that it does not have discretionary authority to vote on the Amendment Proposal, those shares will be considered to be present for the purpose of determining whether a quorum is present, but will not be counted as votes cast with respect to any matter to come before the Special Meeting and will have the legal effect of a vote against the Amendment Proposal.

Holders of Common Stock in the Company's Employee Savings and Stock Ownership Plan ("the Plan") can direct the Trustee of the Plan how to vote the number of shares held in the Plan for the benefit of the Holder as of the record date for any matter put to the vote of the Shareholders. If a Plan participant does not provide directions to the Trustee, then the Trustee shall vote those shares in the same proportion as the shares for which the Trustee received proper direction to vote.

A form of proxy is enclosed for use at the Special Meeting. Before the Special Meeting, you can appoint a proxy to vote your shares of stock by completing and signing the enclosed proxy card and mailing it in time to be received

before the Special Meeting, or by using the internet (<http://www.illinoisstocktransfer.com>). The electronic proxy appointment procedures are designed to confirm your identity and to allow you to give your proxy voting instructions. If you wish to vote via the internet, please follow the instructions on the proxy card.

If your proxy is properly signed and returned and is not withdrawn or revoked, your shares represented thereby will be voted in accordance with your instructions. If the manner of voting such shares is not indicated on the proxy, the shares will be voted FOR the Amendment Proposal.

If the enclosed proxy is executed and returned, it may nevertheless be revoked at any time prior to the Special Meeting. You may revoke a proxy electronically by entering a new vote via the internet or by filing either a written revocation of the proxy or a duly executed proxy bearing a later date with the Secretary of the Company at the Company's principal office at 1601 22nd Street, West Des Moines, Iowa 50266, Attn: Alice A. Jensen, Corporate Secretary. You may also withdraw a proxy by attending the Special Meeting and voting in person. Attendance at the Special Meeting without voting in person will not serve as the revocation of a proxy.

The Company will bear the cost of solicitation of proxies. In addition to the use of mail, proxies may be solicited by officers, directors, and employees of the Company, without extra compensation, by telephone, e-mail, facsimile, or personal contact. It will greatly assist the Company in limiting expense in connection with the Special Meeting if each Shareholder who does not expect to attend the Special Meeting will promptly return a signed proxy or vote via the internet.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we may provide information, whether orally or in writing, including certain statements in this proxy statement, which are deemed to be “forward-looking” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements preceded by, followed by or that include the words “believes,” “expects,” “should,” or “anticipates,” or references to estimates or similar expressions. Such forward-looking statements are based upon certain underlying assumptions, risks and uncertainties. Because of the possibility of change in the underlying assumptions, actual results could differ materially from these forward-looking statements. Risks and uncertainties that may affect future results include: interest rate risk; competitive pressures; pricing pressures on loans and deposits; changes in credit and other risks posed by the Company’s loan and investment portfolios, including declines in commercial or residential real estate values or changes in the allowance for loan losses dictated by new market conditions or regulatory requirements; actions of bank and non-bank competitors; changes in local and national economic conditions; changes in regulatory requirements, including actions of the Securities and Exchange Commission (“SEC”) and/or the Federal Reserve Board; and customers’ acceptance of the Company’s products and services. The Company undertakes no obligation to revise or update such forward-looking statements to reflect current events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. The Company may not complete a sale of preferred stock under the Troubled Asset Relief Program Capital Purchase Program described below because of a number of factors, including, among other things, the Company not being approved under the program, the failure to obtain shareholder approval of the Amendment Proposal, or the failure to satisfy other closing conditions.

PROPOSAL TO AMEND RESTATED ARTICLES OF INCORPORATION

The Board has adopted an amendment to the Company’s Restated Articles of Incorporation to authorize a class of 50 million shares of preferred stock, par value \$0.01 per share (the “Preferred Stock”). A copy of the amendment is set forth in Exhibit A to this proxy statement. The Restated Articles of Incorporation currently authorize only the issuance of Common Stock. The amendment will vest in the Board the authority to determine by resolution the terms of one or more series of Preferred Stock, including the preferences, rights and limitations of each series. Provisions in a company’s articles of incorporation authorizing preferred stock in this manner are often referred to as “blank check” provisions, as they give a board of directors the flexibility, at any time or from time to time, without further shareholder approval (except as may be required by applicable laws, regulatory authorities or the rules of any stock exchange on which the company’s securities are then listed), to create one or more series of preferred stock and to determine by resolution the terms of each such series. The Board believes that authorization of the Preferred Stock in the manner proposed will provide the Company with greater flexibility in meeting future capital requirements by creating series of Preferred Stock customized to meet the needs of particular transactions and then prevailing market conditions. Series of Preferred Stock would also be available for issuance from time to time for any other proper corporate purposes, including in connection with strategic alliances, joint ventures, or acquisitions.

The Board does not have any plans calling for the issuance of shares of Preferred Stock at the present time, other than the possible issuance of Preferred Stock to the U.S. Department of the Treasury (the “Treasury”) in connection with the Treasury’s recently announced Troubled Asset Relief Program Capital Purchase Program described below (the “Capital Purchase Program.”)

On October 14, 2008, the Treasury announced the Capital Purchase Program. This program encourages U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and to support the U.S. economy. Under the program, the Treasury will purchase senior preferred shares from banks, bank holding companies, and other financial institutions. The senior preferred shares will qualify as Tier 1 capital for regulatory purposes and will rank senior to common stock and at an equal level in the capital structure with any existing preferred shares other than preferred shares which by their terms rank junior to any other existing preferred shares. The senior preferred shares purchased by the Treasury will bear a cumulative dividend rate of five percent per annum for the first five years they are outstanding and thereafter at a rate of nine percent per annum. The senior preferred shares will be non-voting, other than having voting rights on matters that could adversely affect the shares and having the right to elect directors under certain circumstances as described below. The shares will be callable at one hundred percent of issue price plus any accrued and unpaid dividends after three years. Prior to the end of three years, the senior preferred shares may be redeemed with the proceeds from a qualifying equity offering of any Tier 1 perpetual preferred or common stock.

If the Company participates in the Capital Purchase Program, it must issue to the Treasury warrants to purchase Common Stock with an aggregate market price equal to 15 percent of the senior preferred stock purchased by the Treasury. The exercise price on the warrants will be the market price of the Company's Common Stock at the time of issuance, calculated on a 20-trading day trailing average. As of November 7, 2008, the 20-trading day trailing average price per share of the Company's Common Stock using the daily closing price was \$11.41. If the Company sells the maximum amount of preferred stock for which it has applied under the Capital Purchase Program (as described below), the Company estimates that the ownership percentage of the current shareholders would be diluted by approximately three percent if the warrants were exercised in full. The amount of dilution will depend on the actual amount of capital received and the average price of the Company's stock for the 20-day period prior to receiving the capital.

In addition to issuing warrants to the Treasury, companies participating in the Capital Purchase Program must also meet certain other requirements, including adopting the Treasury's standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under this program. The Company will not be required to modify any executive compensation plans or contracts to comply with the limits on executive compensation established by the Emergency Economic Stabilization Act of 2008. Also, the Treasury's consent will be required for any increase in common dividends per share or certain repurchases of common stock until the third anniversary of the date of this investment unless prior to such third anniversary the preferred stock issued to the Treasury is redeemed in whole or the Treasury has transferred all of the preferred stock to third parties. If senior preferred shares are sold to Treasury under the Capital Purchase Program, holders of the senior preferred shares would have the right to elect two directors to the Company's board of directors in the event the Company did not pay dividends in full on the senior preferred shares for six dividend periods, whether or not those dividend periods are consecutive. Such right to elect directors would end when full dividends on the senior preferred shares have been paid for four consecutive dividend periods. Also, if senior preferred shares are sold to Treasury, the Company will be required to file a shelf registration statement with the SEC covering the senior preferred shares, the warrants and the Common Stock issuable upon exercise of the warrants as promptly as practical after the date of the sale, and will need to take all action required to cause such shelf registration statement to be declared effective as soon as possible.

See Exhibit B for the Summary of Senior Preferred Terms and Summary of Warrant Terms as published by the Treasury.

At September 30, 2008, the Company and its principal subsidiary, West Bank, had capital ratios in excess of those required to be considered well-capitalized under banking regulations. The Board believes it is prudent for the Company to apply for capital available under the Capital Purchase Program because (i) the Company believes that the cost of capital under this program may be significantly lower than the cost of capital otherwise available to the Company at this time, and (ii) despite being well-capitalized, additional capital under this program would provide the Company and West Bank additional flexibility to meet future capital needs that may arise. The Company filed its application to participate in the Capital Purchase Program on November 5, 2008, requesting a subscription amount of \$36 million, which is slightly less than three percent of the Company's total risk-weighted assets. The Treasury is not obligated to accept the Company's application to participate in the Capital Purchase Program and may decide not to purchase any senior preferred shares from the Company or may decide to purchase less than the \$36 million of senior preferred shares requested by the Company (but not less than one percent of risk-weighted assets or approximately \$12.2 million). The Company expects to use any proceeds from the sale of senior preferred shares to the Treasury to fund loans to new or existing customers, to strengthen the capital structure of the Company and West Bank, and for other general corporate purposes, which could include repayment of outstanding debt or funding of acquisitions of other financial institutions. The Company does not believe that the Treasury's denial of the Company's application or reduction in the amount requested would have a material effect on the Company's liquidity, capital resources or results of operations.

The unaudited pro forma condensed consolidated financial data set forth below has been derived by the application of pro forma adjustments to the Company's historical consolidated financial statements for the year ended December 31, 2007 and the nine months ended September 30, 2008. The unaudited pro forma consolidated financial data gives effect to the events discussed below as if they had occurred on January 1, 2007.

- The issuance of \$12.2 million (minimum estimated proceeds) or \$36 million (amount actually applied for) of Preferred Stock to Treasury under the Capital Purchase Program.
- The issuance of warrants to purchase 160,386 shares of Common Stock (estimated warrants to be issued upon receipt of minimum proceeds of sale of Preferred Stock) or warrants to purchase 473,269 shares of Common Stock (estimated warrants upon receipt of sale of actual amount of Preferred Stock applied for) assuming a purchase price of \$11.41 per share (trailing 20-day average share price of Common Stock as of November 7, 2008).
- An increase in interest income assuming the proceeds were used to make loans yielding the prime rate of interest plus 100 basis points (5.00% as of November 7, 2008).

We present two sets of unaudited pro forma condensed consolidated income statements for the year ended December 31, 2007 and the nine months ended September 30, 2008. We assume, in one set, that we receive the minimum estimated proceeds from the sale of Preferred Stock and issue the minimum number of warrants under the Capital Purchase Program and, in the other, that we receive the amount of proceeds actually applied for from the sale of Preferred Stock and issue the corresponding number of warrants under the Capital Purchase Program. The pro forma financial data may change materially based on the actual proceeds received under the Capital Purchase Program if our application is approved by Treasury, the timing and utilization of the proceeds as well as certain other factors including the exercise price of the warrants, any subsequent changes in the Common Stock price, and the discount rate used to determine the fair value of the Preferred Stock.

The information should be read in conjunction with the Company's audited consolidated financial statements and the related notes filed as part of our Annual Report on Form 10-K for the year ended December 31, 2007 (which incorporates by reference the Appendix to the Proxy Statement for the year ended December 31, 2007), and the Company's unaudited consolidated financial statements and the related notes filed as part of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.

The following unaudited pro forma condensed consolidated financial data is not necessarily indicative of the Company's financial position or results of operations that actually would have been attained had proceeds from the Capital Purchase Program been received, or the issuance of the warrants pursuant to the Capital Purchase Program been made, at the dates indicated, and is not necessarily indicative of the financial position or results of operations that will be achieved by the Company in the future. In addition, as noted above, our application to participate in the Capital Purchase Program has not been approved by Treasury. Accordingly, we can provide no assurance that the minimum or actual amount of proceeds applied for that are included in the following unaudited pro forma financial data will ever be received.

The following unaudited pro forma condensed consolidated financial data have been included solely for the purpose of providing shareholders with information that may be useful for purposes of considering and evaluating the Amendment Proposal to allow us to participate in the Capital Purchase Program. Our future results are subject to prevailing economic and industry specific conditions and financial, business and other known and unknown risks and uncertainties, certain of which are beyond our control.

West Bancorporation, Inc.

Pro Forma Condensed Consolidated Statements of Income

Pro Forma Impact of Minimum Estimated Proceeds (\$12.2 million)/Warrants (for 160,386 shares)

(in thousands, except per share data)

	Historical 12 Months Ended December 31, 2007	(unaudited) Adjustments	Pro forma 12 Months Ended December 31, 2007
Net interest income	\$ 38,204	\$ 610 (1)	\$ 38,814
Provision for loan losses	2,350		2,350
Net interest income after provision for loan losses	35,854	610	36,464
Noninterest income	16,052	-	16,052
Noninterest expense	24,510	-	24,510
Income before income taxes	27,396	610	28,006
Income taxes	8,476	232 (2)	8,708
Net income	18,920	378	19,298
Less: preferred dividends	-	728 (3)	728
Income available to common shareholders	\$ 18,920	\$ (350)	\$ 18,570
Earnings per common share, basic	\$ 1.08	\$ (0.02)	\$ 1.06
Earnings per common share, diluted	n/a		\$ 1.06
Weighted average shares outstanding			
Basic	17,536		17,536
Diluted	n/a	40 (4)	17,576

1) Assumes that the minimum estimated Capital Purchase Program proceeds are used to originate loans. The actual impact to net interest income may be different depending on the actual use of any proceeds received.

2) Additional income tax expense is attributable to additional net interest income as described in Note 1.

3) Consists of dividends on Preferred Stock at a 5% annual rate as well as accretion of discount on Preferred Stock upon issuance. The discount is determined based on the value that is allocated to the warrants upon issuance. The discount is accreted back to par value on the effective interest