

HAWTHORN BANCSHARES, INC.  
Form 11-K  
June 24, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 11-K

(Mark One):

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934.**

**For the fiscal year ended December 31, 2010.**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934.**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 0-23636**

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Hawthorn Bancshares, Inc.**

**300 SW Longview Blvd**

**Lee s Summit, MO 64081-2101**

**(816) 347-8100**

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**REQUIRED INFORMATION**

**See attachments to this report, which are incorporated herein by reference.**

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**SIGNATURES**

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan  
(Name of Plan)

Date: June 23, 2011

/s/ Richard G. Rose  
Richard G. Rose  
Chief Financial Officer

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**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-136477) of Hawthorn Bancshares, Inc. (formerly known as Exchange National Bancshares, Inc.) of our report dated June 23, 2011, with respect to the financial statements of the Hawthorn Bancshares Profit Sharing 401(k) Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2010.

/s/ **BKD, LLP**

St. Louis, Missouri

June 23, 2011

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**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
Accountants Report and Financial Statements  
December 31, 2010 and 2009

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**Hawthorn Bancshares, Inc.  
Profit Sharing 401(k) Plan  
December 31, 2010 and 2009**

**Contents**

<b><u>Report of Independent Registered Public Accounting Firm</u></b>	<b>1</b>
<b>Financial Statements</b>	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statements of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4
<b>Supplemental Schedule</b>	
<u>Schedule H, Line 4i – Schedule of Assets (Held at End of Year)</u>	12

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**Report of Independent Registered Public Accounting Firm**

Retirement and Investment Committee

Hawthorn Bancshares, Inc.

Profit Sharing 401(k) Plan

Lee's Summit, Missouri

We have audited the accompanying statements of net assets available for benefits of Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan as of December 31, 2010 and 2009, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ **BKD, LLP**

St. Louis, Missouri

June 23, 2011

Federal Employer Identification Number: 44-0160260

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**Hawthorn Bancshares, Inc.  
Profit Sharing 401(k) Plan  
Statements of Net Assets Available for Benefits  
December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Investments, At Fair Value</b>	\$ 17,437,294	\$ 15,573,852
<b>Receivables</b>		
Employer's contribution	11,225	277,518
Employees' contribution	24,178	
	35,403	277,518
 <b>Net Assets Available for Benefits</b>	 \$ 17,472,697	 \$ 15,851,370

*See Notes to Financial Statements*



**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
**Statements of Changes in Net Assets Available for Benefits**  
**Years Ended December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Investment Income</b>		
Net appreciation in fair value of investments	\$ 870,487	\$ 760,759
Interest and dividends	390,105	380,940
Net investment income	1,260,592	1,141,699
<b>Contributions</b>		
Employer	319,908	585,497
Participants	683,071	665,506
Other	205,272	
	1,208,251	1,251,003
Total additions	2,468,843	2,392,702
<b>Deductions</b>		
Benefits paid to participants	847,516	953,394
<b>Net Increase</b>	1,621,327	1,439,308
<b>Net Assets Available for Benefits, Beginning of Year</b>	15,851,370	14,412,062
<b>Net Assets Available for Benefits, End of Year</b>	\$ 17,472,697	\$ 15,851,370

*See Notes to Financial Statements*

**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

**Note 1: Description of the Plan**

The following description of the Hawthorn Bancshares, Inc. Profit Sharing 401(k) Plan ( Plan ) provides only general information. Participants should refer to the Plan Document and *Summary Plan Description* for a more complete description of the Plan s provisions, which are available from the Plan Administrator.

***General***

The Plan is a defined contribution plan sponsored by Hawthorn Bancshares, Inc. and its subsidiaries (collectively the Company ) for the benefit of the employees of the Company who have at least 90 days of service and are age 21 or older. An eligible employee becomes a participant in the Plan on the first day of each quarter of the plan year. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Capital Bank and Trust Company is the trustee of the Plan.

***Contributions***

The Company profit-sharing contributions are discretionary as determined by the Company s Board of Directors. All employer contributions are allocated to a participant s account based on that participant s compensation compared to the total compensation of all eligible participants. In addition, the Company matches the participant s salary deferral into the plan dollar for dollar up to 3% of the participant s annual salary. All contributions are made conditioned upon their deductibility for federal income tax purposes.

Participants have the option to make voluntary contributions to the Plan up to the annual limit set by the Internal Revenue Service (IRS).

***Participant Investment Account Options***

Investment account options available include various mutual funds and common stock of the Company. Each participant has the option of directing his/her contributions into any of the separate investment accounts and may change the allocation daily.

***Participant Accounts***

Each participant s account is credited with the participant s contribution, the Company s contribution and plan earnings. Allocations are based on participant earnings. The benefits to which a participant is entitled is the benefit that can be provided from the participant s vested account.

**Hawthorn Bancshares, Inc.  
Profit Sharing 401(k) Plan  
Notes to Financial Statements  
December 31, 2010 and 2009**

***Vesting***

Participant contributions and earnings thereon are 100% vested at all times. Employer contributions and earnings thereon vest 20% per year of service and become fully vested at the completion of five years of service at the Company. At the time a participant terminates his/her employment, the nonvested portion of the employer contribution account is forfeited and allocated to eligible participants on a pro rata allocation method.

***Payment of Benefits***

Under the terms of the Plan, participants are entitled to receive the amount credited to their accounts upon normal retirement at the age of 65 or disability retirement. Participants terminating employment prior to retirement are entitled to receive that portion of their account that is vested. In the event of death, the participant's account becomes fully vested and the balance is paid to the designated beneficiary. Distributions under the Plan are payable in a lump sum or through installments.

***Plan Termination***

Although the Company has not expressed any intention to do so, it may discontinue its contributions and terminate the Plan at any time. In such an event, the participants' accounts become fully vested and are not subject to forfeiture.

**Note 2: Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying financial statements have been prepared on an accrual basis of accounting except for benefits, which are recorded upon distribution, and present the net assets available for plan benefits and changes in those net assets.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes in net assets and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Hawthorn Bancshares, Inc.  
Profit Sharing 401(k) Plan  
Notes to Financial Statements  
December 31, 2010 and 2009**

***Valuation of Investments***

Investments in securities traded on a national securities exchange are valued at the latest reported sales price on the last business day of the period. If no sale has taken place, the securities are valued at the latest bid price. The investment in employer securities is valued at the latest bid price reported.

Investment transactions are accounted for on the trade-date basis. The realized gains or losses on investments are determined using the average cost of the individual security issue. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

***Plan Tax Status***

The IRS issued its latest determination letter on March 3, 2006, which stated that the Plan and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and, therefore, are exempt from federal income taxes. The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, we believe the Plan was qualified and the related trust was tax-exempt as of the financial statement date. The Plan is no longer subject to U.S. federal tax examinations for years before 2007.

***Administrative Expenses***

The administrative expenses of the Plan are paid by the Company.

**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

**Note 3: Investments**

The following table presents the Plan's investments. Investments that represent 5% or more of total plan assets in either year are separately identified:

	<b>2010</b>	<b>2009</b>
Mutual Funds		
American Funds Money Market Fund	\$ 2,762,697	\$ 2,355,768
Large Cap		
American Funds Growth Fund	1,423,242	1,525,205
American Funds Washington Mutual Investors Fund	1,873,403	1,749,876
Other	2,270,636	2,137,100
Mid Cap		
American Funds Small-Cap World Fund	1,274,775	959,290
Other	831,094	769,204
Fixed Income		
American Funds Bond Fund	2,188,396	1,707,577
PIMCO Total Return Fund	1,737,789	1,420,320
International		
American Funds Euro-Pacific Growth Fund	1,229,625	1,128,133
Employer Securities Hawthorn Bancshares, Inc. common stock	1,845,627	1,816,844
Cash Hawthorn Bancshares Awaiting Stock Purchase Fund	10	4,535
Total investments	\$ 17,437,294	\$ 15,573,852

During the years ended 2010 and 2009, the Plan's investments (including gains and losses on investments bought, sold and held during the year) appreciated in value by \$870,487 and \$760,759, respectively, as follows:

	<b>2010</b>	<b>2009</b>
Mutual Funds	\$ 1,023,056	\$ 1,995,907
Employer Securities Hawthorn Bancshares, Inc. common stock	(152,569)	(1,235,148)
Net appreciation in fair value	\$ 870,487	\$ 760,759

Interest and dividends realized on the Plan's investments for the years ended 2010 and 2009 were \$390,105 and \$380,940, respectively.

**Hawthorn Bancshares, Inc.  
Profit Sharing 401(k) Plan  
Notes to Financial Statements  
December 31, 2010 and 2009**

**Note 4: Fair Value of Plan Assets**

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a fair value hierarchy which requires a plan to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

**Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of net assets available for benefits, as well as the general classification of such assets pursuant to the valuation hierarchy.

***Investments***

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. All of the Plan's investments are considered Level 1 investments and include common stock of the sponsor and mutual funds.

The following table presents the fair value measurements of assets recognized in the accompanying statements of net assets available for benefits measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2010				
Common stock				
Financial	\$ 1,845,627	\$ 1,845,627	\$	\$
Mutual funds				
Large Cap	\$ 5,567,281	\$ 5,567,281	\$	\$
Mid Cap	\$ 2,105,869	\$ 2,105,869	\$	\$
Fixed Income	\$ 3,926,185	\$ 3,926,185	\$	\$
International	\$ 1,229,625	\$ 1,229,625	\$	\$
Money market fund	\$ 2,762,697	\$ 2,762,697	\$	\$
December 31, 2009				
Common stock				
Financial	\$ 1,816,844	\$ 1,816,844	\$	\$
Mutual funds				
Large Cap	\$ 5,412,181	\$ 5,412,181	\$	\$
Mid Cap	\$ 1,728,494	\$ 1,728,494	\$	\$
Fixed Income	\$ 3,127,897	\$ 3,127,897	\$	\$
International	\$ 1,128,133	\$ 1,128,133	\$	\$
Money market fund	\$ 2,355,768	\$ 2,355,768	\$	\$

**Note 5: Party-in-interest Transactions**

The Plan held an investment of 214,608 and 190,455 shares of common stock of the Company with a fair value of \$1,845,627 and \$1,816,844 at December 31, 2010 and 2009, respectively, and received dividends of \$62,724 and \$108,620 on such shares during 2010 and 2009, respectively.

These investments are considered allowable party-in-interest transactions under ERISA guidelines.

**Note 6: Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the participants' account balances and the amounts reported in the statements of net assets available for benefits.

**Hawthorn Bancshares, Inc.**  
**Profit Sharing 401(k) Plan**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

The current protracted economic decline presents employee benefit plans with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments. The financial statements have been prepared using values and information currently available to the Plan.

Given the volatility of current economic conditions, the values of assets recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values that could negatively impact the Plan.



**Supplemental Schedule**

11

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**Hawthorn Bancshares, Inc.  
Profit Sharing 401(k) Plan  
EIN 43-1626350 PN 002**

**Schedule H, Line 4i Schedule of Assets (Held at End of Year)  
December 31, 2010**

<b>Investment Type and Issuer</b>	<b>Description of Investment</b>		<b>Current Value</b>
<b>Mutual Funds</b>			
*American Funds Money Market Fund	2,762,697	Shares	\$ 2,762,697
*American Funds Washington Mutual Investors Fund	69,078	Shares	1,873,403
*American Funds Bond Fund	179,524	Shares	2,188,396
*American Funds Growth Fund	47,143	Shares	1,423,242
PIMCO Total Return Fund	160,165	Shares	1,737,789
*American Funds Euro-Pacific Growth Fund	30,227	Shares	1,229,625
*American Funds Small-Cap World Fund	33,017	Shares	1,274,775
Federated Kaufmann Fund	151,108	Shares	831,094
Templeton Growth Fund	40,714	Shares	724,304
*American Funds New Perspective Fund	28,390	Shares	804,845
AIM Structured Core Fund Investors	99,129	Shares	741,487
			15,591,657
*Hawthorn Bancshares, Inc. common stock	214,608	Shares	1,845,627
*Cash Hawthorn Bancshares Awaiting Stock Purchase Fund			10
			\$ 17,437,294

\* Represents party-in-interest to the Plan.