

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF WISCONSIN

DEPARTMENT OF FINANCIAL INSTITUTIONS

_____	)	
In the Matter of	)	ORDER TO CEASE AND DESIST
	)	
MARINE BANK	)	FDIC-09-43b
WAUWATOSA, WISCONSIN	)	
	)	
(Wisconsin Chartered	)	
Insured Nonmember Bank)	)	
_____	)	

Marine Bank, Wauwatosa, Wisconsin ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and under section 220.04(9) of the Wisconsin Statutes, Wis. Stat. § 220.04(9), regarding hearings before the Department of Financial Institutions for the State of Wisconsin ("WDFI"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT

AGREEMENT") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and WDFI, dated April 13, 2009, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and WDFI.

The FDIC and the WDFI considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC and the WDFI, therefore, accepted the CONSENT AGREEMENT and issued the following:

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices:

- A. Operating in such a manner as to produce low earnings.
- B. Operating with an excessive level of adversely classified assets.
- C. Operating with an inadequate level of capital in relation to the kind and quality of assets held.
- D. Operating with management whose policies and practices failed to prevent unsafe or unsound conditions at the Bank.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. During the life of this ORDER, the Bank shall have and retain qualified management.

(a) Each member of management shall have the qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Each member of management shall be provided appropriate written authority from the Bank's board of directors to implement the provisions of this ORDER.

(b) The qualifications of management shall be assessed on its ability to:

- (i) comply with the requirements of this ORDER,
- (ii) operate the Bank in a safe and sound manner,
- (iii) comply with applicable laws and regulations, and
- (iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, and management effectiveness.

(c) During the life of this ORDER, the Bank shall notify the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Administrator, Division of Banking of the WDFI ("Administrator") in writing of any changes in the Bank's directors or senior executive officers. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the FDI Act ("section 32"), 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b), and includes any person identified by the FDIC or the WDFI, whether or not hired as an employee, with significant influence over, or who participates in, major policymaking decisions of the Bank.

(d) Prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.104. Further, the Bank shall request and obtain the Administrator's written approval prior to the addition of any individual to the board of directors and the employment of any individual as a senior executive officer.

2. (a) Within 60 days from the effective date of this Order, the Bank shall have and maintain its level of Tier 1 capital as a percentage of its total assets ("capital ratio") at a minimum of 10%. For purposes of this ORDER, Tier 1 capital and total assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("Part 325"), 12 C.F.R. Part 325.

(b) The level of Tier 1 Capital to be maintained during the life of this Order pursuant to this paragraph shall be in addition to a fully-funded allowance for lease and loan losses, the adequacy of which shall be satisfactory to the Regional Director and Administrator, as determined at subsequent examinations.

(c) If all or part of the increase in capital required by this paragraph is to be accomplished by the sale of new securities by the Bank, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of

the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17<sup>th</sup> Street, N.W., Washington, D.C. 20429 and to WDFI, 345 West Washington Avenue, 4<sup>th</sup> Floor, P.O. Box 7876, Madison, Wisconsin 53707-7876. Any changes requested to be made in the materials by the FDIC or WDFI shall be made prior to their dissemination.

(d) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

(e) The capital ratio required by this paragraph shall not negate the responsibility of the Bank and its board of directors for maintaining throughout the year an adequate level of capital protection for the kind, quality and degree of market depreciation of assets held by the Bank.

3. Within 30 days of the effective date of this Order the Bank shall eliminate from its books by charge off or collection all assets, or any portion thereof, classified "Loss" in the Report of Examination as of September 30, 2008, ("ROE") which have not been previously collected or charged off.

4. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement, a written plan to reduce the Bank's risk position in each asset in excess of \$300,000 which is classified "Substandard" or "Doubtful" in the ROE. In developing such plan, the Bank shall, at a minimum:

- (i) Review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources; and
- (ii) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(b) Such plan shall include, but not be limited to:

- (i) Dollar levels to which the Bank shall reduce each asset within six months from the effective date of this ORDER; and
- (ii) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(c) As used in this paragraph, "reduce" means to:

(1) collect; (2) charge off; or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and the WDFI.

(d) The plan shall be forwarded to the Regional Director and Administrator for review.

(e) While this Order remains in effect, the plan shall be revised to include assets adversely classified and asset listed for Special Mention at each subsequent examination.

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt and implement the revisions to, its lending policy. The revised policy shall include at a minimum the following:

- (i) Requirements for current collateral appraisals which conform to the standards

established by Part 323 of the FDIC's Rules and Regulations;

- (ii) Requirements and procedures for board prior-approval of loans made outside of policy guidelines, and;
- (iii) Procedures for enforcing loan policy standards and for identifying and correcting existing loan policy exceptions.

(b) The policy shall be forwarded to the Regional Director and Administrator for review.

6. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extension of credit (including any portion thereof) that has been charged-off the books of the Bank or classified "Loss" so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or "Doubtful" and is uncollected unless the Bank's board of directors has adopted, prior to such extension of credit, a detailed written statement

giving the reasons why such extension of credit is in the best interest of the Bank. The statement shall be signed by each Director with their approval or disapproval noted thereon. A copy of the statement shall be placed in the appropriate loan file and shall be incorporated into the minutes of the applicable board of directors' meeting.

(c) The Bank shall not accrue interest on any loan that is, or becomes, ninety (90) days or more delinquent as to principal or interest, and the Bank shall reverse on its books all previously accrued but uncollected interest on any loan that has ceased to accrue interest, as instructed by WDFI Banking Letter #40, dated May 8, 1985.

7. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2009 and 2010. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written profit plan shall address, at a minimum:

- (i) realistic and comprehensive budgets;
- (ii) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;
- (iii) identification of major areas in, and means by which, earnings will be improved; and
- (iv) a description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(c) Within 30 days from the end of each calendar quarter following completion of the profit plans and budgets required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect.

(e) The profit plans and budgets required by this paragraph shall be forwarded to the Regional Director and Administrator for review.

8. The Bank shall not pay or declare any dividends without the prior written consent of the Regional Director and Administrator.

9. (a) During the life of this ORDER, the Bank shall maintain an internal loan review and grading system to periodically review the Bank's loan portfolio and identify and categorize problem credits. At a minimum, the loan review/grading system required by this paragraph shall provide for:

- i. Identification of the overall quality of the loan portfolio;
- ii. Identification and amount of each delinquent loan;
- iii. Identification, or grouping, of loans that warrant the special attention of management;
- iv. For each loan identified, a statement of the amount and an indication of the degree of risk that the loan will not be fully repaid according to its terms and the reason(s) why the particular loan merits special attention;

- v. Identification of credit and collateral documentation exceptions;
- vi. Identification and status of each violation of law, rule or regulation;
- vii. Identification of loans not in conformance with the Bank's lending policy and exceptions to the Bank's lending policy;
- viii. Identification of insider loan transactions;
- xi. Identification of borrowers with negative amortizing repayment schedules; and
- x. The creation of a mechanism for reporting, no less than quarterly, to the board of directors on the status of each loan identified and the action(s) taken by management.

(b) A copy of the reports submitted to the board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be kept with the minutes of the board of directors.

(c) The loan review and grading system required by this paragraph shall be forwarded to the Regional Director and Administrator for review.

10. Within 60 days from the effective date of this ORDER, the Bank's board of directors shall have in place a program that

will provide for monitoring of the Bank's compliance with this Order.

11. Within 60 days from the effective date of this ORDER, and, thereafter, within 45 days from the end of each calendar quarter, the Bank shall furnish written progress reports to the Regional Director and Administrator detailing the form and manner of any action taken to secure compliance with this ORDER and the results thereof. In addition, the Bank shall furnish such other reports as requested by the Regional Director and Administrator. All progress reports and other written responses to this ORDER shall be reviewed by the board of directors of the Bank and made a part of the minutes of the board meeting.

12. Following the effective date of this ORDER, the Bank shall send to its shareholder a copy or description of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication, notice or statement shall be sent to the FDIC Registration and Disclosure Section 550 17<sup>th</sup> Street, N.W., Washington, D.C. 20429 and to WDFI, 345 W. Washington Avenue, 4<sup>th</sup> Floor, P.O. Box 7876, Madison, Wisconsin 53707-7876, for review at least 20 days prior

to dissemination to shareholders. Any changes requested to be made by the FDIC and WDFI shall be made prior to dissemination of the description, communication, notice or statement.

The effective date of this ORDER shall be ten (10) calendar days from the date of its issuance by FDIC and WDFI.

The provisions of this ORDER shall be binding upon the Bank and its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and the WDFI.

Pursuant to delegated authority.

Dated: April 14, 2009.

\_\_\_\_\_/s/\_\_\_\_\_  
M. Anthony Lowe  
Regional Director  
Chicago Regional Office  
Federal Deposit Insurance  
Corporation

\_\_\_\_\_/s/\_\_\_\_\_  
Michael J. Mach  
Administrator  
Division of Banking  
Department of Financial  
Institutions  
State of Wisconsin