

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF WISCONSIN

DEPARTMENT OF FINANCIAL INSTITUTIONS

_____	)	
In the Matter of	)	CONSENT ORDER
	)	
THE BUSINESS BANK	)	FDIC-10-945b
APPLETON, WISCONSIN	)	
	)	
(STATE CHARTERED	)	
INSURED NONMEMBER BANK)	)	
_____	)	

The Business Bank, Appleton, 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, by and through its duly elected and acting Board of Directors ("Board") entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with

representatives of the Federal Deposit Insurance Corporation ("FDIC") and the WDFI, dated February 18, 2011, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices relating to weaknesses in management, asset quality, and capital, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC and the WDFI.

The FDIC and the WDFI considered the matter and determined to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Wisconsin Statutes § 220.04(9) have been satisfied, the FDIC and the WDFI **HEREBY ORDER**, 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 take affirmative action as follows:

BOARD PARTICIPATION

1. (a) As of the effective date of this ORDER, the Board shall maintain its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of Banks of comparable size. This participation shall include meetings to be held no less

frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: individual committee reports; new, overdue, renewed, insider, delinquent, nonaccrual, charged off, and recovered loans; concentration of credit reports; adoption or modification of operating policies; reports of income and expenses; audit reports; internal control reviews including management's responses; and reimbursable employee expenses. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within 30 days from the effective date of this ORDER, the Bank's Board shall have in place a program that will provide for monitoring of the Bank's compliance with this ORDER.

#### MANAGEMENT PLAN

2. (a) Within 30 days from the effective date of this ORDER, the Bank shall retain an independent third party acceptable to the Regional Director of the FDIC Chicago Regional Office ("Regional Director") and the Administrator, State of Wisconsin, Department of Financial Institutions ("Administrator"), who will develop a written analysis and assessment of the Bank's management needs ("Management Study") for the purpose of providing qualified management for the Bank.

(b) The Bank shall provide the Regional Director and the Administrator with a copy of the proposed engagement letter

or contract with the independent third party for review, prior to commencing the study.

(c) The Management Study shall be developed within 60 days from the effective date of this Order. The Management Study shall include, at a minimum:

- (i) Identification and establishment of Board and/or Bank committees, as are needed to provide guidance and oversight to active management;
- (ii) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (iii) Evaluation of all senior Bank officers and senior staff members to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition; and
- (iv) A plan to recruit and hire any additional or replacement personnel with the requisite

ability, experience and other qualifications to fill those officer or staff member positions identified by this paragraph of this ORDER.

(d) Upon completion, the results of the Management Study shall be immediately provided to the Regional Director and the Administrator directly from the independent third party.

(e) Within 60 days after receipt of the Management Study the Bank shall formulate a plan to implement the recommendations of the study. A copy of the Bank's plans as required by this paragraph shall be submitted to the Regional Director and the Administrator.

#### MANAGEMENT

3. (a) Within 120 days from the effective date of this ORDER, the Bank shall have and retain qualified management. At a minimum, such management shall include: a chief executive officer with proven ability in managing a bank of comparable size and experience and in upgrading a low quality loan portfolio; a senior lending officer with an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and a chief financial officer with demonstrated ability in all financial areas including, but not limited to, accounting, regulatory reporting, budgeting and planning, management of the investment

function, liquidity management, and interest rate risk management. Management shall be provided the necessary written authority to implement the provisions of this ORDER.

(b) During the life of this ORDER, prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall request and obtain the written approval of the Administrator. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act, 12 U.S.C. § 1831i, and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

#### CAPITAL

4. (a) Within 30 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 9.0 percent and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of 12.0 percent. During the life of this Order, the Bank shall maintain the aforementioned levels of capital. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total assets, and risk-weighted assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("Part 325"), 12 C.F.R. Part 325.

(b) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, the Board 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 Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 and to the Wisconsin Department of Financial Institutions, 345 West Washington Avenue, 4<sup>th</sup> Floor, P.O. Box 7876, Madison, Wisconsin 53707-7876, for their review. Any changes requested to be made in the materials by the FDIC or the WDFI shall be made prior to their dissemination.

(c) 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.

#### CONCENTRATIONS OF CREDIT

5. (a) Within 30 days from the effective date of this ORDER, the Bank shall develop a written plan to manage and reduce each concentration of credit identified in the Report of Examination dated September 21, 2010 ("ROE"). At a minimum, the plan must provide written procedures for the ongoing measurement and monitoring of both individual and industry concentrations of credit, and a limit on these concentrations commensurate with the Bank's capital position, safe and sound banking practices, and the overall risk position.

(b) A copy of the plan required by this paragraph shall be submitted to the Regional Director and the Administrator.

#### LOSS CHARGE-OFF



6. As of the effective date of this Order, the Bank shall charge off from its books and records any asset or portions of assets classified "Loss" in the ROE.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

7. (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 extensions of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the ROE, so long as such credit remains uncollected. The Bank may renew an extension of credit to such a borrower so long as no additional funds are extended. Notwithstanding the preceding sentences, additional funds may be advanced or extended to such a borrower for the purpose of paying taxes or insurance to protect or preserve the Bank's interest in the collateral underlying an extension of credit if the Bank's board of directors has adopted, prior to such advance or extension of credit, a detailed written statement giving the reasons why the failure to extend such credit would be detrimental to the best interest of the Bank.

(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", "Doubtful", or is

listed for "Special Mention" in the ROE, and is uncollected unless the Bank's Board 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. A copy of the statement shall be signed by each Director, and incorporated in the minutes of the applicable Board meeting. A copy of the statement shall be placed in the appropriate loan file.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

8. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to, a detailed written plan to reduce the Bank's risk position in each asset in excess of \$200,000 which is more than 90 days delinquent or classified "Substandard" or "Doubtful" in the ROE. The plan shall include, but not be limited to, provisions which:

- (i) Prohibit an extension of credit for the payment of interest, unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank;
- (ii) Provide for review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow and collateral value;

- (iii) Delineate areas of responsibility for loan officers;
- (iv) Establish dollar levels to which the Bank shall reduce delinquencies and classified assets within 6 and 12 months from the effective date of this ORDER; and
- (v) Provide for the submission of monthly written progress reports to the Bank's Board for review and notation in minutes of the meetings of the Board.

(b) As used in this paragraph, "reduce" means to: (1) collect; (2) charge off; (3) sell; or (4) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and the WDFI.

(c) A copy of the plan required by this paragraph shall be submitted to the Regional Director and the Administrator.

(d) While this ORDER remains in effect, the plan shall be revised to include assets which become more than 90 days delinquent after the effective date of this ORDER or are adversely classified at any subsequent examinations.

ALLOWANCE FOR LOAN AND LEASE LOSSES

9. (a) Within 30 days of the effective date of this ORDER, the Bank shall make or have made since the date of the

last examination by the FDIC, a provision of at least \$2,930,000 to its Allowance for Loan and Lease Losses ("ALLL").

(b) Within 30 days after the effective date of this ORDER, the Bank shall review Consolidated Reports of Condition and Income filed with the FDIC on or after June 30, 2010, and amend said reports if necessary to accurately reflect the financial condition of the Bank as of the date of each such report.

(c) After the effective date of this ORDER, and prior to the submission of all Reports of Condition and Income required by the FDIC, the Board shall review the adequacy of the Bank's ALLL, provide for an adequate ALLL, and accurately report the same. The minutes of the Board meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the ALLL recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the Board shall consider the FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC or WDFI.

(d) ALLL entries required by this paragraph shall be made prior to any capital determinations required by this ORDER.

#### LOAN GRADING AND REVIEW REQUIREMENTS

10. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop appropriate loan grading and

review processes, which should include an independent loan committee, to periodically review the Bank's loan portfolio and identify and categorize problem credits. The committee shall file a report with the Bank's board of directors at each board meeting. This report shall include the following information:

- (i) The overall quality of the loan portfolio;
- (ii) The identification, by type and amount, of each problem or delinquent loan;
- (iii) The identification of all loans not in conformance with the Bank's lending policy;  
and
- (iv) The identification of all loans to officers, directors, principal shareholders or their related interests.

(b) The members of the loan review committee shall be directors not employed in any capacity by the Bank other than as a director.

#### BUSINESS AND PROFIT PLANNING

11. (a) Within 60 days from the effective date of this ORDER, the Board shall develop a written three-year business/strategic plan and a one-year profit and budget plan covering the overall operation of the Bank and its goals and strategies. The plans must take into account the Bank's other

written plans, policies, or other actions as required by this ORDER.

(b) The business/strategic plan shall provide specific objectives for asset growth, loan portfolio mix, market focus, earnings projections, capital needs, and liquidity position. The profit and budget plan shall include goals and strategies for improving the earnings of the Bank. The budget shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components, including projected salaries and bonuses.

(c) Within 45 days from the end of each calendar quarter following completion of the profit plans and budgets required by this paragraph, the Bank's Board 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 meeting at which such evaluation is undertaken.

(d) The Board shall approve the business/strategic plan and the profit and budget plan, which approval shall be recorded in the Bank's minutes. Thereafter, the business/strategic plan and the profit and budget plan, and any subsequent modifications thereto, shall be submitted to the Regional Director and Administrator for review. The Bank shall

incorporate any changes required by the Regional Director or Administrator and thereafter, adopt, implement, and adhere to the plans.

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

#### LIQUIDITY PLAN

12. (a) Within 45 days from the effective date of this ORDER, management shall formulate and adopt, and forward to the Regional Director and the Administrator, a plan for enhancing the management of liquidity risk in conformance with FDIC's FIL 84-2008 and improve liquidity so as to reduce the Bank's dependency on interest sensitive liabilities and address the issues identified throughout the ROE.

(b) During the life of this ORDER, the Bank shall submit to the Regional Director and the Administrator a liquidity analysis report, in a format that is acceptable to the Regional Director and the Administrator, and on a schedule as determined by the FDIC and the Administrator.

#### BROKERED DEPOSITS

13. (a) During the life of this ORDER, the Bank shall not accept, renew, rollover any brokered deposit, as defined by 12 C.F.R. § 337.6(a)(2), unless it is in compliance with the requirements of 12 C.F.R. § 337.6(b), governing solicitation and

acceptance of brokered deposits by insured depository institutions.

(b) Within 30 days from the effective date of this ORDER, the Bank shall submit a written plan for eliminating its reliance on brokered deposits to the Regional Director and the Administrator for review and comment. The plan shall detail the volume and maturity of the Bank's existing brokered deposits and explain the means by which such deposits will be paid. The plan shall include but not be limited to:

- (i) Target dollar levels for each quarter over the next eight quarters; and
- (ii) Specific strategies for funding the existing brokered deposits as they mature; and

(c) The Bank shall comply with the restrictions as described in 12 C.F.R. § 337.6.

#### DIVIDEND RESTRICTION

14. During the life of this ORDER, the Bank shall not declare or pay any dividend without the prior written consent of the Regional Director and the Administrator.

#### VIOLATIONS OF LAW AND CONTRAVENTIONS OF POLICY STATEMENTS

15. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule and regulation, and contraventions of policy statements as listed in the ROE.



NOTIFICATION TO SHAREHOLDER

16. Following the effective date of this ORDER, the Bank shall send to its shareholder a copy 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.

PROGRESS REPORTS

17. Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Administrator written progress reports signed by each member of the Bank's Board, detailing the actions taken to secure compliance with the ORDER and the results thereof.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, 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: March 4, 2011

    /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