

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF WISCONSIN

DEPARTMENT OF FINANCIAL INSTITUTIONS

_____)	
In the Matter of)	AMENDED
INTEGRITY FIRST BANK)	CONSENT ORDER
WAUSAU, WISCONSIN)	FDIC-10-395b
(State Chartered)	
Insured Nonmember Bank))	
_____)	

Integrity First Bank, Wausau, 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 Wisconsin Department of Financial Institutions ("WDFI"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN AMENDED CONSENT ORDER ("STIPULATION") with representatives of the

Federal Deposit Insurance Corporation ("FDIC") and the WDFI, dated _____, 2012, whereby, solely for the purpose of this proceeding and without admitting or denying any charges of unsafe or unsound banking practices relating to weaknesses in capital, asset quality, management, earnings and liquidity, the Bank has consented to the issuance of an AMENDED 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 Section 220.04(9) of the Wisconsin Statutes, Wis. Stat. § 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:

MANAGEMENT

1. (a) During the life of this ORDER, the Bank shall have and retain qualified management. Management shall be provided the necessary written authority to implement the provisions of this ORDER. 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, rules, and regulations; and
- (iv) Restore all aspects of the Bank to a safe and sound condition, including capital adequacy, asset quality, earnings, management effectiveness, liquidity, and sensitivity to interest rate risk.

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

BOARD PARTICIPATION

2. (a) As of the effective date of this ORDER, the Board shall increase 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: reports of income and expenses; new, overdue, renewal, charged off, and recovered loans; investment activity; liquidity; adoption or modification of operating policies; individual committee reports; risk management policies and procedures; internal control reviews, including management's responses; and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within thirty (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.

CAPITAL

3. (a) Within ninety (90) 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. 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) Within thirty (30) days from the effective date of this ORDER, the Bank shall provide to the Regional Director and the WDFI a written capital plan detailing how the Bank intends to comply with the requirements of subparagraph (a) of this capital provision. Said written capital plan shall include, at a minimum:

- (i) Timelines for implementation;
- (ii) Requirements that all transactions shall be consummated in full compliance with all laws, rules, and regulations; and
- (iii) Contingency provisions for the sale or merger of the Bank or a capital investment into the Bank.

(c) The written capital plan required by this paragraph shall be acceptable to the Regional Director and the WDFI.

(d) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, the Bank's 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 twenty (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 17th Street, N.W., Washington, D.C. 20429 and to Michael J. Mach, Administrator, Wisconsin Department of Financial Institutions, 345 W. Washington Avenue, 4th 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.

(e) 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 ten (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.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

4. (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" within the Report of Examination dated February 22, 2011 ("ROE"), 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," "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

5. (a) During the life of this ORDER, the Bank shall adhere to its current written plan to reduce the Bank's risk position in each asset in excess of \$200,000 which is delinquent, or classified "Substandard," "Doubtful," or is listed for Special Mention in the ROE. The current written plan shall continue to 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) Establish updated dollar levels to which the Bank shall reduce delinquencies and

classified assets within six (6) and twelve (12) months from the effective date of this ORDER; and

- (iv) 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) While this ORDER remains in effect, the written plan shall be revised to include assets which become ninety (90) days or more delinquent after the effective date of this ORDER, or are adversely classified or listed for Special Mention at any subsequent examinations.

LIQUIDITY

6. During the life of this ORDER, the Bank shall submit to the Regional Director and the WDFI a monthly liquidity analysis report, which may be required to be produced more frequently at the written direction of the Regional Director and the WDFI, in a format that is acceptable to the Regional Director and the WDFI. The liquidity analysis report shall be

reviewed by the Board of the Bank at its next meeting and notation of the review made in the minutes of the Board's meeting.

DIVIDEND RESTRICTION

7. During the life of this ORDER, the Bank shall not pay or declare any dividends without the prior written consent of the Regional Director and the WDFI.

ALLOWANCE FOR LOAN AND LEASE LOSSES

8. (a) Prior to submission or publication of all Reports of Condition and Income required by the FDIC after the effective date of this ORDER, the Bank's Board shall review the adequacy of the Bank's allowance for loan and lease losses ("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 Federal Financial Institutions Examination Council's ("FFIEC") Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC or the WDFI.

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

PROFIT PLAN AND BUDGET

9. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to a written profit plan; and adopt a realistic, comprehensive budget for all categories of income and expense for calendar years 2012 and 2013. The plan and budgets 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 thirty ("30") days from the end of each calendar quarter following completion of the profit plan 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) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect.

(e) Copies of the plan and budgets required by this paragraph shall be submitted to the Regional Director and the WDFI upon adoption by the Board.

STRATEGIC PLAN

10. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a realistic, comprehensive written strategic plan. The strategic plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components. The strategic plan shall address, at a minimum:

- (i) Strategies for pricing policies and asset/liability management; and
- (ii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings.

(b) Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Board shall evaluate the Bank's actual performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken.

(c) The strategic plan required by this ORDER shall be revised thirty (30) days prior to the end of each calendar year during which this ORDER is in effect. Thereafter, the Board shall approve the revised strategic plan, which approval shall be recorded in the minutes of the Board meeting, and the Bank shall implement and adhere to the revised strategic plan.

(d) Copies of the strategic plan and revisions thereto required by this paragraph shall be submitted to the Regional Director and WDFI upon adoption by the Board.

(e) The Bank shall operate within the parameters of its strategic plan. The Bank shall submit any proposed major

deviations or material changes from the strategic plan (including changes resulting from decisions made by the holding company) to the FDIC and the WDFI for non-objection a minimum of sixty (60) days before the proposed change is to be implemented.

CONCENTRATIONS OF CREDIT

11. Within sixty (60) days from the effective date of this ORDER, the Bank will formulate, adopt and implement a written plan to reduce the loan concentrations of credit identified in the ROE or any subsequent Report of Examination while this ORDER is in effect. Such plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to:

- (i) Dollar levels to which the Bank shall reduce each concentration; and
- (ii) Provision for the submission of monthly written progress reports to the Bank's Board for review and notation in the minutes of the Board's meetings.

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

RESTRICTION ON GROWTH

12. During the life of this ORDER, the Bank shall not increase its total assets by more than 5.0 percent during any consecutive three-month period without providing, at least thirty ("30") days prior to its implementation, a growth plan to the Regional Director and the WDFI. Such growth plan, at a minimum, shall include the funding source to support the projected growth, as well as the anticipated use of funds. This growth plan shall not be implemented without the prior written consent of the Regional Director and the WDFI. In no event shall the Bank increase its total assets by more than 5.0 percent annually. For the purpose of this paragraph, "total assets" shall be defined as in the FFIEC's Instructions for the Consolidated Reports of Condition and Income.

NOTIFICATION TO SHAREHOLDER

13. 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.

WRITTEN PROGRESS REPORTS

14. Within thirty ("30") days following each calendar quarter following the effective date of this ORDER, the Bank

shall furnish written progress reports to the Regional Director and the WDFI detailing the form and manner of any action taken to secure compliance with each provision of this ORDER and the results thereof. In addition, the Bank shall furnish such other reports as requested by the Regional Director and the WDFI. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the WDFI have released, in writing, the Bank from making further reports. All progress reports and other written responses to this ORDER shall be reviewed by the Bank's Board and made a part of the minutes of the Board meeting.

The effective date of this ORDER shall be upon issuance by the FDIC and the WDFI.

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.

Issued Pursuant to Delegated Authority.

Dated: April 3rd, 2012.

/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