

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF WISCONSIN

DEPARTMENT OF FINANCIAL INSTITUTIONS

In the Matter of)
)
)
FOX RIVER STATE BANK) CONSENT ORDER
BURLINGTON, WISCONSIN)
) FDIC-13-0469b
(STATE CHARTERED)
INSURED NONMEMBER BANK)
)

Fox River State Bank, Burlington, 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 A CONSENT ORDER

("STIPULATION") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the WDFI, dated February 3, 2014, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices relating to Capital, Asset Quality, Management, Earnings, and Liquidity, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC and 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 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 actions 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, management effectiveness, earnings, 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 or the employment of any individual as a senior executive officer, the Bank shall request and obtain written approval from FDIC and WDFI. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the 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).

CAPITAL

2. (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 nine (9%) percent and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of twelve (12%) 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) Should the Bank be unable to comply with the required capital levels in the preceding subparagraph, within thirty (30) days of receipt of written direction from the Regional Director of the FDIC's Chicago Region ("Regional Director") and the WDFI, the Bank shall develop, adopt, and implement a written contingency plan to sell or merge itself into another federally insured financial institution. A copy of the written contingency plan required by this subparagraph shall be submitted to the Regional Director and the WDFI upon its adoption.

(c) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, 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 17th Street, N.W., Washington, D.C. 20429 and to the Wisconsin Department of Financial Institutions, 345 West 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.

(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 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.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

3. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to, a written plan to reduce the Bank's risk position in each asset in excess of \$250,000 which is, more than 90 days delinquent or classified "Substandard" in the Report of Examination dated September 3, 2013 ("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 six (6) and twelve (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 of directors for review and notation in minutes of the meetings of the board of directors.

(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) The plan required by this paragraph shall be in a form and manner acceptable to the Regional Director of the FDIC's Chicago Regional Office ("Regional Director") and the WDFI as determined at subsequent examinations or visitations of the Bank.

(d) While this ORDER remains in effect, the plan shall be revised to include assets over \$250,000 which become ninety (90) or more days delinquent after the effective date of this ORDER or are adversely classified internally by bank management or at any subsequent examinations by examiners.

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 September 3, 2013 ("ROE") or in subsequent examinations or visitations, 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 or in subsequent examinations or visitations, 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.

ACCOUNTING AND MAINTENANCE OF OTHER REAL ESTATE

5. Within 90 days from the date of this ORDER, the Bank shall adopt a policy for the purpose of properly accounting for, administering, and disposing of "other real estate" owned. At a minimum, the policy shall be in keeping with ASC 360-20 (formerly FAS 66) guidance addressing appropriate documentation, accounting considerations, independent appraisals, terms and guidelines for the resale of "other real estate," periodic review of each parcel by the board of directors, and the orderly elimination of "other real estate" from the Bank's books.

ALLOWANCE FOR LOAN AND LEASE LOSSES

6. Upon the effective date of this ORDER, and prior to submission or publication of all Reports of Condition and Income required by the FDIC, the board of directors of the Bank shall continue to 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 of directors 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 the WDFI.

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.

PROFIT PLAN AND BUDGET

8. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall revise, implement, and adhere to a written profit plan and budget for all

categories of income and expense for the calendar year 2014. At a minimum, the revisions to the Bank's written profit plan and budget, required by this paragraph, shall incorporate those items discussed in the ROE.

(b) Within thirty (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.

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

(d) The plans and budgets required by this paragraph shall be in a form and manner acceptable to the Regional Director and the WDFI as determined at subsequent examinations or visitations of the Bank.

STRATEGIC PLAN

9. (a) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall revise adopt, and implement a realistic, comprehensive strategic

plan. At a minimum, the revisions to the Bank's strategic plan, required by this paragraph, shall incorporate those items discussed in the ROE.

(b) Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors 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 of directors' 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 Bank shall approve the revised plan, which approval shall be recorded in the minutes of a board of directors' meeting, and the Bank shall implement and adhere to the revised plan.

(d) The plan and revisions thereto required by this paragraph shall be in a form and manner acceptable to the Regional Director and the WDFI as determined at subsequent examinations or visitations of the Bank.

CONCENTRATIONS OF CREDIT

10. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall revise, adopt, and implement the written plan to manage each of the concentrations of credit identified in the ROE in a safe and sound manner. At a minimum, the revisions to the Bank's written plan, required by this paragraph shall incorporate those items discussed in the ROE.

(b) The plan required by this paragraph shall be in a form and manner acceptable to the Regional Director and the WDFI as determined at subsequent examinations or visitations of the Bank.

CORRECTION OF VIOLATIONS

14. (a) Within thirty (30) days from the effective date of this ORDER, the Bank shall eliminate and/or correct the two violations of law and regulations listed in the ROE. In the event the Bank cannot eliminate and/or correct a violation, it will notify the Regional Director and the WDFI what steps it has taken and why it is unable to eliminate or correct the violation; and

(b) Within thirty (30) days from the effective date of this ORDER, the Bank shall implement procedures to

ensure future compliance with governing laws and regulations.

NOTIFICATION TO SHAREHOLDER

12. 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.

MONITORING

13. Within thirty (30) 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.

PROGRESS REPORTS

14. Within thirty (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 WDFI written progress reports signed by each member of the Bank's board of directors, detailing the actions taken

to secure compliance with the ORDER and the results thereof.

The effective date of this ORDER shall be the date of its 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.

Pursuant to delegated authority.

Dated: February 11, 2014

/S/ _____
M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

/S/ _____
Michael Mach
Administrator
Division of Banking
Department of Financial
Institutions
State of Wisconsin