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[¶11,961] **In the Matter of Spencer State Bank, Spencer, Wisconsin**, Docket No. 02-091b (8-26-02).

A cease and desist order was issued, based on findings by the FDIC that it had reason to believe that respondent had engaged in unsafe and unsound practices.

(This order was terminated by order of the FDIC dated 5-28-04; see ¶16,387.)

[.1] **Capital—Increase Required**

[.2] **Dividends—Dividends Restricted**

[.3] **Management—Management Plan Required**

[.4] **Management—Qualifications Specified**

[.5] **Loans—Extensions of Credit—To Borrowers with Existing Adversely Classified Credits**

[.6] **Assets—Charge-off or Collection**

[.7] **Loan Loss Reserve—Establishment of or Increase Required**

[.8] **Loans—Risk Position—Reduction of Adversely Classified Lines of Credit Required**

[.9] **Technical Exceptions—Correction of Technical Exceptions Required**

[.10] **Loan Committee—Duties Specified**

[.11] **Loan Policy—Preparation or Revision of Policy Required**

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[.12] **Audit—Program Required**

[.13] **Violations of Law—Correction of Violations Required**

[.14] **Profit Plan—Preparation of Plan Required**

[.15] **Investments and Investment Policy—Investment Policy, Preparation or Revision Required**

[.16] **Asset/Liability Management—Preparation or Revision of Asset/Liability Management Policy Required**

[.17] **Strategic Plan—Preparation of Required**

[.18] **Shareholders—Disclosure of Cease and Desist Order Required**

[.19] **Board of Directors—Committee to Review Compliance with Cease and Desist Order Required**

**In the Matter of
SPENCER STATE BANK
SPENCER, WISCONSIN
(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST**

FDIC-02-091b

Spencer State Bank, Spencer, Wisconsin ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law

and regulation 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 s. 220.04(9), Wis. Stats., 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 August 6, 2002 whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices or violations of law and regulation, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and WDFI.

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

ORDER TO CEASE AND DESIST

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 with a board of directors that fails to exercise adequate supervision over active Bank officers.

B. Operating with management whose policies and practices are detrimental to the Bank.

C. Operating with an excessive level of adversely classified assets and failing to timely recognize loan deterioration.

D. Engaging in hazardous lending and lax collection practices, including, but not limited to:

- The failure to obtain proper loan documentation;
- The failure to obtain adequate collateral;
- The failure to establish and monitor collateral margins of secured borrowers;
- The failure to establish and enforce adequate loan repayment programs;
- The failure to obtain current and complete financial information;
- The failure to perform adequate written analysis to properly underwrite, monitor and grade lending relationships;
- The failure to enforce loan policy guidelines; and
- The failure to follow acceptable credit administration practices.

E. Operating with an inadequate methodology to accurately determine the adequacy [{{10-31-02 p.C-5561}}](#)

of the allowance for loan and lease losses ("ALLL").

F. Operating with a marginal level of capital protection for the kind and quality of assets held.

G. Failing to implement and monitor appropriate loan, asset/liability management and investment policies and practices.

H. Operating without a realistic budget.

I. Operating with a weak net interest margin and exposing the Bank to undue interest rate risk.

J. Operating with an inadequate audit program.

K. Operating without an effective strategic plan.

L. Violating law or regulation, including:

The preferentially of section 215.4(a)(1) of Regulation O of the Board of Governors of the Federal Reserve System ("Regulation O"), 12 C.F.R. §215.4(a)(1).

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

[.1]1. (a) Within 30 days from the last day of each calendar quarter, the Bank shall determine from its Report of Condition and Income its level of Tier 1 capital as a percentage of its total assets ("capital ratio") for that calendar quarter. If the capital ratio is less than 7.5 percent, the Bank shall, within 30 days of the date of the required determination, submit a plan to the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Administrator, Division of Banking, WDFI ("Administrator"). The plan shall indicate how the Bank will increase its capital ratio to not less than 7.5 percent in a timeframe acceptable to the Regional Director and Administrator. 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) Any such increase in Tier 1 capital may be accomplished by the following:

(i) The sale of common stock and noncumulative perpetual preferred stock constituting Tier 1 capital under Part 325; or

(ii) The elimination of all or part of the assets classified "Loss" in the FDIC's Report of Examination dated January 7, 2002 ("FDIC Report"), without loss or liability to the Bank, provided any such collection on a partially charged-off asset shall first be applied to that portion of the asset which was not charged off pursuant to this ORDER; or

(iii) The collection in cash of assets previously charged off; or

(iv) The direct contribution of cash by the directors and/or the shareholders of the Bank or its holding company; or

(v) Any other means acceptable to the Regional Director and the Administrator; or

(vi) Any combination of the above means.

(c) If all or part of the increase in capital required by this paragraph is to be accomplished 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 the plan. Should the implementation of the plan involve a public distribution of the 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 any other material disclosures necessary to comply with the 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 & Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429, and to WDFI, 345 W. Washington Avenue, 4th Floor, P.O. Box 7876, Madison, Wisconsin 53707-7876, for review. Any changes requested to be made in the materials by the FDIC and 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.

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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 analysis 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.

[.2]2. As of the effective date of this ORDER, the Bank shall pay no cash dividends that would result in a Tier 1 capital ratio of less than 7.5 percent, without the prior written consent of the Regional Director and Administrator.

[.3]3. (a) Within 30 days from the effective date of this ORDER, the Bank shall retain a consultant acceptable to the Regional Director and Administrator. The consultant shall develop a written analysis and assessment of the Bank's management and staffing needs ("Management Plan") for the purpose of providing qualified management for the Bank. The Management Plan shall be developed within 90 days from the effective date of this ORDER.

(b) The Bank shall provide the Regional Director and Administrator with a copy of the proposed engagement letter or contract required by this paragraph for review before it is executed. The contract or engagement letter, at a minimum, should include:

- (i) A description of the work to be performed under the contract or engagement letter;
- (ii) The responsibilities of the consultant;
- (iii) An identification of the professional standards covering the work to be performed;
- (iv) Identification of the specific procedures to be used when carrying out the work to be performed;
- (v) The qualifications of the employee(s) who are to perform the work;
- (vi) The time frame for completion of the work;
- (vii) Any restrictions on the use of the reported findings;
- (viii) A provision for unrestricted examiner access to workpapers.

(c) The Management Plan shall include, at a minimum:

- (i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
- (iii) Evaluation of all Bank officers, internal audit personnel, and credit administration related 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 the Management Plan.

(d) The Management Plan shall be submitted to the Regional Director and Administrator for review and comment upon its completion. Within 30 days from the receipt of any comments from the Regional Director and Administrator, and after the adoption of any recommended changes, the Bank shall approve the Management Plan and record its approval in the minutes of the board of directors' meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the Management Plan.

[.4]4. (a) The Bank shall have and retain qualified management. Such persons shall be provided the necessary written authority to implement the provisions of this ORDER. 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, management

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effectiveness, liquidity, and sensitivity to market risk.

(b) During the life of this ORDER, the Bank shall notify the Regional Director and the Administrator, in writing, of any changes in any of the Bank's management. For purposes of this ORDER, "management" shall include any "director," as defined in section 303.101(a) of the FDIC Rules and Regulations, 12 C.F.R. 303.101(a), and any "senior executive officer," as defined in section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. 303.101(b). Prior to the addition of any director or the employment of any senior executive officer, the Bank shall comply with the requirements of section 32 of the Act, 12 U.S.C. 1831(i), and Subpart F of Part 303 of the FDIC Rules and Regulations ("Subpart F"), 12 C.F.R. Part 303, Subpart F.

[.5]5. (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 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" 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. A copy of the statement shall be placed in the appropriate loan file and shall be incorporated in the minutes of the applicable board of directors' meeting.

[.6]6. As of the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in the FDIC Report that have not been previously collected or charged off. Any such charged-off asset shall not be rebooked without the prior written consent of the Regional Director and Administrator. Elimination or reduction of these assets with the proceeds of other Bank extensions of credit is not considered collection for the purpose of this paragraph.

[.7]7. (a) Prior to submission or publication of all Reports of Condition and Income required by the FDIC and WDFI after the effective date of this ORDER, the board of directors of the Bank 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 reserve recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the board of directors shall, at a minimum, consider the factors discussed in the FDIC Statements of Policy addressing ALLL methodologies and the Federal Financial Institutions Examination Council's Instructions for the Reports of Condition and Income.

(b) ALLL entries required by this paragraph shall be made prior to any Tier 1 capital determinations required by this ORDER.

(c) Within 30 days following the last day of each calendar quarter, the Bank shall submit to the Regional Director and Administrator copies of all Reports of Conditions and Income filed with the FDIC and WDFI.

[.8]8. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Administrator for review and comment, a written plan to reduce the Bank's risk position in each asset in excess of \$50,000 which is classified "Substandard" in the FDIC Report. 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.

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

(iv) Dollar levels to which the Bank shall reduce each asset within 6 and 12 months from the effective date of this ORDER; and

(v) Provisions for the submission of monthly written progress reports on the plan to the Bank's board of directors for
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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; or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC or WDFI.

(c) Within 30 days from the receipt of any comment from the Regional Director and Administrator, and after the adoption of any recommended changes, the Bank shall approve the written plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow this written plan.

[.9]9. Within 60 days from the effective date of this ORDER, the Bank shall correct the technical exceptions listed in the FDIC Report.

[.10]10. (a) As of the effective date of this ORDER, the Bank's loan committee shall meet at least monthly and shall include at least three directors, two of whom are not officers of the bank.

(b) The loan committee shall, at a minimum, perform the following functions:

(i) Evaluate, grant and/or approve loans in accordance with the Bank's loan policy amended to comply with this ORDER. The loan committee shall provide a thorough written explanation of any deviations from the loan policy, which explanation shall address how said exceptions are in the Bank's best interest and which shall be reflected in the minutes of the corresponding committee meeting. The written explanation shall be included in the minutes of the corresponding loan committee meeting.

(ii) Review and monitor the status of repayment and collection of overdue and maturing loans, as well as all other loans that were classified "Substandard" in the FDIC Report, or that are included on the Bank's internal watch list.

(iii) Review all applications for new loans and renewals of existing loans to Bank directors, executive officers, and their related interests, and prepare a written opinion as to whether the credit is in conformance with the Bank's loan policy and all applicable laws and regulations. Such applications, renewals, and written opinions shall be referred to the Bank's board of directors for consideration.

(iv) Maintain written minutes of the committee meetings, including a record of the review and status of the aforementioned loans.

[.11]11. (a) Within 60 days from the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall review the Bank's loan policy for adequacy and, based upon this review, shall revise the policy as necessary to strengthen the Bank's loan policy monitoring procedures.

(b) Revisions to the Bank's loan policy required by this paragraph, at a minimum, shall include provisions:

(i) Establish monitoring procedures to ensure that all lending personnel are adhering to established lending procedures and that the directorate is receiving timely and fully documented reports on loan activity, including any deviations from established policy;

(ii) Establishing procedures to ensure that all extensions of credit originated or renewed by the Bank are supported by current credit information and collateral documentation, including lien searches and the perfection of security interests; have a clearly defined and stated purpose; and have a predetermined and realistic repayment source and schedule. Credit information and collateral documentation shall include current financial information, profit and loss statements or

copies of tax returns, and cash flow projections, and shall be maintained throughout the term of the loan with loan officer analysis, notations, and comments;

(iii) Requiring loan committee or board review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" in regulatory examination reports or on the bank's watch list;

(iv) Requiring the establishment and maintenance of a loan grading system and internal loan watch list;

(v) Requiring a written plan to lessen the risk position in each line of credit identified as a problem credit on the Bank's internal loan watch list;

(vi) Prohibiting the capitalization of interest or loan-related expenses unless the board of directors provides, in writing, a detailed explanation of why said deviation is in the best interest of the Bank;

(vii) Requiring that extensions of credit to any of the Bank's executive officers, [{{10-31-02 p.C-5565}}](#)

directors, or principal shareholders, or to any related interest of such person, be thoroughly reviewed for compliance with all provisions of Regulation O;

(viii) Incorporating limitations on the amount that can be loaned in relation to established collateral values, including the requirement that the source of the valuations be identified and which require that such collateral valuations shall be completed prior to the disbursement of loan proceeds and be performed on a periodic basis over the term of the loan;

(ix) Establishing standards for the institution of collection efforts by the loan officer or legal counsel, and procedures to ensure timely recognition of loss through charge-off, where appropriate;

(x) Prohibiting the extension of a maturity date, advancement of additional credit or renewal of a loan to a borrower whose obligations to the Bank were classified "Substandard" or "Loss," whether in whole or in part, in the FDIC Report, or by the FDIC or State authority in a subsequent Report of Examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured and/or are adequately supported by current and complete financial information, and the renewal or extension has first been approved in writing by a majority of the Bank's board of directors;

(xi) Requiring that collateral appraisals be completed prior to the making of secured extensions of credit. In addition, periodic collateral valuations shall be performed for all secured "problem loans."

(c) The board of directors shall approve the written loan policy and any subsequent modification thereto, which approvals shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the written loan policy and any subsequent modifications thereto.

[.12]12. (a) Within 90 days from the effective date of this ORDER, the Bank's board of directors shall adopt and implement a comprehensive written audit program addressing both internal and external audit procedures. This program shall be consistent with the Interagency Policy Statement on External Auditing Programs of Banks and Savings Associations. The steps taken by the Bank to implement the Interagency Policy Statement shall be recorded in the minutes of the meetings of the board of directors.

(b) The written audit program shall provide for annual external audits of the Bank's financial statements and operating procedures to be performed by an independent public accounting firm acceptable to the Regional Director and Administrator. The Bank shall provide the Regional Director and Administrator with a copy of the proposed engagement letter or contract with the accounting firm before it is executed. The contract or engagement letter, at a minimum, should include:

(i) A description of the work to be performed under the contract or engagement letter;

(ii) The responsibilities of the accounting firm;

- (iii) An identification of the professional standards covering the work to be performed;
- (iv) Identification of the specific procedures to be used when carrying out the work to be performed;
- (v) The qualifications of the employee(s) who are to perform the work;
- (vi) The time frame for completion of the work;
- (vii) Any restrictions on the use of the reported findings; and
- (viii) A provision for unrestricted FDIC and WDFI examiner access to work papers.

(c) During the life of this ORDER, the Bank shall forward copies of any external audit reports required by this paragraph to the Regional Director and Administrator within 10 days from the Bank's receipt of such reports.

[.13]13. Within 90 days from the effective date of this ORDER, the Bank shall correct the violation of law and regulation listed in the FDIC Report. In addition, the Bank shall establish procedures to ensure future compliance with all applicable laws and regulations.

[.14]14. (a) Within 90 days from the effective date of this ORDER, the Bank shall implement a written profit plan with realistic, comprehensive budgets for all categories of income and expense for calendar years 2002 and 2003. The plan shall contain formal goals and strategies consistent with sound banking practices. A copy of the plan shall
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be submitted to the Regional Director and Administrator upon its completion.

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

- (i) Address strategies to improve the Bank's earnings, both short-term and long-term; and
- (ii) Identify the operating assumptions used in preparing the plan.

Prior to the end of each calendar quarter, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget 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.

[.15]15. (a) Within 60 days from the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall review the Bank's investment policy for adequacy and shall make the necessary revisions to address the actual and contemplated condition of the investment portfolio and any trading account. The revised policy shall, at a minimum, address the exceptions noted in the FDIC Report and shall be consistent with:

- (i) the FDIC's *Supervisory Statement on Investment Securities and End-User Derivatives Activities*, as well as any future revisions of this policy statement;
- (ii) the Federal Financial Institutions Examination Council Supervisory Policy entitled *Selection of Securities Dealers and Unsuitable Investment Practices*; as well as with any future revisions of this policy statement;
- (iii) the Federal Financial Institutions Examination Council's Instructions for Consolidated Reports of Condition and Income; and
- (iv) generally accepted accounting principles.

(b) The revised policy shall be coordinated with the Bank's loan, liquidity and asset/liability management policies.

[.16]16. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a written plan addressing liquidity, rate sensitivity objectives and the asset/liability management policy. The plan shall, at a minimum, address the exceptions noted in the FDIC Report regarding asset/liability

management policies and procedures. Annually thereafter, the Bank shall review this plan for adequacy and, based upon such review, shall make appropriate revisions to the plan that are necessary to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs. The initial plan shall include, at a minimum, provisions:

- (i) Establishing a desirable range for the liquidity ratio;
- (ii) Establishing a desirable range for the net non-core funding dependency ratio as computed in the Uniform Bank Performance Report;
- (iii) Establishing procedures for managing the Bank's sensitivity to interest rate risk which comply with the Joint Agency Statement of Policy on Interest Rate Risk and the Joint Supervisory Statement on Investment Securities and End-user Derivative Activities.

(b) A copy of the Bank's initial plan shall be submitted to the Regional Director and Administrator for review and comment. Within 30 days from the receipt of any comments from the Regional Director and Administrator, and after the adoption of any recommended changes, the bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

[.17]17. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Administrator for review and comment a realistic, comprehensive strategic plan covering at least three years. The 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.

(b) The written strategic plan shall address, at a minimum, the following:

- (i) Staffing needs;
- (ii) Succession of management; and
- (iii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings.

(c) The strategic plan shall be submitted to the Regional Director and Administrator for review and comment. Within 30 days from the receipt of any comment from the Regional Director or Administrator and after the consideration of such comments, the
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Bank shall approve the strategic plan or any subsequent modifications, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the strategic plan.

(d) Within 30 days of the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors shall:

- (i) Evaluate the Bank's actual performance in relation to the strategic plan;
- (ii) Revise the strategic plan to reflect the results of the evaluation; and
- (iii) Record the results of the evaluation and revisions to the strategic plan in the minutes of the board of directors' meeting at which such evaluation and revision are completed.

(e) Within 30 days after the quarterly evaluation, the Bank shall submit the revised strategic plan to the Regional Director and Administrator for review and comment. Within 30 days of receipt of all such comments from the Regional Director or the Administrator, and after consideration of all such comments, the Bank shall approve the revised strategic plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement the revised strategic plan.

[.18]18. Following the effective date of this ORDER, the Bank shall send to the shareholders of Spencer Bancorporation, Inc. or otherwise furnish a description of this ORDER: (1) in conjunction with the next shareholder communication of Spencer Bancorporation, Inc.; and (2) in conjunction with the notice or proxy statement preceding the next meeting of the shareholders of Spencer Bancorporation, Inc. The

description shall fully describe the ORDER in all material respects. The description and any accompanying communication, notice, or statement shall be sent to WDFI, 345 W. Washington Avenue, 4th Floor, P.O. Box 7876, Madison, Wisconsin 53707-7876, and the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429, and to for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by WDFI and the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

[.19]19. (a) Within 10 days from the effective date of this ORDER, the Bank shall establish a compliance committee comprised of at least three directors who are not officers of the Bank. The committee shall monitor compliance with this ORDER.

(b) Within 30 days from the effective date of this ORDER and every 30 days thereafter, the compliance committee shall submit to the board of directors for consideration at its next regularly scheduled meeting a written report detailing the Bank's compliance with this ORDER. The minutes of the applicable board of directors' meeting shall incorporate the compliance report and shall note the board's consideration of the report and any action taken as a result. Establishment of this committee does not diminish the responsibility of the entire board of directors to ensure compliance with the provisions of this ORDER.

20. Within 30 days of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and Administrator written progress reports, signed by each member of the Bank's board of directors, detailing the form and manner of any actions taken to secure compliance with this ORDER. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and Administrator have, in writing, released the Bank from making further reports.

The effective date of this ORDER shall be 10 days after issuance of the ORDER.

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 provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC and WDFI.

Pursuant to delegated authority.

Dated this 26th day of August, 2002.