

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
MADISON, WISCONSIN

Written Agreement by and among

CALUMET COUNTY BANK  
Brillion, Wisconsin

FEDERAL RESERVE BANK OF CHICAGO  
Chicago, Illinois

and

STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL  
INSTITUTIONS  
Madison, Wisconsin

Docket No. 15-039-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Calumet County Bank, Brillion, Wisconsin (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System, the Bank, the Federal Reserve Bank of Chicago (the “Reserve Bank”), and the State of Wisconsin Department of Financial Institutions (the “DFI”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on December 14, 2015, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Brad Grant to enter into this Agreement on behalf of the Bank, and consenting to compliance with each and every provision of this Agreement by the Bank.

NOW, THEREFORE, the Bank, the Reserve Bank, and the DFI agree as follows:

### **Board Oversight**

1. Within 60 days of this Agreement, the board of directors of the Bank shall submit a written plan to the Reserve Bank and the DFI to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) the actions that the board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including but not limited to, credit risk management, asset quality, capital, earnings, and sensitivity to market risk;

(b) the responsibility of the board of directors to monitor management's adherence to approved policies and procedures, and applicable laws and regulations and to monitor exceptions to approved policies and procedures;

(c) enhanced board reporting procedures to ensure that the board of directors reviews and discusses loan review presentations and that changes in loan grades shall be approved by the board of directors;

(d) steps to improve the information and reports that will be regularly reviewed by the board of directors and its committees in their oversight of the operations and management of the Bank, including information on the Bank's credit risk management, adversely classified assets, allowance for loan and lease losses ("ALLL"), and capital; and

(e) a management succession plan for key senior officers.

## **Credit Risk Management**

2. Within 60 days of this Agreement, the Bank shall submit a written plan to strengthen credit risk management practices acceptable to the Reserve Bank and the DFI. The plan shall, at a minimum, address, consider, and include:

- (a) enhancements to the internal loan grading system to ensure timely and accurate risk ratings; and
- (b) enhanced portfolio monitoring and problem loan watch list reports.

## **Lending and Credit Administration**

3. Within 60 days of this Agreement, the Bank shall submit a written lending and credit administration program acceptable to the Reserve Bank and the DFI that shall, at a minimum, address, consider, and include:

- (a) underwriting standards that require documented analyses of: (i) the borrower's repayment sources, global cash flow, and overall debt service ability; and (ii) the value of any collateral;
- (b) standards to require updated financial information and credit analysis;
- (c) steps to ensure compliance with loan documentation and collateral requirements to minimize exceptions;
- (d) procedures to ensure that appraisals conform to accepted appraisal standards, as defined in the Uniform Standards of Professional Appraisal Practice, and comply with the requirements of Subpart G of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 225, Subpart G) made applicable to state member banks by section 208.50 of Regulation H of the Board of Governors

(12 C.F.R. § 208.50), and the Interagency Appraisal and Evaluation Guidelines, dated December 2, 2010 (SR 10-16);

(e) policies and procedures for monitoring real estate collateral values;

(f) written standards for when reappraisals and reevaluations must be conducted, including, but not limited to, the timely incorporation of information obtained in credit quality analysis;

(g) policies and procedures for the timely movement of loans to non-accrual status;

(h) standards and appropriate documentation supporting the movement of loans from non-accrual to accrual status; and

(i) enhancements for the loan workout process to ensure that workout plans for problem loans re consistent with the Interagency Guidance on Prudent Commercial Real Estate Loan Workouts, dated October 30, 2009 (SR 09-7).

### **Loan Review**

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI an acceptable written program for the effective, ongoing review of the Bank's loan portfolio by a qualified independent party or by qualified staff that is independent of the Bank's lending function. The program shall provide for policies and procedures for the timely identification and categorization of problem loans, and processes to detect weaknesses in the Bank's loan approval, monitoring, and grading process. The program shall, at a minimum, address, consider, and include:

(a) the scope, depth, and frequency of the independent loan review;

(b) clearly defined responsibilities for the loan review function; and

(c) an objective and timely assessment of the overall quality of the loan portfolio and the accuracy of assigned loan grades.

### **Asset Improvement**

5. The Bank shall not, directly or indirectly, extend, renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are criticized in the report of examination conducted by the Reserve Bank and the DFI that commenced on June 15, 2015 (the “Report of Examination”), or in any subsequent report of examination, without the prior approval of a majority of the full board of directors or a designated committee thereof. The board of directors or its committee shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that: (i) the Bank’s risk management policies and practices for loan workout activity are acceptable; (ii) the extension of credit is necessary to improve and protect the Bank’s interest in the ultimate collection of the credit already granted and maximize its potential for collection; (iii) the extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured; and all necessary loan documentation has been properly and accurately prepared and filed; (iv) the Bank has performed a comprehensive credit analysis indicating that the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and (v) the board of directors or its designated committee reasonably believes that the extension of credit will not impair the Bank’s interest in obtaining repayment of the already outstanding credit and that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the meetings of the board of directors or its committee, as appropriate, and a copy of the signed certification, together with the credit analysis and related information that was used in the

determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

6. (a) Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank and the DFI designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan, relationship, or other asset in excess of \$250,000, including other real estate owned ("OREO"), that are past due as to principal or interest more than 90 days as of the date of this Agreement, are on the Bank's problem loan list, or were adversely classified in the Report of Examination.

(b) Within 30 days of the date that any additional loan, relationship, or other asset in excess of \$250,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the DFI an acceptable written plan to improve the Bank's position on such loan, relationship, or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the DFI to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report. The board of directors shall review the progress reports before submission to the Reserve Bank and shall document the review in the minutes of the board of directors' meetings.

## **Allowance for Loan and Lease Losses**

7. (a) The Bank shall, within 30 days from the receipt of any report of examination, charge off all assets classified “loss” unless otherwise approved in writing by the Reserve Bank and the DFI.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Reports of Examination, and submit a description of the revised methodology to the Reserve Bank and the DFI. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank’s loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank’s loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectability.

(c) Within 60 days of this Agreement, the Bank shall submit a written program for the maintenance of an adequate ALLL acceptable to the Reserve Bank and the DFI. The program shall include policies and procedures to ensure adherence to the ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including

the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the DFI within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

### **Capital Plan**

8. Within 60 days of this Agreement, the Bank shall submit a written plan to maintain sufficient capital acceptable to the Reserve Bank and the DFI. The plan shall, at a minimum, address, consider, and include:

(a) the Bank's current and future capital needs, including compliance with the applicable requirements of Regulation Q of the Board of Governors, Capital Adequacy of Board-Regulated Entities (12 C.F.R. Part 217);

(b) the adequacy of the Bank's capital, taking into account the volume of classified assets, concentrations of credit, the adequacy of the ALLL, current and projected asset growth, and projected earnings; and

(c) the source and timing of additional funds to fulfill future capital requirements.

9. (a) The Bank shall notify the Reserve Bank and the DFI, in writing, no more than 30 days after the end of any calendar quarter in which any of the Bank's capital ratios (total risk-based, Tier 1 risk-based, common equity Tier 1 or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, the Bank shall submit a written plan acceptable to the Reserve Bank and the DFI that details the steps the Bank will take to increase its capital ratios to or above the approved capital plan's minimums.

(b) During the term of this Agreement, the Bank shall not enter into any agreement to sell or purchase any loan or other asset that, in the aggregate, would exceed 5 percent of the Bank's total assets at the end of the prior quarter without the prior written approval of the Reserve Bank.

(c) All requests for prior written approval shall be received at least 30 days prior to the proposed sale or purchase. All requests shall contain, at a minimum, a description of the terms of the proposed sale or purchase, the identity of the proposed purchaser or seller; current and projected information on the Bank's capital, asset quality, earnings, and ALLL needs, and the identification of the sources of funds for any proposed purchase or sale.

### **Earnings Plan and Budget**

10. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFI a written business plan and a budget for 2016 to improve the Bank's earnings and overall condition. The plan shall, at a minimum, include, provide for, or describe:

(i) a realistic and comprehensive budget for 2016, including income statement and balance sheet projections; and

(ii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components..

(b) A business plan and budget for each calendar year subsequent to 2016 shall be submitted to the Reserve Bank and the DFI at least 30 days prior to the beginning of that calendar year.

## **Dividends**

11. (a) The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors, and the DFI.

(b) Any request to declare or pay dividends must be consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323). All requests for prior approval shall be received by the Reserve Bank and the DFI at least 30 days prior to the proposed dividend declaration date and shall contain, at a minimum, current and projected information on earnings, capital, asset quality, and loan loss reserve needs of the Bank, as well as, the source of funding for the proposed dividend.

## **Compliance with Laws and Regulations**

12. (a) The Bank shall take all necessary steps to correct all violations of law or regulation cited in the Report of Examination. In addition, the Bank shall take necessary steps to ensure future compliance with all applicable laws and regulations.

(b) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Bank shall obtain the Reserve Bank's and the DFI's non-objection and shall comply with the notice provisions of section 32 of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1831i) (the "FDI Act") and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(c) The Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. § 359).

### **Progress Reports**

13. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank and the DFI written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

### **Approval and Implementation of Plans, Policies, Procedures, and Programs**

14. (a) The Bank shall submit written plans and programs that are acceptable to the Reserve Bank and the DFI within the applicable time periods set forth in paragraphs 2, 3, 4, 6(a), 7(c), and 8 of this Agreement. Each plan or program shall contain a timeline for full implementation of the plan, or program with specific deadlines for the completion of each component of the plan, or program.

(b) Within 10 days of approval by the Reserve Bank and the DFI the Bank shall adopt the approved plans and programs. Upon adoption, the Bank shall promptly implement the approved plans and programs, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank and the DFI.

## **Communications**

15. All communications regarding this Agreement shall be sent to:
  - (a) Mr. Mark C. Medrano  
Assistant Vice President  
Federal Reserve Bank of Chicago  
230 S. LaSalle Street  
Chicago, Illinois 60604
  - (b) Ms. Cheryll A. Olson-Collins  
Deputy Administrator  
Division of Banking  
Wisconsin Department of Financial Institutions  
P.O. Box 7876  
Madison, Wisconsin 53707
  - (c) Mr. Brad Grant  
President and Chief Executive Officer  
Calumet County Bank  
103 N. Main Street  
Brillion, Wisconsin 54110

## **Miscellaneous**

16. Notwithstanding any provision of this Agreement, the Reserve Bank and the DFI may in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.
17. The provisions of this Agreement shall be binding upon the Bank and their institution-affiliated parties, as defined in section 3(u) of the FDI Act (12 U.S.C. § 1813(u)), in their capacities as such, and their successors and assigns.
18. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the DFI.
19. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the DFI, or any other federal or state agency from taking

any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

20. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 17th of December, 2015.

CALUMET COUNTY BANK

FEDERAL RESERVE BANK  
OF CHICAGO

By: \_\_\_\_\_ /S/  
Brad Grant  
President and  
Chief Executive Officer

By: \_\_\_\_\_ /S/  
Patrick M. Wilder  
Vice President

STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL  
INSTITUTIONS

By: \_\_\_\_\_ /S/  
Cheryll A. Olson-Collins  
Deputy Administrator