

OFFICE OF THRIFT SUPERVISION

Approval of Applications for Permission to Organize a Federal Savings Bank and Holding Company Acquisition

Order No.: 2008-25
Date: July 17, 2008
Docket Nos.: H-4481 and 18100

Wisconsin Physicians Service Corporation, Madison, Wisconsin (Holding Company) has applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3, to organize and to acquire WPS Community Bank, Madison, Wisconsin (Savings Bank) (collectively, the Applications). The Holding Company has applied to the Federal Deposit Insurance Corporation (FDIC) for deposit insurance under the Deposit Insurance Fund (DIF) for the Savings Bank's deposit accounts.

The Proposed Transaction

The Holding Company proposes to establish and acquire the Savings Bank, and to hold all of the Savings Bank's common stock. The Savings Bank intends to offer traditional deposit and lending products.

Permission to Organize Application

OTS may grant a federal savings association charter only: (i) to persons of good character and responsibility; (ii) if, in OTS's judgment, a necessity exists for such association in the community to be served; (iii) if there is a reasonable probability for the association's usefulness and success; and (iv) if the association can be established without undue injury to properly conducted existing local thrift and home financing institutions. In addition, OTS must consider whether the association will provide credit for housing consistent with the safe and sound operation of a federal savings association. OTS also considers the initial capitalization of the federal savings association, and the residence and composition of the savings association's board of directors.

Further, 12 C.F.R. § 563e.29(b) provides that an applicant for a federal savings association charter must submit with its application a description of how it will meet its Community Reinvestment Act (CRA) objectives. OTS is required to take this description into account when considering the application and may deny or condition approval on CRA grounds.

OTS has reviewed the background of the Holding Company and has not found any material information that would lead OTS to conclude that the Holding Company does not have the requisite character and responsibility. OTS has reviewed the backgrounds of the officers and directors of the Holding Company and the Savings Bank. The proposed president and director of the Savings Bank had been an officer and a director of a national bank that was the subject of certain agreements and orders concerning the operations of the national bank. OTS reviewed the nature of the agreements and orders and considered the extent of the individual's involvement in these matters. Based on its review, OTS concludes that the character and responsibility of the Holding Company and the officers and directors of the Holding Company and the proposed officers and directors of the Savings Bank are consistent with approval.

As for the necessity for the Savings Bank in the community, the population of, and insured deposits in, the Savings Bank's target market, Dane County, Wisconsin, have grown over the past years. The population in Dane County, Wisconsin, grew approximately 7.4 percent from 2000 to 2005, and is projected to grow approximately 4.68 percent between 2005 and 2010. Deposits in the target market area grew approximately 8.9 percent between June 30, 2006, and June 30, 2007. Accordingly, OTS concludes that approval is consistent with this criterion.

With respect to undue injury to properly conducted existing local thrift and home financing institutions, the Savings Bank will provide a range of deposit and lending products. The Savings Bank's projected deposits at the end of the first and third years of operations represent less than one percent of the deposits in the target market (using June 30, 2007, deposit information). Thus, OTS concludes that the permission to organize application satisfies this approval criterion.

With respect to the reasonable probability of the Savings Bank's usefulness and success, OTS reviewed the competence and experience of the proposed management of the Savings Bank, its business plan, and its proposed capital levels. OTS concludes that the business plan is reasonable, that the Savings Bank will have adequate capital, that the Savings Bank will be able to conduct its operations appropriately, and that the Savings Bank's managerial and financial resources are consistent with a reasonable probability of success. OTS is imposing conditions 5 and 6, below, to help ensure that the Savings Bank operates pursuant to an appropriate business plan and that changes to and from such a business plan are not detrimental to the Savings Bank. To help ensure that the Savings Bank's probability of usefulness and success is consistent with approval, OTS is imposing condition 7, below, to enable OTS to confirm that the Savings Bank is being operated properly. To help ensure that the Savings Bank's lending operations are conducted in a safe and sound manner, OTS is imposing condition 8, below. OTS is imposing condition 9, below, to help ensure that the Savings Bank's management continues to have the necessary competence to contribute to the Savings Bank's usefulness and success. To help ensure that the Savings Bank's operations are conducted in a safe and sound manner, that the Savings Bank is in compliance with fair lending laws, and that the Savings Bank addresses the needs of its customers, OTS is imposing condition 10, below.

OTS is imposing condition 11, below, to help ensure that the Savings Bank complies with the requirements applicable to transactions with affiliates. To help ensure the independence of

the Savings Bank's board of directors, in light of proposed affiliate relationships, OTS is imposing condition 12, below, addressing the composition of the Savings Bank's board of directors. Condition 12 will help ensure that the Savings Bank is operated safely and soundly and that its probability of usefulness and success is consistent with approval.

Based on the foregoing analysis, OTS concludes that the probability of the Savings Bank's usefulness and success is consistent with approval, subject to the imposition of the conditions.

With respect to the provision of credit for housing, the Savings Bank will engage in multi-family real estate lending, home equity lending, and 1-4 family residential lending. The Applications indicate compliance with the Qualified Thrift Lender test for all periods based on its lending and other investments. Based on these considerations, and the facts discussed in connection with the probability of the Savings Bank's usefulness and success, OTS concludes that the Savings Bank will provide credit for housing in a safe and sound manner, subject to the imposition of the conditions.

With respect to capital, the Savings Bank will have more initial capital than is required by OTS regulations regarding *de novo* federal savings associations, and the Savings Bank plans to be well capitalized throughout its first three years of operations. Accordingly, OTS concludes that the Savings Bank's proposed capital levels are consistent with approval.

OTS regulations require that a majority of a *de novo* federal association's board of directors be "representative" of the state in which the association is located. The majority of the members of the Savings Bank's board of directors reside in Wisconsin. Therefore, OTS concludes that the Savings Bank meets this criterion.

OTS regulations also require that a *de novo* federal association's board of directors be diversified and composed of individuals with varied business and professional experience. The proposed board of directors of the Savings Bank consists of persons from a broad range of professions and experience such as medicine, banking, bank consulting, legal, construction, human resource consulting, publishing, and school system administration. OTS concludes that these persons have sufficiently varied business and professional experiences and meet the regulatory standard.

OTS regulations provide that, except in the case of a *de novo* federal association that is wholly owned by a holding company, no more than one-third of a *de novo* federal association's board of directors may be in closely related businesses. When the holding company does not have substantial independent economic substance, OTS applies the related business criterion to the holding company's board of directors. The Savings Bank will be a wholly owned subsidiary of the Holding Company, which, by virtue of its other operations, has substantial independent economic substance. Accordingly, OTS concludes that this approval criterion is inapplicable.

With respect to the CRA and OTS's CRA regulations, the Savings Bank's CRA assessment area will consist of Dane County, Wisconsin. Based on the Savings Bank's CRA

Plan, OTS concludes that the Savings Bank has satisfactorily demonstrated that it will meet its CRA objectives.

The Savings Bank's proposed charter and bylaws conform to OTS regulations in all material respects.

Holding Company Application

Section 10(e)(1)(B) of the Home Owners' Loan Act and the Acquisition of Control Regulations thereunder provide that OTS must approve a proposed acquisition of a savings association by a company, other than a savings and loan holding company, unless OTS finds that the financial and managerial resources and future prospects of the company and association involved would be detrimental to the association or the insurance risk of the DIF. OTS must also consider the impact of the acquisition on competition. Finally, OTS must take into account assessments under the CRA when considering holding company applications.

For the reasons set forth in the discussion of the permission to organize application, OTS concludes that the managerial resources of the Holding Company and the Savings Bank are consistent with approval.

With regard to financial resources, OTS reviewed the Holding Company's financial position and the Savings Bank's proposed capitalization and business plan. The Applications demonstrate that the Holding Company will have sufficient resources and that the Savings Bank will meet all of its capital requirements and will be well capitalized, as defined in the OTS Prompt Corrective Action regulation, throughout its first three years of operations. Based on the foregoing, OTS concludes that the financial resources of the Holding Company and the Savings Bank are consistent with approval of the holding company application.

Based on the factors considered in the above discussions regarding the managerial and financial resources of the Savings Bank and the Holding Company, the character and responsibility of the officers and directors of each entity, and the probability of the Savings Bank's usefulness and success, OTS concludes that the future prospects of the Holding Company and the Savings Bank are consistent with approval, and will not pose undue risk to the DIF, subject to the imposition of the above described conditions.

The transaction will not result in any currently operating, unaffiliated depository institutions becoming affiliated. Accordingly, OTS finds no basis for objection to the transaction on anti-competitive grounds.

With respect to the CRA, the Holding Company has not been subject to the CRA. Accordingly, OTS concludes that there is no basis for objection to the holding company application based on CRA grounds.

Conclusion

Based on the information provided with the Applications, OTS's analysis of such information, and the representations and commitments provided by the Holding Company and the Savings Bank, OTS concludes that the Applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Central Regional Director or his designee (Regional Director). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The Holding Company and the Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Director;
2. The proposed transaction must be consummated within 120 calendar days from the date of this Order;
3. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Holding Company and the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Holding Company and the Savings Bank, respectively, as disclosed in the Applications. If additional information having a material adverse bearing on any feature of the Applications is brought to the attention of the Holding Company, the Savings Bank, or OTS since the date of the financial statements submitted with the Applications, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
4. The Holding Company and the Savings Bank must, within 5 calendar days after the effective date of the proposed transaction: (a) advise the Regional Director in writing of the effective date of the proposed transaction and of the Savings Bank's insurance of accounts; (b) advise the Regional Director in writing that the transaction was consummated in accordance with all applicable laws and regulations, the Applications and this Order; and (c) provide a reconciliation of the Savings Bank's capital to the Regional Director;
5. The Savings Bank must comply with the business plan submitted with the Applications and must submit any proposed major deviations or material changes from the business plan for the prior, written non-objection of the Regional Director. The request for change must be submitted a minimum of 60 calendar days before the desired implementation date with a copy sent to the FDIC Regional Office;
6. For three years following the Savings Bank's commencement of operations, the Savings Bank must submit to the Regional Director within 45 calendar days after the end of each calendar quarter a business plan variance report detailing the

Savings Bank's compliance with the business plan and explanations of any material deviations;

7. The Savings Bank must submit independent audit reports to the Regional Director for its first three years of operations. These reports must be in compliance with the audit rules set forth at 12 C.F.R. § 562.4;
8. Prior to commencement of operations, the Savings Bank must hire a qualified Chief Lending Officer who is acceptable to the Regional Director;
9. For three years following commencement of operations, the Savings Bank must receive the prior written non-objection of the Regional Director for any proposed new senior executive officers or directors, or any significant changes in responsibilities of any senior executive officer;
10. Prior to opening for business, the Savings Bank must implement a compliance management program that includes, at a minimum, the following components:
 - The assignment of specific compliance responsibilities to individuals who are knowledgeable and experienced in administering consumer protection, nondiscrimination, and other compliance laws administered by OTS;
 - Regular and comprehensive self-assessment reviews to ensure compliance on a day-to-day basis;
 - Periodic compliance audits;
 - Comprehensive training for all affected staff;
 - An ongoing system for assuring compliance with federal fair lending statutes and regulations, and for handling consumer inquiries or complaints; and
 - Appropriate written policies and procedures;
11. For two years following commencement of operations, the Savings Bank must provide notice to the Regional Director at least 30 calendar days prior to engaging in any transaction with any affiliate or affiliated person that has not already been disclosed in the Applications; and
12. At least 40 percent of the Savings Bank's board of directors must be individuals who are not officers or employees of the Holding Company or affiliates thereof, and who have not otherwise been determined by the Regional Director to lack sufficient independence. At least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Holding Company or any affiliate, and who is not an officer or employee of the Savings Bank, and who has not otherwise been determined by the Regional Director to lack sufficient independence. At least 50 percent of the Savings Bank's audit committee must be directors who are not officers or employees of the Savings Bank, the Holding Company or any affiliate, and who have not

otherwise been determined by the Regional Director to lack sufficient independence.

The Regional Director may, for good cause, extend any time period set forth herein for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective

July 17, 2008.



Lori J. Quigley
Managing Director
Examinations and Supervision - Operations