

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

COLUMBIA SAVINGS AND LOAN ASSOCIATION)
Milwaukee, Wisconsin)
OTS Docket No. 01672)

Order No.: MWR-06-15

Date: November 27, 2006

STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, this Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation), which references the accompanying and above-referenced Order to Cease and Desist (Order), is submitted by **Columbia Savings and Loan Association, Milwaukee, Wisconsin** (OTS Docket No. 01672) (Columbia or the Association) to the Office of Thrift Supervision (OTS), which is acting through its Midwest Regional Director (Regional Director);

WHEREAS, OTS, based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Columbia pursuant to 12 U.S.C. § 1818(b)¹;

WHEREAS, the Association desires to cooperate with OTS and to avoid the time and expense of such administrative proceeding;

WHEREAS, OTS is of the view that it is appropriate to formally recognize the commitment of the Board and management and the steps taken by Columbia to ensure that Columbia will (i) continue to comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the Association (i) without any adjudication on the merits; (ii) without admitting or denying that such grounds exist; or (iii) without admitting or denying the Findings of Fact or opinions and conclusions of OTS, except as to Jurisdiction, Paragraph 1, below, which is admitted, hereby stipulates and agrees to the following:

1. **Jurisdiction**

- A. The Association is a "savings association" within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, it is a "depository institution" as that term is defined in 12 U.S.C. § 1813(c).

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

- B. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative cease and desist proceeding against such savings association. Therefore, the Association is subject to the jurisdiction of OTS to initiate and maintain cease and desist proceedings against it pursuant to 12 U.S.C. § 1818(b). The Deputy Director of OTS, pursuant to delegated authority from the Director of OTS, has delegated to the Regional Director the authority to issue cease and desist orders where the savings association has consented to the issuance of the orders.

2. **OTS Findings of Fact**

OTS finds that the Association has engaged in violations of:

- A. 12 C.F.R. § 560.93 (loans to one borrower limitations);
- B. 12 C.F.R. § 563.177(b)(1) (maintenance of a written program reasonably designed to ensure compliance with the Bank Secrecy Act (BSA) and implementing regulations²);
- C. 12 C.F.R. § 563.177(b)(2) and 31 C.F.R. § 103.121(b) (incorporation of Customer Identification Program (CIP) and implementation thereof);
- D. 12 C.F.R. § 563.177(c)(1) (a system of internal controls to ensure compliance with BSA);
- E. 12 C.F.R. § 563.177(c)(2) (independent testing for BSA compliance);
- F. 12 C.F.R. § 563.177(c)(4) (training for appropriate personnel);
- G. 12 C.F.R. § 568.4 (compliance with the Bank Protection Act);
- H. 12 C.F.R. § 568.5 (protection of customer information) and Appendix B to 12 C.F.R. Part 570 (interagency guidelines establishing information security standards); and
- I. 31 C.F.R. § 103.100(b)(2) (information requests from Financial Crimes Enforcement Network).

3. **Consent**

- A. The Association consents to the issuance by OTS of the accompanying Order.

² Currency and Foreign Transactions Reporting Act, as amended by USA Patriot Act and other laws (Bank Secrecy Act of BSA), 31 U.S.C. § 5311 *et seq.*, and the regulations adopted thereunder by the U.S. Department of the Treasury, 31 C.F.R. § 103.11 *et seq.*, and the related BSA regulations adopted by OTS, 12 C.F.R. § 563.177.

- B. The Association further agrees to comply with the terms of the Order upon issuance. The Association further stipulates and agrees that the Order complies with all requirements of law.

4. **Finality**

The Order is issued under 12 U.S.C. § 1818(b). Upon its issuance by OTS, acting by and through its Regional Director, the Order shall be a final order, effective and fully enforceable by OTS under the provisions of 12 U.S.C. § 1818(i).

5. **Waivers**

The Association waives the following:

- A. The right to be served with a written notice of OTS's charges against it as provided by 12 U.S.C. § 1818(b);
- B. The right to an administrative hearing of OTS's charges against it as provided by 12 U.S.C. § 1818(b);
- C. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h) and (i), or otherwise to challenge the validity of the Order;
- D. Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and
- E. The right to assert this proceeding, its consent to the issuance of the Order, the issuance of the Order, the payment of any monies or the provision of any other financial relief as contemplated by the Order as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. **Other Governmental Actions Not Affected**

- A. Upon OTS's issuance of the accompanying Order, following OTS's acceptance of this Stipulation, executed by the Association, OTS does release and discharge the Association from all potential claims and charges that have been or might have been asserted by OTS, based on the violations described in the Findings of Fact set forth in Paragraph 2 of this Stipulation, to the extent known to OTS as of the effective date of the accompanying Order. However, the violations alleged above in Paragraph 2 of this Stipulation may be utilized by OTS in future enforcement actions to establish a pattern of practice of violations or the continuation of a pattern or practice of

violations. This release shall not preclude or affect any right of OTS to determine and ensure compliance with the terms and provisions of this Stipulation and the Order.

- B. The Association acknowledges and agrees that its consent to the issuance of the Order does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, liability or other administrative, civil or criminal proceeding that may arise pursuant to this action or otherwise or that may be or has been brought by another governmental entity against the Association or any institution-affiliated party thereof or by OTS against any institution-affiliated party of the Association.

7. **Miscellaneous**

- A. The laws of the United States of America shall govern the construction and validity of this Stipulation and the Order.
- B. In case any provision of the Stipulation or Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.
- C. All references to OTS or the Association in this Stipulation and the Order shall also mean any of OTS's or Association's predecessors, successors, and assigns.
- D. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the construction hereof of the Stipulation or the Order.
- E. The terms of this Stipulation and the Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters.
- F. This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by OTS, acting through its Director, Deputy Director, Regional Director or other authorized representative.

8. **Signature of Directors**

Each Director of the Association's Board of Directors signing this Stipulation attests that he/she voted in favor of a resolution authorizing the execution of the Stipulation. A copy of the resolution of the Board of Directors of Columbia, authorizing execution of this Stipulation, shall be delivered to OTS, along with the executed original of this Stipulation.

**UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION**

In the Matter of))) COLUMBIA SAVINGS AND LOAN ASSOCIATION) Milwaukee, Wisconsin) OTS Docket No. 01672)	Order No.: MWR-06-15 Date: November 27, 2006
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**CONSENT ORDER TO
CEASE AND DESIST FOR AFFIRMATIVE RELIEF**

WHEREAS, Columbia Savings and Loan Association, Milwaukee, Wisconsin (Columbia or Association) (OTS Docket No. 01672), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation);

WHEREAS, the Association, by execution of this Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (Order) by the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1818(b);¹ and

WHEREAS, the Deputy Director of the OTS has delegated to the Regional Directors of OTS the authority to issue Orders to Cease and Desist on behalf of OTS where a savings association has consented to the issuance of the Order.

NOW THEREFORE, IT IS ORDERED THAT:

1. Compliance with Laws and Regulations

The Association and the Association's directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, aiding or abetting of any unsafe or unsound practice or any violation of:

- A. 12 C.F.R. § 560.93 (loans to one borrower limitations);
- B. 12 C.F.R. § 563.177(b)(1) (failure to maintain a Bank Secrecy Act Policy reasonably designed to ensure compliance with the Bank Secrecy Act (BSA) and implementing

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

regulations²);

- C. 12 C.F.R. § 563.177(b)(2) and 31 C.F.R. § 103.121(b)(2) (incorporation of customer identification program and implementation thereof);
- D. 12 C.F.R. § 563.177(c)(1) (a system of internal controls to ensure compliance with BSA);
- E. 12 C.F.R. § 563.177(c)(2) (independent testing for BSA compliance);
- F. 12 C.F.R. § 563.177(c)(4) (training for appropriate personnel);
- G. 12 C.F.R. § 568.4 (compliance with Bank Protection Act);
- H. 12 C.F.R. § 568.5 (protection of customer information) and 12 C.F.R. Part 570, Appendix B (interagency guidelines establishing information security standards); and
- I. 31 C.F.R. § 103.100(b)(2) (information requests from Financial Crimes Enforcement Network (FinCEN)).

IT IS FURTHER ORDERED THAT:

CORRECTIVE PROVISIONS

2. Outsourcing Arrangement

The Association shall continue to retain services from a qualified consultant with respect to its information security program and compliance program until completion of the next scheduled examination. The Association must notify OTS within **10 days** of any change in the consultants or the scope of the consulting contracts.

3. Regulatory Compliance Plan

Management shall submit an update on the status of the plan and schedule for resolution of regulatory violations and deficiencies cited in the May 22, 2006 Report of Examination to the Board at each monthly Board meeting. Management shall submit a copy of the status report to OTS by **30 days after the end of the month**.

4. Loans-to-One-Borrower Limitations

By **November 30, 2006**, the Board shall resolve the loans-to-one borrower violation in accordance with 12 C.F.R. § 560.93.

² Currency and Foreign Transactions Reporting Act, as amended by USA Patriot Act and other laws (Bank Secrecy Act of BSA), 31 U.S.C. § 5311 *et seq.*, and the regulations adopted thereunder by the U.S. Department of the Treasury, 31 C.F.R. § 103.11 *et seq.*, and the related BSA regulations adopted by OTS, 12 C.F.R. § 563.177 (collectively with the aforementioned laws and regulations, the BSA Laws and Regulations).

5. **Information Security Risk Assessment**

By **December 31, 2006 and annually thereafter**, the chief executive officer and a designated director shall review and submit to the Board, with the assistance of a qualified consultant, a comprehensive risk assessment covering Association's operations, as required by Appendix B to 12 C.F.R. Part 570. The risk assessment shall (a) address the guidelines set forth in OTS CEO Letter No. 231, entitled "Compliance Guide: Interagency Guidelines Establishing Information Security Standards," dated December 14, 2005, transmitting "Interagency Guidelines Establishing Information Security Standards--Small-Entity Compliance Guide; (b) identify reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or customer information systems; (c) assess the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information; (d) assess the sufficiency of policies, procedures, customer information systems, and other arrangements in place to control risks; (e) apply each of the foregoing steps in connection with the Association's disposal of customer information; and (f) address the reasonable foreseeable risks to customer information stored in systems owned or managed by service providers and customer information disposed by the Association's service provider(s).

6. **Security Controls**

By **December 31, 2006**, management, with the assistance of outside consultant, shall (1) establish adequate security settings on the Association's local area network; (2) establish specific procedures regarding the appropriate access to all computer equipment; and (3) establish computer security, protection and monitoring measures, in accordance with the guidelines set forth in OTS CEO Letter No. 241, entitled "Information Technology Examination Handbook—Updated Information Security Booklet," dated July 27, 2006 (Information Security Booklet, dated July 2006) and Section 341 (Information Technology Risks and Controls) of the OTS Examination Handbook.

7. **Information Security Program**

By **December 31, 2006**, the Board shall adopt a revised Safeguarding Customer Information Policy (Customer Information Policy). The Association's Customer Information Policy, based on the Association's risk assessment, shall address the following at a minimum:

- A. Requirements and guidelines in Appendix B to 12 C.F.R. Part 570, Section 341 of the OTS Examination Handbook, OTS CEO Letter No. 231, and the Information Security Booklet;
- B. Incorporation of a written business continuity plan in accordance with **Paragraph 10** hereof;
- C. Establishment of an information security training program in accordance with **Paragraph 9** hereof;

- D. Incorporation of the Incident Response Program in accordance with **Paragraph 8** hereof;
- E. Requirement for an annual independent audit of the Association's Customer Information Policy and implementing procedures and the Association's compliance with Appendix B to 12 C.F.R. Part 570 by a qualified party, in accordance with the guidelines set forth in **Paragraph 11** hereof;
- F. Establishment of: (1) the minimum criteria for vendor review and level of due diligence, prior to the purchase of software and hardware or entering into third party contracts; (2) reporting requirements to the Board regarding due diligence finding and any issues under Thrift Bulletin 82a, entitled "Third Party Arrangements," dated September 1, 2004; and Section IID of Appendix B and Section IC of Supplement A to Appendix B to 12 C.F.R. Part 570; (3) the level of monitoring required for vendors, including a review of the service provider's work product and reporting any deficiencies of the service provider to the Board; and (4) procedures for obtaining and reviewing the SAS 70 audit and/or any regulatory examination of the service provider, or the review of annual financial statements to verify the long-term viability of the service provider, if the Association does not receive a copy of a third party review;
- G. Corrective actions to address the deficiencies noted in reports of examination and independent test; and
- H. Requirement of at least annual reports from management that address, at a minimum, the requirements of **Paragraph 12** hereof and Appendix B to 12 C.F.R. Part 570.

A copy of the Board minutes reflecting the Board's review and a copy of the Association's approved revised Customer Information Policy shall be submitted to OTS by **January 31, 2007**.

8. Incident Response Program

By **December 31, 2006**, the Board shall adopt an Incident Response Program: (1) that addresses the specific actions to be taken when the Association suspects or detects that unauthorized individuals have gained access to customer information systems, including appropriate reports to regulatory and law enforcement agencies; and (2) that complies with Supplement A to Appendix B to 12 C.F.R. Part 570, and OTS CEO Letter No. 214, entitled "Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice," dated March 30, 2005. The Program shall address (a) the assessment of the nature and scope of an incident and identification of what customer information may have been accessed or misused; (b) prompt notification to its primary federal regulator once the institution becomes aware of an incident involving unauthorized access to or use of sensitive customer information; (c) notification to appropriate law enforcement authorities, in addition to filing a timely Suspicious Activity Report, in situations involving Federal criminal violations requiring immediate attention; (d) measures to contain and control the incident to prevent further unauthorized access to or misuse of customer information, while preserving records and other evidence; and (e) notification to

customers when warranted. The Board shall submit a copy of the minutes reflecting its review and the Incident Response Program to OTS by **January 31, 2007**.

9. **Information Security Training Program.**

By **December 31, 2006, and thereafter annually**, the Board shall approve an annual training program for the directors and Association personnel that covers the (a) Association's Customer Information Policy and related procedures; (b) the applicable regulatory requirements set forth in Appendix B of 12 C.F.R. Part 570, and CEO Letter No. 231; (c) the identification of, and appropriate responses to schemes to commit fraud or identity theft; (d) the proper disposal of customer information; and (e) computer security. The Board shall receive this training prior to the adoption of the Association's revised Customer Information Policy. The Board's review of the training program shall be set forth in the Board minutes, a copy of which shall be submitted to OTS, along with the training schedule by **January 31, 2007**.

10. **Business Continuity Plan**

A. By **December 31, 2006**, the Board shall adopt a written business continuity plan for the Association (1) that incorporates the business continuity plan of its service provider, (2) that address the guidelines in the Federal Financial Institutions Examination Council's (FFIEC) Business Continuity Booklet, dated March 2003, and (3) that requires annual testing.

B. By **February 28, 2007 and thereafter annually**, management shall test the business continuity plan and report the results to the Board.

11. **Information Security Audit**

A. By **February 28, 2007**, the Board shall obtain an independent audit of the Association's Customer Information Policy, Incident Response Plan, Business Continuity Plan, and network security procedures (Information Security Program), by a qualified independent third party who has knowledge of, and training regarding the FFIEC and OTS's issuances on information technology, including but not limited to FFIEC IT Audit Handbook, dated August, 2003; Section 341 of the OTS Examination Handbook; Information Security Booklet; CEO Letter No. 231; and Appendix B of 12 C.F.R. Part 570. The independent audit of the Association's Information Security Program (IT audit) shall include transaction testing and shall be fully supported by work papers that clearly set forth the scope of the audit, the specific procedures performed, and the specific systems, records, procedures, and programs reviewed. The IT audit shall address, at a minimum, the applicable requirements of the FFIEC IT Audit Handbook and the following:

1. Reasonableness of the Association's risk assessments in accordance with Section IIIB of Appendix B and Section IB of Supplement A to Appendix B to 12 C.F.R. Part 570 and the Information Security Booklet;

2. Review of the Association's Information Security Program for compliance with

Appendix B to 12 C.F.R. Part 570, CEO Letter No. 231, Section 341 of OTS Examination Handbook, and the Information Security Booklet;

3. Review of the Association's Incident Response Program for compliance with Supplement A to Appendix B to 12 C.F.R. Part 570; CEO Letter No. 214; CEO Letter No. 231; the Information Security Booklet; and Section 341 of OTS Examination Handbook;
4. A test of the controls, systems, and procedures set forth in the Association's Information Security Program and for all business lines;
5. A test of network security settings for effectiveness and for conformance, where applicable, with FFIEC's and OTS's issuances, including but not limited to the Information Security Booklet;
6. Test of accessibility to all computer equipment, including but not limited to, servers, mailers, office computers, or terminals and substantiate the integrity of employee activities and the appropriateness of user access rights and testing of office security measures;
7. Test of disposal of customer information practices for effectiveness and for conformance, where applicable, with FFIEC's and OTS's issuances including but not limited to the Information Security Booklet;
8. Review of the adequacy of internal controls for monitoring information processing and transactions, including segregation of duties and controlling and mitigation of risks;
9. Review of the adequacy of the content and documentation of the training of the Board, management, and employees regarding the Association's Information Security Program, as required by **Paragraph 9** hereof;
10. Review of the adequacy of, and test of the Association's business continuity plan under the guidelines of the Business Continuity Booklet;
11. Review of the monitoring of the Association's information technology service providers, including, but not limited to due diligence criteria and reports to the Board regarding the service providers' business continuity plans and compliance with Appendix B to 12 C.F.R. Part 570; the Information Security Booklet; Thrift Bulletin 82a; and the Outsourcing Technology Services Booklet, dated June 2004;
12. Review of processes in place to ensure timely tracking and resolution of reported weaknesses;
13. Review of the integrity of management's reports to the Board and the adequacy of documentation for compliance with the Association's Information Security Program and Appendix B to 12 C.F.R. Part 570; and
14. Review of any other applicable policies, procedures, or programs required

pursuant to OTS regulations or issuances.

- B. The Association shall obtain an applicable IT audit annually that covers all applicable requirements of this Paragraph, the applicable guidelines in the FFIEC IT Audit Handbook, and the requirements of applicable regulations.
- C. The findings of the IT audit shall be promptly reported to, and reviewed by the Board at the next regularly scheduled meeting following the receipt of the audit report. The Board shall ensure that its discussions of the IT audit results, including any actions taken or required by the Board, are documented thoroughly and accurately in the Board minutes. The Association shall submit a copy of Board minutes and a copy of the IT audit to OTS by **March 31, 2007**. The Association shall retain a complete copy of all work papers generated by the audit.

12. **Management Reports**

By **January 31, 2007, and thereafter annually**, management shall provide reports to the Board that address (a) whether the Association's Information Security Program complies with Appendix B to 12 C.F.R. Part 570; (b) the Association's comprehensive risk assessment; (c) risk management and control decisions; (d) any vendor management issues or service provider arrangements, including compliance with the requirements of Section IID of Appendix B and Section IC of Supplement A to Appendix B to 12 C.F.R. Part 570; (e) results of testing of the Association's Information Security Program and the business continuity plans for the Association and its data processor server; (f) any security breaches or violations, occurrences of any incidents within the scope of Supplement A to Appendix B to 12 C.F.R. Part 570, and management's responses; (g) correction of deficiencies noted in internal audit, independent test, or OTS examination report; (h) the recommendation for changes in the information security program; (i) any new regulatory requirements and the status of the Association's compliance efforts; (j) whether the employee(s) with information technology functions have adequate training, resources, and time to perform such functions; and (k) implementation of the Information Security Training Program. The Association's review of the management reports must be set forth in the Board minutes. The Association shall submit a copy of the annual report for 2006 and the Board minutes reflecting its review of each of the aforementioned matters to OTS by **February 28, 2007**.

13. **Internal Controls**

By **30 days after the end of each quarter**, beginning with the quarter ending **December 31, 2006 and concluding with the quarter ending June 30, 2007**, management shall provide a status report to the Board regarding the effectiveness of the internal controls implemented for (1) the review of the daily large transaction reports for suspicious activities, (2) verification of timely searches for requests from the Financial Institutions Crimes Enforcement Network (FinCEN) and confidential documentation thereof, and (3) compliance with the customer identification requirements of 31 C.F.R. § 103.121(b)(2). Management shall submit a copy of the status report and the Board minutes reflecting its review to OTS within **30 days after the end of the quarter**.

14. **FinCEN Requests**

The Association shall continue to comply with requirements for responding to requests to identify accounts or transactions of a named suspect from FinCEN in accordance with Section 314(a) of USA Patriot Act and 31 C.F.R. § 103.100, within 14 days of receipt and document compliance in accordance with the Association's procedures.

15. **Customer Identification Program**

The Association shall continue to obtain and document the customer information required by the Association's Bank Secrecy Act Policy (BSA Policy) and 31 C.F.R. § 103.121(b).

16. **BSA Policy**

By **April 30, 2007**, after reviewing the independent test report, required by **Paragraph 20** hereof, the Board shall adopt a revised BSA Policy that addresses any deficiencies noted in the independent test and addresses the applicable requirements and guidelines set forth in the FFIEC's Bank Secrecy Act Anti-Money Laundering Examination Manual (FFIEC Manual). Within **30 days** after approval of the BSA Policy, management shall submit a copy of the revised BSA Policy to OTS. The Association shall comply with the BSA Policy.

17. **OFAC Program**

By **December 31, 2006**, the Board shall review and approve the Association's OFAC risk assessment based on the factors set forth in the FFIEC Manual. By **December 31, 2006**, the Board shall adopt a written policy that incorporates the Association's current practices and establishes procedures to monitor for compliance with requirements of OFAC (31 C.F.R. Part 500) and guidelines set forth in the FFIEC Manual (OFAC Policy). The OFAC Policy shall be submitted to OTS after the Board's approval by **February 28, 2007**. The Association's OFAC Policy shall be commensurate with the Association's OFAC risk assessment, and shall address (a) the scope, method, and documentation of (1) OFAC screening of new deposit and loan customers before opening of an account or by no later than nighttime processing of the new account; and (2) the periodic screening of existing customers no less frequent than quarterly; and (b) procedures for reporting any matches to OFAC.

18. **BSA and OFAC Training**

- A. By **December 31, 2006**, the Board shall adopt a program and schedule for annual training (BSA Training Program) to ensure that: (a) the BSA/OFAC officer maintains sufficient expertise to coordinate and monitor day-to-day compliance with BSA Laws and Regulations and OFAC requirements and the Association's BSA and OFAC Policies; (b) all employees who are involved in customer transaction functions are knowledgeable of the suspicious activities, money laundering schemes, and terrorists financing activities; BSA Laws and Regulations and OFAC requirements and guidelines that are applicable to the Association's products and services; the Association's BSA Policy; and related procedures for

which he or she is responsible for compliance; and (c) each director receives training on the general BSA and OFAC requirements, ramifications and risks from a failure to comply, and types of money laundering, suspicious activity, and terrorist financing. The Training Program shall: (a) require training tailored to each employee's function; (b) require the Board to (c) require proficiency standards for employees involved in BSA functions or customer transactions; and (d) require training in areas of deficiency noted in independent tests or examinations.

- B. The BSA officer shall attend a detailed BSA training seminar attended by other BSA officers by **December 31, 2006**, and the directors shall receive training prior to adoption of the revised BSA Policy after the independent test and each thereafter before its annual review and approval of the Association's BSA Policy. The BSA Officer shall maintain detailed records regarding the Training Program.
- C. The Association shall submit the Training Program and the initial training schedule to OTS by **January 31, 2007**.

19. **Annual Review of BSA and OFAC Programs**

By **June 30, 2007** and **annually thereafter**, the Board shall review and approve the Association's BSA Policy on at least an annual basis. The Board's review and approval shall address: (a) the BSA and OFAC risk assessments; (b) the BSA Officer's reports regarding whether (1) the BSA Policy adequately covered applicable BSA Laws and Regulations and the applicable guidelines in the FFIEC Manual, and (2) the OFAC Policy adequately covered compliance with OFAC guidelines and regulatory requirements set forth in the FFIEC Manual; (c) the adequacy of internal controls to ensure that the Association complies with its BSA Policy and OFAC Policy as well as applicable requirements; (d) the adequacy of independent testing in accordance with the Association's BSA Policy and the FFIEC Manual and the implementation of corrective actions; (e) the ability and expertise of the designated BSA/OFAC officer to coordinate and monitor day-to-day compliance with BSA Laws and Regulations, the Association's BSA and OFAC Policies, and OFAC requirements, with the allocated time, resources, and training; and (f) the adequacy of training of the Board and all appropriate staff regarding BSA Laws and Regulations and OFAC requirements and the identification of money laundering, terrorist financing, and other suspicious activities. The Board's review shall be set forth in the minutes of the Board, and a copy sent to OTS by **July 31, 2007**.

20. **Independent Test**

- A. By **March 31, 2007**, the Association shall obtain an independent test by a well-qualified third party to review and assess the Association's BSA Policy and practices and OFAC Policies and practices for compliance with applicable BSA Laws and Regulations and OFAC requirements for the year 2006. The third party review must have knowledge of, and received training on, BSA Laws and Regulations, OFAC requirements, and the applicable guidelines and requirements set forth in the FFIEC Manual. The engagement letter shall require that (1) the independent test satisfy, at a minimum, the requirements of this **Paragraph 20**,

require transaction testing to validate the Association's compliance with BSA/OFAC recordkeeping and reporting requirements (e.g., customer information, suspicious activity reports, currency transaction reports and exemptions, if any, FinCEN requests, and any OFAC governed transactions); (2) the test report is supported by detailed work papers that specifically state the scope, the procedures performed, and the specific records and systems reviewed; and (3) a copy of the work papers fully supporting the test results must be provided to the Association at the completion of the report.

- B. The independent test that is required in this **Paragraph 20** and the independent test conducted thereafter shall address the applicable factors for independent testing in the FFIEC Manual, and shall include a detailed review of the Association's revised BSA Policy and OFAC Policy for compliance with applicable BSA Laws and Regulations, OFAC requirements, and the guidelines and requirements set forth in the FFIEC Manual.
- C. The Association shall obtain an independent test that meets the applicable criteria set forth in the FFIEC Manual no less than annually. The Board, at the next regularly scheduled meeting following the receipt of the independent test report, shall review the final findings of the independent test. The Board shall ensure that its discussions of the testing results, including any actions taken or required by the Board, are documented in the Board meeting minutes. The Association shall retain a complete copy of all work papers generated for the independent test.

BOARD OF DIRECTORS

21. Director and Board Responsibility

Notwithstanding the requirements of this Order that the Board submit various matters to the Regional Director for the purpose of receiving approval, notice of non-objection, or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Association at all times, including compliance with the determinations of the Regional Director as required by this Order, and shall take all reasonable and prudent actions necessary to satisfy this responsibility.

22. Compliance with Order

- A. All policies, procedures, corrective actions, plans, reviews and systems required by this Order (collectively referred to as Policies and Procedures) shall conform to all applicable statutes, regulations and OTS policy and guidance. The Policies and Procedures shall be incorporated into this Order, and any deviation from such Policies and Procedures shall be a violation of this Order. The Association shall comply with all such Policies and Procedures.

- B. By the **thirtieth (30th)** calendar day after the end of each calendar month, beginning with the **month ending November 30, 2006**, the Board shall adopt a board resolution (Compliance Resolution), formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding month, the Association has complied with each provision of this Order currently in effect, except as otherwise stated. The Compliance Resolution shall specify in detail how, if at all, full compliance was found not to exist; and identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each director's reasoning for opposing or abstaining.
- C. The Association shall provide to the Regional Director a certified true copy of each Compliance Resolution as adopted by the Board within **thirty (30) calendar days after the end of the calendar month** which the Compliance Resolution was adopted. The Board, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of that board meeting.

MISCELLANEOUS

23. Definitions

- A. All technical words or terms used in this Order and Stipulation for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act (HOLA), Federal Deposit Insurance Act (FDIA) or OTS Publications. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Publications shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.
- B. For purposes of this Order, nothing shall be deemed "acceptable", as that term is used in this Order, unless the Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, has stated in writing that it is acceptable or has provided a written notice of non-objection to it.

24. Successor Statutes, Regulations, Guidance, Amendments

Reference in this Order to provisions of statutes, regulations, and OTS Publications shall be deemed to include references to all amendments to such provisions as have been made as of

the Effective Date of this Order and references to successor provisions as they become applicable.

25. **Notices**

- A. Except as otherwise provided herein, any request, demand, authorization, directive, notice, consent, waiver or other document provided or permitted by the Order to be made upon, given or furnished to, delivered to, or filed with:
1. The OTS, by the Association, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Assistant Director, Office of Thrift Supervision, Department of the Treasury, 225 East John Carpenter Freeway, Suite 500, Irving, Texas 75062-2326 or telecopied to (972) 277-9501 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address; or
 2. The Association, by OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, or telecopied to (414) 374-3292, in each case addressed to the Association, to the attention of the President and Chief Executive Officer, at 2000 West Fond du Lac Avenue, Milwaukee, Wisconsin, 53205.
- B. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Order, then, in the event such notice was sent by United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

26. **Time Limits and Suspension or Termination of Requirements**

Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted. The Regional Director, or the assigned OTS Regional Deputy Director or Assistant Director, may extend any time limits set forth in this Order by specifically granting that extension in writing. The Regional Director may suspend or terminate the requirement of the Association through a written notice that expressly provides for such suspension or termination.

27. **No Violations Authorized; OTS Not Restricted**

Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Association to violate any law, rule, regulation, or OTS or Federal Deposit Insurance Corporation policy statement to which it is subject, or (b) restricting or estopping the OTS from taking any action(s), including without limitation any actions that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

**CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS**

I, the undersigned, being the duly appointed and qualified Secretary of Columbia Savings and Loan Association, Milwaukee, Wisconsin (Columbia or Association), hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on November 16, 2006;
2. At the meeting, a quorum was present and voting throughout;
3. The following is a true copy of the resolution duly adopted by Columbia's Board of Directors, which resolution has not been rescinded or modified and is now in full force and effect:

WHEREAS, Columbia's Board of Directors wishes to continue to cooperate with Office of Thrift Supervision, and to demonstrate that the Board and the Association intend to continue to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices;

WHEREAS, the Directors of Columbia have read and considered the proposed Cease and Desist Order (Order) and Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation) which shall be attached to the minutes of this meeting; and

WHEREAS, after due consideration, the Directors of Columbia have determined to cause the Association to enter into the proposed Stipulation, which is in the best interest of the Association.

NOW THEREFORE, BE IT RESOLVED, that Columbia be, and it hereby is authorized to enter into the Stipulation in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the provisions of the Order be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of Columbia be, and they hereby are, authorized and directed to execute and deliver the Stipulation and to take all steps necessary or appropriate to implement the terms of the Order and to cause the Association to comply in all respects with the terms of the Order.

4. All members of the Board of Directors were present and voted at the meeting (~~except~~ _____) and all members of the Board of Directors (~~except~~ _____) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Columbia Savings and Loan Association, Milwaukee, Wisconsin, on this 16th day of November, 2006.

/S/

Name: Thalia B. Winfield

Title: Secretary

(SEAL)

Columbia Savings and Loan Association
Milwaukee, Wisconsin
Cease and Desist Order