



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

CRA Decision #113
November 2002

October 28, 2002

Mr. Jeff Blada
Vice President
The Baraboo National Bank
101 Third Avenue
Baraboo, Wisconsin 53913

Re: Application by The Baraboo National Bank, Baraboo, Wisconsin to merge with State Bank of Wonewoc, Wonewoc, Wisconsin, under the charter and title of The Baraboo National Bank
Application Number: 2002-CE-02-0018

Dear Mr. Blada:

This is to inform you that on October 28, 2002, the Office of the Comptroller of the Currency ("OCC") approved your application to merge The Baraboo National Bank ("Baraboo"), Baraboo, Wisconsin with State Bank of Wonewoc ("Wonewoc"), Wonewoc, Wisconsin, under the charter and title of Baraboo.¹ This approval is granted based on a thorough review of all information available, including commitments and representations made in the application and by your representatives.

Among the various statutory and regulatory factors the OCC considered in rendering its decision on this transaction, the OCC considered the banks' records of performance under the Community Reinvestment Act ("CRA"). The OCC assigned Baraboo an "Outstanding" CRA performance rating as of August 23, 1999, and the Federal Deposit Insurance Corporation ("FDIC") assigned Wonewoc a "Satisfactory" CRA record of performance as of June 26, 2000. Following the merger transaction, the resulting bank will continue to serve the same communities that Baraboo and Wonewoc currently serve. Baraboo has already extended its CRA programs and policies to serve the needs of Wonewoc's community. Accordingly, the OCC believes that approval of the proposed merger is consistent with the Community Reinvestment Act

The OCC received comment letters from one community organization and one individual in response to this application. The community organization stated its opinion that the FDIC should not have upgraded Wonewoc's CRA rating to a Satisfactory, because the bank did not adequately address concerns that had previously resulted in a "Needs to Improve" rating. These concerns largely related to Wonewoc's lending volume and the types of loan products and

¹ Baraboo and Wonewoc are both owned by The Baraboo Corporation, Inc, which acquired Wonewoc in 1998.

services available. Because the OCC currently has no regulatory authority over Wonewoc and may not presently conduct a CRA examination of the bank, the OCC relied upon the FDIC's examination findings described in the bank's Performance Evaluation ("PE") dated June 26, 2000, in determining the bank's record of CRA performance, which stated that Wonewoc had an acceptable loan-to-deposit ratio of 73%.

In addition, Wonewoc provided the OCC with a response to the community organization's comment that helps to place the bank's lending record in context. Wonewoc participated in the Wisconsin Housing and Economic Development Authority's HOME and CROP lending programs that assist low-income, first-time homeowners and farmers.² Baraboo has represented to the OCC, in connection with this application, that it intends to continue participating in those programs after the merger. Wonewoc also noted that a weak economy in its community and the provision of below-market rate agricultural loans by the Farm Credit Service affected the community's credit needs during the evaluation period.

The other commenter raised concerns that Baraboo: (1) will not help the local farmers; (2) charges high interest rates; (3) has a poor bookkeeping system; and (4) has poor trust department controls. We reviewed these concerns and concluded that the bank's operations are consistent with approval in each regard. For example, as to the first concern, Baraboo's most recent CRA PE disclosed that 38% of the bank's commercial loans and 50% of agricultural loans were to businesses and farms with less than \$100,000 in revenue. Additionally, the PE indicated that the percentage of loans to low-income families was nearly equal to the percentage of low-income families in the bank's assessment area. Second, the commenter expressed concern about Baraboo's interest rates of 9% to 9½% as to an unspecified type of loan, but did not assert that the bank's lending violated any law or regulation. Finally, as to the third and fourth concerns relating to internal controls, the OCC considered these items under the financial and managerial factors as required by the Bank Merger Act and found them consistent with approval. In addition, the OCC, as part of its ongoing supervision, regularly assesses management and internal controls.

The district office must be advised in writing at least 10 days in advance of the desired effective date for the merger, so that the OCC may issue the necessary certification letter. We will not issue a letter authorizing consummation of the merger until we have received Secretary's Certificates indicating that the Board of Directors of both banks have approved the merger and an executed copy of the merger agreement.

This approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination

² The commenter also expressed concern about compliance with a CRA agreement entered in 1998 by Baraboo Bancorporation and the Wisconsin Rural Development Center. The agreement concerns Wonewoc's farm lending. The OCC does not monitor or enforce CRA agreements that banks enter with private organizations. 66 Fed. Reg. 36,620, 36,640 (2001) (Question and Answer No. 2, § .29(b)). Nonetheless, Baraboo has represented that it plans to honor Wonewoc's CRA commitments.

authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

If you have questions, please contact Licensing Manager David Rogers at (312) 360-8850 or me at (202) 874-5060.

Sincerely,

-signed-

J. Greg Parvin
National Bank Examiner
Senior Licensing Analyst