FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

and

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
DIVISION OF BANKING – THRIFT SECTION

In the Matter of MORRIS BUILDING AND LOAN, S.B. MORRIS, ILLINOIS (INSURED STATE NONMEMBER BANK)	ORDER TO CEASE AND DESIST FDIC-07-217b 2007 THRIFT NO. 2

Morris Building and Loan, s.b., Morris, Illinois ("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/or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and under sections 9009, 9015, 9016, 9018, 11001, and 11002 of the Savings Bank Act (“SBA”), 205 ILCS 205/9009, 9015, 9016, 9018, 11001, and 11002, 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 the State of Illinois Department of Financial and Professional Regulation

(“Department”), dated March 21, 2008, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the Department.

The FDIC and the Department considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had committed violations of law and/or regulations. The FDIC and the Department, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED that the Bank, its directors, officers, employees, agents, and other institution-affiliated parties (as that term is defined in Section 3(u) of the Act, 12 U.S.C. § 1813(u) or in sections 1007.35 or 11005 of the SBA, 205 ILCS 205/1007.35 and 11005), and its successors and assigns cease and desist from the following unsafe or unsound banking practices and violations of law, rule, or regulation:

a) Operating in such a manner as to produce operating losses;

b) Operating with excessive overhead, occupancy costs, personnel costs, and inadequate net interest margins;

c) Operating with inadequate asset/liability policies and practices;

d) Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits;

e) Operating with a board of directors which has failed to provide adequate supervision over and direction to the active management of the Bank; and

f) Violating laws, rules, or regulations as cited in the Violations section (pages 17-19) of the Joint Report of Examination.

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

CAPITAL PROVISIONS

1. (a) From the effective date of this ORDER the Bank shall have and maintain a ratio of Tier 1 capital as a percentage of its total assets (“capital ratio”) of 7.5%. 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) If the Bank's capital ratio falls below the required 7.5%, the Bank shall develop and adopt a plan to meet and thereafter maintain the capital ratio required by this Order. The Plan shall be in a form and manner acceptable to the Regional Director and the Department as determined at subsequent examinations.

(c) The level of Tier 1 capital to be maintained during the life of this Order pursuant to subparagraph 1 (a) shall be in addition to a fully funded allowance for loan and lease losses ("ALLL"), the ALLL shall be satisfactory to the Regional Director and the Department as determined at subsequent examinations.

MANAGEMENT

2. (a) During the life of this ORDER, the Bank shall have and thereafter retain qualified management. Each member of management shall have the qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of 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, rules, and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, and liquidity.

(b) During the life of this ORDER, the Bank shall notify the Regional Director and the Department in writing of any changes in any of the Bank’s directors or senior executive officers. For purposes of this ORDER, “senior executive officer” is defined as in section 32 of the Act (“section 32”), 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b), and includes any person identified by the FDIC or the Department, whether or not hired as an employee, with significant influence over, or who participates in, major policymaking decisions of the Bank.

(c) Prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.104.

3. From the effective date of this ORDER, the board of directors shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound

policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of Banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; and individual committee actions. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

STRATEGIC PLAN

4. (a) Within 120 days from the effective date of this ORDER, the Bank shall formulate and adopt a realistic, comprehensive strategic plan. 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:

(i) Strategies for pricing policies and asset/liability management;

(ii) Strategies for increasing earnings performance and sustaining satisfactory earnings performance;

(iii) Strategies for providing efficient staff levels;

(iv) Strategies for providing sufficient management succession and training;

(v) Strategies for growing loan portfolio profitably;

(vi) Strategies for growing core deposits profitably;

(vii) Strategies for reducing the degree of interest rate risk by managing the repricing mismatch; and

(viii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings.

(c) The plan required by this subparagraph shall be acceptable to the Regional Director and the Department.

(d) Within 30 days from the end of each calendar quarter following completion of the Strategic Plan required by this paragraph(4), the Bank’s board of directors shall evaluate the Bank’s actual performance in relation to the strategic plan 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.

(e) The strategic plan required by this ORDER shall be revised and submitted to the Regional Director and the Department for review and comment 30 days prior to the end of each calendar year for which this ORDER is in effect. Within 30 days of receipt of all such comments from the Regional Director and the Department, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement the revised plan.

ASSET/LIABILITY MANAGEMENT

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a written plan addressing rate sensitivity objectives. Annually thereafter during the life of this ORDER, the Bank shall review this plan for adequacy and, based upon such review, shall make appropriate revisions to the plan that are necessary to identify, measure, monitor, and control interest rate risk so as to assure the development and maintenance of an adequate net interest margin.

A copy of the plan and each revision thereof shall also be submitted to the Regional Director and the Department upon completion. The initial plan shall include, at a minimum, provisions 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 (June 26, 1996), and the Joint Supervisory Statement on Investment Securities and End-user Derivative Activities (April 23, 1998); and

(b) The plan required by this subparagraph shall be acceptable to the Regional Director and the Department.

BUDGET AND PROFIT PLAN

6. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Department a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar year 2008. The plan required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank’s overall earnings and net interest income, and shall contain a thorough description of the operating assumptions that form the basis for major projected income and expense components.

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

- (i) An identification of the major areas in, and means by which, the board will seek to improve the Bank’s operating performance;
- (ii) Realistic and comprehensive budget;
- (iii) A budget review process to monitor the income and expenses of the bank to compare actual figures with budgetary projections;
- (iv) A description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components; and
- (v) An assessment of the source, volatility, and sustainability of earnings, including the effect of nonrecurring or extraordinary income or expense.

(c) Within 30 days from the end of each calendar quarter following completion of the profit plan and budget required by this paragraph, the Bank’s board of directors shall evaluate the Bank’s actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors’ meeting at which such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect and shall be submitted to the Regional Director and the Department for review and comment within 30 days of the end of each year. Within 30 days of receipt of all such comments from the Regional Director and the Department and after 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.

CORRECTION OF VIOLATIONS

7. (a) Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulation listed in the Joint Report of Examination as of July 30, 2007 ("Joint Report").

(b) Within 60 days from the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws, rules, and regulations.

COMPLIANCE WITH ORDER

8. (a) Within 30 days from the effective date of this

ORDER, the Bank’s board of directors shall have in place a program that will provide for monitoring of the Bank’s compliance with this ORDER.

(b) Following the required date of compliance with subparagraph (a) of this paragraph, the Bank’s board of directors shall review the Bank’s compliance with this ORDER and record its review in the minutes of each regularly scheduled board of directors’ meeting.

PROGRESS REPORTS

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

The effective date of this ORDER shall be 10 calendar days after its issuance by the FDIC and the Department.

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 provision has been modified, terminated, suspended, or set aside by the FDIC and the Department.

Pursuant to delegated authority.

Dated: March 21, 2008.

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Sylvia H. Plunkett
Regional Director
Chicago Regional Office
Federal Deposit Insurance Corporation

Department of Financial and Professional Regulation of the State of Illinois;
Dean Martinez, Secretary

Division of Banking

By:____________________
Jorge A. Solis
Director