

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

SPRINGFIELD, ILLINOIS

_____	)	
In the Matter of	)	CONSENT ORDER
	)	
SECURITY BANK, S.B.	)	
SPRINGFIELD, ILLINOIS	)	FDIC-10-317b
	)	2010-DB-64
(ILLINOIS CHARTERED	)	
INSURED MUTUAL SAVINGS BANK)	)	
_____	)	

Security Bank, S.B., Springfield, 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 or regulation alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("**Act**"), 12 U.S.C. § 1818(b), 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 A CONSENT ORDER ("**STIPULATION**") with representatives

of the Federal Deposit Insurance Corporation ("**FDIC**") and the Illinois Department of Financial and Professional Regulation, Division of Banking ("**Division**"), dated July 15, 2010, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices relating to Earnings, Asset Quality, Management, and Capital, the Bank consented to the issuance of a CONSENT ORDER ("**ORDER**") by the FDIC and the Division.

The FDIC and the Division considered the matter and determined to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and the SBA, 205 ILCS 205/1001 et seq., have been satisfied, the FDIC and the Division **HEREBY ORDER** that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), or in sections 1007.05 and 11005 of the SBA, 205 ILCS 205/1007.05 and 11005, and its successors and assigns, take affirmative action as follows:

PROFIT PLAN

1. (a) Within thirty (30) days after the effective date of this ORDER, the Board of Directors shall revise the Bank's 2010 written profit plan. Within the first thirty (30) days of each calendar year thereafter, the Board of Directors shall develop and formally adopt a written profit plan consisting of

goals and strategies for improving the earnings of the Bank for each calendar year. The written profit plan shall include, at a minimum:

- (i) Identification of the major areas in, and means by, which the board of directors will seek to improve the Bank's operating performance;
- (ii) Realistic and comprehensive budgets;
- (iii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections on not less than a quarterly basis; and
- (iv) A description of the operating assumptions that form the basis for and support major projected income and expense components.

(b) Such written profit plan and any subsequent modification thereto shall be submitted to the Regional Director and the Division for review and comment. The Bank, its directors, officers, and employees shall follow the written profit plan and/or any subsequent modification.

CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION

2. (a) Within thirty (30) days after the effective date

of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss by the FDIC or the State in the Report of Examination of the Bank dated March 22, 2010 ("**ROE**"). Elimination or reduction of these assets through proceeds of loans made by the Bank shall not be considered "collection" for the purpose of this paragraph.

(b) Within sixty (60) days after the effective date of this ORDER, the Bank shall develop and the Board shall formally approve a written plan to reduce the remaining assets classified Substandard in the ROE. The plan shall address each asset so classified with a balance of \$500,000 or greater and provide the following:

- (i) The name under which the asset is carried on the books of the Bank;
- (ii) Type of asset;
- (iii) Actions to be taken in order to reduce the classified asset; and
- (iv) Timeframes for accomplishing the proposed actions.

The plan shall also include, at a minimum:

- (v) Review the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment

sources; and

- (vi) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

In addition, the Bank's plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the plan shall contain a provision requiring the submission of monthly progress reports to the Bank's board of directors and a provision mandating a review by the Bank's board of directors.

(c) The Bank shall present the plan to the Regional Director and the Division for review and comment.

(d) For purposes of the plan, the reduction of adversely classified assets listed in the ROE shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's Allowance for Loan and Lease Losses and may be accomplished by:

- (i) Charge-off;
- (ii) Collection;
- (iii) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the Division; or

(iv) Increase in the Bank's Tier 1 Capital.

(e) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss as determined at any future examination conducted by the FDIC or the Division.

CONCENTRATIONS - PLAN FOR REDUCTION

3. (a) Within sixty (60) days after the effective date of this ORDER, the Bank shall formulate and the Board shall formally adopt a written plan to reduce each of the loan concentrations of credit identified in the ROE. Such plan shall include, but not be limited to:

- (i) Dollar levels to which the Bank shall reduce each concentration; and
- (ii) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the Bank's board of directors.

(b) For purposes of the plan, "reduce" means to:

- (i) Charge-off;
- (ii) Collect;
- (iii) Sell; or
- (iv) Increase Tier 1 Capital.

(c) The Bank shall present the plan to the Regional Director and the Division for review and comment.

MANAGEMENT CLAUSE - STAFFING STUDY

4. (a) Within thirty (30) days after the effective date of this ORDER, the Bank shall retain an independent third party acceptable to the Regional Director and the Division. The independent third party shall develop a written analysis and assessment of the Bank's senior executive management and staffing needs ("**Management Plan**") for the purpose of providing qualified management for the Bank.

(b) The Bank shall provide the Regional Director and the Division with a copy of the proposed engagement letter or contract with the independent third party for review before it is executed.

(c) The Management Plan shall be developed within sixty (60) days after the effective date of this ORDER. The Management Plan shall include, at a minimum:

- (i) Identification of both the type and number of senior executive officer positions needed to properly manage and supervise the affairs of the Bank;
- (ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active

management;

- (iii) Evaluation of all Bank senior executive officers to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition; and
- (iv) Evaluation of all Bank senior executive officer's compensation, including salaries, director fees, and other benefits; and
- (v) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those senior executive officer positions identified in the Management Plan.

(d) The Management Plan shall be submitted to the Regional Director and the Division for review and comment upon its completion. The Bank shall approve the Management Plan, and

record its approval in the minutes of the board of directors' meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the Management Plan and/or any subsequent modification.

#### CAPITAL MAINTENANCE

5. (a) Within thirty (30) days after the effective date of this ORDER and while this ORDER is in effect, the Bank shall, after establishing an Allowance for Loan and Lease Losses, have and maintain its Tier 1 Leverage Capital ratio equal to or greater than eight (8%) percent of the Bank's Average Total Assets; and shall maintain its Total Risk-Based Capital ratio equal to or greater than twelve (12%) percent of the Bank's Total Risk Weighted Assets. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total assets, and risk-weighted 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 any such capital ratios are less than required by the ORDER, as determined as of the date of any Report of Condition and Income or at an examination by the FDIC or the State, the Bank shall, within thirty (30) days, present to the Regional Director and the Division a plan to increase the Bank's Tier 1 Capital of the Bank or to take such other measures to bring all the capital ratios to the percentages required by this

ORDER. The Bank's board of directors shall formally adopt the plan, including any modifications or amendments requested by the Regional Director and the Division.

(c) Thereafter, to the extent such measures have not previously been initiated, the Bank shall immediately initiate measures detailed in the plan, to increase its Tier 1 Capital by an amount sufficient to bring all the Bank's capital ratios to the percentages required by this ORDER within sixty (60) days after the Regional Director and the Division respond to the plan. Such increase in Tier 1 Capital and any increase in Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

- (i) Merger with another mutually-owned FDIC-insured depository institution acceptable to the Regional Director of the Chicago Regional Office of the FDIC ("**Regional Director**") and the Division after complying with all application and publication requirements; or
- (ii) Conversion from mutual to stock form or mutual holding company reorganization, including, if the Bank is eligible, a transaction pursuant to Section 1075.2170 of the Savings Bank Rules, 38 Ill. Adm.

Code 1075.2170; or

- (iii) The elimination of all or part of the assets classified "Loss" as of March 22, 2010, or thereafter, without loss or liability to the Bank, provided any such collection on a partially charged-off asset shall first be applied to that portion of the asset which was not charged off pursuant to this ORDER; or
- (iv) The collection in cash of assets previously charged off; or
- (v) Receipt of an income tax refund or the capitalization subsequent to March 22, 2010, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or
- (vi) The direct contribution of cash by the directors and/or the members of the Bank; or
- (vii) Any other means acceptable to the Regional Director and the Division; or
- (viii) Any combination of the above means.

(d) If all or part of the increase in capital required by this paragraph is to be accomplished by the sale of

common stock or noncumulative perpetual stock, the board of directors of the Bank shall adopt and implement a plan for the sale of such stock after complying with the state and federal statutory or regulatory requirements relating to the conversion from a mutual form of ownership to stock ownership or reorganization to a mutual holding company structure, including filing all required applications. Should the implementation of the plan involve public distribution of Bank securities, and in addition to the requirements relating to a conversion or mutual holding company reorganization, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than twenty (20) days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17<sup>th</sup> Street, N.W., Washington, D.C 20429 and to Scott D. Clarke, Assistant Director, Illinois Department of Financial and Professional Regulation, Division of Banking, 122 S. Michigan Avenue, Suite 1900, Chicago, Illinois 60603, for their review. Any changes requested to be made in the materials by the FDIC or the

Division shall be made prior to their dissemination.

(e) In complying with the provisions of this paragraph, and in addition to the requirements relating to a conversion or mutual holding company reorganization, the Bank shall provide to any subscriber and/or purchaser of Bank stock written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within ten (10) calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

(f) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A.

#### PROGRESS REPORTS

6. Within thirty(30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish written progress reports to the Regional Director and the Division detailing the form and manner of any actions taken to secure compliance with this ORDER and the results

thereof. Such reports may be discontinued when the corrections required by the ORDER have been accomplished and the Regional Director and the Division have released the Bank in writing from making additional reports.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be the date of its issuance by the FDIC and Division.

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 Division.

Issued pursuant to delegated authority.

Dated: July 20, 2010.

/s/ \_\_\_\_\_  
M. Anthony Lowe  
Regional Director  
Chicago Regional Office  
Federal Deposit Insurance  
Corporation

/s/ \_\_\_\_\_  
Jorge A. Solis  
Director  
Division of Banking  
Illinois Department of  
Financial and Professional  
Regulation