

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

_____)	
In the Matter of)	CONSENT ORDER
)	
KENNEY BANK AND TRUST)	FDIC-11-163b
KENNEY, ILLINOIS)	2011-DB-21
)	
(Illinois Chartered)	
Insured Nonmember Bank))	
_____)	

Kenney Bank and Trust, Kenney, 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 38 Ill. Adm. Code Section 392 et seq., regarding hearings before the Illinois Department of Financial and Professional Regulation, Division of Banking ("Division"), and having waived those rights, entered into a STIPULATION TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the Federal Deposit Insurance Corporation

("FDIC") and the Division, dated May 13, 2011, whereby, solely for the purpose of this proceeding and without admitting or denying the allegations made of unsafe or unsound banking practices relating to management, earnings and violations of law or regulation, 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 the issuance of an order under 12 U.S.C. § 1818(b) and section 48(6) of the Illinois Banking Act, 205 ILCS 5/48(6), 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), and its successors and assigns, take affirmative action as follows:

TAX REFUND ACCOUNTS

1. (a) By no later than June 30, 2011, the Bank shall cease opening deposit accounts for customers of tax preparers or Electronic Refund Originators, provided that for accounts opened after the effective date of this ORDER, the Bank shall establish and implement review procedures over any third parties performing services on behalf of the Bank that shall provide for verification procedures on the Customer Identification Program

documentation obtained by such third parties at a ratio of not less than 100% of all such accounts.

(b) By no later than July 15, 2011, the Bank shall cease maintaining deposit accounts for customers of tax preparers or Electronic Refund Originators, shall sever its relationship with any entity providing services to tax preparers or Electronic Refund Originators, and shall have closed all deposit accounts opened for the purpose of facilitating the receipt of electronic tax refunds.

(c) As of April 30, 2011, the Bank shall ensure that for all deposit accounts opened for the purpose of facilitating the receipt of electronic tax refunds, the Bank has complied with the requirements of 12 C.F.R. Part 326 and with the requirements of 31 C.F.R. Part 1020, formerly numbered as 31 C.F.R. Part 103, including, but not limited to, the record retention requirements of Part 1020.

NEW BUSINESS

2. From the effective date of this ORDER the Bank shall not enter into any new line of business without the prior written consent of the Regional Director and the Division.

MANAGEMENT PLAN

3. (a) Within 30 days from the date that the requirements of paragraphs 4 (STRATEGIC PLAN) and 5 (PROFIT PLAN AND BUDGET) of this ORDER have been met (the "Plans"), the Bank

shall retain an independent third party acceptable to the Regional Director of the FDIC Chicago Regional Office ("Regional Director") and the Division, who will develop a written analysis and assessment of the Bank's management needs for the purpose of ensuring qualified management for the Bank ("Management Study").

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

(c) The Management Study shall be completed within 60 days from the date of retention of the independent third party by the Bank under this subsection. The Management Study shall include, at a minimum and taking into account the provisions of the Plans:

- (i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (ii) Identification of such Bank committees as are needed to provide guidance and oversight to active management;
- (iii) Evaluation of all senior Bank 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;
- (iv) Evaluation of all Bank officer 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 positions identified by this paragraph of this ORDER.

(d) The plan required by this paragraph shall be submitted to the Regional Director and the Division.

STRATEGIC PLAN

4. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement 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. The written strategic plan shall address, at a minimum:

- (i) Strategies for pricing policies and asset/liability management; and
- (ii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings.

(b) Within 30 days from the end of each calendar quarter following the effective date of this ORDER, 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.

(c) The strategic plan required by this ORDER shall be revised 30 days prior to the end of each calendar year during which this ORDER is in effect. Thereafter, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of a board of directors' meeting, and the Bank shall implement and adhere to the revised plan.

(d) Copies of the plan and any revisions thereto required by this paragraph shall be submitted to the Regional Director and the Division.

PROFIT PLAN AND BUDGET

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to a written

profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2011 and 2012. The plans 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 shall contain a 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) Realistic and comprehensive budgets;
- (ii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;
- (iii) Identification of major areas in, and means by which, earnings will be improved; and
- (iv) A description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(c) Within 30 days from the end of each calendar quarter following completion of the profit plans and budgets

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.

(e) The plans and budgets required by this paragraph shall be submitted to the Regional Director and the Division and shall be acceptable to them.

RESTRICTIONS ON DIVIDENDS

6. As of the effective date of this ORDER, the Bank shall not pay or declare any dividends without the prior written consent of the Regional Director and the Division.

ASSET GROWTH

7. From and after the effective date of this ORDER and for so long as this ORDER is in effect, the Bank shall not allow its total average assets, as calculated in accordance with the Bank's Instructions for Preparation of Consolidated Reports of Condition and Income ("Call Report"), to increase in any calendar quarter above the amount of the Bank's total quarterly average assets for the first quarter of 2011 as reported on the Bank's March 31, 2011 Call Report (\$81.968 million).

MONITORING

8. Within 15 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.

NOTIFICATION TO SHAREHOLDER

9. Following the effective date of this ORDER, the Bank shall send to its shareholder a copy of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

PROGRESS REPORTS

10. 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 Division 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.

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

Pursuant to delegated authority.

Dated: June 3, 2011.

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

_____/s/_____
Manuel Flores
Director
Division of Banking
Illinois Department of
Financial and Professional
Regulation