



Comptroller of the Currency
Administrator of National Banks

Central District Office
One Financial Place, Suite 2700
440 South LaSalle Street
Chicago, Illinois 60605

July 16, 2010

Conditional Approval #961
August 2010

Mr. James O. Baker, CEO
The First National Bank of Kinmundy
201 S. Madison
Kinmundy, Illinois 62854

Re: Approval Request for a Reduction in Surplus by The First National Bank of Kinmundy, Kinmundy, Illinois -- OCC Application Numbers: 2009-CE-12-212, 2009-CE-12-247, 2010-CE-12-053 and 2010-CE-12-093

Dear Mr. Baker:

The Comptroller of the Currency (OCC) conditionally approves a capital reduction of \$28,000 of the total request of \$228,000 outlined in your letters of October 24, 2009, November 27, 2009, February 25, 2010 and May 21, 2010. This approval is granted based on a thorough review of all information available, including commitments and representations made in the application, purchase and assumption agreement, and those of your representatives.

This approval is subject to the following condition(s):

1. The Bank shall: (i) give the St. Louis Field Office at least sixty (60) days prior written notice of its intent to significantly deviate or change from its business plan or operations,¹ and (ii) obtain the OCC's written determination of no objection before the Bank engages in any significant deviation or change from its business plan or operations.² The OCC may impose additional conditions it deems appropriate in a written determination of no objection to a bank's notice. This condition shall remain in effect for the three years of operation following the effective date of the proposed reduction in capital transaction.
2. The Bank shall maintain on an ongoing basis the following minimum capital ratio as defined in 12 C.F.R. Part 3:
 - As reported in its quarterly call report filings, tier one capital to adjusted total assets of seven and one half percent (7.5%), wherein equity includes losses recognized for potential legal liability consistent with ASC-450, "Contingencies"

¹ "Business plan" refers to the document titled "Business Plan, First National Bank of Kinmundy, 5-26-10" submitted in connection with the proposed reduction in capital applications.

² If such deviation is the subject of an application filed with the OCC, no separate notice to the supervisory office is required.

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and ASC 460 "Guarantees". The reserve should specifically include contingent liabilities for any lawsuits or obligations, including those arising out of the AAXA contract.³

The conditions of this approval are conditions "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

Pursuant to 12 USC 59, a reduction in capital surplus requires approval by shareholders owning at least two-thirds of the bank's capital stock. Also, following the completion of the transaction, the bank must advise the OCC of the effective date of the decrease.

The change in capital should be completed within one year of the date of this letter.

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 United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. Our approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have questions regarding this letter, please contact me at (312) 360-8863 or at Travis.Wilbert@occ.treas.gov. Please reference the application control number in any correspondence.

Sincerely,

Travis W. Wilbert

Travis W. Wilbert
Director For District Licensing
National Bank Examiner

³ In its April 16, 2010 letter, the bank determined its potential liability to be \$50,000.