

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION,
DIVISION OF BANKING
SPRINGFIELD, ILLINOIS

In the Matter of

TEXICO BANCSHARES CORPORATION
Texico, Illinois

and

TEXICO STATE BANK
Texico, Illinois

Docket Nos. 21-018-B-HC
21-018-B-SM
2021-DB Sup-08

Cease and Desist Order Issued
Upon Consent Pursuant to the
Federal Deposit Insurance Act,
as amended, and the Illinois Bank
Holding Company Act and Illinois
Banking Act, as amended

WHEREAS, Texico Bancshares Corporation, Texico, Illinois (“Bancshares”), is a registered bank holding company, and its subsidiary bank, Texico State Bank, Texico, Illinois (the “Bank”), is a state chartered bank that is a member of the Federal Reserve System;

WHEREAS, the most recent examination of the Bank, dated May 17, 2021 (the “Report of Examination”) conducted by the Federal Reserve Bank of St. Louis (the “Reserve Bank”) and the Illinois Department of Financial and Professional Regulation, Division of Banking (“IDFPR” collectively, the “Supervisors”), identified staffing and other operational deficiencies at the Bank;

WHEREAS, Bancshares, the Bank, the Board of Governors of the Federal Reserve System (the “Board of Governors”) and the IDFPR have the common goals that the Bank operates in a

safe and sound manner and in compliance with all applicable federal and state laws, rules, and regulations;

WHEREAS, Bancshares, the Bank, the Board of Governors, and the IDFPR have mutually agreed to enter into this consent Cease and Desist Order (the “Order”); and

WHEREAS, the board of directors of Bancshares and the Bank have authorized the undersigned to enter into this Order and consent to compliance with each and every provision of this Order by Bancshares and the Bank and to waive any and all rights that Bancshares and the Bank may have pursuant to section 8 of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1818) and pursuant to 38 Ill. Admin. Code Part 392 regarding hearings before the IDFPR, including, but not limited to: (i) the issuance of a notice of charges on any matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of the Order or any provision hereof.

NOW, THEREFORE, it is hereby ordered that, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, pursuant to section 8(b)(1) and (3) of the FDI Act (12 U.S.C. §§ 1818(b)(1) and 1818(b)(3)) and pursuant to Section 3.074(a) of the Illinois Bank Holding Company Act, 205 ILCS 10/3.074(a), and to Section 48(6) of the Illinois Banking Act, 205 ILCS 5/48(6), the Bank shall cease and desist and take affirmative action as follows:

Source of Strength

1. The board of directors of Bancshares shall take appropriate steps to fully utilize Bancshares' financial and managerial resources, pursuant to section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with this Order and any other supervisory action taken by the Reserve Bank and the IDFPR.

Staffing and Operational Resiliency

2. Bancshares and the Bank shall maintain the corrective actions taken in response to the Supervisors' supervisory letter, dated June 10, 2021, to improve the Bank's operations and maintain the safety and soundness of the Bank. The specific actions required under this paragraph include:

- (a) the retention of one or more qualified employees or contractors with sufficient knowledge and experience in financial institutions bookkeeping or accountancy to perform the back-office functions of the Bank;
- (b) the review and reconciliation of the Bank's general and subsidiary ledger accounts on a regular basis; and
- (c) the continued adoption of policies, procedures, and processes necessary to ensure the books and records of the Bank are maintained in a safe and sound manner.

Board Oversight

3. Within 10 days of this Order, the board of directors of Bancshares and the Bank shall take the following steps to improve oversight of the operations of the Bank:

- (a) conduct a self-assessment of Bancshares, including a review of the by-laws, structure, and composition of the board of directors, to ensure that Bancshares has the continued ability to conduct appropriate oversight of the Bank;
- (b) perform an assessment of the present and future senior staff needs of the Bank and ensure that Bank management has sufficiently qualified personnel;
- (c) develop a succession plan to ensure the safe and sound operation of the Bank, including in the event of unanticipated staffing shortages;
- (d) retain an external auditor to conduct an independent review of the Bank's books and records and ensure their accuracy; and
- (e) adopt policies and procedures that ensure adequate maintenance of the Bank's books and records.

Dividends

4. (a) Bancshares and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Supervision and Regulation of the Board of Governors (the "Director") and the IDFPR.
- (b) Bancshares shall not take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Supervisors.
- (c) All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date and proposed distribution on subordinated debentures. All requests shall contain, at a minimum, current and projected information, as appropriate, on Bancshares's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. Bancshares and the Bank, as appropriate, must also demonstrate that the requested declaration or

payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

5. (a) Bancshares shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Supervisors. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Bancshares shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Supervisors.

Compliance with Laws and Regulations

6. (a) The Bank shall take all necessary steps to correct all violations of law or regulation cited in the Report of Examination. In addition, the Bank shall take necessary steps to ensure future compliance with all applicable laws and regulations.

(b) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Bancshares and the Bank shall comply with the notice provisions of section 32 of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1831i) (the "FDI Act") and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(c) Bancshares and the Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. § 359).

Progress Reports

7. Within 30 days after the end of each calendar quarter following the date of this Order, the board of directors of the Bank shall submit to the Supervisors written progress reports detailing the form and manner of all actions taken to secure compliance with this Order and the results thereof. The Supervisors in their sole discretion may determine that the periodic reporting required under this paragraph may be conducted orally.

Approval and Implementation of Policies, Procedures, and Processes

8. (a) The Bank, and as applicable, Bancshares shall submit written policies, procedures, and processes that are acceptable to the Supervisors within the applicable time periods set forth in paragraphs 2 and 3 of this Order. Each policy, procedure, and processes shall contain a timeline for full implementation of the policy, procedure, or processes with specific deadlines for the completion of each component of the policy, procedure, or processes.

(b) Within 10 days of approval by the Supervisors, the Bank shall adopt the approved policies, procedures, and processes. Upon adoption, the Bank shall promptly implement the approved policies, procedures, and processes, and thereafter fully comply with them.

(c) During the term of this Order, the approved policies, procedures, and processes shall not be amended or rescinded without the prior written approval of the Supervisors.

Communications

9. All communications regarding this Order shall be sent to:

- (a) Mr. Jason A. Gonzalez
Assistant General Counsel
Federal Reserve Board
20th & C St. NW
Washington, DC 20551
- (b) Mr. Allen North
Vice President
Federal Reserve Bank of St. Louis
P.O. Box 442
St. Louis, Missouri 63166-0442
- (c) Mr. M. Matt Jennings
Manager
Illinois Department of Professional
and Financial Regulation
220 West Washington Street, 5th Floor
Springfield, IL 62786
- (d) Mr. Edward Rohlf
Secretary, Texico Bancshares Corporation
Director, Texico State Bank
113766 East Dix Texico Road
Texico, Illinois 62889

10. Notwithstanding any provision of this Order, the Supervisors may, in their sole discretion, grant written extensions of time to Bancshares and the Bank to comply with any provision of this Order. Bancshares and the Bank must submit a written request to the Supervisors for any extension of time.

11. The provisions of this Order shall be binding on Bancshares and the Bank and each of their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) and (4) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3) and 1818(b)(4)), in their capacities as such, and their successors and assigns.

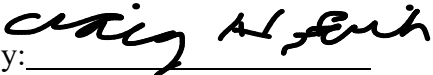
12. Each provision of this Order shall remain effective and enforceable until stayed, modified, suspended or terminated in writing by the Supervisors.

13. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the IDFPR, or any other federal or state agency from taking any other action affecting Bancshares, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

By order of the Board of Governors and the Illinois Department of Financial and Professional Regulation, Division of Banking, effective this 15th day of July, 2021.

TEXICO BANCSHARES
CORPORATION

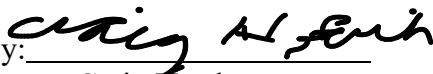
BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM


By: 
Craig Heath
Chairman

By: _____
Ann Misback
Secretary of the Board

TEXICO STATE BANK

ILLINOIS DEPARTMENT OF
PROFESSIONAL AND FINANCIAL
REGULATION, DIVISION OF
BANKING

By: 
Craig Heath
Chairman

By: 
Chasse Rehwinkel
Acting Director of Banking