

Bank of McKenney

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April 8, 2009

Dear Fellow Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Bank of McKenney. Our Annual Meeting will be held on Tuesday, May 12, 2009 at 3:00 p.m., at the Bank's Corporate Headquarters located at 20718 First Street in McKenney, Virginia.

The primary business of the meeting will be the election of directors and the ratification of the appointment of Yount, Hyde & Barbour, P.C. as the Bank's independent auditors for 2009. We also will report to you on our progress during 2008 and our plans going forward.

We hope that you will be with us on May 12th. Whether you plan to attend or not, please complete, sign, date and return the enclosed proxy card as soon as possible in the postage-paid envelope provided.

We greatly appreciate and value your continuing support.

Sincerely,

A handwritten signature in black ink, appearing to read 'R M Liles', written in a cursive style.

Richard M. Liles

President and Chief Executive Officer

BANK OF MCKENNEY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

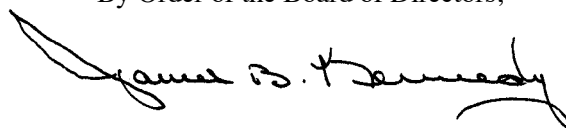
To be Held on May 12, 2009

The Annual Meeting of Shareholders of Bank of McKenney (the "Bank") will be held at the Bank's Corporate Headquarters located at 20718 First Street in McKenney, Virginia on Tuesday, May 12, 2009 at 3:00 p.m., for the following purposes:

1. To elect nine (9) directors of the Bank to serve for the ensuing year;
2. To ratify the selection by the Audit Committee of the Board of Directors of the Bank of McKenney of Yount, Hyde & Barbour, P.C., independent certified public accountants, as the Bank's independent auditors for 2009; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on March 27, 2009 will be entitled to notice of and to vote at the Annual Meeting, in person or by proxy.

By Order of the Board of Directors,



James B. Kennedy
Secretary

April 8, 2009

Please complete, sign and return the enclosed proxy card promptly in the envelope provided. If you attend the Annual Meeting, you may, if you desire, revoke your proxy and vote in person.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 12, 2009

The proxy statement and 2008 Annual Report on Form 10-K of Bank of McKenney are available through the "Investor" link at: <http://bankofmckenney.com>

BANK OF MCKENNEY

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS MAY 12, 2009

GENERAL

The enclosed proxy is solicited on behalf of the Board of Directors of Bank of McKenney (the “Bank”) for use at the Annual Meeting of Shareholders of the Bank (the “Annual Meeting”) to be held on Tuesday, May 12, 2009, at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders and any adjournment thereof. The approximate mailing date of this Proxy Statement and accompanying proxy is April 8, 2009.

Revocation and Voting of Proxies

Execution of a proxy will not affect a shareholder’s right to attend the Annual Meeting and to vote in person. Any shareholder who has executed and returned a proxy may revoke it by attending the Annual Meeting and requesting to vote in person. A shareholder may also revoke his proxy at any time before it is exercised by filing a written notice with the Bank or by submitting a proxy bearing a later date. Proxies will extend to, and will be voted at, any adjourned session of the Annual Meeting.

Voting Rights of Shareholders

Only shareholders of record at the close of business on March 27, 2009 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. At the close of business on March 27, 2009, there were 1,926,656 shares of the Bank’s common stock outstanding and entitled to vote at the Annual Meeting. The Bank has no other class of stock outstanding. A majority of the votes entitled to be cast, represented in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting.

Each share of common stock entitles the record holder thereof to one vote upon each matter to be voted upon at the Annual Meeting. Shares for which the holder has elected to abstain or to withhold the proxies’ authority to vote (including broker non-votes) on a matter will count toward a quorum but will not be included in determining the number of votes cast with respect to such matter.

Solicitation of Proxies

The cost of solicitation of proxies will be borne by the Bank. Solicitation is being made by mail, and if necessary, may be made in person or by telephone or special letter by officers and employees of the Bank, acting without compensation other than regular compensation.

ELECTION OF DIRECTORS – PROPOSAL ONE

The Bylaws of the Bank provide that the Board of Directors of the Bank shall consist of not less than five individuals. The Board is nominating nine persons as directors of the Bank for 2009. The persons named below, each of whom are members of the present Board of Directors of the Bank, will be nominated for election to serve until the next annual meeting of shareholders and until their successors have been duly elected and have qualified.

The persons named in the proxy will vote for the election of the nominees named below unless authority is withheld. If for any reason any of the persons named as nominees below should become unavailable to serve, an event management does not anticipate, proxies will be voted for the remaining nominees and such other person or persons as the Board of Directors may designate. The election of each nominee requires the affirmative vote of the holders of a plurality of the shares of common stock cast in the election of directors.

The table below presents information concerning the nominees for director of the Bank. **The Board of Directors recommends the nominees, as set forth below, for election. The Board of Directors recommends that you vote FOR the nominees.**

<u>Name (Age)</u>	<u>Served as Director Since</u>	<u>Principal Occupation During Past Five Years</u>
W.D. Allen III (64)	1981	Chairman of the Board, Bank of McKenney; Attorney at Law, Dinwiddie, Virginia
Harry D. Baird III (54)	1997	Emergency Medical Services Training Coordinator, Chesterfield County Fire Department, Chesterfield, Virginia
Louis J. Blaha, Jr. (71)	2007	Retired Superintendent for Southern Construction Company, Prince George, Virginia
Joan D. Clarke (60)	2006	Certified Public Accountant; Member with Gregory and Associates, PLLC, Petersburg, Virginia
L.M. Harrison, Jr. (74)	1988	Cattle and Tobacco Farmer, McKenney, Virginia; Retired Area Tobacco Agent, Virginia Tech Cooperative Extension Service (1957-1990)
Rudy L. Hawkins (61)	1997	Owner, Rudy L. Hawkins Electrical Contractor, Inc., Chester, Virginia
Richard M. Liles (59)	1989	President and Chief Executive Officer, Bank of McKenney
Joseph W. Lyle (66)	1989	Retired, D.W. Lyle Corporation, commercial contractors, McKenney, Virginia; President, Southside Parts Co., Inc., McKenney, Virginia
Edward B. Titmus (68)	1994	President, The Titmus Foundation, Inc.; Owner, Whippernock Farm, Sutherland, Virginia

Board Independence

The Bank's Board has determined that, except for Mr. Liles, the President and Chief Executive Officer of the Bank, each other director of the Bank is an "independent director" as defined in Rule 4200(a)(15) of the Marketplace Rules of The Nasdaq Stock Market, Inc. ("NASDAQ").

Board of Directors and Committees

Each director is expected to devote sufficient time, energy and attention to ensure performance of the director's duties, including the attendance at Board and committee meetings. There were 12 meetings of the Board of Directors of the Bank in 2008. No incumbent director attended less than 75% of the aggregate total number of meetings of the Board of Directors and its committees on which he or she served in 2008. Directors are encouraged to attend shareholders meetings, and all incumbent directors attended the 2008 Annual Meeting of Shareholders.

There are no family relationships among any of the directors or principal officers of the Bank. None of the directors currently serves as a director of any other company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.

The Board of Directors of the Bank has established various committees, including Executive, Audit, Loan, Compensation, and Governance and Nominating.

Executive Committee. The Executive Committee is composed of Messrs. Liles (Chairman), Allen and Lyle. The Executive Committee is authorized, between meetings of the Board, to perform certain duties and exercise certain authorities of the Board. The Executive Committee did not meet in 2008.

Audit Committee. The Audit Committee is currently composed of Messrs. Titmus (Chairman), Baird, Harrison and Lyle and Mrs. Clarke. The functions of the committee are to select the Bank's independent certified public accountants, to review the reports of the independent accountants and the internal auditor, and to issue the committee's report to the Board of Directors. Each member of the Audit Committee is an "independent director" as defined in NASDAQ Marketplace Rule 4200(a)(15) and meets the definition of "independent" as set forth in Rule 10A-3 of the Securities Exchange Act of 1934. In addition, no member of the Audit Committee has participated in the preparation of the financial statements of the Bank or any subsidiary of the Bank at any time during the past three years. The Board has designated Director Joan D. Clarke, CPA as the Bank's "audit committee financial expert". Moreover, all five directors on the Audit Committee have extensive business backgrounds that the Board has determined is sufficient for the proper exercise of their duties on the committee. The Audit Committee met four times in 2008.

Loan Committee. The Directors' Loan Committee considers new loan applications in excess of the Officers' Loan Committee. The Directors' Loan Committee is made up of the entire Board, with four directors being a quorum. All loans requiring action by the Directors' Loan Committee in 2008 were acted on by the full Board at its regularly scheduled meetings.

Compensation Committee. The Compensation Committee consists of Messrs. Baird (Chairman), Harrison, Hawkins and Titmus. The Compensation Committee is responsible for reviewing executive management performance and recommending compensation adjustments thereon to the full Board. The Compensation Committee met once during 2008.

Governance and Nominating Committee. The Governance and Nominating Committee consists of all of the directors of the Bank who are “independent directors” under NASDAQ Marketplace Rule 4200(a)(15) (all current directors except for Mr. Liles). This committee is responsible for the oversight of the Bank’s Corporate Governance guidelines and the director nomination procedures. A brief description of each function is outlined below. The committee reports and makes appropriate recommendations to the Board of Directors on corporate governance matters and director nomination issues. The Governance and Nominating Committee met twice in 2008. A copy of this committee’s charter is available on the Bank’s website under “Corporate Governance” link (www.bankofmckenney.com).

Corporate Governance

The Governance and Nominating Committee is responsible for evaluating Board performance and reporting its findings to the entire Board of Directors and for developing and recommending to the Board of Directors, and reviewing and assessing the adequacy of, corporate governance guidelines. The Bank has a Code of Conduct that applies to all directors, officers and employees, including the Bank’s principal executive officer and principal accounting officer. The Code of Conduct is available on the Bank’s website under the “Corporate Governance” link (www.bankofmckenney.com).

Nomination Procedures

The Bank’s Bylaws state, in general, that for any nomination of a director to be properly brought before an annual meeting by a shareholder, the shareholder must provide timely notice of the nomination in writing to the Secretary of the Bank. For a notice to be considered timely, the Secretary of the Bank must have received the notice no less than 60 days nor more than 90 days before the first anniversary of the preceding year’s annual meeting. The notice must set forth as to each person whom the shareholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure. You may request to see the Bank’s Bylaws for the more complete and legal description of the shareholder nominating process.

The Bank’s Governance and Nominating Committee Charter outlines both experience and personal attribute guidelines with respect to the consideration of director nominees recommended by shareholders. The committee studies and makes recommendations to the Board of Directors concerning the size and composition of the Board and committees of the Board, recommends nominees for election or reelection as directors, and considers other matters pertaining to Board membership such as retirement policy and compensation of non-employee directors. The Bank does not have any specific minimum qualifications that must be met by a nominee and does not distinguish between nominees recommended by Board members or by shareholders. Qualifications for consideration as a director nominee may vary according to the particular areas of expertise that may be desired in order to complement the qualifications that already exist among the Board. Among the factors that the Governance and Nominating Committee may consider when evaluating proposed nominees are their independence, financial literacy, business experience, character, judgment and strategic vision. Other considerations would be their knowledge of issues affecting the business, their leadership experience and their time available for meetings and consultation on Bank matters. The committee seeks a diverse group of candidates who possess the background skills and expertise to make a significant contribution to the Board, the Bank and its shareholders.

The preceding procedures are in addition to the procedures regarding inclusion of shareholder proposals in proxy materials set forth in “Shareholder Proposals” in this Proxy Statement. The Governance and Nominating Committee met once during the year to recommend the slate of directors for nomination at the 2008 Annual Meeting.

Shareholder Communications to the Board

The Bank does not have a formal policy regarding shareholder communications with the Board of Directors. Any shareholder who desires to communicate directly with the entire Board or with a director of the Bank may do so by writing to the Board or director c/o James B. Kennedy, Secretary, Bank of McKenney, 20718 First Street, P. O. Box 370, McKenney, Virginia 23872.

COMPENSATION OF DIRECTORS

The following table provides information on all compensation earned by or paid to directors during 2008. Both employee and non-employee Board fees are equivalent. The Governance and Nominating Committee met once to review all Board fees. The Board fees earned by Richard M. Liles, the Bank’s President and Chief Executive Officer, are disclosed in the Summary Compensation Table on page 9.

<u>Name of Director</u>	<u>Fees Earned or Paid in Cash(1)</u>
W.D. Allen, III	\$ 6,500
Harry D. Baird, III.....	7,250
Louis J. Blaha, Jr.....	6,000
Joan D. Clarke.....	6,750
L.M. Harrison, Jr.....	6,250
Rudy L. Hawkins	5,500
Joseph W. Lyle.....	6,500
Edward B. Titmus	7,250

(1) Comprised of \$500 per regular or special meeting of the Board and \$250 per committee meeting attended during the year.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors, which consists entirely of directors who meet the independence requirements of NASDAQ Marketplace Rule 4200(a)(15), has furnished the following report:

The role and responsibilities of the Audit Committee are set forth in a written charter adopted by the Board of Directors and the Audit Committee. The Audit Committee charter is available on the Bank's website under the "Corporate Governance" link (www.bankofmckenney.com).

The Audit Committee met on March 10, 2009 and reviewed and discussed the audited financial statements of the Bank for the year ended December 31, 2008 with independent auditors Yount, Hyde & Barbour, P.C. and management. The Audit Committee also discussed with Yount, Hyde & Barbour, P.C. the matters required to be discussed by *Statement on Auditing Standards No. 61 (Communications with Audit Committees)*, discussed matters relating to their independence, and received the written disclosures and the letter from Yount, Hyde & Barbour, P.C. as required by *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)*.

Based upon the reviews and discussions referred to above, the committee recommended to the Board that the audited financial statements of the Bank be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for filing with the Board of Governors of the Federal Reserve System. The Audit Committee also recommended to the Board the reappointment of the independent auditors.

Members of the Audit Committee

Edward B. Titmus (Chairman)
Harry D. Baird, III
Joan D. Clarke
L.M. Harrison, Jr.
Joseph W. Lyle

ACCOUNTING FIRM FEES

Yount, Hyde & Barbour, P.C. billed the Bank as summarized below for years ended December 31, 2008 and 2007. All fees were pre-approved by the Audit Committee.

	Fees	
	2008	2007
Audit fees	\$ 36,500	\$ 35,250
Audit-related fees	264	275
Tax fees	3,700	3,570
Total	\$ 40,464	\$ 39,095

A description of the fees is as follows:

- *Audit fees:* Audit and review service and review of documents filed with the Federal Reserve Bank of Richmond.
- *Audit-related fees:* Information technology systems audit, Federal Home Loan Bank of Atlanta collateral verification audit, public funds agreed-upon procedures, Bank Secrecy Act agreed upon procedures and consultation concerning financial accounting and reporting standards and other related issues.
- *Tax fees:* Preparation of federal and state tax returns.

All non-audit services provided by Yount, Hyde and Barbour, P.C. described above were reviewed by the Audit Committee, which concluded that the provision of such services is compatible with maintaining the independence of Yount, Hyde and Barbour, P.C.

The Audit Committee pre-approves all audit, audit related and tax services on an annual basis and, in addition, authorizes individual engagements that exceed pre-established thresholds. Any additional engagement that falls below the pre-established thresholds must be reported by management at the Audit Committee meeting immediately following the initiation of such an engagement.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table provides, as of March 27, 2009, certain information with respect to the beneficial ownership of the Bank's common stock for (i) each shareholder known by the Bank to own beneficially more than 5% of the Bank's outstanding common stock, (ii) the directors and executive officers of the Bank and (iii) all directors and executive officers of the Bank as a group.

<u>Name of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned (1)</u>	<u>Percent of Class</u>
Directors and Executive Officers:		
W.D. Allen, III.....	31,300 (2)	1.62%
Harry D. Baird, III.....	31,500 (2)	1.63%
Louis J. Blaha, Jr.	5,050	*
Joan D. Clarke.	3,800	*
L.M. Harrison, Jr.	18,270 (2)	*
Rudy L. Hawkins.....	4,150	*
Richard M. Liles.....	27,143 (2)	1.41%
Joseph W. Lyle.....	28,120 (2)	1.46%
Edward B. Titmus.....	8,400 (2)	*
James B. Neville, Jr.	6,964 (2)	*
 All directors and executive officers as a group 11 persons)	 176,467 (2)	 9.16%
Principal Shareholder:		
 The Bank of Southside Virginia Corp. P.O. Box 40 Carson, Virginia 23830.....	 165,960 (3)	 8.61%

* Represents less than 1% of the Bank's common stock.

- (1) For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 under which, in general, a person is deemed to be the beneficial owner of a security if he has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he has the right to acquire beneficial ownership of the security within 60 days.
- (2) Includes shares held by affiliated corporations, close relatives and children, and shares held jointly with spouses or as custodians or trustees, as follows: Mr. Allen, 10,000 shares; Mr. Baird, 9,900 shares; Mr. Harrison, 1,800 shares; Mr. Liles, 12,678 shares; Mr. Lyle, 16,520 shares; Mr. Titmus, 7,400 shares; Mr. Neville, 6,511 shares; and Mrs. Cunningham, 11,770 shares.
- (3) Based on information provided to the Bank by the Bank's transfer agent, Registrar and Transfer Company.

EXECUTIVE COMPENSATION

The following table provides information on the only executive officers of the Bank whose total compensation earned in 2008 was over \$100,000.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Nonqualified Deferred Compensation Earnings ⁽¹⁾	All Other Compensation ⁽²⁾⁽³⁾	Total Compensation
Richard M. Liles	2008	\$ 140,824	\$ -	\$ 12,619	\$ 17,200	\$ 170,643
President & Chief Executive Officer	2007	135,408	5,000	10,685	16,378	167,471
James B. Neville, Jr.	2008	\$ 95,532	\$ -	\$ -	\$ 12,122	\$ 107,654
Executive Vice President & Chief Financial Officer	2007	91,858	2,500	-	11,711	106,069

- (1) Represents valuation changes in excess of 120% of the applicable federal long-term rate for the period, with compounding (as prescribed under Section 1279(d) of the Internal Revenue Code), on nonqualified deferred compensation arrangements.
- (2) Does not include certain perquisites and other personal benefits, the amounts of which are not shown because the aggregate amount of such compensation did not exceed \$10,000.
- (3) Represents contributions to the Bank's 401(k) profit sharing plan for the named executive officers and, for Mr. Liles, directors' fees received for Board and committee meetings attended. See "Director Compensation."

Employment Contracts and Termination and Change in Control Arrangements

Richard M. Liles. The Bank and Mr. Liles entered into an employment agreement effective December 8, 1992. The agreement had a one-year initial term and is extended for successive one-year terms unless either party elects not to extend the term of the agreement by providing at least six months prior notice, which neither party has done. The employment agreement provided for an annual base salary of \$55,000, which has been adjusted annually at the discretion of the Board. The Bank may terminate Mr. Liles's employment at any time for "cause" (as defined in the agreement) without incurring any additional obligations to him. If the Bank terminates Mr. Liles's employment for any reason other than for cause, the Bank will be obligated to continue to provide him with his current salary and benefits until the expiration of its term. In the event of a "change of control" (as defined in the agreement) of the Bank, after which Mr. Liles is not assigned substantially the same duties, office quarters and work location for the remaining term of the agreement, he will be entitled to terminate his employment and receive a payment equal to 2.9 times his annual base salary in effect at the time of the change of control.

If Mr. Liles elects to retire from the Bank, or his employment is terminated for any reason by the Bank other than his death or for cause, the Bank will pay him \$4,583.33 each month for a period of 180 months, provided, however, that if Mr. Liles retires before he is 65 such payment is deferred until he is 65. In the event Mr. Liles's employment is terminated for any reason other than his death or for cause, the Bank will provide him with a reduced monthly payment for 180 months determined by multiplying \$4,583.33 by a fraction, the numerator of which is the total number of months Mr. Liles had been an employee of the Bank and the denominator of which is the total number of months Mr. Liles would have been with the Bank had he remained employed at the time he turned 55. The reduced monthly payments begin after Mr. Liles turns 65.

Other Bank Officers. The Bank also has agreements with James B. Neville, Jr., Lynda P. Cunningham, Mark H. Stevens and Michelle S. Fitch that become effective upon a change in control of the Bank (as defined in the agreement). Under the terms of these agreements, the Bank or its successor agrees to continue to employ each officer for a term of three years after the date of a change in control. During the term of the contracts, the officers will retain commensurate authority and responsibilities and compensation benefits. They will receive base salaries at least equal to the immediate prior year and bonuses at least equal to the annual bonuses paid prior to the change in control. If an officer's employment is terminated during the three years other than for "cause" or "disability" (as defined in the agreement), or if the officer should terminate employment because a material term of his or her contract is breached by the Bank or its successor, he or she will be entitled to a lump sum payment, in cash, equal to 2.9 times the sum of his base salary and annual bonus. In addition, the officer would be entitled to continued employee welfare benefits for two years after the termination date.

Deferred Compensation Agreements

In February 1989, the Bank entered into a deferred compensation agreement with Mr. Liles under the terms of which he elected to defer the receipt of \$5,000 in salary for four years in order to earn the right to receive payments from the Bank totaling \$28,911 annually for 10 years beginning at the time Mr. Liles turns 65. In February 1993, the Bank entered into a separate and similar agreement with Mr. Liles under the terms of which he elected to defer the receipt of \$7,500 in salary for six years in order to earn the right to receive payments from the Bank totaling \$44,000 annually for 10 years beginning at the time Mr. Liles turns 65. The Bank has funded its deferred compensation commitment through a life insurance policy on Mr. Liles.

Supplemental Retirement Income Agreement

In August 2004, Mr. Liles assigned to the Bank the benefits under a split-dollar life insurance agreement that he had with the Bank and, in exchange therefore, entered into a supplemental retirement plan agreement with the Bank. Pursuant to the terms of the agreement, the Bank is granting Mr. Liles a supplemental retirement income benefit equal to \$1,500 monthly for 10 years. He is eligible to begin receiving the benefit after he reaches the age of 65 or retires from the Bank in accordance with the Bank's retirement policies. Under the agreement, Mr. Liles becomes 100% vested in the retirement benefit upon the earlier of his reaching the age of 62, his death or disability, involuntary termination of employment without cause or upon a change in control of the Bank. If he terminates employment with the Bank before he is 62 for any reason other than as set forth in the preceding sentence, Mr. Liles forfeits the entire retirement benefit.

Equity Compensation

The Bank does not have a compensation plan pursuant to which shares of the Bank's common stock are authorized for issuance.

INDEPENDENT AUDITORS – PROPOSAL TWO

The Audit Committee has appointed Yount, Hyde & Barbour, P.C. as the Bank's independent public accountants for the year ending December 31, 2009, and the Board has directed that such selection of independent public accountants be ratified by the shareholders at the Annual Meeting. Yount, Hyde & Barbour, P.C. has been serving the Bank since 1999. Representatives of Yount, Hyde & Barbour, P.C. are expected to be present at the Annual Meeting and will be given an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The Board of Directors recommends that you vote for the ratification of the selection of Yount, Hyde & Barbour, P.C., as the Bank's independent auditors for 2009.

RELATED PARTY TRANSACTIONS

Certain directors and executive officers of the Bank, members of their immediate families, and corporations, partnerships and other entities with which such persons are associated, are customers of the Bank. As such, these persons engaged in transactions with the Bank in the ordinary course of business during 2008 and will have additional transactions with the Bank in the future. All loans extended and commitments to lend by the Bank to such persons are made in the ordinary course of business upon substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons and do not involve more than the normal risk of collectibility or present other unfavorable features.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, directors and executive officers of the Bank are required to file reports with the Board of Governors of the Federal Reserve System indicating their holdings of and transactions in the Bank's equity securities. To the Bank's knowledge, based solely on a review of the copies of such reports furnished to the Bank and written representations that no other reports were required, insiders of the Bank complied with all filing requirements during the fiscal year ended December 31, 2008.

SHAREHOLDER PROPOSALS

To be considered for inclusion in the Bank's proxy statement relating to the 2010 Annual Meeting of Shareholders, shareholder proposals must be received no later than December 11, 2009 and comply with the Bank's Bylaws. To be considered for presentation at such meeting, although not included in the Bank's proxy statement, a shareholder proposal must comply with the Bank's Bylaws and must be delivered to the Bank not less than 60 nor more than 90 days before May 11, 2010. All shareholder proposals should be marked for the attention of James B. Kennedy, Secretary, Bank of McKenney, 20718 First Street, P. O. Box 370, McKenney, Virginia 23872.

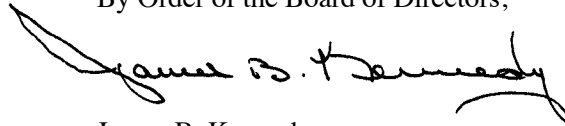
OTHER MATTERS

The Board of Directors is not aware of any business to come before the Annual Meeting other than as described above. However, if any other matters should properly come before the Annual Meeting, it is intended that proxies in the accompanying form will be voted in accordance with the judgment of the person or persons voting the proxies.

ANNUAL REPORT

A copy of the Bank's Annual Report on Form 10-K for the year ended December 31, 2008, excluding exhibits, as filed with the Board of Governors of the Federal Reserve System, can be obtained without charge by writing to James B. Neville, Jr., Executive Vice President and Chief Financial Officer, Bank of McKenney, 20718 First Street, McKenney, Virginia 23872. This report is made available at no cost through the "Investor Information" link on the Bank's website, www.bankofmckenney.com, as soon as reasonably practicable after the Bank files such material with the Federal Reserve.

By Order of the Board of Directors,

A handwritten signature in black ink that reads "James B. Kennedy". The signature is written in a cursive style with a large, sweeping initial "J".

James B. Kennedy
Secretary

April 8, 2009