

AGREEMENT BY AND BETWEEN  
First National Bank of Lewellen  
Lewellen, Nebraska  
and  
The Office of the Comptroller of the Currency

First National Bank of Lewellen, Lewellen, Nebraska (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination conducted as of March 31, 2007, and has determined that the Bank has engaged in violations of law and unsafe and unsound banking practices relating to its compensation practices, credit administration and credit underwriting, and information security and audit.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

Article I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller  
Denver Field Office  
1225 17th Street, Suite 450  
Denver, Colorado 80202

## Article II

### COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than two (2) shall be employees of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)). Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Beginning September 30, 2007 and after every calendar quarter thereafter, the Compliance Committee shall, within ten (10) days of the end of each quarter, submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within five (5) days of receiving such report.

### Article III

#### COMPENSATION

(1) Effective immediately, the Bank shall not pay salary, bonus, consulting fee, expense reimbursement or other type of compensation to Chairman Carol J. Beard without first providing a written determination by the Board, documented in the Board minutes, that such payment:

- (a) is reasonable;
- (b) has a direct relationship to, and is based solely upon, the fair value of goods and services received by the Bank from Chairman Beard; and
- (c) compensates Chairmen Beard only for providing goods and services which meet the legitimate needs of the Bank.

(2) In addition to the requirements of the Paragraph (1) of this Article, the Board shall review and maintain in the books and records of the Bank:

- (a) written documentation of all services rendered by Chairman Beard; records indicating the day(s) and time periods during which Chairman Beard's services were performed;
- (b) expense vouchers and receipts for all reimbursable expenses; and
- (c) an analysis of the services rendered by Chairman Beard to ensure that the Bank has received the full benefit to which it is entitled.

(3) Effective immediately, the Bank shall not pay any dividend that is disguised in the form of a bonus or other service, to include any payment that is based upon the percentage ownership in the Bank.

#### Article IV

##### ANNUAL BUDGET/PROFIT PLAN

(1) Within thirty (30) days of the date of this Agreement, the Board shall develop, implement, and thereafter ensure Bank adherence to a written annual budget and profit plan to sustain and measure the earnings performance of the Bank. This plan shall include, at minimum, the following elements:

- (a) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (b) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (c) a description of the operating assumptions that form the basis for major projected income and expense components.

(2) The budgets and related documents required in paragraph (1) above for 2007 shall be submitted to the Assistant Deputy Comptroller within ten (10) days of completion. For each

calendar year hereafter, the Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (1) above on or before November 30<sup>th</sup> of the preceding year.

## Article V

### INFORMATION TECHNOLOGY

(1) Within sixty (60) days of the date of this Agreement, the Board shall revise the Bank's written information security program to ensure compliance with the requirements of Gramm-Leach-Bliley Act 501(b) ("GLBA") and the Interagency Guidelines Establishing Standards for Information Security ("Guidelines"). At a minimum, the Bank's security information program shall include the following additional provisions:

- (a) annual testing, including vulnerability assessment and penetration testing.
- (b) required procedures for independently reviewing and documenting testing activities and Board reporting of test results;
- (c) a training program that includes required specific, periodic training, the designation of a person responsible for training, and required documentation to evidence attendance;
- (d) appropriate due diligence for existing third-party relationships, and upon entering a third-party relationship, a methodology that provides effective oversight and controls as defined in OCC 2001-47 Risk Management Principles – Third Party Relationships;
- (e) periodic reviews of vendor contracts to ensure that appropriate GLBA language is included;

- (f) periodic tests of vendor activities to ensure that the vendor is meeting the terms of the contract;
- (g) ongoing information risk assessments that consider:
  - (i) changes in technology;
  - (ii) the sensitivity of the Bank's customer information;
  - (iii) any perceived or actual internal or external threats to information; and
  - (iv) changes to the Bank's business environment, such as mergers, acquisitions, alliances, partnerships, and outsourcing arrangements;
- (h) a response program to address unauthorized access to or use of customer information that could result in substantial harm or inconvenience to a customer; and
- (i) annual reporting of all key components of the guidelines represented in the Bank's information security program to the Bank's Board.

(2) The Board shall submit a copy of the Bank's revised information security program to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. Within five (5) days of the receipt of no supervisory objection to the revised information security program, the Board shall adopt, implement and thereafter ensure adherence to the revised program.

(3) Within ninety (90) days of the date of this Agreement, the Bank shall adopt, implement, and thereafter ensure Bank adherence to a written, qualified and independent information technology ("IT") audit program. The IT audit program should consider the Bank's

risk assessment discussed in Paragraph (1)(g) of this Article and ensure appropriate use of vulnerability assessments and penetration tests.

(4) Prior to the employment of any individual or company to perform the IT audit, the Board shall submit the name and qualifications of the proposed auditor and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(5) The Board shall not engage in internet banking until and unless:

- (a) the IT information security program has been successfully implemented;
- (b) an IT audit has been completed in accordance with paragraph (3) of this Article; and
- (c) the Bank has obtained a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

## Article VI

### CREDIT ADMINISTRATION AND UNDERWRITING

(1) Effective as of the date of this Agreement, the Board shall ensure that all officers comply with all laws, rules, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties.

(2) Effective as of the date of this Agreement, the Bank may not grant, extend, renew, alter or restructure any loan, or other extension of credit, including any loan participation purchase, without:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;

- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining current and satisfactory credit information, including information necessary to perform cash flow analysis;
- (e) performing analysis of credit information to include an appropriate cash flow analysis of all expected repayment sources;
- (f) documenting the analysis of such credit information;
- (g) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;
- (h) providing a risk assessment grade for each credit;
- (i) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable;
- (j) ensuring compliance with the guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984; and
- (k) obtaining the written approval of the Bank's Loan Committee, or Board, if required by Bank policy.

(3) Within sixty (60) days of the date of this Agreement, the Board shall take the necessary steps to obtain current and satisfactory credit information on all loans or participations purchased lacking such information, including those listed in the Report of Examination conducted as of March 31, 2007 (the "ROE"), in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.



(6) Effective as of the date of this Agreement, the Board shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(7) Effective as of the date of this Agreement, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed twenty-five thousand dollars (\$25,000) unless each of the following conditions is met:

- (a) the Board finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the requirements of this Article.

## Article VII

### CREDIT RISK RATINGS

(1) Within thirty (30) days of the date of this Agreement, the Board shall take all necessary steps to ensure that the Bank's loans and other assets are timely and appropriately risk rated and accounted for by the lending officers. Bank management shall provide a written report to be filed with the Board at least monthly and shall use a loan grading system consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. Such Board reports shall, at a minimum, provide:

- (a) the identification, type, rating, and amount of problem loans;
- (b) the identification and amount of delinquent loans;
- (c) the identification of all nonaccrual loans and leases in accordance with Call Report instructions;
- (d) timely recognition, within the quarter of discovery, of all loan downgrades due to potential or well-defined weaknesses; and
- (e) a process to ensure timely charge-offs for loan losses or impairments.

#### Article VIII

##### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days of the date of this Agreement, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed to meet Generally Accepted Accounting Principles and regulatory guidance set forth in FAS 5, FAS 114, OCC Bulletin 2001-37, OCC Bulletin 2006-47, and the "Allowance for Loan and Lease Losses" booklet of the Comptroller's Handbook, and shall focus particular attention on the following:

- (a) suitable policies and procedures that communicate the ALLL process internally to all applicable personnel;
- (b) clear explanations and documentation for the ALLL analysis;
- (c) results of the Bank's internal risk ratings;
- (d) results of the Bank's external loan review;
- (e) an estimate of loss exposure on each impaired credit;
- (f) loan loss experience;
- (g) trends of delinquent and nonaccrual loans;
- (h) concentrations of credit in the Bank;
- (i) lending policies and procedures, including underwriting and collection, charge off and recovery practices;
- (j) changes in the nature and volume of the portfolio;
- (k) changes in lending management and staff;
- (l) changes in the loan review system; and
- (m) present and prospective economic conditions.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and approval.

## Article IX

### VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule, or regulation, unsafe or unsound practice, or breach of fiduciary duty, cited in the ROE and in any subsequent Report of Examination or OCC correspondence. The monthly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within sixty (60) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations, practices, and breaches as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules, regulations and duties applicable to their areas of responsibility.

(3) Within sixty (60) days of receipt of any subsequent Report of Examination or other OCC correspondence which cites violations of law, rule, or regulation, unsafe or unsound practice, or breach of fiduciary duty, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future citations in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules, regulations, and duties applicable to their areas of responsibility.

Article X

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, stop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

**IN TESTIMONY WHEREOF**, the undersigned, authorized by the Comptroller, has hereunto set her hand on behalf of the Comptroller.

*/s/*  
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Jame E. Sloan  
Assistant Deputy Comptroller  
Denver Field Office

*10-24-2007*  
\_\_\_\_\_  
Date

**IN TESTIMONY WHEREOF**, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

<u>/s/</u> Clarence Beard	<u>10-24-2007</u> Date
<u>/s/</u> DeAnn Beard	<u>10/24/2007</u> Date
<u>/s/</u> Laura Beard	<u>10/24/2007</u> Date
<u>/s/</u> C. J. Beard	<u>10/24/2007</u> Date
<u>/s</u> William J. Morrow	<u>10/24/2007</u> Date