

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

In the Matter of: The First National Bank of Logan Logan, Iowa)))	AA-WE-08-45
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CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over The First National Bank of Logan, Logan, Iowa (“Bank”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated July 2, 2008, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

Article I

COMPLIANCE COMMITTEE

- (1) Within five (5) days of this Order, the Board shall appoint a Compliance Committee of at least three (3) directors of which a majority shall not consist of employees or controlling shareholders of the Bank or any of its affiliates, or family members of any such

person. Upon appointment, the names of the members of the Compliance Committee, and, in the event of a change in the membership, the name of any new member, shall be submitted in writing to the Deputy Comptroller.

(2) The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order and shall meet at least monthly.

(3) Within ten (10) business days following each calendar month end beginning with July 31, 2008, the Compliance Committee shall 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 Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall provide a summary report of the progress reached in attaining compliance with each Article of this Order to the Assistant Deputy Comptroller within ten (10) days of each calendar quarter end beginning with September 30, 2008.

(5) All documents which the Bank or Board is obligated to submit to the Assistant Deputy Comptroller or the OCC pursuant to this Order shall be forwarded via overnight mail to:

Assistant Deputy Comptroller
Omaha Field Office
13710 FNB Parkway, Suite 110
Omaha, Nebraska 68154

(6) The Board shall ensure that the Bank has the processes, personnel, and control systems to ensure implementation of and adherence to the provisions of this Order.

Article II

APPOINTMENT OF ADDITIONAL DIRECTORS

(1) By no later than August 15, 2008, the Board shall take the necessary steps to add one director by providing the Assistant Deputy Comptroller for the Omaha Field Office (the “Assistant Deputy Comptroller”) of the Office of the Comptroller of the Currency (“OCC”) with written notice of the proposed directors. The proposed directors may not be insiders of the Bank, employees of the Bank, affiliates of the Bank, insiders of a subsidiary or affiliate of the Bank, controlling shareholders of the Bank or any of its affiliates, or family members of any controlling shareholder of the Bank, insider of the Bank, employee of the Bank, employee of a subsidiary or affiliate of the Bank, or employee of an insider of the Bank. For purposes of this Order, “affiliate” shall have the meaning set forth in 12 C.F.R. § 223.2(a), as if the Bank were a member bank, provided that any subsidiary of the Bank shall be considered an affiliate of the Bank, and “insider” shall have the meaning set forth in 12 C.F.R. § 215.2(h).

(2) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new directors. However, the lack of disapproval of such individuals shall not constitute an approval or endorsement of the proposed director.

(3) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

Article III

CAPITAL MAINTENANCE

- (1) Effective immediately, the Bank shall at all times maintain the following minimum capital ratios:
 - (a) Tier 1 capital at least equal to ten (10%) of adjusted total assets; and
 - (b) total risk-based capital at least equal to eleven percent (11%) of risk-weighted assets.
- (2) For purposes of this Article, “Tier 1 capital,” “total risk-based capital,” “adjusted total assets,” and “risk-weighted assets” are as defined in 12 C.F.R. Part 3.
- (3) The requirement in this Order to meet and maintain a specific capital level means that the Bank is not to be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).
- (4) Effective immediately, the Bank shall only declare dividends:
 - (a) when the Bank is in compliance with its approved capital program;
 - (b) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (c) with the prior written approval from the Assistant Deputy Comptroller, which shall be granted or denied within thirty (30) days of the receipt of a dividend request from the Bank.

Article IV

REVIEW OF BOOKS AND RECORDS

(1) Within thirty (30) days of this Order, the Board shall employ a qualified consultant, accountant, or other firm or individual, to perform a forensic review of the Bank's lending, payment and other debit activities, and officer and employee account activity. Prior to the appointment or employment of any individual or firm to perform such review or entering into any contract with any such firm or individual, the Board shall submit the name and qualifications of the proposed firm or individual and the proposed scope and terms of employment to the Assistant Deputy Comptroller for prior written determinations of no supervisory objection. After the OCC has advised the Bank that it does not take supervisory objection to the firm or individual or the scope of the review, the Board shall immediately engage the firm or individual pursuant to the proposed terms of the engagement.

(2) The proposed scope of the review required by Paragraph (1) of this Article shall provide for a written report to be filed with the Board within thirty (30) days of the engagement that shall, at a minimum, include comments and conclusions regarding:

- (a) the identification and description of any and all unauthorized insider transactions conducted within the last three years;
- (b) the harm caused by any and all unauthorized insider transactions conducted within the last three years;
- (c) the responsibility for any and all unauthorized insider transactions conducted within the last three years, to include a review and assessment

of the Bank's system of internal controls and Board and management oversight; and

- (d) recommendations for preventing any future unauthorized insider transactions, to include at a minimum, improvements to the Bank's system of internal controls and Board and management oversight.;
- (e) loans not in conformance with the Bank's lending policies.

(3) Within five (5) days of the receipt of the forensic report required by Paragraph (2) of this Article, the Board shall take the necessary steps to determine whether the firm or individual satisfied the terms of the engagement.

(4) After the Board has determined that the firm or individual has satisfied the terms of the forensic review engagement, it shall immediately provide a copy of the report, along with a written statement regarding the engagement's sufficiency and any additional comments, conclusions, proposed or actual remedial actions, to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(5) Effective immediately, the Board shall ensure that no original Bank documents, books, or records are destroyed, altered or removed from the Bank's premises. For purposes of this paragraph, "documents, books and records" shall be construed broadly, and shall include, but not be limited to, paper and electronic records of all kinds, reports, notes, calendars, phone logs, e-mails, voice-mails, financial instruments and tapes.

Article V

MANAGEMENT

(1) Within ninety (90) days of this Order, the Board shall ensure that the Bank has competent management and staff in place on a full-time basis to carry out the Board's policies, ensure compliance with this Order, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within forty-five (45) days of this Order, the Board shall conduct a formal review of the knowledge, skills, and abilities of all Bank officers, including but not limited to, the president, lending, and cashier positions, and shall make any necessary adjustments, including the need for additions to or deletions from current management, to ensure the Bank has the technical expertise, leadership skills, and available time to perform present and anticipated duties, and return the Bank to a safe and sound condition and manage its affairs thereafter in a safe and sound manner.

(3) If an officer position is vacant now or in the future, including if the Board realigns an existing officer's responsibilities or if an officer position becomes vacant, the Board shall within thirty (30) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient authority to ensure the Bank's compliance with this Order and the safe and sound operation of functions within the scope of that position's responsibility.

(4) Prior to the appointment or employment of any new executive officer, or entering into any contract with any person for any such position, the Board shall submit the name and qualifications of the individual(s) and the proposed terms of employment to the Assistant Deputy Comptroller.

(5) The Deputy Comptroller shall have the power to disapprove the appointment of any proposed new executive officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement.

(6) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6)(E) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

Article VI

BOARD OVERSIGHT

(1) Within thirty (30) days of receipt of a determination of no supervisory objection to the forensic review from the Assistant Deputy Comptroller, the Board shall develop and submit for a prior written determination of no supervisory objection from the Assistant Deputy Comptroller, a written program designed to ensure the Bank complies with the law and safe and sound practices. The program shall contain, at a minimum, the following provisions:

- (a) a revised system of internal controls, management information, and corporate governance practices, that are designed to ensure that the Bank does not engage in any unauthorized or illegal transaction, and that includes at a minimum:
 - (i) the recommendations contained in the forensic report; and
 - (ii) policies and procedures to ensure that the Board, or a designated committee thereof, reviews and approves *in advance*:

- (A) all extensions of credit to any Insider (as defined below) or related interest of any Insider; and
 - (B) all other extensions of credit greater than \$25,000;
- (b) a comprehensive conflict of interest policy applicable to the Bank's directors, principal shareholders, executive officers, affiliates, and employees ("Insiders") and related interests of such Insiders. The policy, in addition to defining a conflict of interest, shall address:
 - (i) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;
 - (ii) involvement in the loan approval process of Insiders who may benefit directly or indirectly from the decision to grant credit;
 - (iii) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of "related interests" as defined by 12 C.F.R. Part 215;
 - (iv) requirements for arms-length dealing in any transactions by Insiders, or their related organizations, involving the Bank's sale, purchase, or rental of property and services;
 - (v) disclosure of any Insider's material interest in the business of a borrower, an applicant, or other customer of the Bank; and
 - (vi) restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank;

- (c) a written policy concerning the extension of overdrafts that shall include, at a minimum:
 - (i) conditions and circumstances under which overdrafts will be allowed, taking into consideration the requirements of 12 U.S.C. § 375b;
 - (ii) charges that will be levied against depositors using overdrafts;
 - (iii) conditions and circumstances under which overdrafts will be permitted to Insiders and related interests of Insiders (as such terms are defined in 12 C.F.R. Part 215);
 - (iv) conditions and circumstances under which overdrafts will be charged off; and
 - (v) periodic review of all overdrafts by Board and/or management to ensure compliance with applicable laws and regulations and this policy;
- (d) procedures to ensure that reports submitted to the Board are complete and accurate;
- (e) procedures to ensure that the Bank's Consolidated Reports of Condition and Income ("Call Report") are filed in a complete and accurate manner;
- (f) procedures to ensure that Bank management is actively engaged in the operation and affairs of the Bank; and
- (g) accountability for the policies and procedures required by this program.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Board Oversight program required by this Article.

(3) If the OCC determines, in its sole discretion, that the Bank has failed to comply with any material provision of the Board Oversight program and that the Bank should sell, merge, or liquidate, the Board shall, within thirty (30) days of receiving written notice from the Assistant Deputy Comptroller of such a determination, submit a written Disposition Plan to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. The Disposition Plan shall detail the Board's proposal to sell or merge the Bank, or liquidate the Bank under 12 U.S.C. § 181.

(4) If the Disposition Plan proposes a sale or merger of the Bank, the Disposition Plan, at a minimum, shall address the steps that will be taken and the associated timeline to ensure that a definitive agreement for the sale or merger is executed not later than ninety (90) days after receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Disposition Plan. If the Disposition Plan proposes a liquidation of the Bank, the Disposition Plan shall detail the appropriate actions to accomplish the liquidation in conformance with 12 U.S.C. §§ 181-82, and the dates by which each step of the liquidation shall be completed, including the date by which the Bank will terminate its national bank charter. In the event of a proposed liquidation, the Bank shall hold a shareholder vote pursuant to 12 U.S.C. § 181, and commence liquidation, within thirty (30) days of receiving the Deputy Comptroller's written determination of no supervisory objection to the Disposition Plan.

(3) Upon the Assistant Deputy Comptroller's notifying the Bank in writing of no supervisory objection to the Disposition Plan, the Board shall immediately implement, and thereafter ensure Bank adherence to, the terms of the Disposition Plan.

Article VII

INTERNAL AUDIT

(1) Within sixty (60) days of this Order, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent and comprehensive internal audit program that:

- (a) identifies an officer responsible for coordinating the Bank's outsourced internal audit program;
- (b) establishes a line of communication for audit reporting issues between the internal auditor, audit committee, and board of directors;
- (c) ensures audit work papers and documentation of conclusions provide a meaningful audit trail and validation for findings and recommendations;
- (d) ensures timely management responses and corrective actions on identified weaknesses;
- (e) establishes an annual audit plan using a risk-based approach sufficient to achieve these objectives; and
- (f) a formal Board tickler system that tracks the status of all reported deficiencies until corrected.

(2) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports within thirty (30) days of receipt.

(3) The Board shall ensure that the audit program is independent. The person responsible for implementing the internal audit program described above shall report directly to the Board, who shall have the sole power to direct his/her activities. All reports prepared by the audit staff or audit firm shall be filed directly with the Board and/or Board Audit Committee (comprised of at least two (2) external directors) and not through any intervening party.

(4) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller.

Article VIII

CLOSING

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(2) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) The provisions of this Order shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(4) In each instance in this Order in which the Bank or the Board is required to ensure implementation of or adherence to, or to undertake to perform, an obligation of the Bank, the Board shall:

- (a) Authorize and adopt such actions on behalf of the Bank as may be necessary or appropriate for the Bank to perform its obligations under this Order;
- (b) Require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (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 for any non-compliance with such actions.

(5) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States.

(6) The terms of this Order, 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 has set his hand this 2nd day of July
2008.

/S/ Troy L. Thornton

7-2-2008

Troy L. Thornton
Assistant Deputy Comptroller
Omaha Field Office

Date

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)	
The First National Bank of Logan)	AA-WE-08-45
Logan, Iowa)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) may initiate cease and desist proceedings against The First National Bank of Logan, Logan, Iowa (“Bank”), pursuant to 12 U.S.C. § 1818(b), for unsafe or unsound practices relating to Board and management oversight of the Bank.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated July 2, 2008 (the “Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

Jurisdiction

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

(4) This Order shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

ARTICLE II

Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). 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(i), 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.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller 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.

ARTICLE III

Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
 - (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19
 - (d) all rights to seek any type of administrative or judicial review of the Order; and
 - (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

Other Action

- (1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

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

/S/ Troy L. Thornton

7-2-2008

Troy L. Thornton
Assistant Deputy Comptroller
Omaha Field Office

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.

/s/

7-2-2008

Gary J. Altwegg

Date

/s/

7-2-2008

Alan J Anderson

Date

/s/

7-2-2008

Chris R. Hartwig

Date

/s/

7-2-2008

Tim J. Lapke

Date