

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

First National Bank of Wayne, Wayne, 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 has found unsafe and unsound banking practices relating to deterioration in asset quality in the CRE portfolio and the resulting negative impact to capital and earnings at the Bank.

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) You are reminded that your Bank has been 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.

(6) 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
Sioux Falls Field Office
4900 South Minnesota Avenue, Suite 300
Sioux Falls, SD 57108

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. 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 and shall keep formal, written minutes of all such meetings.

(3) Within thirty (30) days of the date of this Agreement and every thirty (30) days or thereafter, 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 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 ten (10) days of receiving such report.

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

ARTICLE III

THREE YEAR PLAN AND DIVIDEND RESTRICTIONS

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a three year plan (the plan). The plan shall include, at a minimum:

- (a) specific plans for the maintenance of adequate capital as required by the OCC and sufficient to be well capitalized under 12 C.F.R. Part 6;
- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;

- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital program;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (iii) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller, which shall be granted or denied within thirty (30) days of the receipt of a dividend request from the Bank.

(2) Upon completion, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the capital program. The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

ARTICLE IV

COMMERCIAL REAL ESTATE RISK MANAGEMENT

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

(2) Within sixty (60) days of the date of this Agreement, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program designed to manage the risk in the Bank's commercial real estate ("CRE") loan portfolio in accordance with the guidelines in OCC Bulletin 2006-46, Concentration in Commercial Real Estate Lending, Sound Risk Management Practices (dated December 6, 2006) that, at a minimum, includes:

- (a) the establishment of an overall CRE strategy, to include reasonable CRE concentration limits stratified by type, locality and other meaningful measures;
- (b) monthly monitoring of concentration reports that stratify the CRE portfolio by product type, locality and other meaningful measures;
- (c) monthly monitoring of stratified loan policy exceptions;
- (d) strategies and procedures to manage CRE concentrations to conform with established limits set in Subparagraph (a) of this Article;
- (e) significant individual loan stress testing and/or sensitivity analysis to quantify the impact of changing economic conditions on asset quality, earnings, and capital; and

- (f) the establishment of Loan Policy CRE underwriting standards by CRE type that specifically include requirements relating to:
- (i) maximum loan amount and maturity by type of property;
 - (ii) approval authorizations;
 - (iii) minimum file documentation and analysis;
 - (iv) minimum requirements for initial investment and maintenance of hard equity;
 - (v) minimum standards for borrower net worth, property cash flow/debt service, and collateral coverage;
 - (vi) the development of a sufficient process for obtaining and analyzing global financial information on guarantors in order to identify and appropriately risk-rate credits.
 - (vii) minimum standards for the acceptability, and limits of soft cost and/or interest reserve financing, including a policy that prohibits the re-packing of interest reserves at loan maturity or loan renewal;
 - (viii) prohibition of bank funded interest reserves for speculative raw land projects;
 - (ix) maximum amortization periods and minimum principal curtailment for CRE and construction projects that have substantially failed to meet original projections; and
 - (x) procedures for loan closing and disbursement processes, including the supervised disbursement of construction loan proceeds;

(g) enhancements to the Bank's current re-appraisal process, including but not limited to:

- (i) a clear policy for when a re-appraisal is required;
- (ii) necessary actions in the event of material deviations in collateral value (such as re-margining, principal reduction, etc).

(3) 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 program required by this Article.

ARTICLE V

PARTICIPATIONS PURCHASED

(1) Within forty five (45) days of the date of this agreement, the Board shall develop a written policy that provides guidelines for credit participation activities, to include, at a minimum:

- (a) volume limitations that include specific limits for the total dollar amount of participations purchased;
- (b) monitoring requirements;
- (c) documentation requirements;
- (d) geographic limits;
- (e) industry limits; and
- (f) limits based on originator.

(2) The Bank may not grant, purchase, assume or acquire in any manner, directly or indirectly, or as a fiduciary or nominee, any loan, loan participation, loan obligation or other

asset, unless the Bank has documented in writing that such grant, purchase, assumption, or acquisition is consistent with:

- (a) the policy developed pursuant to paragraph (1) of this Article;
- (b) the written CRE policy developed pursuant to Article IV of this agreement;
- (c) the guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984; and
- (d) the requirements of 12 C.F.R. Part 34.

ARTICLE VI

CRITICIZED ASSETS

(1) The Bank 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.

(2) Within forty five (45) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) overall strategy and/or expectation to exit or retain the credit relationship;

- (b) processes to ensure appropriate time frames for specific actions are clearly identified. This should include, at a minimum, necessary actions taken by both borrower and the bank, the full documentation of any material deviations from those anticipated actions, and the proposed timeframe for the elimination the basis of criticism;
- (c) identification of the expected sources of repayment; and,
- (d) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable; and
- (e) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding fifty thousand dollars (\$50,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds fifty thousand dollars (\$50,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(5) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis.

(6) The Bank may 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 fifty thousand dollars (\$50,000) only if each of the following conditions are met:

- (a) the Board or designated committee 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 (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(7) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE VII

CREDIT RISK RATING AND NONACCRUAL RECOGNITION

(1) Within thirty (30) days of the date of this Agreement, the Board shall develop a program to ensure that the risk associated with the Bank's loans is properly reflected and

accounted for on the Bank's books and records, to include, at a minimum, provisions requiring that:

- (a) the Bank's loans and other assets are appropriately and timely risk rated and charged-off by the lending officers using a loan grading system that is based upon current facts, existing repayment terms and that is consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook*;
- (b) loan officers are accountable for failing to appropriately and timely risk rate loans.

ARTICLE VIII

EXTERNAL LOAN REVIEW

(1) Within sixty (60) days of the date of this Agreement, the Board shall engage a qualified, independent consultant to perform an ongoing asset quality and loan administration review of the Bank. This consultant shall have adequate knowledge of CRE lending fundamentals and the markets in which the bank lends (through participations purchased). The external loan review system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. Such reports shall, at a minimum, include comments and conclusions regarding:

- (a) the loan review scope and coverage parameters;
- (b) the overall quality of the loan and lease portfolios;

- (c) the identification, type, rating, and amount of problem loans and leases including grading differences;
 - (d) the identification and amount of delinquent loans and leases;
 - (e) credit and collateral documentation exceptions;
 - (f) the identification and status of credit related violations of law, rule or regulation;
 - (g) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (c) through (f) of the Article;
 - (h) concentrations of credit;
 - (i) loans and leases to affiliates and related parties;
 - (j) loans and leases not in conformance with the Bank's Loan Policy, and exceptions to the Bank's Loan Policy; and
 - (k) the adequacy and quality of loan administration by all loan officers, with any recommendations for improvements to loan administration practices.
- (2) Prior to entering into any contract with a loan review consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.
- (3) Within fifteen (15) days of receipt, the Board shall forward a copy of each written loan review report required by paragraph one (1) of this Article to the Assistant Deputy Comptroller for review.

ARTICLE IX

REAL ESTATE APPRAISAL REVIEWS

- (1) Within sixty (60) days of the date of this Formal Agreement, the Board shall revise the Bank's loan policy to ensure that independent appraisal review requirements are adequately addressed for all real estate loans. The revised policy shall include, at a minimum:
 - (a) a process that ensures that appraisal reviews are completed before the credit is advanced;
 - (b) a policy that all appraisal reviews must comply with the minimum appraisal standards and interagency guidelines, including appropriate supporting detail of the final estimate of value; and
 - (c) a policy that all appraisal reviews should comport with the guidance found in OCC 2005-6, Appraisal Regulations and Interagency Statement on Independent Appraisal and Evaluation Functions.
- (2) Upon revision of the loan policy, the policy shall be submitted to the Assistant Deputy Comptroller for a prior determination of no supervisory objection.
- (3) Upon receiving a determination of no supervisory objection, the Board shall ensure that this policy is implemented and thereafter adhered to by the Bank.

ARTICLE X

LIQUIDITY

- (1) Within sixty (60) days of the date of this agreement, the Bank shall revise and enhance its contingency funding plan (CFP) to include, at a minimum:
 - (a) forecasts for funding needs and funding sources under a stressed scenario and should:
 - (i) represent management's best estimate of balance sheet changes that may result from a liquidity or credit event
 - (ii) provide for assumptions based on the possible cumulative reductions in the primary liquidity sources.
 - (iii) Provide for assumptions discussing how funding sources would be impacted by negative bank ratings or changes to the bank's Prompt Corrective Actions capital categories
 - (iv) identify, quantify, establish, and rank all sources of funding by preference for the various scenarios including asset side funding; liability side funding and off-balance sheet funding; and
 - (v) ensure that administrative policies and procedures are consistent with the Board's guidance and risk tolerances.
 - (b) The CFP must clearly document how management will attract funds should the bank's current sources of funds become limited for whatever reason.
- (2) Upon revision, the CFP shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. Upon receiving a response of no supervisory objection, the Board shall implement, and thereafter ensure compliance with, the revised CFP.

ARTICLE XI

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, estop, 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) 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 his hand on behalf of the Comptroller.

/s/

10/16/08

Christine A. Hartman
Assistant Deputy Comptroller
Sioux Falls 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/

10/9/08

Robert Carhart

Date

/s/

10/7/08

Bill Dickey

Date

/s/

10/9/08

Richard Keidel

Date

/s/

10/13/08

John Nigh

Date

Date