

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

In the Matter of: The First National Bank of Valentine Valentine, Nebraska)))	AA-WE-08-46
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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 Valentine, Valentine, Nebraska (“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 December 1, 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 thirty (30) days of this Order, the Board shall appoint a Compliance Committee of at least three (3) directors of which a majority must not consist of employees of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or of family members of any such person. 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.

(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) By no later than September 30, 2008, and by the end of every calendar month 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 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 the end of each calendar quarter.

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

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

Article II

CAPITAL AND PROFITABILITY PLAN

(1) Within ninety (90) days of this Order, the Bank shall at all times maintain the following minimum capital ratios:

- (a) Tier 1 capital at least equal to eight (8%) 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.

(5) By December 31, 2008, the Board shall develop, implement, and thereafter ensure Bank adherence to a written Profitability Plan for the Bank covering at least the next three years, complete with specific time frames that incorporate the requirements of this Article. Copies of the Bank’s Profitability Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(6) The Bank’s Profitability Plan shall provide specific plans to return the Bank to sustained profitability and include projections for the Bank’s overall risk profile, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability

structure, and capital and liquidity adequacy that the Bank intends to achieve, and at a minimum, address or include:

- (a) specific plans to establish responsibilities and accountability for the strategic planning process, new products, and proposed changes in the Bank's operating environment;
- (b) goals and quantifiable measures with specific implementation dates regarding the Bank's operating performance;
- (c) identification of the major areas and means by which the Board and management will seek to improve earnings performance, that focuses in particular on items contributing to Bank interest income, cost of funds, and non-interest expenses;
- (d) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the next three years that shall address or include consideration of the requirements of this Article that is incorporated into or replaces the Bank's budgeting process;
- (e) an evaluation of the Bank's internal operations, staffing requirements, Board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed pursuant to this Article; and
- (f) systems to monitor the Bank's progress in meeting the plan's goals and objectives, including at a minimum, quarterly Board reporting and a comparison of projected performance to actual.

(7) 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 Bank's Profitability Plan.

(8) If the OCC determines in its sole judgment, that the Bank's Profitability Plan is unacceptable or if the Bank fails to implement or adhere to the Bank's Profitability Plan for which the OCC has made a written prior determination of no supervisory objection, then within thirty (30) days of receiving written notice from the OCC of such fact, the Bank shall develop and shall submit to the OCC for its review and prior determination of no supervisory objection, a Disposition Plan to either: (i) sell or merge the Bank, or (ii) liquidate the Bank in conformance with 12 U.S.C. § 181. The Disposition Plan shall provide the details and specific dates for the completion of the sale, merger or liquidation of the Bank and shall be designed to avoid any loss or cost to the Bank Insurance Fund of the Federal Deposit Insurance Corporation and be in conformance with the Comptroller's Corporate Manual for Termination of National Bank Status. After the OCC has advised the Bank that it does not take supervisory objection to the Disposition Plan, the Board shall immediately implement, and shall thereafter ensure adherence to, the terms of the Disposition Plan. Failure to submit a timely, acceptable Disposition Plan may be deemed a violation of this Order, in the exercise of the OCC's sole discretion.

Article III

LOAN PORTFOLIO MANAGEMENT STAFFING

(1) Within forty-five (45) days of this Order, the Board shall take the necessary steps to appoint a Senior Credit Officer with the knowledge, skills, and abilities necessary to correct the Bank's deficiencies in loan portfolio risk management, and reach and maintain compliance with Article IV.

(2) The individual appointed to the Senior Credit Officer position shall be vested with sufficient executive authority to develop and implement appropriate credit risk management policies, procedures, and systems necessary to correct the Bank's deficiencies in loan portfolio risk management and reach and maintain compliance with Article IV.

(3) Prior to the appointment or employment of the Senior Credit Officer, or entering into any contract with any person for this position, the Board shall submit the names and qualifications of the individual and the proposed terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

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

(5) If the Senior Credit Officer position described in this Article becomes vacant in the future, the Board shall, within ninety (90) days of such vacancy, employ, appoint, or designate a capable person to the vacant position who shall be vested with the authority and responsibilities outlined in Paragraph (3) of this Article.

(6) If the Board is unable to appoint a qualified candidate within the timeframe set forth above, the Board shall provide documentation of its efforts to locate such a candidate to the Assistant Deputy Comptroller. Thereafter, the Board shall provide quarterly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

Article IV

LOAN PORTFOLIO RISK MANAGEMENT

(1) Within sixty (60) days of this Order, the Board shall prepare and submit, to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection,

revisions to the Bank's loan policy, as well as any necessary procedures, to address weaknesses in the Bank's loan portfolio risk management, that, at a minimum, include:

- (a) the establishment of loan concentration management practices that comply with the *Comptroller's Handbook* on "Loan Portfolio Management," pp. 28-30, and OCC Bulletin 2006-46, Concentration in Commercial Real Estate Lending, Sound Risk Management Practices (dated December 6, 2006), to include at a minimum:
 - (i) concentration limits stratified by type, locality and other meaningful measures;
 - (ii) monthly monitoring of concentration reports that stratify the loan portfolio by product type, locality and other meaningful measures; and
 - (iii) strategies and procedures to manage concentrations to conform with established limits set in Subparagraph (a) of this Article;
- (b) the establishment of underwriting standards by loan type (for real estate, in particular) that include specific requirements relating to:
 - (i) maximum loan amount and maturity by type of property;
 - (ii) approval authorizations consistent with present staffing with provisions for periodic review and adjustment;
 - (iii) minimum file documentation and analysis;
 - (iv) minimum standards for borrower net worth, property cash flow/debt service, collateral coverage, and guarantor support; and
 - (v) procedures for loan closing and disbursement processes;

- (c) maintenance of proper collateral margins in loans made for the purpose of constructing or developing real estate, including but not limited to, procedures for ensuring that:
 - (i) periodic, meaningful, well-documented, inspections are performed on all construction projects;
 - (ii) draws requests are advanced in accordance with construction progress and budget;
 - (iii) documentation of project completion versus amount advanced is maintained;
 - (iv) lien waivers are obtained from contractors and sub-contractors; and
 - (v) borrower's hard equity is tracked by project.
- (d) standards for when loan policy exceptions are appropriate, what factors should exist to mitigate exceptions, and how the level and trend of exceptions should be tracked and reported to the Board;
- (e) requirements to ensure participations purchased are consistent with sound banking practices and OCC guidelines set forth in accordance with Article VII;
- (f) standards for appraisal ordering and review processes in accordance with Article VIII;
- (g) standards to ensure loans are appropriately risk rated in accordance with Article IX; and
- (h) standards to ensure the Bank maintains a sufficient Allowance for Loan and Lease Losses in accordance with Article XI.

(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 program, policies and procedures required by this Article.

(3) At least quarterly, the Board shall submit a written assessment of the Bank's progress in reaching compliance with the policies and procedures required by this Article to the Assistant Deputy Comptroller.

Article V

CREDIT UNDERWRITING AND ADMINISTRATION

(1) Effective as of the date of this Order, 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) Effective as of the date of this Order, the Bank may not grant, extend, renew, alter or restructure any loan or other extension of credit above \$100,000 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 performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources;
- (e) determining and documenting whether the loan complies with the Bank's Loan Policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;

- (f) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;
- (g) providing an accurate risk assessment grade as further described in Article IX; and
- (h) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

(3) Within sixty (60) days of this Order, the Board shall take the necessary steps to obtain current and satisfactory credit information on all loans above \$100,000 lacking such information, including those listed in 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.

(4) Within sixty (60) days of this Order, the Board shall ensure proper collateral documentation is maintained on all loans above \$100,000 and correct each collateral exception for any loan above \$100,000 listed in 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.

Article VI

PROBLEM LOAN MANAGEMENT

(1) Effective as of the date of this Order, 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.

(2) The Board's compliance with Paragraph (1) of this Article shall include the development of procedures for the monthly submission and review of problem asset reports for all criticized credit relationships totaling \$100,000 or above, that require, at a minimum, analysis and documentation of the following:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable as well as other necessary documentation to support the collateral valuation;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;
- (e) trigger dates for positive borrower actions or for loan officers to reassess the strategy and enact collection plans; and
- (f) for criticized relationships of \$100,000 or above that were made for the purpose of constructing or developing CRE, the reports shall also include:
 - (i) the initial scheduled maturity date of the loan, number of extensions and/or renewals, and current maturity date;
 - (ii) project development status;
 - (iii) a comparison of development costs to the budgeted amount;
 - (iv) a comparison of sales activity to the original sales projections;
 - (v) current market conditions and activity;

- (vi) amount of initial interest reserve and the amount of any subsequent additions to the reserve;
- (vii) an assessment of the borrower's global cash flow;
- (viii) an assessment of the guarantor's ability to support the project; and
- (ix) any other significant information relating to the project.

(3) Effective as of the date of this Order, 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 \$100,000, unless each of the following conditions is met:

- (a) the Board or a designated committee thereof 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 Board or a designated committee thereof approves the credit extension and documents in writing, the reasons that 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.

Article VII

PARTICIPATIONS PURCHASED

(1) Effective as of the date of this Order, the Board shall review, revise, and thereafter ensure adherence to the Bank's Loan Policy to include, at a minimum, revisions

relating to guidelines for participations purchased as set forth in Banking Circular 181 (Revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34, to include, at a minimum:

- (a) a prohibition against purchasing any participation for which the Bank does not have the knowledge, skills, or ability to properly underwrite on its own;
- (b) standards, procedures, and limits for the purchase of loans and participations;
- (c) preparation and documentation of complete, independent analysis of the credit quality of the obligations to be purchased, as well as an independent analysis of the value and lien status of the collateral pledged;
- (d) maintenance of current, complete financial information and analysis on the borrower during the term of the loan;
- (e) the identification, waiver (if appropriate), and mitigation (if appropriate) of any exceptions to the Bank's Loan Policy; and
- (f) the establishment of officer and managerial responsibility and accountability for compliance with the revised policy.

Article VIII

APPRAISAL AND EVALUATION PROCESS

(1) Within sixty (60) days of this Order, the Board shall revise, adopt, implement and thereafter ensure Bank adherence to a written program of policies and procedures designed to ensure the Bank obtains appraisals in compliance with USPAP, 12 C.F.R. Part 34, Advisory Letter 2003-9, and OCC Bulletin 2005-6, to include at a minimum:

- (a) the ordering of appraisals, independent of the lending function;

- (b) the use of Board approved appraisers only;
- (c) expectations regarding the selection of comparable sales, and when income or cost analysis should be used for income producing properties;
- (d) the establishment and implementation of a policy requiring a meaningful review, independent of the lender, of all appraisals to include analysis commensurate with the type, size and complexity of the property being appraised; and
- (e) the establishment of a tickler system for tracking appraisals ordered, received, returned, and reviewed.

Article IX

CREDIT RISK RATINGS AND NONACCRUAL RECOGNITION

(1) Within thirty (30) days of this Order, 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) the Bank's loans and other assets are timely placed on nonaccrual by the lending officers in accordance with the guidelines set forth in the Call Report;

- (c) loan officers are accountable for failing to appropriately and timely risk rate and/or place loans on nonaccrual; and
- (d) consideration of loan officer failure to properly risk rate and/or place loans on nonaccrual in periodic performance reviews and compensation.

Article X

EXTERNAL LOAN REVIEW

(1) Within sixty (60) days of this Order, the Board shall employ a qualified consultant to perform an ongoing asset quality review of the Bank's loan portfolio. The consultant shall be utilized until such time as an ongoing internal asset quality review system is developed by the Board, implemented, and demonstrated to be effective. 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 identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent and nonaccrual loans;
- (c) the identification/status of credit related violations of law or regulation;
- (d) loans not in conformance with the Bank's lending policies;
- (e) credit underwriting and documentation exceptions;
- (f) credit analysis and documentation of such;
- (g) accuracy of internal risk ratings;
- (h) overall credit administration practices; and
- (i) completeness and effectiveness of problem loan workout plans.

(2) Prior to the appointment or employment of any individual as loan review consultant or entering into any contract with any 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. After the OCC has advised the Bank that it does not take supervisory objection to the loan review consultant or the scope of the review, the Board shall immediately engage the loan review consultant pursuant to the proposed terms of the engagement.

(3) The Board or a designated committee shall review the independent loan review reports and ensure that, if appropriate, immediate, adequate, and continuing remedial action, is taken upon the findings noted in the reports.

(4) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be maintained in the books and records of the Bank.

(5) The Bank shall not terminate the consultant's asset quality review services without a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

Article XI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days of this Order, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("Allowance") in accordance with Generally Accepted Accounting Principles. The Allowance policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency

Policy Statement on the Allowance for Loan and Lease Losses” dated December 13, 2006 (OCC Bulletin 2006-47), and the “Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions” dated July 20, 2001 (OCC Bulletin 2001-37), and shall, at a minimum, include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan;
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies;
- (c) procedures for validating the Allowance methodology;
- (d) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:
 - (i) trends in the Bank’s internal risk ratings, delinquent and nonaccrual loans;
 - (ii) results of the Bank’s external loan review;
 - (iii) concentrations of credit in the Bank, present and prospective economic conditions; and
 - (iv) applicable experience of the Bank’s lending staff.

(2) The program shall provide for a process for summarizing and documenting, for the Board’s review and approval, the amount to be reported in the Consolidated Reports of

Condition and Income (“Call Reports”) for the Allowance. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Call Report, 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) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies and procedures developed pursuant to this Article.

Article XII

INVESTMENT POLICIES AND PRACTICES

(1) Within thirty (30) days of this Order, the Board shall take the necessary steps to ensure that the Bank’s investment activities and accounting comply with the law, Generally Accepted Accounting Principles, and Bank Policy, to include, at a minimum:

- (a) a documented review, by no later than the deadline for filing the Bank’s September 30, 2008 Call Report, of all investment securities with a fair value below the amortized cost to evaluate whether the impairment is other-than- temporary;
- (b) procedures to ensure that documented reviews, in advance of each deadline for filing the Bank’s Call Report, of all investment securities with a fair value below the amortized cost is performed and that appropriate write-downs are taken for all securities with other-than-temporary impairment; and
- (c) effective supervision and oversight by the Board of Directors.

Article XIII

CONTINGENCY FUNDING PLAN

(1) Within ninety (90) days of this Order, the Board shall revise its Contingency Funding Plan to ensure the Bank maintains adequate liquidity in any environment. The revised plan shall be consistent with the guidelines set forth in Liquidity, L-L, February 2001, of the *Comptroller's Handbook*, and shall include, at a minimum:

- (a) a description of each potential stress scenario;
- (b) provides the projected effect of each potential stress scenario on the Bank's cash flow and balance sheet; and
- (c) provides action plans on how management will address each potential stress scenario.

(2) The revised Contingency Funding Plan shall be reviewed at least annually by the Board, and revised as necessary.

Article XIV

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, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/

12/01/2008

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 Valentine)	AA-WE-08-46
Valentine, Nebraska)	

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

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against The First National Bank of Valentine, Valentine, Nebraska (“Bank”), pursuant to 12 U.S.C. § 1818(b), for unsafe and unsound banking practices relating to its Board and management oversight, profitability, loan portfolio risk management, credit administration, and contingency funding planning.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated December 1, 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).

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, has

hereunto set his hand on behalf of the Comptroller.

/s/

12/01/08

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/

12/01/08

Jerry Adamson

Date

/s/

12/01/08

Mary K. Gustafson

Date

/s/

12/02/08

Dr. Tom Parliament

Date

/s/

12/01/08

Gregg W. Perrett

Date

/s/

12/01/08

Joanne F. Shephard

Date