

First National Capital Markets, Inc.

Statement of Financial Condition
as of December 31, 2010, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
First National Capital Markets, Inc.
Omaha, Nebraska

We have audited the accompanying statement of financial condition of First National Capital Markets, Inc. (the "Company") as of December 31, 2010. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial condition presents fairly, in all material respects, the financial position of First National Capital Markets, Inc. at December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

February 23, 2011

FIRST NATIONAL CAPITAL MARKETS, INC.

STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2010

ASSETS

CASH AND CASH EQUIVALENTS	\$3,644,982
RECEIVABLES:	
Commissions	516,334
Affiliate	72,783
Income taxes	9,828
Other	<u>3,792</u>
Total receivables	602,737
PREPAID EXPENSES AND OTHER ASSETS	175,779
PROPERTY AND EQUIPMENT — Net	-
INVESTMENT IN PARTNERSHIP	<u>331,334</u>
TOTAL	<u>\$4,754,832</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:	
Accrued compensation and benefits	\$ 500,358
Accounts payable to affiliates	257,770
Accrued expenses and other liabilities	<u>180,345</u>
Total liabilities	<u>938,473</u>
COMMITMENTS AND CONTINGENCIES (Note 7)	
STOCKHOLDER'S EQUITY:	
Common stock, \$1.00 par value; 10,000 shares authorized, issued and outstanding	10,000
Additional paid-in capital	640,000
Retained earnings	<u>3,166,359</u>
Total stockholder's equity	<u>3,816,359</u>
TOTAL	<u>\$4,754,832</u>

See notes to financial statement.

FIRST NATIONAL CAPITAL MARKETS, INC.

NOTES TO STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

First National Capital Markets, Inc. (the “Company”) is a wholly owned subsidiary of First National Investment Banking, Inc. (FNIB) which is a wholly owned subsidiary of First National of Nebraska, Inc. (the “Parent Company”). The Company is engaged in the purchase and sale of an array of financial products including traditional securities products, fixed income and money market securities, and investment advisory products and services. In addition, the Company offers services including bond accounting, portfolio analysis, financial reporting, and safekeeping. Service fees result from amounts collected from independent contract brokers for processing securities trades and from amounts collected for administrative and compliance services. The Company executes and clears trades through an independent third party clearing firm.

The Company is registered with the Securities and Exchange Commission (the “SEC”) and operates as a separate entity as a registered member of the Financial Industry Regulatory Authority, Inc., (FINRA).

The Company is exempt (under paragraph (k)(2)(i)) from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934.

Use of Estimates — The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

Cash Equivalents — The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.

Securities Transactions — Securities transactions are recorded on a trade-date basis.

Income Taxes — The Company is included in the consolidated income tax return of the Parent Company. Under the liability method used to calculate income taxes, the Company provides deferred taxes for differences between the financial statement carrying amounts and tax bases of existing assets and liabilities by applying currently enacted statutory rates which are applicable to future periods.

Deferred taxes relate to employee benefits, depreciation, amortization, and the partnership investment. The Company had deferred tax assets of \$3,506 and deferred tax liabilities of \$40,153 at December 31, 2010. Net deferred taxes of \$36,647 are reflected in other liabilities on the statement of financial condition.

The Company has no liability recorded as of December 31, 2010, for uncertainty in income taxes or for interest and penalty payments. The tax years 2007 through 2009 remain open to examination by the major taxing jurisdictions in which the Parent Company files the consolidated income tax return.

Subsequent Events — As required by ASC 855-10, *Subsequent Events*, the Company evaluated subsequent events through February 23, 2011, the date the financial statements were available to be issued. The Company did not have any subsequent events that would require recognition or disclosure in the financial statements or footnotes as of and for the year ended December 31, 2010.

2. NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain minimum net capital and requires that the ratio of aggregate indebtedness to net capital (net capital ratio) not exceed 15 to 1 (minimum capital of at least 6 2/3% of aggregate indebtedness). Net capital, net capital requirement, and net capital ratio may fluctuate on a daily basis. As of December 31, 2010, the Company had net capital of \$2,889,735 which was \$2,639,735 in excess of required capital of \$250,000. The Company's ratio of aggregate indebtedness to net capital was 0.31 to 1.

3. PROPERTY AND EQUIPMENT

The Company's property and equipment as of December 31, 2010, consisted of the following:

Software	\$ 233,870
Computer equipment	<u>5,192</u>
	239,062
Accumulated depreciation and amortization	<u>(239,062)</u>
Net property and equipment	<u>\$ -</u>

4. RELATED PARTY TRANSACTIONS

The Company provides services to other affiliates of the Parent Company, including First National Bank of Omaha (FNBO). These services include federal funds transfers, bond accounting, portfolio trades, repurchase agreements and negotiable certificates of deposit dealer services, and commercial paper management. As of December 31, 2010, \$72,783 was due to the Company from an affiliate for services provided.

In addition, the Company has a service agreement with the Parent Company and FNBO in which FNBO provides the Company with certain services including purchasing, personnel, general ledger, website development, financial services, executive support, financial, operational and information systems audit services, compliance audit and consulting services, branding/trademark modifications and miscellaneous other corporate services. The Company is billed for such services based on various allocation methods. As of December 31, 2010, the Company owed its affiliates \$257,770 for services provided.

At December 31, 2010, the Company held cash of \$44,982 with FNBO. The Company has not experienced any losses on its deposits of cash.

Transaction terms with related parties are not necessarily indicative of the terms that would be present if the parties were unrelated.

5. EMPLOYEE BENEFIT PLANS

Employees of the Company participate in employee benefit plans sponsored by the Parent Company. Among them is a noncontributory defined benefit pension plan. The Company is allocated its share of the cost of this plan. As of December 31, 2010, the Company had remitted all amounts related to its share of the benefit obligation to the Parent Company; therefore, no liability existed.

In addition to providing pension benefits, the Parent Company also sponsors postretirement medical and death benefits to retired employees meeting certain eligibility requirements. The medical plan is contributory, whereby the retired employee pays a portion of the health insurance premium, and contains other cost-sharing features such as deductibles and coinsurance. The Company is allocated its share of costs for the postretirement benefit plan. As of December 31, 2010, the Company had remitted all amounts related to its share of the benefit obligation to the Parent Company; therefore, no liability existed.

In addition to the pension and postretirement benefit plans, the Parent Company also has a contributory defined contribution plan which covers substantially all employees. The Company is allocated its share of costs for the defined contribution plan. At December 31, 2010, the Company's share of the obligation was \$64,880, which is recorded as a liability on the statement of financial condition.

6. INVESTMENT IN PARTNERSHIP

The Company has an interest in a limited partnership. This partnership fund holds investments in real estate ventures. The Company's partnership interest is less than 7% of the partnership's total capital and is accounted for at cost, \$331,334. The Company assesses this investment for impairment on an annual basis. During the year ended December 31, 2010, the Company recognized an impairment on this investment.

7. COMMITMENTS AND CONTINGENCIES

The Company may be involved in various legal matters in the normal course of its business. At December 31, 2010, management does not believe that any such matters, either individually or in the aggregate, will materially affect the Company's financial position.

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