



First National Capital Markets, Inc.

Statement of Financial Condition as of December 31,
2007, and Independent Auditors' Report



Deloitte & Touche LLP

First National Tower
1601 Dodge Street, Ste. 3100
Omaha, NE 68102-9706
USA

Wells Fargo Center
1249 O Street, Ste. 716
Lincoln, NE 68508-1424
USA

Tel: +1 402 346 7788
www.deloitte.com

Tel: +1 402 474 1776
www.deloitte.com

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, 2007. 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 statements are 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 statements, 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 the Company at December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

February 23, 2008

FIRST NATIONAL CAPITAL MARKETS, INC.
(A Wholly Owned Subsidiary of First National of Nebraska, Inc.)

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2007

ASSETS

CASH AND CASH EQUIVALENTS	<u>\$ 1,969,102</u>
RECEIVABLES:	
Commissions	720,199
Affiliate (Note 4)	893,049
Other	<u>40,304</u>
Total receivables	1,653,552
PREPAID EXPENSES AND OTHER ASSETS	79,327
PROPERTY AND EQUIPMENT — Net (Note 3)	15,064
INVESTMENT IN PARTNERSHIP (Note 6)	<u>368,970</u>
TOTAL	<u><u>\$4,086,015</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:	
Accrued expenses and other liabilities	\$ 100,587
Accrued compensation and benefits	827,210
Affiliate accounts payable (Note 4)	115,707
Income taxes payable	<u>326,717</u>
Total liabilities	<u>1,370,221</u>
COMMITMENTS AND CONTINGENCIES (Note 7)	
STOCKHOLDER'S EQUITY:	
Common stock, \$1.00 par value — authorized, issued, and outstanding, 10,000 shares	10,000
Additional paid-in capital	640,000
Retained earnings	<u>2,065,794</u>
Total stockholder's equity	<u>2,715,794</u>
TOTAL	<u><u>\$4,086,015</u></u>

The accompanying notes are an integral part of the statement of financial condition.

FIRST NATIONAL CAPITAL MARKETS, INC.

NOTES TO STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2007

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 fixed income and money market securities primarily to institutional clientele. 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 the First National Bank of Omaha, a majority-owned subsidiary of the Parent Company.

The Company 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 statements 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 and 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 Parent 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 and amortization. Deferred taxes are reflected in other liabilities on the statement of financial condition.

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”). FIN 48 is an interpretation of FASB Statement No. 109, “Accounting for Income Taxes,” and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, and accounting in interim periods and requires expanded disclosure with respect to the uncertainty in income taxes. FIN 48 was effective as of the beginning of the Company’s 2007 fiscal year. The Company had no cumulative

effect from the adoption of FIN 48 on January 1, 2007. The Company has no liability recorded at December 31, 2007 for uncertainty in income taxes.

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, as defined under such provisions. Although nonclearing broker-dealers generally have a minimum net capital requirement of \$100,000, the FINRA has informed the Company that it must maintain minimum net capital of \$250,000 due to the Company's close relationship with its clearing agent (see Note 1). Net capital, net capital requirement, and net capital ratio may fluctuate on a daily basis. At December 31, 2007, the Company had net capital of \$885,142 and a net capital requirement of \$250,000. The Company's ratio of aggregate indebtedness to net capital was 1.55 to 1.

2. PROPERTY AND EQUIPMENT

The Company's property and equipment as of December 31, 2007, consisted of the following:

Furniture and equipment	\$ 13,921
Computer equipment	20,972
Software	<u>398,707</u>
	433,600
Accumulated depreciation and amortization	<u>(418,536)</u>
Net property and equipment	<u>\$ 15,064</u>

3. 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. At December 31, 2007, approximately \$893,000, was due to the Company from affiliates for services provided.

During 2007, FNIB was established as a wholly-owned subsidiary of First National of Nebraska. FNIB was established to be the holding company for all of First National Investment Banking operating companies, including First National Capital Markets, Inc. Prior to FNIB, all investment banking operations were all conducted under First National Capital Markets. After FNIB was established, First National Capital Markets made an in-kind dividend to FNIB for those assets and liabilities that were being managed by the holding company. The total of this dividend was \$287,073.

In addition, the Company has a service agreement with the Parent Company and FNBO in which FNBO provides the Company with certain services including trade execution and clearing, 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. At December 31, 2007, the Company owed its affiliates approximately \$116,000, for services provided.

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

4. 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, 2007, 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. At December 31, 2007, the Company's share of the benefit obligation was approximately \$11,800, which is recorded as a liability on the statement of financial condition.

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.

5. INVESTMENT IN PARTNERSHIP

The Company has an interest in a limited partnership. The Company's partnership interest is less than 3% of the partnership's total capital and is accounted for at cost, \$368,970. The Company assesses this investment for impairment on an annual basis.

6. COMMITMENTS AND CONTINGENCIES

The Company may be involved in various legal matters in the normal course of its business. At December 31, 2007, 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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