



BLUE VALLEY
BAN CORP.

P.O. Box 26128 • Overland Park, KS 66225-6128
(913) 338-1000 • FAX (913) 661-0324

March 6, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave. NW, Suite 1064
Washington, DC 20220

Re: February 6, 2009 Request for Information

Dear Mr. Barofsky:

This letter is in response to your letter of February 6, 2009 requesting information regarding the utilization of the TARP funds received by Blue Valley Ban Corp in December 2008.

Bank History

To assist in the analysis of our institution, I have included for your benefit a copy of our 2007 annual report, 2007 10-K and 10-Q reports for the 1st, 2nd, 3rd quarter of 2008 as well as the 8K regarding the receipt and use of the TARP funds dated December 8th, 2008. Our 10-K for 12-31-08 has not been finalized at the time of the delivery of this letter.

These items are available at
[http://www.bankbv.com/
Investor-CorpProfile/Index.htm](http://www.bankbv.com/Investor-CorpProfile/Index.htm)

As is reflected in the attached information, Blue Valley Ban Corp and its banking subsidiary (Bank of Blue Valley hereinafter the "Bank") were initially chartered in December of 1989. The Bank has enjoyed consistent growth and profitability from 1990 through the first half of 2008. As reflected in our 3rd quarter report, the Bank experienced a net operating loss as a result of loan loss provisions required because of deterioration in the quality of our commercial, residential development, and residential construction loan portfolios. Our local market continues to be impacted by declines in business activity resulting from the national economic recession, and this environment continues to impact the Bank's operating performance. Over our 19 year history our focus has been on growing and developing our local market. The graphs included with our annual report reflect a consistent growth in loans, deposits and capital over the history of our institution. We were fortunate to not be impacted by Sub-Prime lending problems, Mortgage Backed Security losses, out of territory lending, and Fannie-Mae or Freddie-Mac Stock investments because we did not engage in these activities. The losses we experienced were investments in companies and residential contractors operating within our community. We are hopeful that as a direct result of the TARP investment we can be a stimulus that will assist our community in recovering from this economic slowdown. The Bank has always been an active lender within our community with a loan to deposit ratio that has been consistently in excess of 85% for the past 3-5 years.

Utilization of the TARP-CPP Preferred Stock Investment

Blue Valley Ban Corp received \$21,750,000 in the form of preferred stock investment on December 5th, 2008. The funds were deposited into our Holding Company checking account. Although the funds were not technically segregated, they have been accounted for. See the attached schedule detailing the full use of the TARP funds. At the time of the receipt of the funds, \$17.5 million were utilized to pay in full the holding company's debt obligation to JP Morgan Chase \$14.5 million of which had been borrowed during 2008 on a short term basis to inject capital into the Bank of Blue Valley. On December 31st, 2008 \$5.1 million was injected into the Bank of Blue Valley. These funds were raised from a shareholder rights offering essentially replacing a portion of the TARP funds used to pay off JP Morgan Chase. On February 27, 2009, \$4 million of the remaining balance was down streamed to the Bank to provide additional capital to the Bank. It should be noted that our anticipated use of the TARP funds were essentially the same as the actual use of the funds.

Regarding the JP Morgan Chase debt, approximately \$15 million of the JP Morgan Chase repayment was to repay a short-term loan that was originated in March 2008. \$14,500,000 of the money originated in that \$15 million was placed into equity at the Bank. Evidence of this investment is included as an attachment. The Bank had available for many years a line of credit with JP Morgan Chase. In anticipation of what appeared to be a more difficult economy, we felt it was important to increase the capital base of the Bank in March 2008 from its level at slightly above 10% to around 13%.

It was our intention and our representation to JP Morgan Chase at the time we took out this loan that it would be repaid in six to twelve months through additional new capital or by dividends from the Bank of Blue Valley.

[REDACTED]

b(4)

In early October, we were encouraged by the representatives of the Kansas City Federal Reserve Bank to apply for TARP funds with the express purpose of repaying this loan. The use of these funds was disclosed in our 8-K filing with the SEC on December 8th, 2008 as well as our prospectus Supplement No 2 to Prospectus dated November 10, 2008 filed with the SEC on Dec 9th with regard to our Rights Offering. The Rights offering was also referenced in the TARP application.

We believe strongly that this debt situation with JP Morgan Chase was creating an unstable situation with regard to our overall bank equity funding. Our ability to pay this loan in full relieved us from that destabilizing condition. The TARP funding was used to enhance the capital base of the Bank. \$14,500,000 of the \$15 million that was borrowed from JP Morgan Chase was used to increase bank capitalization and in effect the repayment of this loan replaced an unstable bank loan with a more stable longer term preferred stock investment. At the time we paid off the \$15 million loan, we were required by JP Morgan Chase to pay off the remaining balance on a small loan that we had borrowed from them several years prior and that represented the remaining \$2.5 million of the loan payoff.

In addition to the TARP funding, the Bank engaged in a right's offering to our shareholders that took place from mid November through the end of December. This rights offering resulted in an additional \$5.1 million in capital injected by our current shareholder base into the holding company. Evidence of this injection is included on an attachment. Totalling the \$14.5 million, \$4 million,

and \$5.1 million investments, the Bank has benefited from increased capitalization in the last 12 months totaling \$23.6 million.

We are unable to predict what would have happened had the Bank been unsuccessful in our TARP application and had not utilized those funds to repay JP Morgan Chase. However, I am confident this lack of funding would have caused a very destabilizing impact on the Bank and would have limited or eliminated our ability to participate in loan funding and the banking business in the greater metropolitan Kansas City area.

Executive Compensation Requirements

Bank specific Plan

- All payments under Bank incentive compensation plans are discretionary by the Board
- An annual bonus plan
- A long term retention plan
- Annual Restricted Stock Grant

Status of Implementation

- At the December 11th 2008 Compensation Committee meeting, no bonuses were authorized.
- No contributions to the retention bonus plan were approved.
- The same number of Annual Restricted Stock Grants as 2007 was approved for 2008 awards, but at a much lower value per share.

All Senior Executive Officers signed an amendment and waiver document prior to the TARP funding that:

- A. Documented the Banks position in opposition to any incentive that could lead to unnecessary and excessive risk taking.
- B. Established a claw back provision of any bonus that was paid as a result of materially inaccurate financial data.
- C. Prohibits "Golden Parachutes".
- D. All other requirements of Section 111(b).

Copies of these documents are included as a supporting attachment.

Our Compensation Committee will meet again in conjunction with the Capital Purchase Program 120 day certification requirement to review all compensation plans and assure plans do not encourage excessive risk taking. No changes are being considered to longer term or deferred compensation plans that could be considered offsetting to any other compensation plan.

The Bank assets total \$840 million and because of our relatively modest size we do not have a complex or substantial incentive compensation program. 

 The Bank has no employment contracts or Golden parachute agreements. The Bank has acknowledged that it is bound and will follow executive compensation guidelines as reflected in the EESA Section 111(b).

The Bank believes that it is in compliance with all provisions of the Executive Compensation Requirements of the Emergency Economic Stabilization Act of 2008 and the Troubled Asset Relief Program's Capital Purchase Program.

b(4)

Impact of the Funds

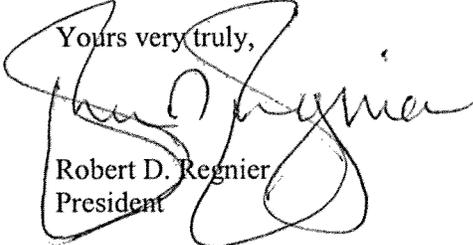
The Bank was very pleased to have been a recipient of TARP funding, as is reflected in the attached article that ran in the Kansas City Star newspaper. It has been the Bank's posture that we were chosen for funding under this program in part because of our history of reinvesting in our community. We believe the program was well conceived and provided important safety net capitalization to the banking industry. I believe with interest payments and the exercise of warrants the bulk of these preferred stock investments will be paid in full and in aggregate will reflect little if any cost to the Treasury. Providing additional capital to our Bank has allowed us to continue to be an active lender during this most difficult financial environment.

Attached for your review is information that we provided in the past to explain to our shareholders the intended use of the TARP funding. This communication was used in conjunction with our rights offering documentation.

Executive Certification

By my signature, I am certifying the accuracy of all statements, representation, and supporting information provided subject to the requirements and penalties set forth in Title XVIII United States Code Section 1001.

Thank you for the opportunity of participating in the TARP CCP program. We expect your investment in Blue Valley Ban Corp to be a profitable investment for the Treasury. The receipt of this investment represented an important stabilizing capital enhancement to the Bank of Blue Valley.

Yours very truly,

Robert D. Regnier
President

RDR:sjg
Enclosures



Application for TARP Capital Purchase Program (CPP)

Please complete the following information and follow the submission instructions as described on your Federal banking agency's website. In addition to completing the information on this form, please provide a description of any mergers, acquisitions, or other capital raisings that are currently pending or are under negotiation and the expected consummation date (no longer than 1 page).

In the event the applicant files an application with the appropriate Federal banking agency prior to the availability of the investment agreement, the applicant must file an amended application which includes updated responses to any items in the application that required prior review of the investment agreement.

Institution Name: Blue Valley Ban Corp

Address of Institution: 11935 Riley

Overland Park, KS 66213

Primary Contact Name: Robert D. Regnier

Primary Contact Phone Number: _____

Primary Contact Fax Number: 913-234-7040

Primary Contact Email Address: _____

b(6)

Secondary Contact Name: Mark A. Fortino

Secondary Contact Phone Number: _____

Secondary Contact Fax Number: 913-234-7145

Secondary Contact Email Address: _____

b(6)

RSSD, Holding Company Docket Number and / or FDIC Certificate Number, As Relevant:

Blue Valley Ban Corp RSSD ID: 1471849

Amount of Preferred Shares Requested:

\$21,750,000

Amount Of Institution's Authorized But Unissued Preferred Stock Available For Purchase:

15,000,000 Shares at 6/30/2008

Amount Of Institution's Authorized But Unissued Common Stock:

12,537,258 Shares at 6/30/2008

Amount Of Total Risk-Weighted Assets As Reported On The Holding Company's Or Applicable Institution's Most Recent FR-Y9, Call Report, Or TFR, As Relevant:

\$726,280,000 at 6/30/2008

Institution Has Reviewed The Investment Agreements And Related Documentation On Treasury's Website (Yes/No):

Yes - To the extent available on the website

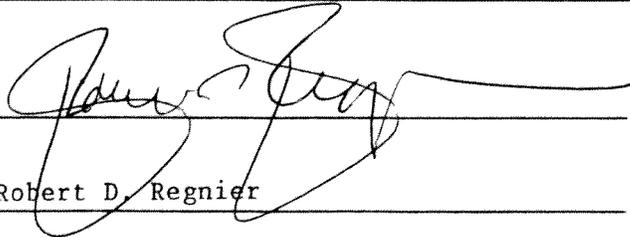
Describe Any Condition, Including A Representation Or Warranty, Contained In The Investment Agreements And Related Documentation, The Institution Believes it Cannot Comply With By November 14, 2008 And Provide A Timeline For Reaching Compliance¹:

None

Type of Company²:

Publicly Traded Stock Company

Signature of Chief Executive Officer (or Authorized Designee):



Date of Signature:

10-27-08

Robert D. Regnier

¹ May be provided as an attachment, no longer than 1 page

² Publicly Traded Stock Company; Stock Company Without Publicly Traded Shares; Other (please specify)

Blue Valley Ban Corp
October, 22 2008

Description of Capital Raise currently pending:

Blue Valley Ban Corp filed an S-1 registration statement with the SEC on Friday, October 17th, 2008 to raise approximately \$6 million in a Rights Offering from its current shareholder base. The registration statement was approved by the SEC on Wednesday, October 22nd. The purpose of this \$6 million capital raise is to replace the reduction in capital from the \$6.2 million loss reported for the third quarter ended, September 30th, 2008. It is anticipated that these funds will be received prior to December 31st, 2008.

Blue Valley Ban Corp
Use of TARP Funds Reconciliation

		Total Capital Injected Into Bank
12/5/2008 Receipt of TARP Funds	\$ 21,750,000	
12/5/2008 Payoff JP Morgan Chase debt, \$14.5 million of which had been invested as Capital in the Bank earlier in the year	(17,518,689)	
12/31/2008 Net cash proceeds received from Rights Offering partially replacing TARP funds used to payoff JP Morgan Chase debt	<u>5,078,094</u>	
12/31/2008 Net TARP Proceeds used to pay off JP Morgan Chase Debt	(12,440,595)	
12/31/2008 Capital Injected into Bank	(5,078,094)	5,078,094
2/12/2009 1st Quarter Tarp Dividend Payment	(211,458)	
2/27/2009 Capital Injected into Bank	(4,000,000)	4,000,000
Other accounting and legal expenses related to TARP Application	(19,853)	
TOTAL TARP FUNDS INJECTED AS CAPITAL INTO THE BANK		9,078,094
\$14.5 Million borrowed on JP Morgan Chase Line of Credit prior to receiving the TARP funds for Capital Injection into the Bank		14,500,000
REMAINING TARP FUNDS	<u>- 0 -</u>	
TOTAL CAPITAL INJECTED INTO THE BANK		<u>23,578,094</u>

Bank of Blue Valley

	Common Stock	Surplus	Undivided Profits	Net Unrealized gain/loss	Total equity
Balance at 12/31/07	1,290,000.00	32,131,767.69	37,982,012.31	584,186.02	71,987,966.02
2007 net income					0.00
Dividens to Holding Co.			(620,000.00)		(620,000.00)
Capital Injection from HC					0.00
'03/27/08		14,500,000.00			14,500,000.00
'12/31/08		5,078,094.00			5,078,094.00
					0.00
Net Income			(9,174,594.10)		(9,174,594.10)
Changes in unrealized appreciation on AFS				66,945.49	66,945.49
Total at 12/31/08	1,290,000.00	51,709,861.69	28,187,418.21	651,131.51	81,838,411.41

JPMorgan Chase Emails

Bob Regnier

From: Mark Fortino
Sent: Wednesday, February 25, 2009 8:12 AM
To: Bob Regnier
Subject: FW: Blue Valley

Here is another email.

From: jeffrey.c.nicholson@chase.com [mailto:jeffrey.c.nicholson@chase.com]
Sent: Friday, October 17, 2008 12:15 PM
To: Mark Fortino
Subject: Blue Valley

As I am sure you know, the Co. has an outstanding swap. Given that we are developing an exit strategy on this account, the Bank, as a part of the short term restructure proposal, is requesting that the Co. go ahead and terminate/unwind the swap now. Today, to unwind the swap, the charge would be approx. \$23m. The Bank cannot give you an exact number but that is the approximate amount. Please confirm in writing that Blue Valley will honor this request. Once I hear back from you, I will give you the number to call our swap desk to terminate the swap.

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Bob Regnier

From: Mark Fortino
Sent: Wednesday, February 25, 2009 8:02 AM
To: Bob Regnier
Subject: FW: Blue Valley TARP Application

Mark A. Fortino, CPA
 Executive Vice President & CFO
 Bank of Blue Valley
 11935 Riley
 Overland Park, KS 66213
 913-234-2345
 816-519-5013 cell
 913-234-7145 fax

Performance Checking

5.51% APY on your balance of \$0 to \$25,000

It's easy... make at least 12 signature based debit card transactions (excluding ATM transactions) and one direct deposit or ACH automatic debit each statement cycle.

For complete details, click this link to go to the Performance Checking page on our website BANKBV.COM

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From: jeffrey.c.nicholson@chase.com [mailto:jeffrey.c.nicholson@chase.com]
Sent: Thursday, October 23, 2008 1:06 PM
To: Mark Fortino
Cc: marissa.a.kerley@jpmchase.com; sarah.r.rubino@chase.com
Subject: Re: Blue Valley TARP Application

If you will agree to put in writing that Blue Valley will agree to use a portion of the TARP funds (if received) to pay off the remaining loan obligations due and owing to JPMorgan, we will agree to hold off on ordering the appraisal and EPA Phase I report. We still want to close the proposed restructure which includes the filing of a mortgage on both of the properties we have previously discussed. We will need to retain an outside firm to complete the title work, mortgage preparation and filing. Let me know your thoughts. In the event the TARP funds do not come in to pay off the loans by the end of December, the Bank will proceed forward with the appraisal and Phase I reports. We are working to close this matter by October 31, 2008 but are willing to extend the deadline if it is determined that the loan documents will not be completed in a timely manner.

"Mark Fortino" <MFortino@bankbv.com>

To <jeffrey.c.nicholson@chase.com>

CC <marissa.a.kerley@jpmchase.com>, <sarah.r.rubino@chase.com>

10/23/2008 01:58 PM

Subject Blue Valley TARP Application

Jeff,

Here is our application that we filed today with the Federal Reserve Bank of Kansas City. Also, late yesterday afternoon we received a call from the SEC that they have already approved our S-1 Registration Statement for our Rights Offering that we just filed last

2/25/2009

Friday. Therefore, we are significantly ahead of schedule and the registration statement will probably go effective in the next 10 to 15 days and that capital should be recorded on our books well in advance of the end of the year.

If we are successful on all fronts, we will be adding \$28 million of Tier 1 capital to our books before December 31st, 2008. (\$22 million from the TARP and \$6 million from the Rights Offering)

Let us know how we should proceed with regards to our October 31st close on the new loan structure. As we discussed on the phone, we are still committed to follow through with our agreement if JP Morgan still wishes us to do so. We are continuing to meet with other lenders to move the line should the TARP not come through in accordance with our agreed maturity date of January 31st, 2009.

We will keep you posted on our progress regarding all of these items.

Thanks for working with us through all of this.

Mark

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BLUE VALLEY
BAN CORP.



P.O. Box 26128 • Overland Park, KS 66225 6128
(913) 338-1000 • FAX (913) 661-0324

October 23, 2008

Mr. Jeffrey C. Nicholson
JPMorgan Chase Bank, N.A.
100 E. Broad St.,
Columbus, Ohio 43271-0225

Dear Jeff,

Based on our discussions and email correspondence as of today, October 23, 2008, it is Blue Valley Ban Corp's intent to use a portion of the TARP funds, if received, to pay off the remaining loan obligations due and owing to JPMorgan. The details and timing of the TARP program is not fully known at this time and we can't make any representations with respect to how the US Treasury will administer and distribute these funds. We will continue to keep you informed of our progress.

Let me know if you need any further representations or support.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mark A. Fortino", with a horizontal line extending to the right.

Mark A. Fortino
Chief Financial Officer
Blue Valley Ban Corp

Bob Regnier

From: Mark Fortino
Sent: Wednesday, February 25, 2009 8:17 AM
To: Bob Regnier
Subject: FW: 20081023141520.pdf

From: jeffrey.c.nicholson@chase.com [mailto:jeffrey.c.nicholson@chase.com]
Sent: Friday, October 24, 2008 8:15 AM
To: Mark Fortino
Cc: Bob Regnier; marissa.a.kerley@jpmchase.com; sarah.r.rubino@chase.com
Subject: Re: 20081023141520.pdf

have recommended that we hold off on ordering the appraisals and Phase I reports on the two properties you are pledging to the Bank until we confirm that Blue Valley is not eligible for the TARP funds or if you do not use the funds to pay off the remaining loans. I will let you know what response I receive. We will continue to proceed forward with the loan documents for the short term renewal and the preparation of the mortgages.

"Mark Fortino" <MFortino@bankbv.com>

To <jeffrey.c.nicholson@chase.com>

cc <marissa.a.kerley@jpmchase.com>, <sarah.r.rubino@chase.com>, "Bob Regnier"

<BRegnier@bankbv.com>

10/23/2008 08:01 PM

Subject 20081023141520.pdf

Jeff,

Here is the letter you requested. I have put the original in the mail to you.

Thanks,
 Mark
 [attachment "20081023141520.pdf" deleted by Jeffrey C Nicholson/OH/BANCONE]

This transmission may contain information that is privileged, confidential, legally privileged, and/or exempt from disclosure under applicable law. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or use of the information contained herein (including any reliance thereon) is STRICTLY PROHIBITED. Although this transmission and any attachments are believed to be free of any virus or other defect that might affect any computer system into which it is received and opened, it is the responsibility of the recipient to ensure that it is virus free and no responsibility is accepted by JPMorgan Chase & Co., its subsidiaries and affiliates, as applicable, for any loss or damage arising in any way from its use. If you received this transmission in error, please immediately contact the sender and destroy the material in its entirety, whether in electronic or hard copy format. Thank you.

Page 1 of 1

AMENDMENT AND WAIVER

Notwithstanding the terms of any severance, bonus, employment or other compensation related plan, arrangement, agreement, policy, practice or procedure (together, all such items shall be referred to as "Compensation Arrangements"), Blue Valley Ban Corp. and Bank of Blue Valley hereby adopt the following actions, changes and amendments related to all Compensation Arrangements:

(A) Incentives for "senior executive officers" (as that term is defined for purposes of Section 111(b) of the Emergency Economic Stabilization Act of 2008 ("Section 111(b)")) of Blue Valley Ban Corp. and Bank of Blue Valley (the "SEOs") shall not include, and to the extent necessary shall be amended to exclude, anything that the Compensation Committee of the Board of Directors of Blue Valley Ban Corp now, or at any time in the future, concludes would provide the CEOs with an incentive to take unnecessary and excessive risks that threaten the value of Blue Valley Ban Corp. or Bank of Blue Valley during the period that the United States holds an equity or debt position in Blue Valley Ban Corp. acquired through the TARP Capital Purchase Program (the "Restriction Period");

(B) Blue Valley Ban Corp. and Bank of Blue Valley will recover any bonus or incentive compensation paid to an SEO during the Restriction Period that was based on financial statements or other performance criteria that are later determined to have been materially inaccurate;

(C) Blue Valley Ban Corp. and Bank of Blue Valley will not make any "golden parachute" payments (as that term is defined for purposes of Section 111(b)) to its CEOs during the Restriction Period; and

(D) Any and all other actions required by Section 111(b).

In consideration for One Hundred Dollars (\$100) and the benefits I may indirectly receive as a result of Blue Valley Ban Corp.'s participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against Blue Valley Ban Corp. or Bank of Blue Valley for any changes that have heretofore been made or will in the future be made to any of my Compensation Arrangements that are required to comply with Section 111(b) or the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process

NOTE: THESE WERE SIGNED ON
DECEMBER 3RD 2008, THE \$100
REFERENCED ABOVE WAS PAID 12-5-08

by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.

BLUE VALLEY BAN CORP.

SENIOR EXECUTIVE OFFICERS

WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.



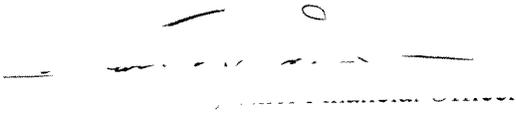
b(4) b(6)

WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.



b(4) b(6)

WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.

A handwritten signature in black ink, appearing to be a stylized name, located below the text of the waiver.

b(4) (b)(6)

WAIVER

In consideration for the benefits I will receive as a result of my employer's participation in the United States Department of the Treasury's TARP Capital Purchase Program, I hereby voluntarily waive any claim against the United States or my employer for any changes to my compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008.

I acknowledge that this regulation may require modification of the compensation, bonus, incentive and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements) that I have with my employer or in which I participate as they relate to the period the United States holds any equity or debt securities of my employer acquired through the TARP Capital Purchase Program.

This waiver includes all claims I may have under the laws of the United States or any state related to the requirements imposed by the aforementioned regulation, including without limitation a claim for any compensation or other payments I would otherwise receive, any challenge to the process by which this regulation was adopted and any tort or constitutional claim about the effect of these regulations on my employment relationship.

b(4) b(6)

CLASSIFIED | C6
In Print. Online.
Anytime.



Slashing Sony

Sony is cutting 8,000 jobs, 4% of its worldwide work force, who will shut five or six of its 37 factories. A plant in Dan, France, was the only one identified for closing.



Not liking Ike

Bank of America is cutting 10,000 jobs, 4% of its worldwide work force, who will shut five or six of its 37 factories. A plant in Dan, France, was the only one identified for closing.

Business

8691.33 DOW -242.85	1547.34 NASDAQ -24.40	888.67 S&P 500 -21.03	465.71 RUSSELL 2000 -15.67	2.67 10-YEAR T-NOTE -.06	42.07 OIL -1.64	772.40 GOLD +5.00	1.2919 \$ PER EURO -.0036	92.13 YEN PER \$ -.84
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TOP HEADLINES

- Blue Valley Ban Corp. taps U.S. Treasury for \$21.75 million investment. | C3
- New York bank questions \$550,000 in fees in Brooke Corp. | C1
- Blue Cross and Blue Shield of Kansas City affiliate could shed 121 jobs after sale. | C3
- NovaStar Financial settles securities litigation for \$7.25 million. | C1
- Parking lot operator at KCI seeks Chapter 11 bankruptcy court protection. | C3

RESCUE MONEY AT WORK | \$21.75 million Treasury investment

BANK GETS BOOST

Bank of Blue Valley's parent uses funds to pay off \$17.5 million it borrowed. The bank will be able to lend more.

By MARK DAVIS
The Kansas City Star

The U.S. Treasury has completed a \$21.75 million investment in the parent company of the Bank of Blue Valley. The investment came through the U.S. Treasury's Capital Purchase Program that was financed by the \$700 billion financial system rescue Congress passed in October. Blue Valley Ban Corp., based in Overland Park, promptly paid off \$17.5 million it had borrowed from JPMorgan Chase, and planned to put the rest into the bank as capital

or use it for other corporate purposes. "It's going to allow us to expand our lending," said Bob Regnier, chief executive officer and founder of the company. "It gives us a lot more muscle to do things when the time is right." Regnier said his job now was to find prudent uses for the money by growing the Bank of Blue Valley, currently at \$774 million in assets and \$649 million in loans at the end of September.

Dollars & sense

CHECK ON YOUR BANK

For the latest financial information on your bank, go to KansasCity.com and click on Dollars & Sense. The Star's new personal finance Web site. There you will find the bank data in the Tools section near the bottom of the left-hand column

SEE TREASURY | C5

Epoch Group may cut workers

Area company could cut 121 employees with the sale of its third-party administration business.

By SUZANNE KING
Special to The Star

More than 100 employees of the Epoch Group in Leawood could lose their jobs following the sale of the company's third-party administration business. Blue Cross and Blue Shield of Kansas City, which owns the Epoch Group, filed notice with the state of Kansas that 121 employees could cease to be employed by Epoch after May 31, 2009, when a transition period is complete. A spokesman for Amherst, N.Y.-based Meritain Health, which purchased Epoch's third-party administration business, could not be reached Tuesday. The sale closed Nov. 7. During the transition period, clients will be moved to Meritain's system, said Sue Johnson, a spokeswoman for Blue Cross. The layoff notice complies

Riederer payment requests run into trouble

New York bank says it needs more detail on his charges for Brooke Corp. work.

By DAN MARGOLIS
The Kansas City Star

Fee requests submitted by Albert Riederer as the court-appointed special master for Brooke Corp. are being opposed by The Bank of New York Mellon as "sorely lacking" in detail. In a court filing Monday, the bank said it was unable to determine whether the requests for \$550,000 were reasonable. Since his appointment as special master in mid-September, Riederer, a former Jackson County prosecutor and Missouri Court of Appeals judge, has essentially run Brooke and its affiliated companies. Brooke and an affiliate filed for bankruptcy protection in October and Riederer has been winding down the companies' operations. Brooke had been facing mounting financial and legal difficulties, including a lawsuit filed in September by The Bank of New York Mellon accusing the company of fraudulently diverting funds. Until its finances started improving earlier this year, Brooke was one of the biggest franchisors of property and casualty insurance agencies in the U.S., with about 900 offices. Since the bankruptcy filings, nearly all of the franchise relationships have been terminated.

Riederer's fee requests were made on behalf of himself and a variety of professionals, including lawyers and accountants hired to help him manage Brooke's finances and run its



MIKE RANSFELL / THE KANSAS CITY STAR

For the Bank of Blue Valley, the investment in its parent company by the Treasury means, "It gives us a lot more muscle to do things when the time is right," said Bob Regnier, CEO of the company.

SEE RIEDERER | C5

nated levels.

The settlement was mediated by Edward Infante, the chief magistrate judge of the U.S. District Court for the Northern District of California. The settlement documents state that the plaintiffs' attorneys intend to ask for up to a third of the settlement amount as attorneys' fees and for expenses of about \$300,000.

NovaStar shares closed Tuesday at 34 cents, down 10 cents. To reach Dan Margolies, call 816-234-4481 or send e-mail to dmargolies@kcstar.com.

TREASURY: Investment to aid area bank

FROM CI

Blue Valley Ban Corp. also is in the process of raising \$6 million in new capital from its existing shareholders. The Treasury transaction delayed that for a week, allowing shareholders to weigh the information before deciding whether to invest.

Some other area institutions declined to seek any Treasury funding, among them **Commerce Bancshares Inc.**, **UMB Financial Corp.** and **Capitol Federal Financial**. **BOK Financial Corp.**, based in Tulsa, Okla., and owner of the **Bank of Kansas City**, also said it would not seek funds.

Great Southern Bancorp Inc., based in Springfield, Mo., and operator of a branch in Lee's Summit and a loan office in Overland Park, received \$58 million under the Treasury program.

Previously, **Marshall & Ilsley Corp.**, parent of **M&I Bank** in the Kansas City area, received \$1.715 billion from the Treasury's investment program.

In the Blue Valley Ban Corp. transaction, the Treasury received preferred stock and gained warrants to buy 111,083 common shares at \$29.37 a share. The stock last traded at \$15.25 on Dec. 3.

Regnier said the government determined the warrant exercise price.

To reach Mark Davis, call 816-234-4372 or send e-mail to mdavis@kcstar.com.

Former CEOs Richard Syron of Freddie Mac (from left), Leland Brendsel of Freddie Mac, Franklin Ra (top) and Daniel Mudd of Fannie Mae testified Tuesday before the House Oversight and Governmen

Fannie, Freddie faulted on

CEOs disregarded warnings on risky mortgages, documents released by a House committee show.

By ALAN ZIBEL
The Associated Press

WASHINGTON | Executives at **Fannie Mae** and **Freddie Mac** ignored warnings that they were taking on too many risky loans years before the housing market plunged, according to documents released Tuesday.

E-mails and other internal documents released by the **House Oversight and Government Reform Committee** show that former Fannie Mae CEO Daniel Mudd and former Freddie Mac CEO Richard Syron disregarded recommendations that they stay away from riskier types of loans.

"Their irresponsible decisions are now costing the taxpayers billions of dollars," said Rep. Henry Waxman, a California Democrat who is chairman of the committee, which reviewed nearly 400,000 internal documents from Fannie and Freddie.

Republicans have argued that weak government regulation of Fannie and Freddie and policies to promote homeownership during the Clinton administration were the key causes of the financial meltdown. "We knew a long time ago that this train was going to crash," said Rep. Christopher Shays, a Connecticut Republican.

Democrats acknowledged that the two government-sponsored companies contributed to the financial crisis but stressed that Wall Street banks — not Fannie and Freddie — led the dramatic decline in lending standards that caused mortgages to start defaulting in huge numbers two years ago.

Fannie and Freddie own or guarantee around half the \$11.5 trillion in U.S. outstanding home loan debt. They traditionally backed the safest loans, 30-year fixed rate mortgages that required a down payment of at

"All four of you seem to be in complete denial that Freddie and Fannie are in any way responsible for this."

REP. DARRELL ISSA

least 20 percent. But in recent years, they lowered their standards, matching a decline fueled by Wall Street banks that backed the now-defunct subprime lending industry.

Rep. Carolyn Maloney, a New York Democrat, grilled Syron about Freddie Mac's decision to fire David Andrukonis, its former chief risk officer.

Andrukonis sounded warnings as far back as 2004 about the risks posed by loans in which borrowers didn't provide proof of their incomes or detail their assets, according to e-mails released by the panel.

Syron said Andrukonis "was fired for a variety of reasons. It was not primarily for his having

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RIEDERER: Bank challenges pay requests for Brooke work

FROM CI

operations. The \$550,000 represents half the amount of fees incurred between his appointment as special master on Sept. 17 and the end of October, when the two Brooke entities filed for bankruptcy.

The court order appointing Riederer as special master said he was entitled to reimbursement of "reasonable fees, costs and expenses."

Included in Riederer's fee requests were:

■ \$308,421 in attorneys' fees for 822 hours of work performed by the law firm of **Husch Blackwell Sanders,**

which represents Riederer in the Brooke proceedings. The Bank of New York Mellon complained that Husch's fee request had been "redacted to remove all details of work performed."

■ Unspecified fees charged by **CBIZ Accounting, Tax & Advisory Services LLC.** The bank complained that many of the accounting firm's charges seemed duplicative and that \$100-an-hour charges for typing, copying and printing "appear excessive on their face."

■ Unspecified fees charged by Riederer himself. The bank complained that Riederer had "redacted all billing details, and

the non-redacted material is essentially illegible."

Riederer declined to comment on the bank's filing, which also complained that he had failed to explain the job responsibilities of the various professionals working for him.

An attorney for The Bank of New York Mellon, Mark Hyland of **Seward & Kissel** in New York, said the bank's position was set out in the court documents. Monday was the deadline for the bank to object to the fee requests.

To reach Dan Margolies, call 816-234-4481 or send e-mail to dmargolies@kcstar.com.

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Blue Valley Bank parent gets \$21.75M from feds - Kansas City Business Journal:

Kansas City Business Journal - December 9, 2008
<http://kansascity.bizjournals.com/kansascity/stories/2008/12/08/daily17.html>

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BUSINESS JOURNAL

Tuesday, December 9, 2008 - 10:14 AM CST | Modified: Tuesday, December 9, 2008 - 11:13 AM

Blue Valley Bank parent gets \$21.75M from feds

Kansas City Business Journal

Blue Valley Ban Corp. received \$21.75 million from the U.S. Department of the Treasury on Friday through the agency's Capital Purchase Program.

The Kansas City-based bank holding company (OTCBB: BBBC), parent of **Blue Valley Bank**, sold 21,750 shares of fixed-rate cumulative perpetual preferred stock and a 10-year warrant to buy 111,083 shares of its common stock for \$29.37 a share.

The preferred shares carry a 5 percent annual dividend rate, payable quarterly. The dividend rate increases to 9 percent after five years. The preferred shares have no redemption date but can't be redeemed for three years. After that, they can be redeemed for \$1,000 a share, plus accrued unpaid dividends.

The Treasury Department's program includes a prohibition from increasing dividends or repurchasing stock without the agency's approval. The regulations also place restrictions on executive pay.

Blue Valley Ban Corp. said in a Monday filing with the Securities and Exchange Commission that it will use \$17.5 million of the proceeds to repay a loan from J.P. Morgan Chase and the remainder of the money "for capital enhancements into the bank as needed and general corporate purposes."

Robert Regnier, president of Blue Valley Ban Corp., said Tuesday that he decided to participate because more capital is better in today's economic conditions. He said the Treasury Department capital shouldn't be considered bailout money.

"We have to repay this money, and the government is going to make a profit," Regnier said. "But it helps healthy institutions get stronger. It will allow us to expand our assets and our geographic base and continue to lend. We've been lending to our customers, but this just gives us more capital and expands our lending limit, making us a stronger institution without having to give up any significant dilution."

Blue Valley is the first locally based bank to announce participation in the federal program. Kansas City-based **UMB Financial Corp.** (Nasdaq: UMBF) and Topeka-based **Capital Federal Financial** (Nasdaq: CFFN) both opted out of the program on Nov. 3. Kansas City-based **Commerce Bancshares Inc.** (Nasdaq: CBSH) opted out of the program on Nov. 14.

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Bank of Blue Valley parent raises \$5.2M - Kansas City Business Journal:

Kansas City Business Journal - January 2, 2009
<http://kansascity.bizjournals.com/kansascity/stories/2008/12/29/daily27.html>

BUSINESS JOURNAL

Friday, January 2, 2009, 2:57pm CST | Modified: Friday, January 2, 2009, 3:06pm

Bank of Blue Valley parent raises \$5.2M

Kansas City Business Journal

The parent of **Bank of Blue Valley** has completed a shareholders rights offering, raising gross proceeds of about \$5.2 million.

In a filing with the **Securities and Exchange Commission** on Friday, Overland Park-based **Blue Valley Ban Corp.** (OTBB: BVBC) said it sold 288,943 shares of common stock for \$18 a share on Tuesday.

The company said in October that it intended to sell the shares in order to enhance its capital levels, after announcing that the bank lost \$6.2 million in the third quarter, which ended Sept. 30.

The sale was conducted as a nontransferable subscription rights offering to shareholders of record on Nov. 10.

Blue Valley Ban Corp. **said in early December** that it would participate in the **U.S. Treasury Department's** Capital Purchase Program. The company received \$21.75 million in early December, selling 21,750 shares of fixed-rate perpetual preferred stock and a 10-year warrant to buy 111,083 shares of common stock for \$29.37 a share.

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Blue Valley Ban Corp.
11935 Riley
Overland Park, Kansas 66225-6128

NEWS RELEASE

Contact: Mark A. Fortino
Chief Financial Officer
(913) 338-1000

For Immediate Release Thursday, January 17, 2008

Blue Valley Ban Corp. Reports Annual and Fourth Quarter 2007 Earnings

Overland Park, Kansas, January 18, 2008 – Blue Valley Ban Corp. (OTCBB: BVBC) (“the Company”) today announced net income of \$4.5 million or fully-diluted earnings per share of \$1.84 per share for the year ended December 31, 2007, compared to net income of \$6.9 million or \$2.88 per share for the same period in 2006. Net income for the fourth quarter of 2007 was \$678,000, or fully-diluted earnings per share of \$0.28, compared to \$2.1 million, or \$0.87 per share for the same period in 2006.

“2007 has been a challenging year for the Company due to the interest rate environment and the industry wide decline in the real estate market. This has resulted in a decrease in the Company’s net interest income and an increase in provision for loan losses as compared to the prior year. However, our average earning assets increased during 2007 primarily due to internal loan growth and the acquisition of Unison Bancorp, and its subsidiary, Western National Bank. We look for continued growth in 2008 and an increase in our net interest income. We feel that in 2008 mortgage origination will stabilize and reflect improvement in the 2nd half of the year. We expect 2008 to be a year of opportunities for the Company as we look to expand our loan and deposit portfolios, and improve our overall financial performance.” said Robert D. Regnier, Chairman and CEO of Blue Valley Ban Corp.

During December 2007, the Company’s Board of Directors declared a \$0.36 per share cash dividend on the Company’s common stock. The dividend will be paid on January 31, 2008 to shareholders of record as of December 31, 2007.

Operating Results

For the twelve-month period ending December 31, 2007, net interest income decreased 4.43% to \$26.6 million compared to \$27.9 million for the same period in the prior year, primarily due to lower net interest margin resulting from a higher costs on average interest bearing liabilities. Provision for Loan Losses increased to \$2.8 million compared to \$1.3 million for the same period in the prior year. The increase is primarily attributed to the internal growth within the loan portfolio and a modest decline in the credit quality of the real estate and construction portfolio. Noninterest income decreased 18.93% to \$7.2 million during this period from \$8.9 million in the prior year. The principal factor driving the decrease in non-interest income was a decrease in Loans Held for Sale Fee Income resulting from lower mortgage origination volume due to the industry wide decline in the housing market. Noninterest expense of \$24.2 million remained relatively flat compared to \$24.4 million in the prior year period.

For the fourth quarter of 2007, net interest income decreased 10.48% to \$6.4 million compared to \$7.2 million for the same period in the prior year, primarily due to lower net interest margin resulting from a lower yield on average earning assets and higher costs on average interest bearing liabilities. Provision for Loan Losses increased to \$1.9 million compared to \$50,000 for the same period in the prior year. The increase is primarily attributed to the internal growth within the loan portfolio and a modest decline in the credit quality of the real estate and construction portfolio. Noninterest income decreased to \$1.6 million during this period from \$2.3 million in the prior year, a decrease of 30.26% due primarily to a decrease in Loans Held for Sale Fee Income resulting from lower mortgage origination volume due to an industry wide decline in the housing market. Noninterest expense decreased 10.17% to \$5.5 million compared to \$6.1 million in the prior year period. This decrease in noninterest expense relates primarily to lower compensation costs due to the restructuring of the mortgage division during 2007.

Total assets, loans and deposits at December 31, 2007 were \$736.2 million, \$596.6 million and \$536.4 million, respectively, compared to \$692.2 million, \$528.5 million and \$535.9 million one year earlier, respectively, increases of 6.36%, 12.89% and 0.09%, respectively.

About Blue Valley Ban Corp.

Blue Valley Ban Corp. is a bank holding company that, through its subsidiaries, provides banking services to closely-held businesses, their owners, professionals and individuals in Johnson County, Kansas. In addition, the Company originates residential mortgages locally and nationwide through its InternetMortgage.com website.

This release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, can generally be identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. The Company is unable to predict the actual results of its future plans or strategies with certainty. Factors which could have a material adverse effect on the operations and future prospects of the Company include, but are not limited to, fluctuations in market rates of interest and loan and deposit pricing; a deterioration of general economic conditions or the demand for housing in the Company's market areas; legislative or regulatory changes; adverse developments in the Company's loan or investment portfolio; any inability to obtain funding on favorable terms; the loss of key personnel; significant increases in competition; and the possible dilutive effect of potential acquisitions or expansions. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements

BLUE VALLEY BAN CORP.
 FOURTH QUARTER 2007
 FINANCIAL HIGHLIGHTS
 (In thousands, except per share data)
 (unaudited)

<u>Twelve Months Ended December 31</u>	<u>2007</u>		<u>2006</u>	
Net interest income	\$ 26,635		\$ 27,870	
Provision for loan losses	2,855		1,255	
Non-interest income	7,200		8,881	
Non-interest expense	24,217		24,374	
Net income	4,488		6,923	
Net income per share - Basic	1.86		2.93	
Net income per share - Diluted	1.84		2.88	
Common stock dividend per share	0.36		0.30	
Return on average assets	0.62	%	1.00	%
Return on average equity	7.88	%	13.81	%
<u>Three Months Ended December 31</u>				
Net interest income	\$ 6,416		\$ 7,167	
Provision for loan losses	1,865		50	
Non-interest income	1,636		2,346	
Non-interest expense	5,474		6,094	
Net Income	678		2,099	
Net income per share - Basic	0.28		0.89	
Net income per share - Diluted	0.28		0.87	
Return on average assets	0.37	%	1.20	%
Return on average equity	4.52	%	15.53	%
<u>At December 31</u>				
Assets	\$ 736,213		\$ 692,219	
Loans	596,646		528,515	
Deposits	536,370		535,864	
Stockholders' Equity	58,934		53,820	

Blue Valley Ban Corp.
11935 Riley
Overland Park, Kansas 66225-6128

NEWS RELEASE

Contact: Mark A. Fortino
Chief Financial Officer
(913) 338-1000

For Immediate Release Friday, April 25, 2008

Blue Valley Ban Corp. Reports First Quarter 2008 Earnings

Overland Park, Kansas, April 25, 2008 – Blue Valley Ban Corp. (OTCBB: BVBC) (“the Company”) today announced net income of \$630,000, or fully-diluted earnings per share of \$0.26 per share, for the first quarter of 2008, compared to net income of \$1.2 million or \$0.48 per share for the same period in 2007.

“The first quarter has been challenging for the Company due to the interest rate environment and the continued industry wide decline in the real estate market. This has resulted in a decrease in the Company’s net interest income and an increase in provision for loan losses as compared to the prior year. However, our average earning assets increased over the prior year primarily due to internal loan growth. In this competitive interest rate environment, we will continue to focus on growing our earning assets and increasing our net interest margin.” said Robert D. Regnier, Chairman and CEO of Blue Valley Ban Corp.

Operating Results

During the first quarter of 2008, net interest income decreased 12.22% to \$5.9 million compared to \$6.8 million for the same period in the prior year, primarily due to a reversal of \$429,000 in interest on loans placed on nonaccrual in the first quarter and a lower net interest margin resulting from a decrease in market interest rates during the fourth quarter of 2007 and first quarter of 2008. Provision for loan losses increased to \$900,000 compared to \$400,000 for the same period in the prior year. The increase was a result of a decline in the credit quality of the real estate and construction portfolio due to the industry wide decline in the real estate market. The increase in the provision for loan losses was also attributable to internal growth of the loan portfolio. Noninterest income remained virtually unchanged with a slight increase of \$169,000. This increase was the net result of a decrease in loans held for sale fee income due to the industry wide decline in the real estate market combined with gains realized on the sale of available-for-sale securities during the first quarter to provide funding for additional loan growth. Noninterest expense decreased \$374,000, or 5.68%, to \$6.2 million compared to \$6.6 million in the prior year period. This decrease was primarily a result of lower salaries and employee benefit expenses in 2008 due to the mortgage division restructuring in 2007.

Total assets, loans and deposits at March 31, 2008 were \$768.1 million, \$622.5 million and \$544.2 million, respectively, compared to \$739.9 million, \$559.0 million and \$580.9 million one year earlier, respectively, increases of 3.8%, 11.4%, and a decrease of 6.3%, respectively. The decrease in deposits in the past year was the net result of a number of factors. \$15 million of brokered deposits matured in April of 2007 and were not subsequently replaced by the Company. In addition, the Company allowed higher priced certificates of deposit to not be renewed. The loss of certificates of deposit funding was partially offset by the success of our new Performance Checking product which has gained over \$12 million in approximately 1,400 new accounts since March 31st, 2007. Although transaction accounts typically carry smaller balances than certificates of deposit, they also carry a lower funding cost. We believe this funding strategy will serve us well long term.

About Blue Valley Ban Corp.

Blue Valley Ban Corp. is a bank holding company that, through its subsidiaries, provides banking services to closely-held businesses, their owners, professionals and individuals in Johnson County, Kansas. In addition, the Company originates residential mortgages locally and nationwide through its InternetMortgage.com website.

This release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, can generally be identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. The Company is unable to predict the actual results of its future plans or strategies with certainty. Factors which could have a material adverse effect on the operations and future prospects of the Company include, but are not limited to, fluctuations in market rates of interest and loan and deposit pricing; a deterioration of general economic conditions or the demand for housing in the Company's market areas; legislative or regulatory changes; adverse developments in the Company's loan or investment portfolio; any inability to obtain funding on favorable terms; the loss of key personnel; significant increases in competition; potential unfavorable results of litigation which the Company may become a party; and the possible dilutive effect of potential acquisitions or expansions. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements

BLUE VALLEY BAN CORP.
FIRST QUARTER 2008
FINANCIAL HIGHLIGHTS
(In thousands, except per share data)
(unaudited)

	<u>2008</u>		<u>2007</u>	
Three Months Ended March 31				
Net interest income	\$ 5,939	\$	6,766	
Provision for loan losses	900		400	
Non-interest income	2,166		1,997	
Non-interest expense	6,210		6,584	
Net income	630		1,164	
Net income per share - Basic	0.26		0.48	
Net income per share - Diluted	0.26		0.48	
Return on average assets	0.34 %		0.67 %	
Return on average equity	4.44 %		8.74 %	
At March 31				
Assets	\$ 768,085	\$	739,864	
Mortgage loans held for sale	6,702		6,429	
Loans	622,540		559,047	
Deposits	544,193		580,937	
Stockholders' Equity	60,062		55,419	

Blue Valley Ban Corp.
11935 Riley
Overland Park, Kansas 66225-6128

NEWS RELEASE

Contact: Mark A. Fortino
Chief Financial Officer
(913) 338-1000

For Immediate Release Monday, August 4, 2008

Blue Valley Ban Corp. Reports Second Quarter 2008 Earnings

Overland Park, Kansas, August 4, 2008 – Blue Valley Ban Corp. (OTCBB: BVBC) (“the Company”) today announced net income of \$24,000, or fully-diluted earnings per share (EPS) of \$0.01 for the second quarter of 2008, compared to net income of \$1.6 million, or \$0.64 per share for the same period in 2007. Net income for the six months ended June 30, 2008 was \$654,000 or \$0.27 per share, compared to \$1.6 million or \$1.12 per share for the same period in 2007.

“While our earnings the first six months of 2008 are reduced from those of the same period last year, the bank continues to maintain its net interest margin and we believe it will continue to contribute to earnings through the remainder of 2008. Our net interest income has been impacted by the lower interest rate environment as our loans have repriced faster in this falling rate environment than we have been able to reprice our funding liabilities. The provision for loan losses has increased as compared to prior year as a result of the cyclical downturn in the real estate market. We have continued to see growth in both our loan and deposit portfolios and believe the second half of 2008 will be back to a much more normal environment.” said Robert D. Regnier, Chairman and CEO of Blue Valley Ban Corp.

Operating Results

During the second quarter of 2008, net interest income decreased 11.5% to \$6.2 million compared to \$7.0 million for the same period in the prior year, primarily due to a lower net interest margin resulting from the decrease in market rates by 325 basis points since the fourth quarter 2007 and the reversal of \$188,000 in interest on loans placed on non accrual during the second quarter of 2008. Due to the decrease in market rates, the Company’s loan portfolio has repriced faster than the Company’s funding liabilities thus causing a decrease in the net interest margin. The lower net interest income has been partly offset by an increase in our loan portfolio by \$84.5 million, or 15.27%, since June 30, 2007. Provision for loan losses increased to \$2.4 million compared to no provision for the same period in the prior year. The increase was a result of the decline in the credit quality of the real estate and construction portfolio due to the continued decline in the real estate market and as a result of the internal loan growth. Noninterest income increased to \$2.2 million during this period from \$1.8 million in the prior year, an increase of 19.5%. The principal factor driving the increase in non-interest income was gains realized on the sale of available-for-sale securities. Noninterest expense decreased 6.1% to \$5.9 million compared to \$6.3 million in the prior year period. The decrease was a result of lower salaries and employee benefit expenses in 2008 due to the mortgage division restructure in 2007 and a decrease in expenses related to the bonus plan for 2008.

For the six-month period ending June 30, 2008, net interest income decreased 11.9% to \$12.2 million compared to \$13.8 million for the same period in 2007, primarily due to a lower net interest margin resulting from the decrease in market rates by 325 basis points since the fourth quarter 2007 and the reversal of \$617,000 in interest on loans placed on nonaccrual during 2008. Due to the decrease in market rates, the Company’s loan portfolio has repriced faster than the Company’s funding liabilities thus causing a decrease in the net interest margin. Provision for loan losses increased to \$3.3 million compared to \$400,000 for the same period in the prior year. The increase was a result of the decline in the credit quality of the real estate and construction portfolio due to the continued decline in the real estate market and as a result of the internal loan growth. Noninterest income increased to \$4.3 million during this period from \$3.8 million in the prior year, an increase of 13.7%, due to gains realized on the sale of available-for-sale investments during 2008 to provide funding for additional loan growth and to better position the investment

portfolio for future changes in interest rates. Noninterest expense decreased 5.9% to \$12.1 million compared to \$12.9 million in the prior year period. The decrease was a result of lower salaries and employee benefit expenses in 2008 due to the mortgage division restructure in 2007 and a decrease in expenses related to the bonus plan for 2008.

Total assets, loans and deposits at June 30, 2008 were \$805.1 million, \$638.6 million and \$573.4 million, respectively, compared to \$738.2 million, \$554.1 million and \$566.9 million one year earlier, respectively, increases of 9.1%, 15.2%, and 1.1% respectively. As of June 30, 2008, the Bank remained well-capitalized by regulatory standards.

About Blue Valley Ban Corp.

Blue Valley Ban Corp. is a bank holding company that, through its subsidiaries, provides banking services to business, their owners, professionals and individuals in Johnson County, Kansas. In addition, the Company originates residential mortgages nationwide through its InternetMortgage.com website.

This release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, can generally be identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. The Company is unable to predict the actual results of its future plans or strategies with certainty. Factors which could have a material adverse effect on the operations and future prospects of the Company include, but are not limited to, fluctuations in market rates of interest and loan and deposit pricing; a deterioration of general economic conditions or the demand for housing in the Company's market areas; a deterioration in the demand for mortgage financing; legislative or regulatory changes; adverse developments in the Company's loan or investment portfolio; any inability to obtain funding on favorable terms; the loss of key personnel; significant increases in competition; potential unfavorable results of litigation to which the Company may become a party; and the possible dilutive effect of potential acquisitions or expansions. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

BLUE VALLEY BAN CORP.
SECOND QUARTER 2008
CONSOLIDATED FINANCIAL HIGHLIGHTS
(all dollars in thousands, except per share data)
(unaudited)

<u>Three Months Ended June 30</u>	<u>2008</u>	<u>2007</u>
Net interest income	\$ 6,231	\$ 7,044
Provision for loan losses	2,410	-
Non-interest income	2,158	1,806
Non-interest expense	5,927	6,311
Net income	24	1,560
Net income per share - Basic	0.01	0.65
Net income per share - Diluted	0.01	0.64
Return on average assets	0.01 %	0.85 %
Return on average equity	0.16 %	11.11 %
 <u>Six Months Ended June 30</u>		
Net interest income	\$ 12,170	\$ 13,810
Provision for loan losses	3,310	400
Non-interest income	4,324	3,804
Non-interest expense	12,137	12,895
Net income	654	2,724
Net income per share - Basic	0.27	1.13
Net income per share - Diluted	0.27	1.12
Return on average assets	0.17 %	0.76 %
Return on average equity	2.21 %	9.99 %
 <u>At June 30</u>		
Assets	\$ 805,123	\$ 738,187
Loans	638,589	554,136
Deposits	573,388	566,920
Stockholders' Equity	59,623	56,887

Blue Valley Ban Corp.
11935 Riley
Overland Park, Kansas 66225-6128

NEWS RELEASE

Contact: Mark A. Fortino
Chief Financial Officer
(913) 338-1000

For Immediate Release Friday, October 17, 2008

Blue Valley Ban Corp. Reports Third Quarter 2008 Earnings

Overland Park, Kansas, October 17, 2008 – Blue Valley Ban Corp. (OTCBB: BVBC) (“the Company”) today announced a net loss of \$6.2 million, or fully-diluted loss per share of \$2.52 for the third quarter of 2008, compared to net income of \$1.1 million, or fully-diluted earnings per share of \$0.44 for the same period in 2007. Net loss for the nine months ended September 30, 2008 was \$5.6 million, or a loss of \$2.26 per fully-diluted share, compared to \$3.8 million or \$1.56 fully-diluted earnings per share for the same period in 2007.

In the third quarter of 2008, the Company’s subsidiary, Bank of Blue Valley (“the Bank”), charged down approximately \$9.7 million in non performing real estate construction and commercial loans. The level of non performing loans had increased in 2008 as a result of one deteriorating commercial credit and a continued decline in the credit quality of the Bank’s real estate and construction loan portfolio. Management also recognized the impact of the industry wide decline in the real estate market and the general economy. Management assessed the loan portfolio, specifically the non performing loans, on a credit by credit basis and reached the judgment that it would be appropriate to charge down approximately \$9.7 million in non performing loans. Based on this analysis, management made a provision for loan losses of \$12.1 million in the third quarter. This action was the primary reason for the \$6.2 million net loss for the third quarter. Even after the \$6.2 million loss for the three months ended September 30, 2008, the Bank had \$11.8 million more capital than the amount required to be considered “well-capitalized” by regulatory standards. To immediately replace the capital resulting from the charge down described above, the Board of Directors has approved the filing today of a registration statement for a common stock rights offering to existing shareholders intended to raise approximately \$6.0 million in capital. The capital raised will be invested in the Bank to further enhance its capital levels.

“The slowness in the recovery of the Johnson County real estate market prompted us to take this action. We believe we are now well positioned for future opportunities,” said Robert D. Regnier, Chairman and CEO of Blue Valley Ban Corp.

Operating Results

During the third quarter of 2008, net interest income decreased 11.5% to \$5.7, million compared to \$6.4 million for the same period in the prior year, primarily due to a lower net interest margin resulting from the decrease in market rates by 325 basis points since the fourth quarter of 2007 and the reversal of \$266,000 in interest on loans placed on non accrual during the third quarter of 2008. The decrease in market rates caused a decrease in net interest margin because the Company’s loan portfolio has repriced faster than the Company’s funding liabilities. The lower net interest income has been partly offset by an increase in our loan portfolio of \$81.3 million, or 14.5%, since September 30, 2007. Provision for loan losses increased to \$12.1 million, compared to \$590,000 for the same period in the prior year. The increase was a result of management’s decision to charge down approximately \$9.7 million in non performing loans due to one deteriorating commercial credit and a decline in the credit quality of the Bank’s real estate and construction loan portfolio. Management also recognized the impact of the continued industry decline in the real estate market and general economy. In addition, the provision for loan losses includes a reserve for potentially uncollectible deposit overdrafts with respect to one commercial relationship. Noninterest income increased to \$2.6 million during this period from \$1.8 million in the prior year, an increase of 46.3%. The principal factor driving the increase in non-interest income was the result of \$1.0 million realized as a result of a

legal judgment. Noninterest expense increased 2.3% to \$6.0 million, compared to \$5.8 million in the prior year period. The increase was a result of an increase in expenses related to foreclosed assets held for sale. This increase was partially offset by lower salaries and employee benefit expenses in 2008 due to the mortgage division restructure in 2007 and a decrease in expenses related to the bonus plan for 2008.

For the nine-month period ending September 30, 2008, net interest income decreased 11.8% to \$17.8 million, compared to \$20.2 million for the same period in 2007, primarily due to a lower net interest margin resulting from the decrease in market rates by 325 basis points since the fourth quarter of 2007 and the reversal of \$883,000 in interest on loans placed on nonaccrual during 2008. The decrease in market rates, caused a decrease in net interest margin because the Company's loan portfolio has repriced faster than the Company's funding liabilities. The lower net interest income has been partly offset by an increase in our loan portfolio by \$81.3 million, or 14.5%, since September 30, 2007. Provision for loan losses increased to \$15.4 million, compared to \$990,000 for the same period in the prior year. The increase was a result of management's decision to charge down approximately \$9.7 million in non performing loans in the third quarter due to one deteriorating commercial credit and a decline in the credit quality of the Bank's real estate and construction loan portfolio. Management also recognized the impact of the continued industry decline in the real estate market and general economy. In addition, the provision for loan losses includes a reserve for potentially uncollectible deposit overdrafts with respect to one commercial relationship. Noninterest income increased to \$6.9 million during this period from \$5.6 million in the prior year, an increase of 24.0%, due to \$1.0 million realized as a result of a legal judgment. In addition, the increase was a result of \$702,000 in gains realized on the sale of available-for-sale investments during 2008. The available-for-sale investments were sold to provide funding for additional loan growth and to better position the investment portfolio for future changes in interest rates. Noninterest expense decreased 3.3% to \$18.1 million, compared to \$18.7 million in the prior year period. The decrease was a result of lower salaries and employee benefit expenses in 2008 due to the mortgage division restructure in 2007 and a decrease in expenses related to the bonus plan for 2008. The decrease was partially offset by an increase in expenses related to foreclosed assets held for sale.

Total assets, loans and deposits at September 30, 2008 were \$788.3 million, \$642.8 million and \$560.7 million, respectively, compared to \$730.4 million, \$561.5 million and \$548.6 million one year earlier, respectively, increases of 7.9%, 14.5%, and 2.2% respectively. As of September 30, 2008, the Company's subsidiary, Bank of Blue Valley, remained well-capitalized by regulatory standards.

About Blue Valley Ban Corp.

Blue Valley Ban Corp. is a bank holding company that, through its subsidiaries, provides banking services to business, their owners, professionals and individuals in Johnson County, Kansas. In addition, the Company originates residential mortgages nationwide through its InternetMortgage.com website.

This release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, can generally be identified by use of the words "believe," "expect," "could," "potential," "intend," "plans," "anticipate," "estimate," "project," or similar expressions. The Company is unable to predict the actual results of its future plans or strategies with certainty. Factors which could have a material adverse effect on the operations and future prospects of the Company include, but are not limited to, fluctuations in market rates of interest and loan and deposit pricing; a deterioration of general economic conditions or the demand for housing in the Company's market areas; a deterioration in the demand for mortgage financing; legislative or regulatory changes; adverse developments in the Company's loan or investment portfolio; any inability to obtain funding on favorable terms; the loss of key personnel; significant increases in competition; potential unfavorable results of litigation to which the Company may become a party; and the possible dilutive effect of potential acquisitions or expansions. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

BLUE VALLEY BAN CORP.
THIRD QUARTER 2008
CONSOLIDATED FINANCIAL HIGHLIGHTS
(In thousands, except per share data)
(unaudited)

<u>Three Months Ended September 30</u>	<u>2008</u>	<u>2007</u>
Net interest income	\$ 5,669	\$ 6,409
Provision for loan losses	12,090	590
Non-interest income	2,576	1,761
Non-interest expense	5,982	5,848
Net income (loss)	(6,210)	1,086
Net income (loss) per share - Basic	(2.55)	0.45
Net income (loss) per share - Diluted	(2.52)	0.44
Return on average assets	(3.09) %	0.60 %
Return on average equity	(41.12) %	7.46 %
 <u>Nine Months Ended September 30</u>		
Net interest income	\$ 17,839	\$ 20,219
Provision for loan losses	15,400	990
Non-interest income	6,900	5,564
Non-interest expense	18,119	18,743
Net income (loss)	(5,556)	3,810
Net income (loss) per share - Basic	(2.28)	1.58
Net income (loss) per share - Diluted	(2.26)	1.56
Return on average assets	(0.96) %	0.70 %
Return on average equity	(12.40) %	9.09 %
 <u>At September 30</u>		
Assets	\$ 788,261	\$ 730,449
Loans	642,846	561,522
Deposits	560,733	548,564
Stockholders' Equity	53,701	58,788

Blue Valley Ban Corp.
11935 Riley
Overland Park, Kansas 66225-6128

NEWS RELEASE

Contact: Mark A. Fortino
Chief Financial Officer
(913) 338-1000

For Immediate Release Monday, December 8, 2008

Blue Valley Ban Corp. Participates in the U.S. Treasury's Capital Purchase Program

Overland Park, Kansas, December 8, 2008 – Blue Valley Ban Corp. (OTCBB: BVBC) (“the Company”) announced today that it has issued and sold to the United States Department of the Treasury (the “Treasury”) 21,750 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the “Preferred Shares”), along with a ten year warrant (the “Warrant”) to purchase 111,083 shares of the Company’s common stock for \$29.37 per share, for a total cash price of \$21.75 million. This transaction occurred pursuant to, and is governed by, the U.S. Treasury’s Capital Purchase Program (the “CPP”). The CPP is designed to attract broad participation by healthy institutions, to stabilize the financial system, and to increase lending for the benefit of the U.S. economy.

“We believe that it is important for us, and for other healthy institutions throughout the industry, to continue to strengthen our capital base. While our capital ratios currently exceed those needed to earn the designation of “well capitalized”, we are pleased to have been selected to utilize this additional capital to better serve the lending needs of consumers and businesses in our market,” said Robert D. Regnier, Chairman and CEO of Blue Valley Ban Corp.

“We believe this additional capital will provide us with the opportunity to continue to expand the Company’s geographic area and asset base,” said Robert D. Taylor, Director and Audit Committee Chair of Blue Valley Ban Corp.

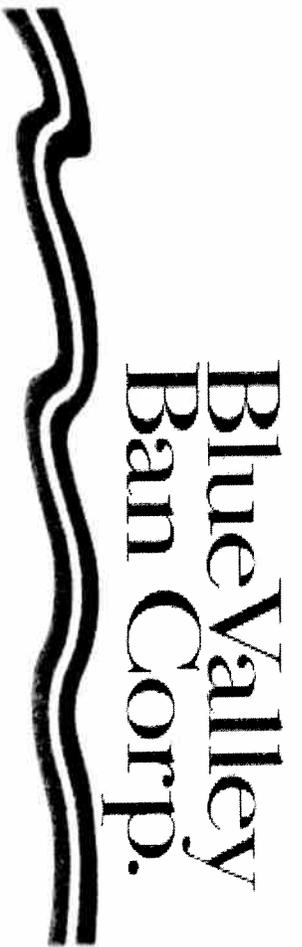
“The additional capital will allow the Company to provide prudent lending in our market area to better serve funding requirements. This new lending will be good for the economy, our customers and our Company,” said Donald H. Alexander, Director of Blue Valley Ban Corp.

About Blue Valley Ban Corp.

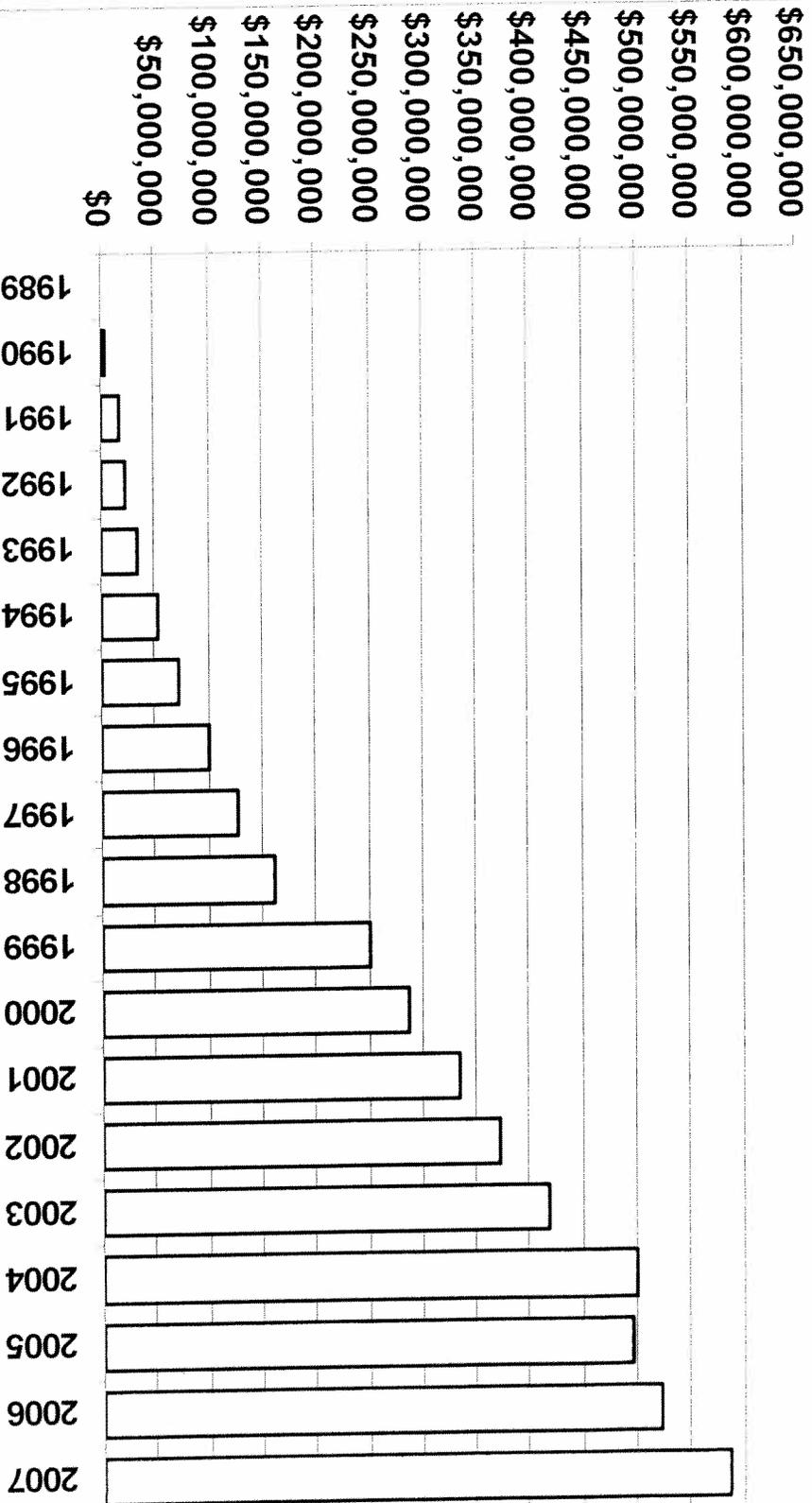
Blue Valley Ban Corp. is a bank holding company that, through its subsidiaries, provides banking services to businesses, their owners, professionals and individuals in Johnson County, Kansas. In addition, the Company originates residential mortgages nationwide through its InternetMortgage.com website.

This release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of those safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, can generally be identified by use of the words “believe,” “expect,” “could,” “potential,” “intend,” “plans,” “anticipate,” “estimate,” “project,” or similar expressions. The Company is unable to predict the actual results of its future plans or strategies with certainty. Factors which could have a material adverse effect on the operations and future prospects of the Company include, but are not limited to, fluctuations in market rates of interest and loan and deposit pricing; a deterioration of general economic conditions or the demand for housing in the Company’s market areas; a deterioration in the demand for mortgage financing; legislative or regulatory changes; adverse developments in the Company’s

loan or investment portfolio; any inability to obtain funding on favorable terms; the loss of key personnel; significant increases in competition; potential unfavorable results of litigation to which the Company may become a party; and the possible dilutive effect of potential acquisitions or expansions. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.



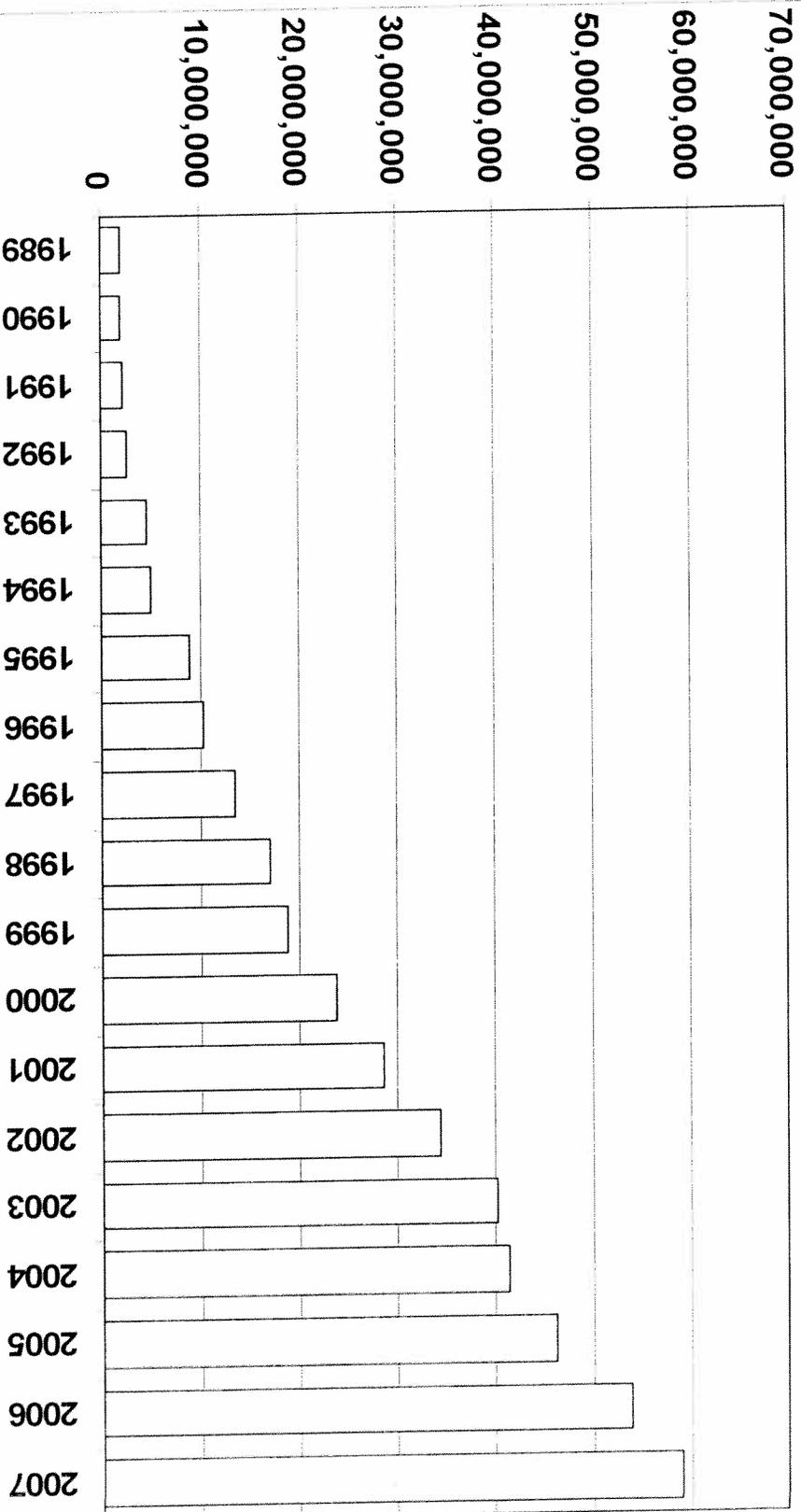
Total Net Loans At Year-End



Blue Valley Ban Corp.



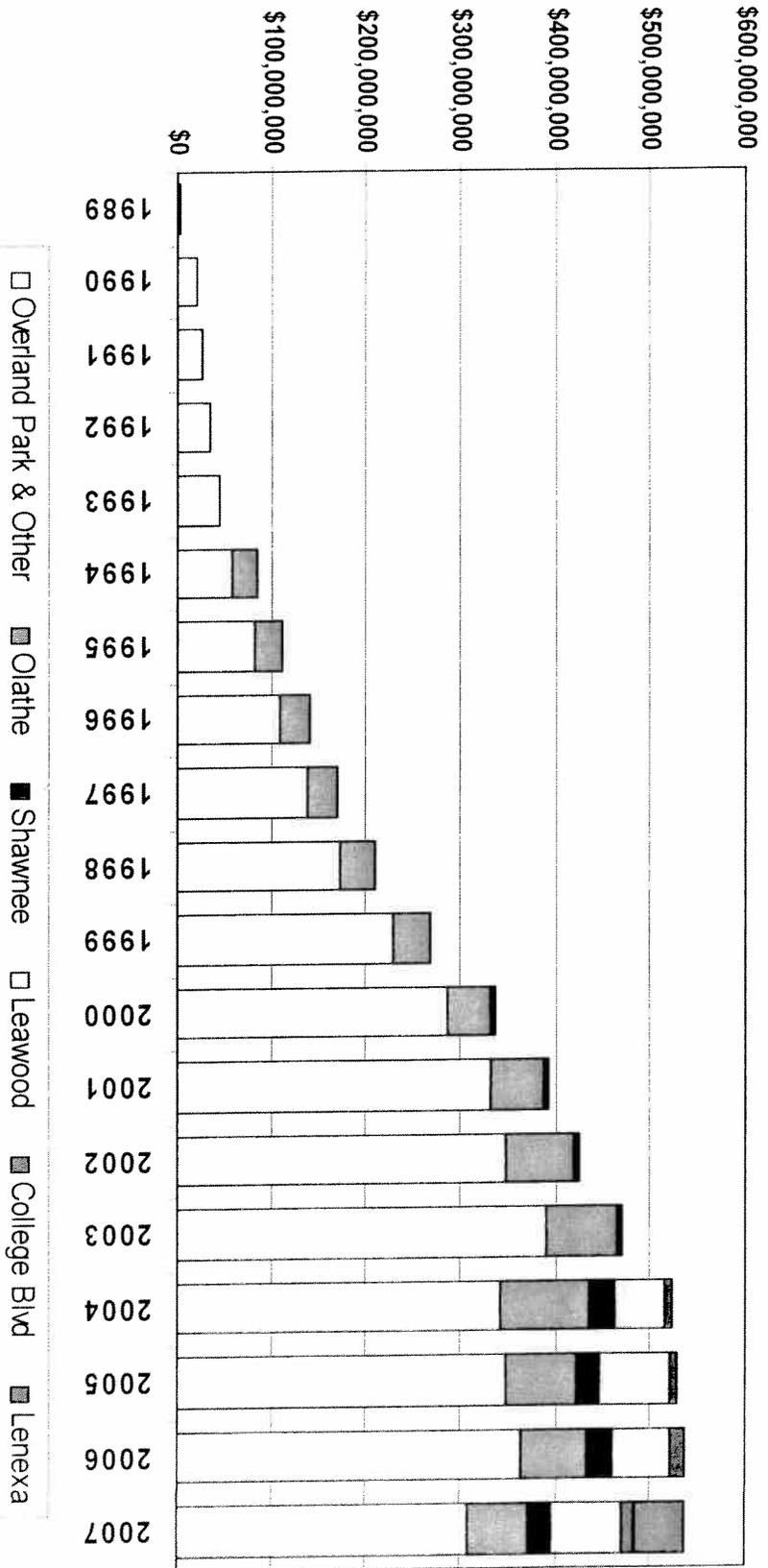
Total Year-End Consolidated Equity Capital

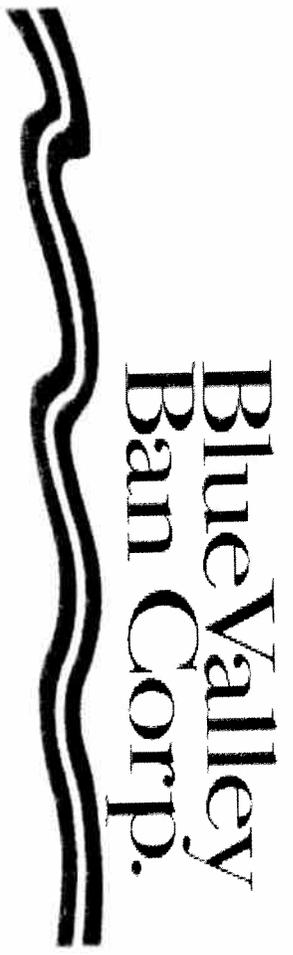


Blue Valley Ban Corp.

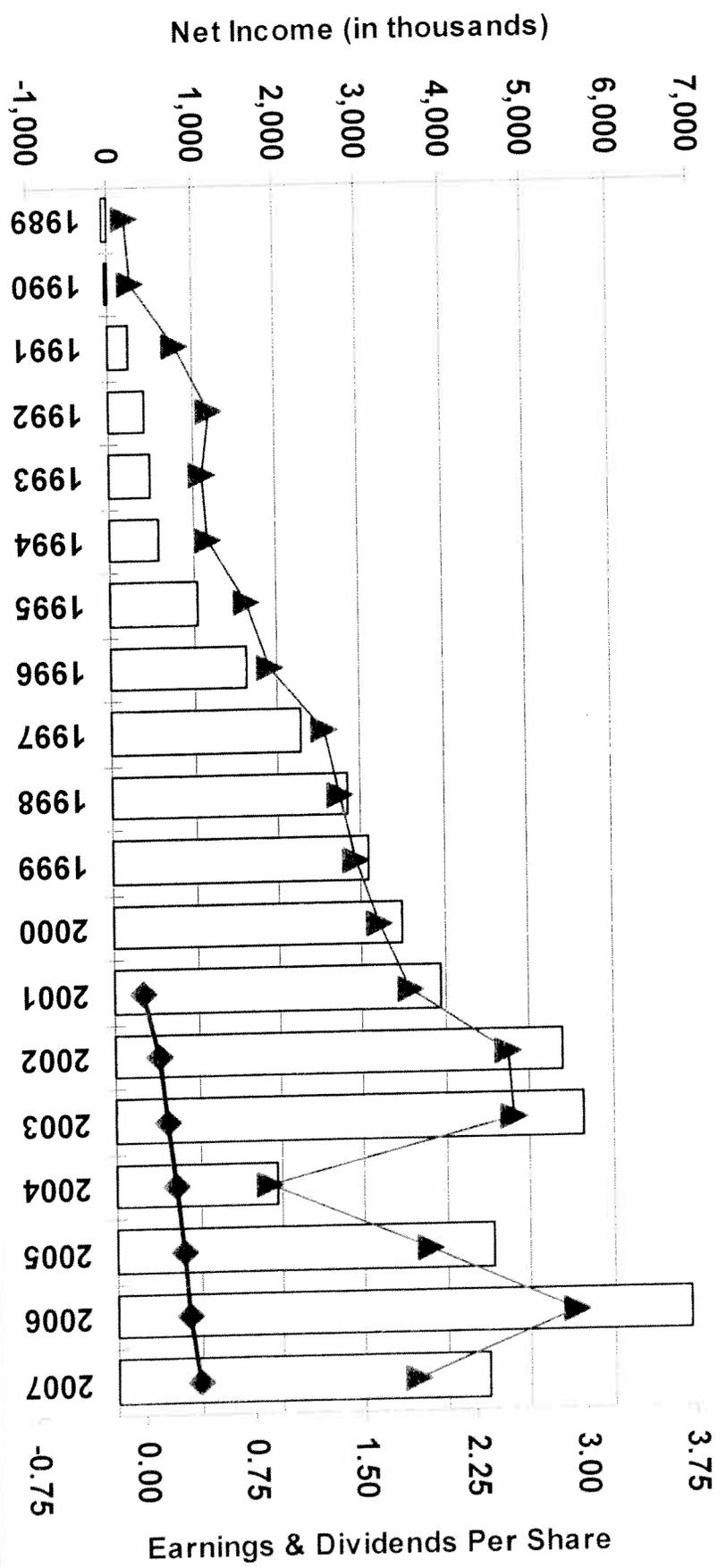


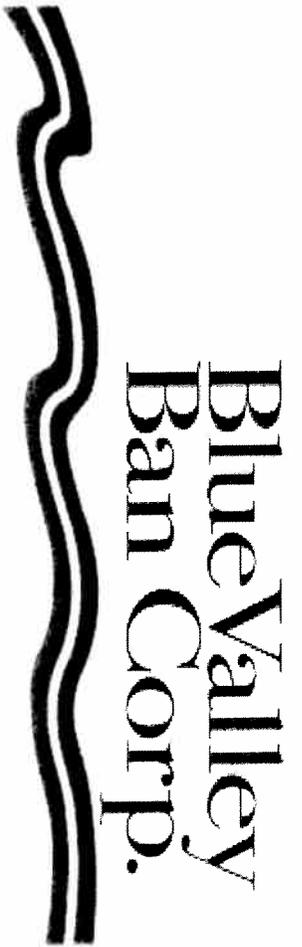
Total Consolidated Deposits



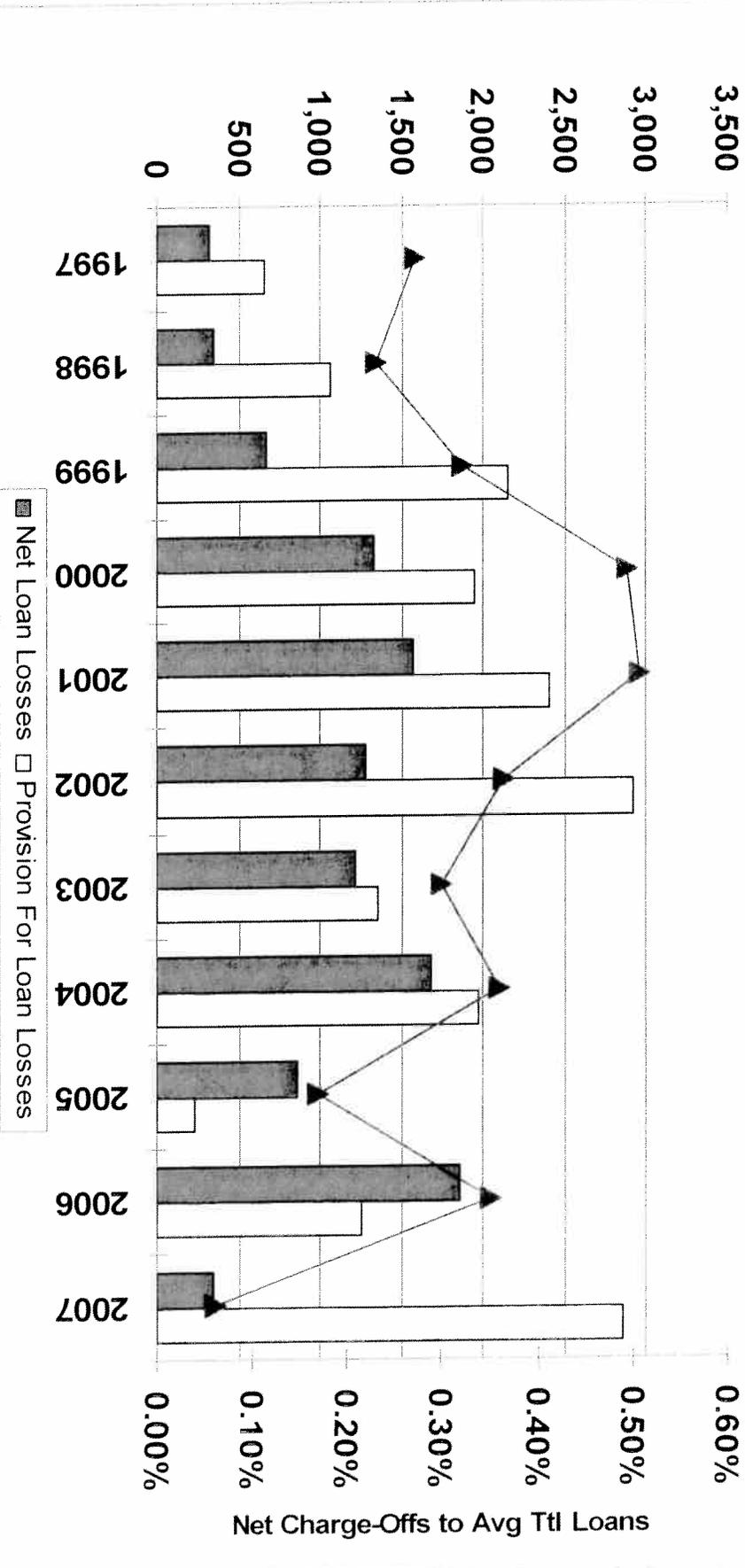


Net Income & Earnings Per Share





10 Year History - Net Loan Losses, Provision For Loan Losses, & Net Charge Offs to Avg Total Loans





**Nontransferable Subscription Rights for up to
334,000 Shares of Common Stock**

This Prospectus Supplement No. 2 (the "Prospectus Supplement") supplements our prospectus dated November 10, 2008 (the "Prospectus"), as supplemented by Prospectus Supplement No. 1 dated November 25, 2008, relating to the distribution to our stockholders of nontransferable subscription rights to purchase shares of our common stock at a cash subscription price of \$18.00 per share (the "Rights Offering"). This Prospectus Supplement provides new information regarding both the Company and the timeline for the Rights Offering.

Recent Events

On December 5, 2008, we issued and sold to the United States Department of the Treasury (the "Treasury") 21,750 shares of preferred stock (the "Preferred Shares"), along with a warrant (the "Warrant") to purchase 111,083 shares of the Company's common stock for \$29.37 per share, for a total cash price of \$21,750,000 (the "Transaction"). The Transaction occurred pursuant to, and is governed by, the Treasury's Capital Purchase Program (the "CPP"), which is designed to attract broad participation by healthy institutions, to stabilize the financial system, and to increase lending for the benefit of the U.S. economy. Part of the proceeds received in the Transaction allowed us to pay off in full our loans with J.P. Morgan Chase totaling approximately \$17.5 million, and the remaining proceeds will be used for future expansion and capital enhancement as needed at our wholly-owned bank, Bank of Blue Valley, and for general corporate purposes.

In connection with the Transaction, we entered into a letter agreement (the "Letter Agreement") with the Treasury which includes, as Exhibit A, a Securities Purchase Agreement – Standard Terms (the "SPA"). The designation, powers, preferences and rights of the Preferred Shares are set forth in the Certificate of Designation (the "Designation"). Significant terms of the Letter Agreement, the Designation, the Warrant, and the SPA, include the following:

- a. The Preferred Shares carry a 5% per year cumulative preferred dividend rate, payable quarterly. The dividend rate increases to 9% after five years. Dividends compound if they accrue and are not paid. The Preferred Shares have a liquidation preference of \$1,000 per share, plus accrued unpaid dividends.
- b. The Preferred Shares have no redemption date and the holder of the Preferred Shares has no right to compel the Company to purchase or redeem the Preferred Shares. The holder may have certain registration rights to facilitate a sale of the Preferred Shares upon written request to the Company. If requested by the Treasury, the Preferred Shares may need to be listed on a national securities exchange.
- c. During the first three years after the Transaction, the Company may not redeem the Preferred Shares except in conjunction with a qualified equity offering meeting certain requirements. This Rights Offering is a qualified equity offering. After three years, the Company may redeem the Preferred Shares for \$1,000 per share, plus accrued unpaid dividends, in whole or in part, subject to the approval of the Company's primary federal banking regulator.