

AGREEMENT BY AND BETWEEN  
Mountain West Bank of Kalispell, N.A.  
Kalispell, Montana  
and  
The Comptroller of the Currency

Mountain West Bank of Kalispell, N.A., Kalispell, Montana (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination for the examination that commenced on August 18, 2008 (“ROE”).

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

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

Assistant Deputy Comptroller  
Salt Lake City/Billings Field Office  
2795 East Cottonwood Parkway, Suite 390  
Salt Lake City, Utah 84121

## ARTICLE II

### COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) members, of which no more than one (1) shall be an employee of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Beginning on February 28, 2009, and every month thereafter, the Compliance Committee shall, within twenty (20) days of the end of each month, submit a written progress report to the Board setting forth in detail:

- (a) actions taken to comply with each Article of this Agreement; and
- (b) a description of the action(s) needed to achieve full compliance with each Article of this Agreement.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within thirty (30) days of each month end.

### ARTICLE III

#### LOAN POLICY

(1) Within sixty (60) days of the date of this Agreement, the Board shall make appropriate revisions to the Bank's loan policy and procedures designed to correct the Bank's deficiencies in credit underwriting, administration and risk management, to include at a minimum:

- (a) maximum amortization periods for financing of speculative raw land, and developed commercial or residential lot loans held for investment;
- (b) guidance on how to determine whether a loan is impaired under Financial Accounting Statement #114 and how to determine the amount of impairment;
- (c) criteria for placing loans on nonaccrual status or removing loans from nonaccrual status that is consistent with current Call Report Glossary definition of nonaccrual loans;
- (d) minimum expectations for guarantor financial analysis;

- (e) minimum expectations for stress-testing land development loans and nonowner occupied Commercial Real Estate Loans; and
- (f) clarification of real estate appraisal requirements to be consistent with 12 C.F.R. Part 34.

(2) After the Board has implemented these policy changes, the Board should immediately implement these changes and forward a copy to the Assistant Deputy Comptroller within thirty (30) days.

#### ARTICLE IV

##### CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination. This program shall include Monthly Criticized Loan Reports that include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(2) Upon adoption, a copy of the program for all criticized assets equal to or exceeding one hundred thousand dollars (\$100,000.00) shall be forwarded to the Assistant Deputy Comptroller.

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

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds one hundred thousand dollars (\$100,000.00);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

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

(5) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed one hundred thousand dollars (\$100,000.00) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and

records, in writing, why such extension is necessary to promote the best interests of the Bank; and

- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

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

## ARTICLE V

### CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall take immediate and continuing action to reduce the level of risk to the Bank from Commercial Real Estate Loans, specifically land development, construction, and other land loans as defined in Call Report Schedule FFIEC 041, RC-C Part 1 – Loans and Leases, 1.a.1., and 1.a.2. The program shall include, but not necessarily be limited to, the following:

- (a) review of the balance sheet to identify any concentrations of credit;
- (b) a written analysis of any concentration of credit identified above in order to identify and assess the inherent credit, liquidity, and interest rate risk;
- (c) policies and procedures to control and monitor concentrations of credit;
- (d) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis;
- (e) revised risk limits that reflect adequate consideration of local and national market conditions; and

(f) consideration of bank portfolio concentration thresholds established in OCC Bulletin 2006-46.

(2) For purposes of this Article, a concentration of credit is as defined in the “Loan Portfolio Management” booklet of the Comptroller’s Handbook.

(3) The Board shall ensure that future concentrations of credit risk limits are subjected to robust analysis by Bank management and that the analysis demonstrates that the concentration will not subject the Bank to undue credit risk.

(4) The Board shall immediately forward a copy of any analysis performed on existing or potential concentrations of credit to the Assistant Deputy Comptroller.

## ARTICLE VI

### INTERNAL LOAN REVIEW

(1) Within sixty (60) days, the Board shall establish an effective, independent and ongoing loan review system to review the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in “Rating Credit Risk” and “Allowance for Loan and Lease Losses” booklets of the Comptroller’s Handbook. Such reports shall include, at a minimum, conclusions regarding:

- (a) the overall quality of the loan and lease portfolios;
- (b) the identification, type, rating, and amount of problem loans and leases;
- (c) the identification and amount of delinquent loans and leases;
- (d) credit and collateral documentation exceptions;
- (e) concentrations of credit;

- (f) follow up on previously noted deficiencies listed in either regulatory examination reports or internal loan review reports;
- (g) the identification and status of credit related violations of law, rule or regulation; and
- (h) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(2) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program providing for independent review of problem loans and leases in the Bank's loan and lease portfolios for the purpose of monitoring portfolio trends, on at least a quarterly basis. The program shall require a quarterly report to the Board. At a minimum, the program shall provide for an independent reviewer's assessment of the Bank's:

- (a) monitoring systems for early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) statistical records that serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;
- (c) system for monitoring previously charged-off assets and their recovery potential;
- (d) system for monitoring compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function; and
- (e) system for monitoring the adequacy of credit and collateral documentation.



(3) A written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.

(4) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

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

## ARTICLE VII

### LOAN PORTFOLIO MANAGEMENT

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's Commercial Real Estate Loan portfolio management. For the purpose of this Article, Commercial Real Estate Loans includes loans reported on the Bank's Call Report Form FFIEC 041, Schedule RC-C Part 1, Items 1.a.1, 1.a.2., 1.d., and 1.e.2. The program shall include, but not be limited to: a system to track, analyze, and report loans originated or renewed by the Bank that are exceptions to the Bank's lending policies. Within thirty (30) days, the Board shall develop, implement and thereafter ensure Bank adherence to systems which provide for the effective monitoring of:

- (a) loans not meeting minimum debt service coverage ratios when repayment is dependent on rental income or business earnings;
- (b) loans exceeding maximum amortization periods by loan type;
- (c) loans lacking comprehensive guarantor financial analysis; and

- (d) loans failing stress test scenarios.
- (2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

## ARTICLE VIII

### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within forty-five (45) days, the Board shall adopt, implement, and thereafter ensure adherence to a program for maintaining an adequate Allowance for Loan and Lease Losses (“ALLL”) in accordance with generally accepted accounting principles. The ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council’s “Interagency Policy Statement on the Allowance for Loan and Lease Losses” dated December 13, 2006 (OCC Bulletin 2006-47), and shall at a minimum include:

- (a) written procedures for Bank lending staff and training to ensure proper identification of “impaired” loans and determination of the amount of “impairment” consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan;
- (b) procedures for segmenting the loan portfolio and consideration of qualitative factors affecting inherent loss in the loan portfolio consistent with FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies;
- (c) a process to ensure the ALLL is directionally consistent with loan portfolio credit quality; and

- (d) a process for summarizing and documenting, for the Board’s review and approval, the amount to be reported in the Consolidated Reports of Condition and Income (“Call Reports”) for the ALLL. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Call Reports, through additional provision expense.

## ARTICLE IX

### CONTINGENCY FUNDING PLAN

(1) Within sixty (60) days, the Board shall expand the Bank’s Contingency Funding Plan to ensure the Bank operates with adequate backup sources of liquidity in relation to the Bank’s needs. The formalized written Contingency Funding plan should address the responsibilities of senior management during a funding crisis and include at a minimum:

- (a) liquidity crisis triggers relating to regulatory matters (*e.g.*, formal enforcement action, drop in capital category, reduction in composite rating) and asset quality deterioration;
- (b) determination of the appropriate frequency for meetings of the Liquidity Emergency Team to address a potential liquidity crisis;
- (c) determination of an appropriate communication strategy to the Bank’s wholesale funds providers and bank customers;
- (d) establishment of guidelines for paying premiums on deposits to ensure regulatory compliance if the Bank drops to “Adequately Capitalized” under bank regulations; and

- (e) development and implementation of a testing schedule to validate the Bank's Contingency Funding Plan.

(2) Within sixty (60) days, the Bank shall develop, implement, and adhere to a plan to improve the Bank's asset-based liquidity and reduce the Bank's reliance on noncore liabilities to fund long term assets as those terms are defined in the Federal Deposit Insurance Corporation Uniform Bank Performance Report. Such actions shall include, but not be limited to:

- (a) measures to maintain sufficient asset based liquidity;
- (b) reduction of wholesale or credit sensitive liabilities; and
- (c) revision of the Bank's risk limits for reliance on wholesale or credit sensitive liabilities from a single provider or in aggregate to fund long-term assets in light of the requirement of this Article.

(3) The Board shall immediately implement, and shall thereafter ensure adherence to its terms of this article. Monthly reports shall set forth liquidity requirements and sources. Copies of these reports shall be forwarded to the Assistant Deputy Comptroller.

## ARTICLE X

### AUDIT

(1) Within sixty (60) days, the audit committee of the Board, shall engage a qualified independent auditor to conduct expanded transaction testing for determining compliance with anti-money laundering regulations to include, at a minimum;

- (a) suspicious activity monitoring and reporting;
- (b) Currency Transaction Reporting exemptions;
- (c) information sharing requests (*i.e.*, 314(a) requests);

- (d) Customer Identification Program; and
- (e) Customer Due Diligence Monitoring.

(2) The audit committee of the Board shall ensure that ongoing audit testing is performed based upon a risk-based audit schedule, but not to exceed annual frequency.

(3) Upon completion of this review, the Board's findings shall be reported to the Assistant Deputy Comptroller. The Bank shall immediately file SARs, in accordance with 12 C.F.R. § 21.11, for any previously unreported suspicious activity identified during this review.

## ARTICLE XI

### VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent Report of Examination.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

## ARTICLE XII

### RESTRICTION ON THE PAYMENT OF DIVIDENDS

- (1) Effective immediately, the Bank shall only declare dividends:
  - (a) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
  - (b) with the prior written approval from the Assistant Deputy Comptroller, this shall be granted or denied within thirty (30) days of the receipt of a dividend request from the Bank.

## ARTICLE XIII

### CLOSING

- (1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.
- (2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies and procedures developed pursuant to this Agreement.
- (3) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(4) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(5) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(6) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow up on any noncompliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any noncompliance with such actions.

(7) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of

consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/  
 \_\_\_\_\_  
 H. Gene Robinson  
 Assistant Deputy Comptroller  
 Salt Lake City Field Office

Jan 15, 2009  
 \_\_\_\_\_  
 Date



IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

<u>        /s/        </u> Dick G. Anderson	<u>        1/15/09        </u> Date
<u>        /s/        </u> John Conners, Sr.	<u>        1/15/09        </u> Date
<u>        /s/        </u> Glenn Graham	<u>        1/15/09        </u> Date
<u>        /s/        </u> Todd Hammer	<u>        1/15/09        </u> Date
<u>        /s/        </u> Rick Hart	<u>        1/15/09        </u> Date
<u>        /s/        </u> David L. Jackson	<u>        1/15/09        </u> Date
<u>        /s/        </u> Dick Morgan	<u>        1/15/09        </u> Date
<u>        /s/        </u> Roger Porch	<u>        1/15/09        </u> Date
<u>        /s/        </u> James D. Putman	<u>        1/15/09        </u> Date
<u>        /s/        </u> Michael A. Wall	<u>        1/15/09        </u> Date