

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

In the Matter of: Peoples National Bank Colorado Springs, Colorado)))	AA-WE-09-62
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CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over Peoples National Bank, Colorado Springs, Colorado (“Bank”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated August 27, 2009, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

Article I

COMPLIANCE COMMITTEE

(1) Within five (5) days of this Order, the Board shall appoint a Compliance Committee of at least three (3) directors of which at least two (2) shall not be employees 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.

(2) The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order and shall meet at least monthly.

(3) By no later than September 30, 2009, and by the end of every calendar month thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall provide a summary report of the progress reached in attaining compliance with each Article of this Order to the Assistant Deputy Comptroller within ten (10) days of the end of each calendar quarter.

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

Assistant Deputy Comptroller
Denver Field Office
1225 17th Street, Suite 450
Denver, Colorado 80202

Article II

CAPITAL AND STRATEGIC PLAN

(1) Effective as of the date of this Order, the Bank shall at all times maintain the following minimum capital ratios:

- (a) Tier 1 capital at least equal to nine percent (9%) of adjusted total assets;
- and

(b) total risk-based capital at least equal to twelve percent (12%) of risk-weighted assets.

(2) For purposes of this Article, “Tier 1 capital,” “total risk-based capital,” “adjusted total assets,” and “risk-weighted assets” are as defined in 12 C.F.R. Part 3.

(3) The requirement in this Order to meet and maintain a specific capital level means that the Bank is not to be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(4) Effective immediately, the Bank shall only declare dividends when:

(a) the Bank is in compliance with the Bank’s Three-Year Plan as described below;

(b) the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and

(c) the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(5) Within ninety (90) days of this Order, the Board shall develop a written strategic plan for the Bank covering at least the next three years (hereafter the “Bank’s Three-Year Plan”), complete with specific time frames that incorporate the strategic and other requirements of this Article. A copy of the Bank’s Three-Year Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(6) The Bank’s Three-Year Plan shall establish objectives and projections for the Bank’s overall risk profile, concentration risk mix, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, together with specific strategies to achieve those objectives, that are specific, measurable, verifiable, and, at a minimum, address or include:

- (a) an assessment of the Bank's present and future operating environment that establishes measurable goals and objectives for both the short and long term;
- (b) identification of the major areas and means by which the Board and management will seek to improve earnings performance, that focuses in particular on items contributing to core Bank earnings and the control and reduction of loan loss provisions and non-interest expenses;
- (c) identification of key officer positions and responsibilities that consider core competency needs and reasonable spans of control for their contribution to the accomplishment of the goals and objectives developed pursuant to this Article;
- (d) specific plans for monitoring and reduction of problem assets and construction and development lending concentrations;
- (e) specific plans for the maintenance of adequate capital that may in no event be less than the requirements specified in Paragraph (1) of this Article;
- (f) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (4) of this Article;
- (g) projections for capital and liquidity requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (h) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the next three

years that shall address or include consideration of the requirements of this Article; and

- (i) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(7) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Bank's Three-Year Plan.

Article III

CREDIT UNDERWRITING AND ADMINISTRATION

(1) Effective as of the date of this Order, the Board shall ensure that all lending officers comply with all laws, rules, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties.

(2) Within ninety (90) days of this Order, the Board shall develop and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a program to improve the Bank's credit risk management and administration practices. The program shall include at a minimum, provisions requiring:

- (a) procedures to ensure that the Bank does not grant, extend, renew, alter or restructure any loan or other extension of credit equal to or exceeding two-hundred fifty thousand dollars (\$250,000), without:
 - (i) documenting the specific reason or purpose for the extension of credit;
 - (ii) identifying the expected source of repayment in writing;

- (iii) structuring the repayment terms to coincide with the expected source of repayment and the useful life of the collateral;
- (iv) obtaining current and satisfactory credit information, including performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources, including global cash flow analysis where appropriate;
- (v) determining and documenting whether the loan complies with the Bank's Loan Policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;
- (vi) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;
- (vii) providing an accurate risk assessment grade and proper accrual status for each credit;
- (viii) obtaining an appraisal or evaluation as appropriate;
- (ix) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable; and
- (x) obtaining the written approval of the Bank's Loan Committee or Board;

- (b) policies and procedures designed to aggregate, track and eliminate exceptions to the Loan Policy and underwriting guidelines for all loans to include, at a minimum:
 - (i) monthly Board monitoring of policy exception reports that track aggregate number and dollar amount of loans with material underwriting exceptions by type of loan and loan officer; and
 - (ii) procedures to hold employees and officers accountable for non-compliance with the Bank's loan policy;
- (c) procedures to ensure that loans are properly monitored to include periodic receipt, analysis and documentation of sufficient financial and operating information to measure and monitor the borrower's and guarantor's financial condition and repayment ability; and
- (d) procedures to ensure that the renewal, grant, purchase, assumption, or acquisition of any loan participation is underwritten and monitored in a manner that is consistent with safe and sound banking practices, the guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34, to include a sound review of any appraisal of collateral.

(3) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program, policies and procedures required by this Article.

(4) The Board shall take the necessary steps to ensure that current and satisfactory credit information is maintained on all loans. Within thirty (30) days of notification, the Board

shall ensure that the Bank obtains any missing credit information described in the Report of Examination conducted as of March 31, 2009 (the “ROE”), in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(5) The Board shall take the necessary steps to ensure that proper collateral documentation is maintained on all loans. Within thirty (30) days of notification, the Board shall ensure that the Bank obtains any missing collateral documentation described in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

Article IV

COMMERCIAL REAL ESTATE RISK MANAGEMENT

(1) Within sixty (60) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program (including appropriate revisions to policies and procedures) designed to manage the risk in the Bank’s commercial real estate (“CRE”) loan portfolio in accordance with the guidelines in OCC Bulletin 2006-46, Concentration in Commercial Real Estate Lending and the Commercial Real Estate and Construction Lending, A-CRE, of the *Comptroller’s Handbook*.

The written CRE program should, at a minimum, include:

- (a) monthly monitoring of concentration reports that stratify the CRE portfolio by product type, locality and other meaningful measures;

- (b) the development of CRE concentration limits stratified by type, locality, individual builder/developer and individual property, and other meaningful measures supported by written analysis;
- (c) the establishment of an overall CRE reduction strategy that includes a particular strategy for reducing the construction and development loan portfolio;
- (d) portfolio-level multi-factor stress testing and/or sensitivity analysis on homogeneous pools of loans (e.g., HELOC, undeveloped land, office space) to quantify the impact of changing economic conditions on asset quality, earnings, and capital;
- (e) significant individual loan stress testing and/or sensitivity analysis to quantify the impact of changing economic conditions on asset quality, earnings, and capital;
- (f) specific plans to reduce concentrations in the event of adverse changes in CRE market conditions;
- (g) the establishment of Loan Policy CRE underwriting standards by CRE type that include specific requirements relating to:
 - (i) maximum loan-to-value, loan-to-cost, amortization, debt service coverage, and maturity for each type of property;
 - (ii) approval authorizations;
 - (iii) minimum file documentation and analysis;
 - (iv) minimum requirements for initial investment and maintenance of hard equity;

- (v) the performance of global cash flow analysis to evaluate the total debt repayment ability of borrowers and guarantors with multiple projects;
 - (vi) standards for ensuring a complete and accurate assessment of guarantor support and secondary sources of repayment;
 - (vii) standards for ensuring that CRE loans have appropriate performance covenants for both new and renewed credits that include trigger points for principal curtailment and amortization, collateral re-margining, or obtaining additional collateral for loans failing to meet original (or appropriate) repayment expectations;
 - (viii) minimum standards for the acceptability for using, and defined limits for soft cost and/or interest reserve financing and non-amortizing loans;
 - (ix) requirements of pre-leasing and pre-sale for income-producing property; and
 - (x) requirements of pre-sale and minimum unit release for non-income producing property;
- (h) requirements to ensure CRE participations purchased are underwritten and monitored in a manner that is consistent with safe and sound banking practices, the guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34, to include a sound review of any appraisal of collateral; and
- (i) standards to ensure CRE loans are appropriately risk rated.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program, policies and procedures required by this Article.

Article V

PROBLEM LOAN MANAGEMENT

(1) Effective as of the date of this Order, the Board shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) The Board's compliance with Paragraph (1) of this Article shall include the development of procedures for the monthly submission and review of reports of all criticized credit relationships or Other Real Estate ("ORE") totaling two-hundred fifty thousand dollars (\$250,000) or more, and that require the preparation of Problem Asset Reports ("PARs" or "PAR") that contain, at a minimum, analysis and documentation of the following:

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

- (e) trigger dates for positive borrower actions or for loan officers to reassess the strategy, enact collection plans, and make appropriate downgrades or place on nonaccrual;
- (f) a determination of whether the loan is impaired and the amount of the impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan; and
- (g) for criticized relationships of two-hundred fifty thousand dollars (\$250,000) or above that were made for the purpose of constructing or developing CRE, the PARs shall also include:
 - (i) the initial scheduled maturity date of the loan, number of extensions and/or renewals, and current maturity date;
 - (ii) project development status, and if applicable:
 - (A) a comparison of development costs to the budgeted amount;
 - (B) a comparison of sales activity to the original sales projections;
 - (C) amount of initial interest reserve and the amount of any subsequent additions to the reserve;
 - (iii) an assessment of the borrower's global cash flow;
 - (iv) an assessment of any guarantor's global cash flow; and
 - (v) any other significant information relating to the project.

(3) Effective as of the date of this Order, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions of credit equal or exceed two-hundred fifty thousand dollars (\$250,000), unless each of the following conditions is met:

- (a) the Board or a designated committee thereof finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the Board or a designated committee thereof approves the credit extension and documents in writing, the reasons that such extension is necessary to promote the best interests of the Bank; and
- (b) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of credit.

(4) Copies of best interest statements prepared in response to the requirements of Paragraph (4) of this Article shall be maintained in the minutes to the Board of Director meetings and in the relevant credit file(s).

Article VI

CLOSING

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(2) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) The provisions of this Order shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(4) In each instance in this Order in which the Bank or the Board is required to ensure implementation of or adherence to, or to undertake to perform, an obligation of the Bank, the Board shall:

- (a) Authorize and adopt such actions on behalf of the Bank as may be necessary or appropriate for the Bank to perform its obligations under this Order;
- (b) Require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) Follow up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) Require corrective action be taken in a timely manner for any non-compliance with such actions.

(5) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States.

(6) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

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

/s/

8/27/09

Karen M. Bohler
Assistant Deputy Comptroller
Denver Field Office

Date

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

In the Matter of:)	
Peoples National Bank)	AA-WE-09-62
Colorado Springs, Colorado)	

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

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against the Peoples National Bank, Colorado Springs, Colorado (“Bank”), pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice of Charges for an Order to Cease and Desist for unsafe and unsound banking practices relating to the Bank’s Board and management oversight, credit administration, and earnings.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated August 27, 2009 (the “Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

Jurisdiction

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

ARTICLE III

Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
 - (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19
 - (d) all rights to seek any type of administrative or judicial review of the Order; and
 - (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

Other Action

- (1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

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

/s/

Karen M. Boehler
Assistant Deputy Comptroller
Denver Field Office

8/27/09

Date

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

/s/

William P. Kauper

8/27/09

Date

/s/

Chuck Kragel

8/27/09

Date

/s/

James W. McAnally

8/27/09

Date

/s/

Don Meinhold

8/27/09

Date

/s/

Steve Stingley

8/27/09

Date

/s/

Adam Y. Winter

8/27/09

Date