

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

<b>In the Matter of:</b> Cañon National Bank Cañon City, Colorado	) ) )	AA-WE-09-89
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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 the Cañon National Bank, Cañon City, 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 November 24, 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) must not 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.

(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 December 31, 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 fifteen (15) 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

(6) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies, procedures and programs required by this Order.

## Article II

### MANAGEMENT

(1) Effective immediately, the Board shall ensure that the Bank has competent management and staff in place on a full-time basis to carry out the Board's policies, ensure

compliance with this Order, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) 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 Management Plan designed to correct the deficiencies noted in the previously conducted management study (the “Management Study”).

(3) By the next regularly scheduled Board meeting subsequent to the receipt of the OCC’s non-objection to the Management Plan (and in no event more than thirty days from such non-objection), the Board shall adopt, implement and thereafter adhere to the Management Plan.

(4) Prior to the appointment or employment of any new executive officer, or entering into any contract with any person for any such position, the Board shall submit the name and qualifications of the individual(s) and the proposed terms of employment to the Assistant Deputy Comptroller.

(5) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of any proposed new executive officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement.

(6) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6)(E) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

## Article III

### BUSINESS STRATEGY

(1) Prior to the Bank's involvement in any new product or service or significant expansion of any existing product or service, whether directly or through a vendor or other third party, the Board shall prepare a written analysis of said product or service. The analysis shall, at a minimum, include the following:

- (a) an assessment of the risks and benefits of the product or service to the Bank;
- (b) an explanation of how the product or service is consistent with the Bank's strategic plan;
- (c) an evaluation of the adequacy of the Bank's organizational structure, staffing, Management Information Systems ("MIS"), internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the product or service, including risks associated with any vendor providing services in connection with the Bank's product or service; and
- (d) a profitability analysis, including growth projections and interest rate risk.

(2) The Bank must provide a copy of the analysis required by this Article to the Assistant Deputy Comptroller in advance of the Bank's launch or involvement in any new product or service, or the significant expansion of any existing product or service, for a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(3) For purposes of this Article, "significant expansion" shall be defined as growth in an existing product or service greater than fifteen percent (15%) on an annualized basis where

that product or service accounts for greater than either five percent (5%) of the Bank's total assets or ten percent (10%) of the Bank's annual income. The term "new product or service" shall not include any depository product offered directly by the Bank.

#### Article IV

##### CAPITAL AND STRATEGIC PLAN

(1) Beginning no later than December 31, 2009, the Bank shall achieve and thereafter maintain at all times, the following minimum capital ratios:

- (a) Tier 1 capital at least equal to nine (9%) of adjusted total assets; and
- (b) total risk-based capital at least equal to twelve percent (12.0%) 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, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, product line development and market segments that the Bank intends to promote or develop, 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;
- (b) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (c) the development of strategic goals and objectives to be accomplished over the short and long term;
- (d) the elimination of deficiencies in management leadership and Board oversight as described in the ROE;
- (e) specific plans to improve corporate governance practices to ensure:
  - (i) sound operating policies and procedures;
  - (ii) accurate regulatory and Board reporting;
  - (iii) sound internal controls to monitor policy adherence; and
  - (iv) accountability for these processes;
- (f) an evaluation of the Bank's internal operations, staffing requirements, Board and management information systems and policies and procedures

for their adequacy and contribution to the accomplishment of the goals and objectives developed pursuant to this Article;

- (g) specific plans to establish responsibilities and accountability for the strategic planning process, new products, proposed changes in the Bank's operating environment, and reducing problem assets;
- (h) loan growth limitations and actions to monitor, control and reduce, where appropriate, significant concentrations of credit;
- (i) control systems to identify and reduce risk to capital and earnings and risks associated with significant concentrations, or any proposed changes in the Bank's operating environment;
- (j) recognition that the Bank cannot offer or introduce new products or enter new market segments until it adopts an appropriate credit culture, implements sound risk management principles, and returns the Bank's condition to satisfactory;
- (k) 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;
- (l) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (4) of this Article;
- (m) specific plans for the maintenance of adequate liquidity in accordance with the requirements of Article XIV, to include the development of an appropriate contingency funding plan;

- (n) 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;
- (o) the primary source(s), especially those that are not credit sensitive, from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (p) contingency plans that identify alternative methods should the primary source(s) under subparagraph (o) not be available;
- (q) 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
- (r) 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.

(8) If the Bank fails to submit an acceptable Three-Year Plan as required by Paragraphs (5) and (6) of this Article, fails to implement or adhere to a Three-Year Plan to which the Assistant Deputy Comptroller has taken no supervisory objection pursuant to Paragraph (7) of this Article, or fails to achieve and maintain the minimum capital ratios as required by Paragraph (1) of this Article, then, in the sole discretion of the Assistant Deputy Comptroller and within thirty (30) days of receiving written notice from the OCC of such fact, the Bank shall



develop and submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection, a Disposition Plan to either: (i) sell or merge the Bank, or (ii) liquidate the Bank in conformance with 12 U.S.C. § 181.

## Article V

### MORTGAGE LENDING

(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 program, including appropriate policies and procedures, designed to manage the risk associated with the retail and secondary market mortgage lending operation. The program shall, at a minimum, include the development of:

- (a) underwriting standards for the origination of residential mortgages, including specific debt-to-income and loan-to-value maximums, down payment requirements, credit score minimums, exception processing requirements, disposable income minimums, pricing criteria, geographic lending area, collateral type, use of brokers, and any other applicable credit criteria and risk parameters;
- (b) appraisal ordering and review processes that operate independent of the loan approval process and that clearly reflect the responsibilities of the underwriter;
- (c) compensation practices that ensure staff members involved in the loan approval process are not compensated for the number of loans they approve or refer;

- (d) acceptable levels or ranges of risk tolerance and concentration limits for key policy criteria, including but not limited to: credit scores, debt-to-income, loan-to-value, cash down payment, loan type, loan purpose, and investors;
- (e) procedures for periodic assessment of payment histories of loans sold to prior and current investors;
- (f) procedures to track and assess various risks including but not limited to: recourse risk, repurchase reserve, and control program results;
- (g) enhanced management information systems and Board and management review procedures to ensure safe and sound control of secondary market credit risk and operational risk, including but not limited to: aging and pipeline reports, major budget variances, recourse potential, and quality assurance findings; and
- (h) a comprehensive quality control program that ensures adequate and timely reviews of secondary market and portfolio activities.

(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 developed pursuant to this Article.

(3) Until the Bank receives a written notice of no supervisory objection from the Assistant Deputy Comptroller to the program required by Paragraph (1) of this Article, the Bank's mortgage originations closed shall be limited to \$2.5 million per month.

## Article VI

### 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) Effective as of the date of this Order, the Bank may not grant, extend, renew, alter or restructure any loan or other extension of credit equal to or exceeding fifty thousand dollars (\$50,000), without:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) 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;
- (e) 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;
- (f) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;
- (g) providing an accurate risk assessment grade and proper accrual status for each credit as further described in Article XI;

(h) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable; and

(i) obtaining the written approval of the Bank's Loan Committee or Board.

(3) 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 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.

(4) 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.

(5) Within sixty (60) days of this Order, the Board shall revise, adopt, implement, and thereafter ensure Bank adherence to a written program of policies and procedures designed to aggregate and track exceptions to the Bank Loan Policy and underwriting guidelines for all loans and exceptions to the appraisal requirements described in Article VII. This includes at a minimum, 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.

(6) Within sixty (60) days of this Order, the Board shall take the necessary steps to eliminate credit, collateral, and Bank Loan Policy exceptions, to include, at a minimum, the development of procedures that make loan officers accountable for such exceptions and considers such exceptions in the periodic performance reviews and compensation of such loan officers.

## Article VII

### APPRAISAL AND EVALUATION PROCESS

(1) Within sixty (60) days of this Order, the Board shall revise, adopt, implement and thereafter ensure Bank adherence to a written program of policies and procedures designed to ensure the Bank obtains appraisals in compliance with USPAP, 12 C.F.R. Part 34, Advisory Letter 2003-9, and OCC Bulletin 2005-6, to include at a minimum:

- (a) the required use of a standard appraisal form for ordering all appraisals;
- (b) the ordering of appraisals, independent of the lending function;
- (c) the use of Board approved appraisers only;
- (d) expectations regarding the selection of comparable sales, and when income or cost analysis should be used for income producing properties;
- (e) the establishment and implementation of a policy requiring a meaningful review, independent of the lender, of all appraisals to include analysis commensurate with the type, size and complexity of the property being appraised; and
- (f) the establishment of a tickler system for tracking appraisals ordered, received, returned, and reviewed.

## Article VIII

### COMMERCIAL REAL ESTATE RISK MANAGEMENT

(1) Within sixty (60) days of this Order, the Board shall revise, adopt, implement and thereafter ensure Bank adherence to a written program of 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, Sound Risk Management Practices (dated December 6, 2006) that, at a minimum, includes:

- (a) the establishment of an overall CRE strategy, to include CRE concentration limits stratified by type, locality and other meaningful measures;
- (b) monthly monitoring of concentration reports that stratify the CRE portfolio by product type, locality and other meaningful measures;
- (c) strategies and procedures to manage CRE concentrations to conform with established limits set in Subparagraph (a) of this Article;
- (d) portfolio-level multi-factor stress testing and/or sensitivity analysis 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; and
- (f) the establishment of Loan Policy CRE underwriting standards by CRE type that specifically include requirements relating to: approval authorizations, documentation, analysis, cash flow, collateral coverage,

guarantors, appraisals, loan covenants, and construction loan administration.

(2) The Board shall submit a copy of the revised policies and procedures required by this Article to the Assistant Deputy Comptroller.

(3) At least quarterly, the Board shall submit a written assessment of the Bank's progress in reaching compliance with the policies and procedures required by this Article to the Assistant Deputy Comptroller.

## Article IX

### 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 quarterly submission and review of reports of all criticized credit relationships totaling one-hundred thousand dollars (\$100,000) or above, that require, at a minimum, analysis and documentation of the following:

- (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 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 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 and enact collection plans; and
- (f) for criticized relationships of \$100,000 or above that were made for the purpose of constructing or developing CRE, the reports 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;
  - (iii) a comparison of development costs to the budgeted amount;
  - (iv) a comparison of sales activity to the original sales projections;
  - (v) current market conditions and activity;
  - (vi) amount of initial interest reserve and the amount of any subsequent additions to the reserve;
  - (vii) an assessment of the borrower's global cash flow;
  - (viii) an assessment of the guarantor's ability to support the project; and
  - (ix) 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 are one-hundred thousand dollars (\$100,000) or above, unless each of the following conditions is met:

- (a) the Board 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 approves the credit extension and records, in writing, why 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.

#### Article X

##### OTHER REAL ESTATE OWNED

(1) Effective as of the date of this Order, the Board shall take the necessary steps to ensure the Bank manages its Other Real Estate Owned ("OREO") in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34, to include, at a minimum:

- (a) proper accounting procedures for OREO properties from transfer to the Bank and until and upon sale to a third party;
- (b) procedures to require timely appraisals pursuant to 12 C.F.R. § 34.85 and 12 C.F.R. Part 34, Subpart C;
- (c) the exercise of diligent sales efforts;
- (d) accurate and timely reporting systems; and
- (e) the preparation of monthly action plans that provide the Board with the status of each OREO property and that:

- (i) identify the Bank officer(s) responsible for managing and authorizing transactions relating to the OREO properties;
- (ii) contain an analysis of each OREO property which compares the cost to carry against the financial benefits of near term sale;
- (iii) detail the marketing strategies for each parcel;
- (iv) identify targeted time frames for disposing each parcel of OREO;  
and
- (v) establish procedures to require periodic market valuations of each property, and the methodology to be used.

#### Article XI

#### CREDIT RISK RATINGS AND NONACCRUAL RECOGNITION

- (1) Effective immediately, the Board shall take the necessary steps to ensure that the risk associated with the Bank's loans is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, the monthly review of all credit relationships that equal or exceed fifty thousand dollars (\$50,000) by the loan officers to ensure that:
  - (a) the Bank's loans and other assets are appropriately and timely risk rated and charged off using a loan grading system that is based upon current facts, existing repayment terms and that is consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook*; and
  - (b) the Bank's loans and other assets are timely placed on nonaccrual in accordance with the guidelines set forth in the Call Report.

(2) By no later than December 31, 2009, the Board shall prepare a written program designed to ensure that the Bank complies with Subparagraphs (a) and (b) of this Article, that contains at a minimum:

- (a) immediate and ongoing training for the lending staff with respect to the application of Subparagraphs (a) and (b) of this Article;
- (b) procedures to ensure loan officers are held accountable for failing to appropriately and timely risk rate and/or place loans on nonaccrual, including but not limited to, consideration of loan officer and staff failure to properly risk rate and/or place loans on nonaccrual in periodic performance reviews and compensation.

(3) After the Board has developed the program required by this Article, the Board shall immediately implement, and shall thereafter ensure adherence to its terms.

## Article XII

### EXTERNAL LOAN REVIEW

(1) Effective immediately, the Board shall continue to employ a qualified consultant to perform semi-annual asset quality reviews of the Bank. The external loan review shall provide for a written report to be filed with the Board and shall use a loan and lease grading system consistent with the guidelines set forth in Rating Credit Risk of the *Comptroller's Handbook*. Such reports shall, at a minimum, include comments and conclusions regarding:

- (a) the loan review scope and coverage parameters;
- (b) the overall quality of the loan and lease portfolios;
- (c) the identification, type, rating, and amount of problem loans and leases including grading differences;

- (d) the identification and amount of delinquent loans and leases;
- (e) credit and collateral documentation exceptions;
- (f) the identification and status of credit related violations of law, rule or regulation;
- (g) the identity of the loan officer who originated each loan reported in accordance with Subparagraphs (b) through (e) of the Article;
- (h) concentrations of credit;
- (i) loans and leases to affiliates and related parties;
- (j) loans and leases not in conformance with the Bank's Loan Policy, and exceptions to the Bank's Loan Policy; and
- (k) any recommendations for improvements.

(2) Prior to the change in the appointment or employment of any individual to perform the required loan reviews or entering into any contract with a consulting firm for such services, the Board shall submit the name and qualifications of the proposed individual or firm and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

### Article XIII

#### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) By no later than December 31, 2009, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("Allowance") in accordance with Generally Accepted Accounting Principles ("GAAP"). The Allowance 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 July 20, 2001 (OCC Bulletin 2001-37), and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring 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 estimating loss on groups of loans, consistent with FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies;
- (c) procedures for validating the Allowance methodology; and
- (d) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:
  - (i) trends in the Bank’s internal risk ratings, delinquent and nonaccrual loans;
  - (ii) results of the Bank’s external loan review;
  - (iii) concentrations of credit in the Bank;
  - (iv) present and prospective economic conditions; and
  - (v) applicable experience of the Bank’s lending staff.

(2) The program shall provide for a process for summarizing and documenting, for the Board’s review and approval, the amount to be reported in the Call Reports for the Allowance. Any deficiency in the Allowance shall be remedied in the quarter it is discovered,

prior to the filing of the Call Report, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

#### Article XIV

#### FUNDS MANAGEMENT

(1) Effective as of the date of this Order, the Board shall take the necessary steps to ensure the Bank maintains adequate sources of liquidity and controls interest rate risk, to include at a minimum:

- (a) a sources and uses of funds report to assist with monitoring the funds flow in the Bank;
- (b) interest rate risk reporting that compares the Bank's rate risk profile to limits established by the Board;
- (c) training or the addition of knowledgeable staff to ensure that all personnel involved in funds management, including senior management, understand, document, and are capable of making periodic adjustments, as needed, to the assumptions used in the Bank's interest rate risk model and in the Bank's management of liquidity risk; and
- (d) a contingency funding plan that forecasts funding needs and funding sources under a stressed scenario and should:
  - (i) represent management's best estimate of balance sheet changes that may result from a liquidity or credit event;

- (ii) identify, quantify, establish, and rank all sources of funding by preference for the various scenarios including asset side funding; liability side funding and off-balance sheet funding; and
- (iii) ensure that administrative policies and procedures are consistent with the Board's guidance and risk tolerances.

#### Article XV

#### VIOLATIONS OF LAW

(1) The Board shall immediately take the necessary steps to ensure that Bank management corrects each violation of law, rule, or regulation, unsafe or unsound practice, or breach of fiduciary duty, cited in the ROE and in any subsequent Report of Examination or OCC correspondence. The quarterly progress reports required by Article II of this Order shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within sixty (60) days of this Order, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations, practices, and breaches 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, regulations and duties applicable to their areas of responsibility.

(3) Within sixty (60) days of receipt of any subsequent Report of Examination or other OCC correspondence which cites violations of law, rule, or regulation, unsafe or unsound practice, or breach of fiduciary duty, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future citations 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, regulations, and duties applicable to their areas of responsibility.

## ARTICLE XVI

### ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) This Order becomes effective upon execution by the Assistant Deputy Comptroller. Unless otherwise specified, any time limitations set by this Order shall begin to run on the effective date of the Order.

(2) If the Bank contends that compliance with any provision of this Order would cause undue hardship to the Bank, or requires an extension of any timeframe within this Order, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with a provision, that require the Assistant Deputy Comptroller to exempt the Bank from a provision, or that require an extension of a timeframe within this Order.

(3) All such requests shall be accompanied by any supporting documentation, and, to the extent requested by the Assistant Deputy Comptroller, a sworn declaration or declarations setting forth any other facts upon which the Bank relies.

(4) The Assistant Deputy Comptroller's decision concerning a request made pursuant to this Article is subject to Article XVII, Paragraph (3) of this Order, and is final and not subject to further review.



## Article XVII

### 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 Assistant 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 has hereunto set her hand.

/s/

11/24/09

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Karen M. Boehler  
Assistant Deputy Comptroller  
Denver Field Office

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Date

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

<b>In the Matter of:</b>	)	
Cañon National Bank	)	AA-WE-09-89
Cañon City, 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 Cañon National Bank, Cañon City, 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 management oversight, credit administration, capital and strategic planning, and liquidity.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated November 24, 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 this Order;
  - (c) all rights to a hearing and a final agency decision with regard to the issuance of this Order 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 with regard to the issuance of this 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/

11/24/09

\_\_\_\_\_  
Karen M. Boehler  
Assistant Deputy Comptroller  
Denver Field Office

\_\_\_\_\_  
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/

11/24/09

\_\_\_\_\_  
Lynn F. Greenlee

\_\_\_\_\_  
Date

\_\_\_\_\_  
Thomas J. Kellough

\_\_\_\_\_  
Date

/s/

11/24/09

\_\_\_\_\_  
William Faris

/s/

11/24/09

\_\_\_\_\_  
David C. Reynolds

\_\_\_\_\_  
Date

/s/

11/24/09

\_\_\_\_\_  
Daniel L. Tanner

\_\_\_\_\_  
Date