

AGREEMENT BY AND BETWEEN
First National Bank of Scottsdale
Scottsdale, Arizona
and
The Comptroller of the Currency

First National Bank of Scottsdale, Scottsdale, Arizona ("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 has found unsafe or unsound banking practices in relation to credit administration, credit risk management, liquidity and interest rate risk management, as more fully explained in the Report of Examination dated as of June 30 2009 ("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) This Agreement shall cause the Bank to be designated as in "troubled condition," as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an "eligible bank" for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

ARTICLE II

COMPLIANCE COMMITTEE

(1) The Board shall appoint and maintain an active Compliance Committee of at least three (3) directors. 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 Director for Special Supervision ("Director"). 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) Within thirty (30) days of the date of this Agreement and every thirty (30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

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

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Director within five (5) days of receiving such report.

(5) All reports or plans that the Bank or Board has agreed to submit to the Director pursuant to this Agreement shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision
Comptroller of the Currency
250 E Street, S.W.
Mail Stop 7-4
Washington, DC 20219

with a copy to:
Comptroller of the Currency
Kansas City North Field Office
7101 College Boulevard, Suite 1600
Overland Park, KS 66210

(6) The Board shall ensure that the Bank has sufficient processes, personnel, and control systems to effectively implement and adhere to all provisions of this Agreement, and that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Agreement.

ARTICLE III

STRATEGIC PLAN

(1) Within sixty (60) days, the Board shall forward to the Director for his review, pursuant to paragraph (5) of this Article, a written Strategic Plan for the Bank that is acceptable to the Director, covering at least a three-year period. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the Strategic Plan. The Strategic Plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development, and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives, and shall, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) a description of the Bank's targeted market(s) and an assessment of the current and projected risks and competitive factors in its identified target market(s);
- (c) the strategic goals and objectives to be accomplished;
- (d) specific actions to improve Bank earnings and accomplish the identified strategic goals and objectives;
- (e) identification of Bank personnel to be responsible and accountable for achieving each goal and objective of the Strategic Plan, including specific time frames;
- (f) a financial forecast, to include projections for major balance sheet and income statement accounts, targeted financial ratios, and growth projections over the period covered by the Strategic Plan;
- (g) a description of the assumptions used to determine financial projections and growth targets;
- (h) an identification and risk assessment of the Bank's present and planned future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in the Strategic Plan, with the requirement that the risk assessment of new product lines must be completed prior to the offering of such product lines;
- (i) a description of control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's markets;
- (j) 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 established in the Strategic Plan;

- (k) a management employment and succession program to promote the retention and continuity of capable management;
- (l) assigned responsibilities and accountability for the strategic planning process, new products, growth goals, and proposed changes in the Bank's operating environment; and
- (m) a description of systems to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) If the Board's Strategic Plan under paragraph (1) of this Article is a sale or merger of the Bank, the Strategic Plan shall, at a minimum, describe the actions that will be taken, including the associated timeline, to execute a definitive agreement for the sale or merger no later than ninety (90) days after the receipt of the Director's written determination of no supervisory objection pursuant to paragraph (5) of this Article. If the Strategic Plan outlines a liquidation of the Bank, the Strategic Plan shall detail the actions and steps necessary to accomplish the liquidation in conformance with 12 U.S.C. §§ 181 and 182, and the dates by which each step of the liquidation shall be completed, including the date by which the Bank will terminate the national bank charter. In the event that the Strategic Plan outlines liquidation, the Bank shall hold a shareholder vote, pursuant to 12 U.S.C. § 181, and commence liquidation within thirty (30) days of receiving the Director's written determination of no supervisory objection pursuant to paragraph (5) of this Article.

(3) At least monthly, the Board shall review financial reports and earnings analyses prepared by the Bank that evaluate the Bank's performance against the goals and objectives established in the Strategic Plan, as well as the Bank's written explanation of significant

differences between actual and projected balance sheet, income statement, and expense accounts, including descriptions of extraordinary and/or nonrecurring items.

(4) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan, based on the Bank's monthly reports, analyses, and written explanations of any differences between actual performance and the Bank's strategic goals and objectives, and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. Within ten (10) days of completing its evaluation, the Board shall submit a copy to the Director.

(5) Prior to adoption by the Board, a copy of the Strategic Plan, and any subsequent amendments or revisions, shall be forwarded to the Director for review and prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Director, the Board shall adopt and the Bank shall immediately implement and adhere to the Strategic Plan, and any subsequent amendments or revisions.

(6) The Bank may not initiate any action that deviates significantly from the Board-approved Strategic Plan without a written determination of no supervisory objection from the Director. The Board must give the Director advance, written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan.

(7) For the purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's marketing strategies, marketing partners, underwriting practices and standards, credit

administration, accounting processes and practices, or funding strategy, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. For purposes of this paragraph, "personnel" shall include the president, chief executive officer, chief operating officer, chief financial officer, chief credit officer, chief compliance officer, risk manager, auditor, member of the Bank's board of directors, or any other position subsequently identified in writing by the Director.

ARTICLE IV

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall within ninety (90) days achieve and thereafter maintain the following minimum capital ratios (as defined in 12 C.F.R. Part 3)¹:

- (a) Total capital at least equal to eleven percent (11%) of risk-weighted assets;
- (b) Tier 1 capital at least equal to nine percent (9%) of adjusted total assets.²

(2) Within sixty (60) days, the Board shall forward to the Director for his review, pursuant to paragraph (4) of this Article, a written Capital Plan for the Bank, consistent with the Strategic Plan pursuant to Article II, covering at least a three-year period. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the Capital Plan. The Capital Plan shall include:

¹ The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not 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).

² Adjusted total assets is defined, in relevant part, in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets.

- (a) specific plans for the achievement and maintenance of adequate capital, which may in no event be less than the requirements of paragraph (1) of this Article;
 - (b) projections for growth and capital requirements, based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
 - (c) projections of the sources and timing of additional capital to meet the Bank's future needs, as set forth in the Strategic Plan;
 - (d) identification of the primary sources from which the Bank will draw any additional funds necessary to maintain an appropriate capital structure to meet the Bank's future needs, as set forth in the Strategic Plan; and
 - (e) contingency plans that identify alternative methods to strengthen capital, should the primary source(s) under paragraph (d) of this Article not be available.
- (3) The Bank shall not pay a dividend or make a capital distribution unless:
- (a) the Bank is in compliance with its approved Capital Plan and would remain in compliance with its approved Capital Plan immediately following the payment of any dividend or capital distribution;
 - (b) the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (c) the Bank has received the prior written determination of no supervisory objection by the Director.
- (4) Prior to adoption by the Board, a copy of the Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Director, the Board shall adopt and

the Bank shall immediately implement and adhere to the Capital Plan. The Board shall review and update the Bank's Capital Plan at least annually and more frequently if necessary or if requested by the Director. Revisions to the Bank's Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection before adoption or implementation.

(5) If the Bank fails to submit an acceptable Capital Plan meeting the requirements of paragraph (2) of this Article, fails to implement or adhere to a Capital Plan to which the Director has taken no supervisory objection pursuant to paragraph (4) 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 Director, the Bank shall, upon direction of the Director, within thirty (30) days develop and shall submit to the Director for his review and prior written determination of no supervisory objection a Disposition Plan that shall detail the Board's proposal to sell or merge the Bank, or liquidate the Bank under 12 U.S.C. § 181.

(a) In the event that the Disposition Plan submitted by the Bank's Board outlines a sale or merger of the Bank, the Disposition Plan shall, at a minimum, describe the actions that will be taken, including the associated timeline, to ensure that a definitive agreement for the sale or merger is executed not later than ninety (90) days after the receipt of the Director's written determination of no supervisory objection to the Disposition Plan. If the Disposition Plan outlines a liquidation of the Bank, the Disposition Plan shall detail the actions and steps necessary to accomplish the liquidation in conformance with 12 U.S.C. §§ 181 and 182, and the dates by which each step of the liquidation shall be completed, including the date by which the Bank will terminate the national bank charter. Also, in

the event the Disposition Plan outlines a liquidation, the Bank shall hold a shareholder vote, pursuant to 12 U.S.C. § 181, and commence liquidation within thirty (30) days of receiving the Director's written determination of no supervisory objection to the Disposition Plan.

- (b) Upon receiving a written determination of no supervisory objection from the Director, the Board shall immediately adopt and implement, and shall thereafter ensure adherence to, the terms of the Disposition Plan. Failure to submit a timely, acceptable Disposition Plan, or failure to implement and adhere to the Disposition Plan after the Board obtains a written determination of no supervisory objection from the Director, may be deemed a violation of this Agreement, in the exercise of the Director's sole discretion.

ARTICLE V

COMMERCIAL REAL ESTATE MANAGEMENT AND CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a revised written commercial real estate ("CRE") concentration management program (including appropriate revisions to policies and procedures) designed to manage the risk in the Bank's CRE loan portfolio in accordance with the guidelines in OCC Bulletin 2006-46, "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" (December 6, 2006), and "Commercial Real Estate and Construction Lending," Booklet A-CRE of the *Comptroller's Handbook*. The program shall, at a minimum, include the following:

- (a) a written description of and risk tolerance for CRE concentrations, including concentration limits, in relation to growth objectives, financial targets, and capital planning;

- (b) procedures for monitoring compliance with established CRE concentration limits and periodic Board review of risk limits;
- (c) policies to manage and reduce the CRE concentrations risks related to the overall loan portfolio and individual loans;
- (d) strategies to reduce or mitigate CRE concentrations in the event of adverse market conditions;
- (e) management information systems commensurate with the size and complexity of the Bank's CRE concentration portfolio that stratify the portfolio into various segments such as geographic location and types of construction lending;
- (f) portfolio stress testing and sensitivity analysis to quantify the potential impact of adverse market conditions on asset quality, earnings, and capital;
- (g) periodic analysis of market conditions to determine whether lending strategies, policies, and procedures remain appropriate;
- (h) an action plan to control future CRE growth;
- (i) a policy that establishes CRE underwriting standards and includes specific requirements relating to:
 - (i) maximum loan amount and maturity by type of property;
 - (ii) approval authorizations;
 - (iii) minimum file documentation and analysis, including collateral documentation;
 - (iv) minimum requirements for initial investment and maintenance of hard equity;

- (v) minimum standards for borrower net worth, property cash flow and debt service, collateral coverage, and guarantor support;
- (vi) performance of global cash flow analysis to evaluate the repayment ability of borrowers, including those with multiple projects;
- (vii) standards for ensuring a complete and accurate assessment of guarantor support;
- (viii) standards for ensuring that CRE loans have appropriate minimum loan covenants;
- (ix) minimum standards and defined limits for the use of soft cost and interest reserve financing; and
- (x) maximum amortization periods and minimum principal curtailment for CRE and construction projects that are not meeting original projections;
- (j) requirements to ensure that participations purchased are consistent with safe and sound banking practices, guidelines set forth in Banking Circular 181 (revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34;
- (k) procedures for maintenance of proper collateral margins in loans made for the purpose of constructing or developing real estate including, but not limited to, procedures for ensuring that:
 - (i) periodic and well-documented inspections are performed on all construction projects;
 - (ii) draw requests are advanced in accordance with construction progress and budget;

- (iii) documentation is maintained on project completion versus amount advanced;
 - (iv) lien waivers are obtained from contractors and sub-contractors; and
 - (v) borrower's hard equity is tracked by project.
- (l) standards for allowing CRE loan policy exceptions, the factors that should exist to mitigate exceptions, and how the level and trend of exceptions shall be documented, tracked, and reported to the Board;
 - (m) standards for obtaining and reviewing appraisals in accordance with 12 C.F.R. Part 34 and Article IX of this Agreement; and
 - (n) standards and procedures to ensure that CRE loans are appropriately risk rated in accordance with "Rating Credit Risk," Booklet A-RCR of the *Comptroller's Handbook* and Article VI of this Agreement.

(2) The Board shall submit a copy of the program to the Director and, at least quarterly, the Board shall prepare a written assessment of the Bank's credit risk, which shall evaluate the Bank's progress under the aforementioned program. The Board shall submit a copy of this assessment to the Director.

ARTICLE VI

PROBLEM ASSET MANAGEMENT

(1) Within thirty (30) days, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to a written program designed to protect the Bank's interest in those assets criticized as "doubtful," "substandard," or "special mention" in the most recent Report of Examination ("ROE"), in any subsequent ROE, by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination. The program shall be independent of

the loan origination and approval functions; shall include sufficient staff having the qualifications, skills, and experience to effectively manage and resolve problem assets, who will be held accountable by the Bank's Board to successfully execute their assigned duties; and shall include adequate management information systems to measure the status of workout plans on each problem asset. The program shall include the development of Problem Asset Reports ("PARs") for all credit relationships and other assets totaling in aggregate two hundred fifty thousand dollars (\$250,000) or more, criticized as "doubtful," "substandard," or "special mention." The PARs must be updated and submitted to the Board and the Director monthly. Each PAR shall cover an entire credit relationship and other assets, and include, at a minimum, analysis and documentation of the following:

- (a) the origination date and any renewal or extension dates, amount, purpose of the loan or other asset, and the originating and current handling officer(s);
- (b) the expected primary and secondary sources of repayment, and an analysis of the adequacy of the repayment source;
- (c) the appraised value of supporting collateral, along with the date and source of the appraisal, and the position of the Bank's lien on such collateral, where applicable, as well as other necessary documentation to support the current collateral valuation;
- (d) an analysis of current and complete credit information, including a global cash flow analysis where loans are to be repaid from operations;
- (e) results of any Financial Accounting Standard ("FAS") 114 impairment analysis;
- (f) accurate risk ratings consistent with the classification standards contained in "Rating Credit Risk," Booklet A-RCR of the *Comptroller's Handbook*;

- (g) appropriate accrual status pursuant to the FFIEC Instructions for the Preparation of Consolidated Reports of Condition and Income;
- (h) significant developments, including a discussion of changes since the prior PAR, if any; and
- (i) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment, including an appropriate exit strategy.

(2) The Bank shall not extend credit, directly or indirectly, including renewals, modifications or extensions, to a borrower whose loans or other extensions of credit are criticized in any ROE, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination, unless and until 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, modifying or extending 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. A copy of the findings and approval of the Board or designated committee shall be maintained in the credit file of the affected borrower and made available for review by National Bank Examiners;
- (b) the Bank performs a written credit and collateral analysis as required by subparagraphs (1)(c) and (d) of this Article and, if necessary, the proposed action referred to in paragraph (1)(i) of this Article is revised, as appropriate; and

- (c) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of additional credit.

ARTICLE VII

CREDIT AND COLLATERAL EXCEPTIONS

(1) Except as otherwise provided herein, the Bank shall obtain current and complete credit information on all loans lacking such information, including those listed in the most recent ROE within sixty (60) days from the effective date of this Agreement; in any subsequent ROE, within sixty (60) days from the issuance of such ROE; in any internal or external loan review, within sixty (60) days from the completion of such review; or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination, within sixty (60) days from receipt of such listing. The Bank shall maintain a list of any credit exceptions that have not been corrected within the timeframe discussed above. This list shall include an explanation of the actions taken to correct the exception, the reasons why the exception has not yet been corrected, and a plan to correct the exception.

(2) Except as otherwise provided herein, the Bank shall ensure proper collateral documentation is maintained on all loans and shall correct each collateral exception listed in the most recent ROE within sixty (60) days from the effective date of this Order; in any subsequent ROE, within sixty (60) days from the issuance of such ROE; in any internal or external loan review, within sixty (60) days from the completion of such review; or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination, within sixty (60) days from the receipt of such listing. The Bank shall maintain a list of any collateral exceptions that have not been corrected within the timeframe discussed above. This list shall include an explanation of the actions taken to correct

the exception, the reasons why the exception has not yet been corrected, and a plan to correct the exception.

ARTICLE VIII

INDEPENDENT LOAN REVIEW

(1) Within thirty (30) days, the Board shall establish an effective, independent, and on-going loan review program to review, at least quarterly, the Bank's loan and lease portfolios, to assure the timely identification and categorization of problem credits. The program shall provide for a written report to be filed with the Board promptly after each review and shall employ a loan and lease rating system consistent with the guidelines set forth in "Rating Credit Risk" and "Allowance for Loan and Lease Losses," Booklets A-RCR and A-ALLL, respectively, of the *Comptroller's Handbook*. Such reports shall include, at a minimum:

- (a) conclusions regarding 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) loans meeting the criteria for non-accrual status;
- (f) the identity of the loan officer(s) of each loan reported in accordance with subparagraphs (b) through (e);
- (g) the identification and status of credit-related violations of law, rule, or regulation;
- (h) concentrations of credit;
- (i) loans and leases to the directors, executive officers, and principal shareholders of the Bank and to their related interests; and

(j) loans and leases in nonconformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(2) The Board shall evaluate the loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, as appropriate, is taken upon all findings noted in the report(s), and that documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, is preserved in the Bank.

ARTICLE IX

APPRAISALS OF REAL PROPERTY

(1) The Board shall require and the Bank shall obtain a current independent appraisal or updated appraisal, in accordance with 12 C.F.R. Part 34, on any loan exceeding two hundred fifty thousand dollars (\$250,000) that is secured by real property:

- (a) where the loan was criticized in the most recent ROE, in any subsequent ROE, or by the Bank's internal or external loan review, and the most recent independent appraisal is more than twelve (12) months old; or
- (b) where the borrower has failed to comply with the contractual terms of the loan agreement and the loan officer's analysis of current financial information does not support the ongoing ability of the borrower or guarantor(s) to perform in accordance with the contractual terms of the loan agreement, and the most recent independent appraisal is more than twelve (12) months old.

(2) The Board shall require and the Bank shall obtain a current independent appraisal or updated appraisal, in accordance with 12 C.F.R. Part 34, on each parcel of Other Real Estate Owned ("OREO") where it is needed to bring an existing OREO appraisal into conformity with

the provisions of 12 C.F.R. Part 34. The Board shall require and the Bank shall obtain a current independent appraisal or updated appraisal when any new parcel is transferred to OREO.

(3) Appraisals required by this Article shall be ordered within thirty (30) days of the date of this Agreement, and going forward, within thirty (30) days following the event triggering the appraisal requirement, for delivery to the Bank within sixty (60) days of ordering.

(4) Within thirty (30) days, the Board shall require and the Bank shall develop and implement an independent review and analysis process to ensure that appraisals conform to appraisal standards and regulations. The appraisal review and analysis process shall ensure that appraisals are:

- (a) performed in accordance with 12 C.F.R. Part 34;
- (b) consistent with the guidance in OCC Bulletin 2005-6, "Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions: Frequently Asked Questions" (March 22, 2005);
and
- (c) consistent with OCC Advisory Letter 2003-9, "Independent Appraisal and Evaluation Function" (October 28, 2003).

(5) Written documentation supporting each appraisal review and analysis shall be retained in the loan file, along with the appraisal.

ARTICLE X

LIQUIDITY RISK MANAGEMENT PROGRAM

(1) Within sixty (60) days, the Board shall revise and maintain a comprehensive liquidity risk management program that assesses, on an ongoing basis, the Bank's current and projected funding needs, and ensures that sufficient funds or access to funds exist to meet those

needs. Such a program must include effective methods to achieve and maintain sufficient liquidity and to measure and monitor liquidity risk, to include at a minimum:

- (a) strategies to maintain sufficient liquidity at reasonable costs including, but not limited to, the following:
 - (i) better diversification of funding sources, reducing reliance on high-cost providers;
 - (ii) reducing rollover risk;
 - (iii) increasing liquidity through such actions as obtaining additional capital, placing limits on asset growth, aggressive collection of problem loans and recovery of charged-off assets, and asset sales; and
 - (iv) monitoring the projected impact on reputation, economic and credit conditions in the Bank's market(s).
- (b) the preparation of liquidity reports which shall be reviewed by the Board on at least a monthly basis, to include, at a minimum, the following:
 - (i) a certificate of deposit maturity schedule, including separate line items for brokered deposits and uninsured deposits, depicting maturities on a weekly basis for the next two months and monthly for the following four months, which schedule shall be updated at least weekly;
 - (ii) a schedule of all funding obligations, including money market accounts, unfunded loan commitments, outstanding lines of credit and outstanding letters of credit, showing the obligations that can be drawn immediately, and on a weekly basis for the next two

- months and monthly for the following four months, which schedule shall be prepared and updated at least weekly; and
- (iii) a listing of funding sources, prepared and updated on a weekly basis for the next two months and monthly for the following four months, including federal funds sold; unpledged assets and assets available for sale; and borrowing lines by lender, including original amount, remaining availability, type and book value of collateral pledged, terms, and maturity date, if applicable.
- (c) a monthly sources and uses of funds report for a minimum period of six months, updated monthly, that reflects known and projected changes in asset and liability accounts, and the assumptions used in developing the projections; and
- (d) a contingency funding plan that, on a monthly basis, forecasts funding needs and funding sources under different stress scenarios representing management's best estimate of balance sheet changes that may result from a liquidity or credit event. The contingency funding plan shall include:
- (i) specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Agreement and in 12 U.S.C. §1831o, including the restrictions against brokered deposits in 12 C.F.R. §337.6 (which plans may be subject to revision as may be appropriate upon the adoption, if any, of currently-proposed changes to 12 C.F.R. § 337.6);
 - (ii) the preparation of reports to identify and quantify all sources of funding and funding obligations under best case and worst case

scenarios, including asset funding, liability funding, and off-balance sheet funding; and

- (iii) procedures to ensure that the Bank's contingency funding practices are consistent with the Board's guidance and risk tolerances.

(2) The Board shall submit a copy of the comprehensive liquidity risk management program, along with the reports required by this Article, to the Director for review.

ARTICLE XI

INTEREST RATE RISK

(1) The Board shall ensure the adoption, implementation, and Bank adherence to a revised interest rate risk policy, consistent with the "Interest Rate Risk," Booklet L-IRR of the *Comptroller's Handbook*. The policy shall provide for a coordinated interest rate risk strategy and, at a minimum, shall address:

- (a) the establishment of adequate management reports on which to base sound interest rate risk management decisions;
- (b) establishment and guidance of the Bank's strategic direction and tolerance for interest rate risk;
- (c) implementation of effective tools to measure and monitor the Bank's performance and overall interest rate risk profile;
- (d) employment of competent personnel to manage interest rate risk;
- (e) prudent limits on the nature and amount of interest rate risk that can be taken, and strategies to reduce excessive risk;
- (f) an independent back-test of the interest rate risk model on an annual basis;
and
- (g) periodic review of the Bank's adherence to the program.

(2) Upon completion of the revisions, a copy of the written program shall be forwarded to the Director for review.

ARTICLE XII

INTERNAL AUDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program sufficient to:

- (a) detect irregularities and weak practices in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;
- (d) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification;
- (e) adequately cover all areas;
- (f) determine conclusions and ratings on the quality of the areas audited; and
- (g) establish an annual audit plan using a risk-based approach sufficient to achieve these objectives.

(2) As part of this audit program, the Board or its Audit Committee shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.

(4) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board or its Audit Committee, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be in writing and filed directly with the Board or its Audit Committee and not through any intervening party.

(5) The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and maintain a written record describing the deficiency, the projected corrective action, and the status of the corrective action.

(6) The audit staff shall evaluate in writing the effectiveness of the corrective action and recommend additional corrective actions, as necessary.

(7) Upon adoption, a copy of the internal audit program shall be submitted to the Director.

ARTICLE XIII

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Bank requires an extension of any timeframe within this Agreement, the Board shall submit a written request to the Director 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 and that require an extension of a timeframe within this Agreement.

(2) All such requests shall be accompanied by relevant supporting documentation and any other facts upon which the Bank relies. The Director's decision concerning a request is final and not subject to further review.

ARTICLE XIV

OTHER PROVISIONS

(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 Director, 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) 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.

(3) Except as otherwise expressly provided herein, any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement.

(4) The provisions of this Agreement are effective upon issuance of this Agreement by the Comptroller, through his authorized representative whose signature appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Agreement shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Bank or the Board is required to take action, the Board shall, at a minimum:

(a) authorize, adopt, and direct measures necessary to take the required action;

- (b) require Bank management to make timely reports to the Board on the required action; and
- (c) take appropriate corrective measures for any failure to carry out the required action.

(6) This Agreement expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) 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.

IT IS SO ORDERED, this 21st day of January, 2010.

Signed

Henry Fleming
Director
Special Supervision Division

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.

signed

Judith J. Chandler

January 21, 2010
Date

signed

Randy E. Glasnapp

January 21, 2010
Date

signed

Erma (Lee) Glasnapp

January 21, 2010
Date

signed

Brian Roby

January 21, 2010
Date

signed

George Thompson

January 21, 2010
Date

signed

Cheryl Glasnapp Wright

January 21, 2010
Date