

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

<b>In the Matter of:</b> Mountain West Bank, N.A. Helena, Montana	) ) )	AA-WE-09-109
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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 Mountain West Bank, N.A., Helena, Montana (“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 April 15, 2010, 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) members and, of which no more than one (1) shall be an employee of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the

members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller.

(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 April 30, 2010, 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  
Salt Lake City Field Office  
2795 East Cottonwood Parkway, Suite 390  
Salt Lake City, Utah 84121

(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

### CAPITAL AND STRATEGIC PLAN

(1) The Bank shall achieve by June 30, 2010, and thereafter maintain at all times, 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, 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) the development of strategic goals and objectives to be accomplished over the short and long term;
- (c) an assessment of the profitability and overall contribution to the Bank's operations of all branch locations;
- (d) 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;
- (e) 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;
- (f) loan growth limitations and actions to monitor, control and reduce, where appropriate, significant concentrations of credit;

- (g) 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;
- (h) requirement to obtain the Assistant Deputy Comptroller's written determination of no objection prior to offering new products or entering new market segments;
- (i) 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;
- (j) contingency plans that identify alternative methods should the primary source(s) under subparagraph (i) not be available; and
- (k) 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

#### LOAN POLICY

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

- (a) maximum amortization periods for financing of speculative raw land, and developed commercial or residential lot loans held for investment;
- (b) guidance on how to determine whether a loan is impaired under Financial Accounting Statement #114 and how to determine the amount of impairment;
- (c) criteria for placing loans on nonaccrual status or removing loans from nonaccrual status that is consistent with current Call Report Glossary definition of nonaccrual loans;
- (d) minimum expectations for guarantor financial analysis;
- (e) minimum expectations for stress-testing land development loans and nonowner occupied Commercial Real Estate Loans; and
- (f) clarification of real estate appraisal requirements to be consistent with 12 C.F.R. Part 34.

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

#### Article IV

#### CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners

during any examination. This program shall include Monthly Criticized Loan Reports that include, at a minimum:

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

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

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

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

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

(5) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are

criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed one hundred thousand dollars (\$100,000.00) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

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

## Article V

### CONCENTRATIONS OF CREDIT

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



- (a) review of the balance sheet to identify any concentrations of credit;
- (b) a written analysis of any concentration of credit identified above in order to identify and assess the inherent credit, liquidity, and interest rate risk;
- (c) policies and procedures to control and monitor concentrations of credit;
- (d) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis;
- (e) revised risk limits that reflect adequate consideration of local and national market conditions; and
- (f) consideration of bank portfolio concentration thresholds established in OCC Bulletin 2006-46.

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

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

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

## Article VI

### EXTERNAL LOAN REVIEW

(1) Within sixty (60) days of this Order, the Board shall employ a qualified consultant to perform semi-annual asset quality reviews of the Bank’s loan portfolio. The scope of the external loan review shall provide for a written report to be filed with the Board after each

review and shall use a loan and lease grading system consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. Such reports shall, at a minimum, include comments and conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent and nonaccrual loans;
- (c) the identification/status of credit related violations of law or regulation;
- (d) loans not in conformance with the Bank's lending policies;
- (e) credit underwriting and documentation exceptions;
- (f) accuracy of internal risk ratings;
- (g) overall credit administration practices; and
- (h) completeness and effectiveness of problem loan workout plans.

(2) Prior to the appointment or employment of any individual as loan review consultant or entering into any contract with any consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. After the OCC has advised the Bank that it does not take supervisory objection to the loan review consultant or the scope of the review, the Board shall immediately engage the loan review consultant pursuant to the proposed terms of the engagement.

(3) The Board or a designated committee shall review the independent loan review reports and ensure that, if appropriate, immediate, adequate, and continuing remedial action, is taken upon the findings noted in the reports.

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

(5) The Bank shall not terminate the consultant's asset quality review services without a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

## Article VII

### LOAN PORTFOLIO MANAGEMENT

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

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

(2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

## Article VIII

### ALLOWANCE FOR LOAN AND LEASE LOSSES

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

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

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

## Article IX

### LIQUIDITY MANAGEMENT

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

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

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

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

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

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

## Article X

### 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 noncompliance 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/

4/15/10

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Patrice Persick-Ciurej  
Assistant Deputy Comptroller  
Salt Lake City 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>	)	
Mountain West Bank, N.A.	)	AA-WE-09-109
Helena, Montana	)	

**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 Mountain West Bank, N.A., Helena, Montana (“Bank”), pursuant to 12 U.S.C. § 1818(b), for unsafe and unsound banking practices relating to its Board and management oversight, credit underwriting and credit administration.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated April 15, 2010 (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;



**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/	4/15/10
_____ Dick G. Anderson /s/	_____ Date 4/15/10
_____ Lowell L. Bartels /s/	_____ Date 4/15/10
_____ Albert G. Bell /s/	_____ Date 4/15/10
_____ Jan D. Carter /s/	_____ Date 4/15/10
_____ Todd Hammer /s/	_____ Date 4/15/10
_____ Rick Hart /s/	_____ Date 4/15/10
_____ David L. Jackson /s/	_____ Date 4/15/10
_____ Paul L. Kathrein, O.D. /s/	_____ Date 4/15/10
_____ Jerry D. Mergenthaler /s/	_____ Date 4/15/10
_____ Richard M. Morgan /s/	_____ Date 4/15/10
_____ Clinton W. Rouse /s/	_____ Date 4/15/10
_____ Michael A. Wall /s/	_____ Date 4/15/10
_____ David R. Williams /s/	_____ Date 4/15/10
_____ Robert E. Zucconi	_____ Date