#2010-096

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

In the Matter of:	)	
The First National Bank of Ordway	)	AA-WE-10-28
Ordway, Colorado	)	

CONSENT ORDER

The Comptroller of the Currency of the United States of America ("Comptroller"), through his National Bank Examiner, has supervisory authority over The First National Bank of Ordway, Ordway, 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 April 21, 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 employees of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller.

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

(3) By no later than May 31, 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
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 AND BOARD OVERSIGHT

(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 thirty (30) days of this Order, the Board shall employ an independent outside management consultant ("Consultant").

(3) Prior to the appointment or employment of any consultant or entering into any contract with a consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(4) Within forty-five (45) days of the receipt of the written determination of no supervisory objection to the proposed consultant, the Consultant shall complete a study of current management and Board supervision presently being provided to the Bank, the Bank's management structure, and its staffing requirements in light of the Bank's present condition. The findings and recommendations of the Consultant shall be set forth in a written report (the "Management Study") to the Board. At a minimum, the Management Study shall contain:

(a) the identification of present and future management and staffing requirements of each area of the Bank, with particular emphasis given to Board oversight, senior management and lending officers;

(b) an evaluation of the knowledge, skills, and abilities of the Chairman of the Board;

(c) an evaluation of each senior manager's knowledge, skills, abilities and a determination of whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of the position;

(d) an evaluation of the responsibility for present weaknesses in the Bank's condition;

(e) detailed written description of:

    (i) the Bank's corporate governance and decision-making process;

    (ii) the Bank's committees and the structure and purpose of each committee;

    (iii) organizational chart; and

    (iv) job descriptions for all executive officers;

(f) the effectiveness of the Bank's committees, corporate governance and decision-making process;

(g) recommendations as to whether management, staffing and structural changes should be made, including the need for additions to, or deletions from, the current Board and management team or structure and lending staff;

(h) objectives by which management's and the Board's effectiveness will be measured;

(i) a training program to address identified weaknesses in the skills and abilities of the Bank's staff and management team;

(j) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;

(k) a recommended organization chart that clearly reflects areas of responsibility and lines of authority for all officers;

(l) an assessment of whether Board members are receiving adequate information on the operation of the Bank to enable them to fulfill their fiduciary duties and other responsibilities under law;

(m) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;

(n) recommendations to ensure the Board exercises proper oversight over the affairs of the Bank; and

(o) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank.

(5) Within five (5) days of completion of the Management Study, a copy shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(6) Within thirty (30) days of receipt of the OCC's no objection to the Management Study, the Board shall prepare and submit a Management Plan to correct the deficiencies noted in the Management Study to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(7) Within five (5) days of receipt of the OCC's no objection to the Management Plan, the Board shall adopt, implement and thereafter adhere to the Management Plan.

Article III

AFFILIATE TRANSACTIONS AND CONFLICTS

(1) The Bank shall not, directly or indirectly, pay money or its equivalent to or for the benefit of, or extend credit in any form to or for the benefit of, its affiliates, or transfer assets

between the Bank and its affiliates, or enter into or engage in any transaction that obligates the Bank to do the same, unless:

(a) the Board has conducted an independent review of the action, that is documented in writing; and

(b) the Board has determined in writing that it is advantageous for the Bank to engage in such action, and that the action complies with all applicable laws, rules, regulations, and Comptroller's issuances, including, but not limited to 12 C.F.R. Part 223.

(2) For purposes of this Article, "affiliate" shall have the meaning set forth in 12 C.F.R. § 223.2(a) as if the Bank were a member bank, provided that any subsidiary of the Bank shall be considered an affiliate of the Bank.

(3) Within thirty (30) days of this Order, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written, comprehensive conflict of interest policy applicable to the Bank's and the Bank's holding company's directors, principal shareholders, executive officers, affiliates, and employees ("Insiders") and related interests of such Insiders. The policy, in addition to defining a conflict of interest, shall address:

(a) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;

(b) involvement in the loan approval process of Insiders who may benefit directly or indirectly from the decision to grant credit;

(c) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of "related interests" as defined by 12 C.F.R. Part 215;

(d) requirements for arms-length dealing in any transactions by Insiders, or their related organizations, involving the Bank's sale, purchase, or rental of property and services;

(e) disclosure of any Insider's material interest in the business of a borrower, an applicant, or other customer of the Bank; and

(f) restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank.

Article IV

CAPITAL AND STRATEGIC PLAN

(1) The Bank shall 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 <u>not</u> 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) an assessment of the profitability and overall contribution to the Bank's operations of all branch locations;

(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 that is consistent with the findings contained in the Management Plan;

(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;

(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

CREDIT RISK MANAGEMENT

(1) Within ninety (90) days of this Order, the Board shall prepare, adopt and thereafter adhere to, revisions to the Bank's loan policy, as well as any necessary procedures, to address weaknesses in the Bank's credit risk management and underwriting, that, at a minimum, include:

(a) policies and procedures designed to aggregate, track and eliminate exceptions to the Loan Policy, underwriting guidelines, and supervisory loan to value limits, for all loans to include, at a minimum:

   (i) monthly Board monitoring of policy exception reports that track aggregate number and dollar amount of loans with material exceptions by type of loan and loan officer; and

   (ii) procedures to hold employees and officers accountable for non-compliance with the Bank's loan policy and other underwriting requirements;

(b) procedures to ensure that loans are properly monitored to include periodic receipt, analysis and documentation of sufficient financial and operating information to measure and monitor the borrower's and guarantor's financial condition and repayment ability, to include periodic (at least annually) cash flow analysis of income-producing collateral; and

(c) procedures to ensure that insider loans are underwritten in accordance with applicable laws and regulations.

(2) Effective as of the date of this Order, the Bank may not grant, extend, renew, modify or restructure any loan, participation or other extension of credit, or purchase any loan participation, equal to or exceeding one hundred thousand dollars ($100,000), 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 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;

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

(i) ensuring that any participations purchased are consistent with 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; and

(j) 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 and proper collateral information is maintained on all loans. Within thirty (30) days of notification, the Board shall ensure that the Bank obtains any missing credit or collateral information described in the Report of Examination conducted as of December 31, 2009 and updated through January 25, 2010 as appropriate (the "ROE"), in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

Article VI

COMMERCIAL REAL ESTATE RISK MANAGEMENT

(1) Within ninety (90) days of this Order, the Board shall prepare, adopt and thereafter ensure adherence to a written program (including appropriate revisions to policies and procedures) designed to manage the risk in the Bank's commercial real estate ("CRE") loan portfolio in accordance with the guidelines in OCC Bulletin 2006-46, Concentration in Commercial Real Estate Lending and the Commercial Real Estate and Construction Lending, A-CRE, of the *Comptroller's Handbook*. The written CRE program should, at a minimum, include:

(a) the development of CRE concentration limits and an overall CRE reduction strategy, stratified by type, locality, individual builder/developer and individual property, and other meaningful measures supported by written analysis;

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

(c) portfolio-level multi-factor stress testing and/or sensitivity analysis on homogeneous pools of loans (e.g., HELOC, undeveloped land, office space) to quantify the impact of changing economic conditions on asset quality, earnings, and capital; and

(d) significant individual loan stress testing and/or sensitivity analysis to quantify the impact of changing economic conditions on asset quality, earnings, and capital;

(e) the review and revision of Loan Policy CRE underwriting standards by CRE type that include specific requirements relating to:

  (i) maximum loan amount and maturity by type of property;

  (ii) approval authorizations;

  (iii) minimum file documentation and analysis;

  (iv) minimum requirements for initial investment and maintenance of hard equity;

  (v) minimum standards for borrower net worth, property cash flow/debt service, collateral coverage, and guarantor support;

  (vi) the performance of global cash flow analysis to evaluate the repayment ability of borrowers 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 for the acceptability for using, and defined limits for soft cost and/or interest reserve financing;

(x) maximum amortization periods and minimum principal curtailment for CRE and construction projects that are not meeting original projections; and

(xi) procedures for loan closing and disbursement processes, including the supervised disbursement of construction loan proceeds;

(f) procedures to ensure the 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, meaningful, 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 that tracks 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; and

(g) standards for when CRE loan policy exceptions are appropriate, what factors should exist to mitigate exceptions, and how the level and trend of exceptions should be documented, tracked and reported to the Board and considered in loan officer performance reviews.

Article VII

APPRAISAL AND EVALUATION PROCESS

(1) Within sixty (60) days of this Order, the Board shall revise, adopt, implement and thereafter ensure adherence to, a written program designed to ensure the Bank obtains real estate appraisals and evaluations 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 development of procedures to ensure that appraisals, updates and evaluations are the appropriate type and ordered in a timely manner;

(b) the ordering of appraisals, independent of the lending function;

(c) the use of Board approved appraisers only;

(d) the establishment of a tickler system for tracking when appraisals, updates and evaluations are received, reviewed and adjustments are made, as appropriate, to reflect FAS 114 impairment and changes in risk ratings; and

(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.

Article VIII

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) Within sixty (60) days of this Order, the Board shall prepare, adopt and thereafter ensure adherence to, a written program designed to reduce the Bank's criticized assets (the "Problem Assets Program"). The Problem Assets Program shall include or address the following matters:

(a) aggregate reporting of criticized asset levels by type to the Board or a designated committee thereof every month; and

(b) specific plans for the reduction of criticized assets by asset type with target reductions by month.

(3) The Board's compliance with Paragraph (2) of this Article shall include the development of procedures for the monthly review and preparation of written determinations by the Board or a designated committee thereof regarding the effectiveness of the responsible officer's efforts to eliminate the weaknesses in each criticized credit relationship totaling one hundred thousand dollars ($100,000) or more, and that require the preparation of Problem Asset Reports ("PARs" or "PAR") that contain, at a minimum, analysis and documentation of the following:

(a) an identification of the expected sources of repayment and an analysis of their adequacy;

(b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable as well as other necessary documentation to support the collateral valuation;

(c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;

(d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;

(e) trigger dates for positive borrower actions or for loan officers to reassess the strategy, enact collection plans, and make appropriate downgrades or place on nonaccrual;

(f) a determination of whether the loan is impaired and the amount of the impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan; and

(g) for criticized relationships of one hundred thousand dollars ($100,000) or above that were made for the purpose of constructing or developing CRE, the PARs shall also include:

    (i) the initial scheduled maturity date of the loan, number of extensions and/or renewals, and current maturity date;

    (ii) project development status;

    (iii) a comparison of development costs to the budgeted amount;

    (iv) a comparison of sales activity to the original sales projections;

(v) amount of initial interest reserve and the amount of any subsequent additions to the reserve;

(vi) an assessment of the borrower's global cash flow;

(vii) an assessment of any guarantor's global cash flow; and

(viii) any other significant information relating to the project.

(4) A copy of each PAR prepared during the month of each quarter end (e.g., March, June, September, and December), along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each credit, shall be submitted to the Assistant Deputy Comptroller within fifteen (15) days of each calendar quarter end.

(5) Effective as of the date of this Order, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions of credit equal or exceed one hundred thousand dollars ($100,000), unless each of the following conditions is met:

(a) the Board or a designated committee thereof finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the Board or a designated committee thereof approves the credit extension and documents in writing, the reasons that such extension is necessary to promote the best interests of the Bank; and

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

Article IX

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 one hundred thousand dollars ($100,000) 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 June 30, 2010, 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 X

EXTERNAL LOAN REVIEW

(1) Within thirty (30) 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, with the first report due no later than June 30, 2010, 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) credit analysis and documentation of such;

(g) accuracy of internal risk ratings;

(h) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (g) of the Article;

(i) overall credit administration practices; and

(j) 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 XI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Effective as of the date of this Order, the Board shall ensure adherence to a set of 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.

(3) The Board shall take the necessary steps to ensure that an independent review and test of the Allowance sufficiency is performed prior to the filing of each Call Report beginning with the quarter ending June 30, 2010.

Article XII

LIQUIDITY MANAGEMENT

(1) Within sixty (60) days of this Order, the Board shall revise, adopt, implement and thereafter ensure adherence to a written set of policies and procedures designed to ensure the Bank maintains liquidity at a level that is sufficient to sustain the Bank's current operations and to withstand any anticipated or extraordinary demand against its funding base, to include at a minimum:

- (a) measures to maintain sufficient on-balance sheet liquidity;
- (b) measures to eliminate reliance upon brokered deposits and to reduce reliance upon credit-sensitive wholesale borrowings;
- (c) the establishment of additional back-up funding sources;
- (d) policies and procedures to ensure the implementation of adequate liquidity planning tools, to include:
  - (i) a revised sources and uses fund that reflects the Bank's inability to access to brokered deposits;
  - (ii) a review of administrative policies and procedures to ensure they are consistent with the Board's guidance and risk tolerances;

(iii) specific balance sheet liquidity targets that are consistent with the tools used to measure performance;

(iv) reasonable risk limits to control the level of liquidity risk that incorporate forward-looking risk measurements and liability concentration limits such as limits on the amount of funds that may be sourced from any individual customer or groups of customers, or liability concentration limits by instrument; and

(e) procedures to periodically review and revise, as appropriate, the Bank's contingency funding plan to ensure that the Bank can remain liquidity solvent through stressed environments.

Article XIII

INTERNAL AUDIT

(1) Within ninety (90) days of this Order, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent and comprehensive internal audit program that:

(a) includes an enterprise-wide risk assessment;

(b) establishes and documents the link between the risk assessment and the scope and frequency of internal audits;

(c) provides for a periodic (no less than quarterly) review of the progress made by internal audit to ensure that scheduled audits are being timely completed;

(d) requires an independent auditors to perform the audits and present the findings directly to the Board;

(e) ensures audit work papers and documentation of conclusions provide a meaningful audit trail and validation for findings and recommendations; and

(h) ensures timely management responses and corrective actions on identified weaknesses.

(2) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller.

Article XIV

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 I of this Order shall include the date and manner in which each correction has been implemented during that reporting period.

(2) Effective as of the date 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 XV

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 XVI, Paragraph (3) of this Order, and is final and not subject to further review.

Article XVI

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/ 4/21/2010

Karen M. Boehler
Assistant Deputy Comptroller
Denver Field Office

Date

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

In the Matter of:	)	
The First National Bank of Ordway	)	AA-WE-10-28
Ordway, Colorado	)	

STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER

The Comptroller of the Currency of the United States of America ("Comptroller") intends to initiate cease and desist proceedings against The First National Bank of Ordway, Ordway, Colorado ("Bank"), pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice of Charges for an Order to Cease and Desist for unsafe and unsound banking practices relating to the Bank's Board and management oversight, capital and strategic planning, credit administration, and liquidity management.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated April 21, 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 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/	4/21/2010
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/	4/21/10
Leif Berg	Date
/s/	4/21/10
Roy Gillmore	Date
/s/	4/21/10
Richard C. Berg	Date
/s/	4/21/10
Gary Gibson	Date
/s/	4/21/10
Brian Knapp	Date
/s/	5/12/10
Michael B. McDonell	Date