

AGREEMENT BY AND BETWEEN  
Canyon Community Bank N.A.  
Tucson, Arizona  
and  
The Comptroller of the Currency

Canyon Community Bank N.A., Tucson, 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 has found unsafe and unsound banking practices relating to high credit risk and weak credit risk management practices at the Bank.

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

Assistant Deputy Comptroller  
Arizona/New Mexico Field Office  
9633 South 48th Street, Suite 265  
Phoenix, Arizona 85044

## ARTICLE II

### COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, the majority of which shall not be employees or controlling shareholders 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. 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 sixty (60) days after: (i) the date of this Agreement; and (ii) the end of each calendar quarter 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 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 Assistant Deputy Comptroller within ten (10) days of receiving such report.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the requirements of this Agreement.

### ARTICLE III

#### CAPITAL PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board shall develop, implement, and thereafter ensure Bank adherence to a three year capital program. The program shall include:

- (a) specific plans for the maintenance of adequate capital given the Bank's risk profile;
- (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 current and future needs;
- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and

- (f) a dividend policy that permits the declaration of a dividend only:
  - (i) when the Bank is in compliance with its approved capital program;
  - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
  - (iii) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller.

(2) Upon completion, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the capital program. The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

#### ARTICLE IV

##### CRITICIZED ASSETS

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

(2) Within forty five (45) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent ROE, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners

during any examination as "doubtful," "substandard," or "special mention." This program shall 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.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding one hundred thousand dollars (\$100,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) 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);
- (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.

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

(6) 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) 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.

(7) 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

### CREDIT UNDERWRITING AND ADMINISTRATION

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

(2) Within thirty (30) days of the date of this Agreement, the Bank shall revise its loan policy to ensure, at a minimum, that the Bank may not grant, extend, renew, alter or restructure any loan or other extension of credit above \$100,000 without:

- (a) reasonable amortization schedules (5-7 years) for different types of land and lot loans are developed and adhered to;
- (b) ensuring that full consideration of the level of guarantor support provided for each credit is analyzed, to include, at minimum:
  - (i) an analysis of the guarantor's global cash flow;
  - (ii) analysis of the guarantor's ability to support meaningful curtailments or reasonable amortizations; and
  - (iii) verification of the guarantor's liquid assets.
- (c) specific guidance for making revolving lines of credit, to include, but not be limited to:
  - (i) measures to ensure that the terms of the credit are consistent with the purpose of the loan, the collateral, or the source of repayment; and
  - (ii) that borrowers on revolving lines of credit demonstrate the capacity to amortize debt over a reasonable period of time.

## ARTICLE VI

### CREDIT RISK RATINGS

(1) As soon as practicable, but by no later than June 30, 2011, the Bank shall perform a portfolio-wide credit review, with a focus on real estate secured loans, to determine the current extent of risk. Factors that must be considered in this review are:

- (a) new appraised values or other updated valuations;
- (b) project performance;

- (c) payment performance;
- (d) maturity dates;
- (e) remaining interest reserves; and
- (f) current financial information regarding principals and guarantors.

(2) Within sixty (60) days of the date of this Agreement, the Board shall develop a program 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, provisions requiring that:

- (a) the Bank's loans and other assets are appropriately and timely risk rated and charged-off by the lending officers 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*;
- (b) the Bank's internal loan review system provides meaningful, detailed reports to the Board on portfolio quality, risks, and trends;
- (c) loan officers are accountable for failing to appropriately and timely risk rate loans; and
- (d) the Bank does not over emphasize improvement in interim financial statements or upgrade credits before sustained financial improvement is demonstrated;

(3) Within ninety (90) days of this Agreement, 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.

- (a) Such reports shall, at a minimum, include comments and conclusions regarding:
  - (i) the identification, type, rating, and amount of problem loans and leases;
  - (ii) the identification and amount of delinquent and nonaccrual loans;
  - (iii) the identification/status of credit related violations of law or regulation;
  - (iv) loans not in conformance with the Bank's lending policies;
  - (v) credit underwriting and documentation exceptions;
  - (vi) credit analysis and documentation of such;
  - (vii) accuracy of internal risk ratings;
  - (viii) overall credit administration practices; and
  - (ix) completeness and effectiveness of problem loan workout plans.
- (b) 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.

- (c) 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.
- (d) 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; and
- (e) 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

### STAFFING PLAN

(1) Within sixty (60) days of the date of this Agreement, the Board shall develop a plan to hire and retain a separate CCO and President with the knowledge, skills, and abilities necessary to fulfill the duties and responsibilities of their positions and ensure the safety and soundness of the Bank.

(2) Upon completion, the plan required by Paragraph (1) of this Article shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the plan.

## ARTICLE VIII

### RISK MANAGEMENT OF NEW PRODUCTS

(1) Prior to the Bank's involvement in any new product or service or significant expansion of any existing product or service, whether directly or through a vendor or other third party, the Board shall prepare a written analysis of said product or service. The analysis shall incorporate the requirements of OCC Bulletin 2004-20, and at a minimum, shall include a review of the following items:

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

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

## ARTICLE IX

### AUDIT

(1) Within sixty (60) days of the date of this Agreement, the Bank's audit committee shall, at minimum, take the following actions to improve the Bank's overall audit program:

- (a) the creation of a formal enterprise-wide risk assessment addressing all auditable activities that serves as a foundation for a comprehensive audit schedule, including the internal and external audits;
- (b) the establishment of a documented link between risk assessment and the scope and frequency of audits;
- (c) the development of an audit schedule that includes planned audit dates and is updated periodically to reflect changes in regulatory requirements, the Bank's systems and operating environment, and new products or services;
- (d) review the internal audit's progress at least quarterly to ensure that scheduled audits are being completed and reported to the Audit Committee;
- (e) ensure that the compliance audit engagement letter requires audit reports to contain sufficient detail, a summary findings, whether issues identified represent new or repeat findings, and the risk to the Bank; and
- (f) provide a formal written response for all material negative audit findings and exceptions.

(2) Upon completion, the plan required by Paragraph (1) of this Article shall be submitted to the Assistant Deputy Comptroller for prior written determination of no supervisory

objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the plan.

## ARTICLE X

### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within ninety (90) days of this Agreement, the Board shall revise, adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an appropriate Allowance for Loan and Lease Losses (“Allowance”) in accordance with 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 Accounting Standards Codification 310-10 (formerly known as 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 Accounting Standards Codification 450-20 (formerly known as FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies);
- (c) procedures for validating the Allowance methodology; and

- (d) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:
  - (i) trends in the Bank's internal risk ratings, delinquent and nonaccrual loans;
  - (ii) results of the Bank's external loan review;
  - (iii) concentrations of credit in the Bank;
  - (iv) present and prospective economic conditions; and
  - (v) applicable experience of the Bank's lending staff.

(2) The program shall provide for a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Call Reports for the Allowance. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Call Report, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

## ARTICLE XI

### OTHER REAL ESTATE OWNED

(1) Within sixty (60) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to a revised policy to ensure that Other Real Estate Owned ("OREO") is managed in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34. The policy shall address:

- (a) responsibility and authority for OREO properties;

- (b) proper accounting procedures for OREO properties from transfer to the Bank and until and upon sale to a third party, including a requirement that new OREO parcels are booked at fair market value less cost to sell;
- (c) procedures to require timely appraisals pursuant to 12 C.F.R. § 34.85 and 12 C.F.R. Part 34, Subpart C;
- (d) diligent sales efforts; and
- (e) reporting systems.

(2) Upon adoption, the Board shall submit a copy of the policy to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

## ARTICLE XII

### CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her 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) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (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 of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. 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(b)(1), 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. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency 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. 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.

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

/s/  
\_\_\_\_\_  
Steven D. Jacobs  
Assistant Deputy Comptroller  
Arizona/New Mexico Field Office

01/27/2011  
\_\_\_\_\_  
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.

_____ Dennis Cummings	_____ Date
_____ /s/	_____ 01/27/2011
_____ Gary Gibson	_____ Date
_____ /s/	_____ 01/27/2011
_____ Jodi Grassmeyer	_____ Date
_____ /s/	_____ 01/27/2011
_____ Steve Halverson	_____ Date
_____ /s/	_____ 01/27/2011
_____ Chuck Luhtala	_____ Date
_____ /s/	_____ 01/27/2011
_____ Tim Prouty	_____ Date
_____ /s/	_____ 01/27/2011
_____ Richard Underwood	_____ Date