

AGREEMENT

By and Between

First Scottsdale Bank, N.A., Scottsdale, Arizona

and

The Comptroller of the Currency

First Scottsdale Bank, N.A., Scottsdale, Arizona (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has determined that the Bank has engaged in unsafe and unsound banking practices relating to its Board and management oversight, credit risk management and compliance risk management activities.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

Article I

Jurisdiction

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall not be construed to require the Bank to meet and maintain a specific capital level as described in 12 C.F.R. § 6.4(b)(iv).

Article II

Compliance Committee

(1) Within five (5) days of this Agreement, the Board shall appoint a Compliance Committee consisting 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.

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

(3) By no later than December 31, 2014, 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 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 provide a summary report of the progress reached in attaining compliance with each Article of this Agreement to the Assistant Deputy Comptroller within

thirty (30) days of the end of each calendar quarter (e.g., January 30th, April 30th, July 30th, and October 30th), beginning with the fourth quarter of 2014.

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

Assistant Deputy Comptroller
Los Angeles Field Office
550 N. Brand Blvd, Ste. 500
Glendale, CA 91203
Richard.Dixon@occ.treas.gov

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

Article III

Management and Board Supervision

(1) Within ninety (90) days of this Agreement, the Board shall take the necessary steps to strengthen management leadership and Board oversight as described in the Report of Examination conducted as of June 9, 2014 (the “ROE”), to include at a minimum, the appointment of a new outside director, and the maintenance of a qualified President and a qualified Chief Financial Officer so that both positions are filled with full-time, dedicated individuals vested with sufficient knowledge, skills, and abilities, including but not limited to, the technical expertise and the leadership skills necessary to fulfill the duties and responsibilities of the respective position and to ensure the Bank’s compliance with this Agreement and the safe and sound operation of the Bank.

(2) If a Board or senior executive officer position (as defined in 12 C.F.R. § 5.51), including, but not limited to, Chief Executive Officer, Chief Operating Officer, Chief Financial

Officer, and Chief Lending Officer is, or at any time becomes, vacant, the Board shall, within ninety (90) days of such vacancy, after complying with the prior notice requirements of 12 C.F.R. § 5.51, appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Agreement and the safe and sound operation of functions within the scope of that position's responsibility. The Board shall also provide a written statement of the Board's reasons for selecting the proposed employee, a written description of the proposed employee's duties and responsibilities, the proposed terms of employment, and a copy of any employment contract to the Assistant Deputy Comptroller for a prior written determination of no objection. Prior to submission of any such contract to the Assistant Deputy Comptroller, the Board shall ensure that the contract fully complies with the requirements of all applicable laws, regulations, and regulatory guidance relating to executive compensation, golden parachute, and indemnification payments.

(3) Within ninety (90) days of this Agreement, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program (including appropriate policies and procedures) designed to correct the Bank's deficiencies in Board oversight, corporate governance, and management. The program shall include, at a minimum:

- (a) the development of revised corporate governance policies and procedures designed to ensure the Board provides proper oversight of the affairs of the Bank, to include, at a minimum, detailed written descriptions of:
 - (i) the Bank's corporate governance and decision-making process;
 - (ii) the structure, purpose, membership, meeting frequency, and minutes requirements for each committee;
 - (iii) organizational chart; and

- (iv) job descriptions for all executive officers;
- (b) the development of a comprehensive conflict of interest and insider lending policy applicable to the Bank's directors, principal shareholders, executive officers, affiliates, and employees ("Insiders") and related interests of such Insiders;
- (c) 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 and that addresses the excess responsibilities assigned to the Compliance Officer consistent with the requirements of Article IX;
- (d) a training program to strengthen the skills and abilities of the Bank's staff, management team and board members;
- (e) the development of policies and procedures to ensure that management appropriately responds to any audit or compliance criticisms, and regulatory violations of law, unsafe or unsound banking practices, breaches of fiduciary duty, and Matters Requiring Attention (collectively, "material criticisms");
- (f) the development of processes designed to ensure effective Board oversight over the internal audit function, to include, at a minimum:
 - (i) regularly scheduled Audit Committee meetings and documented minutes reflecting audit decisions;
 - (ii) Board review of completed audit reports in a timely manner;
 - (iii) administration and management of the audit schedule based on the Bank's formal risk assessment process;

- (iv) review of management’s actions to respond to and address audit findings; and
- (v) periodic reviews of outsourced auditor performance to ensure outsourced auditors maintain sufficient expertise to perform effectively throughout the life of the arrangement; and
- (g) assigned accountability for the various policies and procedures required by this program.

(4) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program required by this Article.

Article IV

Capital and Strategic Plan

(1) Effective immediately, the Bank shall only declare dividends when the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(2) Within ninety (90) days of this Agreement, the Board shall develop a written capital and strategic plan for the Bank covering at least the next three (3) years from the date of this Agreement (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.

(3) 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) the development of strategic goals and objectives to be accomplished over the short and long term;
- (b) identification of the major areas and means by which the Board and management will seek to improve earnings performance, that focuses in particular on items contributing to Bank interest income, cost of funds, and non-interest expenses, to include a cost/benefit analysis of the Bank's branches;
- (c) recognition that the Bank cannot offer or introduce new products, enter new market segments, or grow excessively until it adopts an appropriate credit culture, implements sound risk management principles, and returns the Bank's condition to satisfactory;
- (d) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;
- (e) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (1) of this Article;
- (f) specific plans for the maintenance of adequate capital as required by the OCC, and consistent with the Bank's overall condition and risk profile;
- (g) projections for growth or asset reduction and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, provision expense, and off balance sheet activities;

- (h) projections of the sources and timing of additional capital, to meet the Bank's current and future needs;
- (i) contingency plans that identify alternative methods should the primary capital sources not be available;
- (j) systems to monitor the Bank's progress in meeting the plan's goals and objectives; and
- (k) provisions for plan updates and review by the Board on an annual basis, or more frequently if necessary.

(4) The Board shall review and update the Bank's Three-Year Plan at least annually or more frequently if necessary or if requested by the Assistant Deputy Comptroller.

(5) The Bank shall not make any changes that will cause, result, or bring about a significant deviation or change (collectively, a "significant deviation") to the Bank's Three-Year Plan or a subsequent Business and Strategic Plan adopted pursuant to the condition above, without a prior, written determination of no supervisory objection from the Assistant Deputy Comptroller. Specifically, the Board must give the Assistant Deputy Comptroller at least sixty (60) days prior, written notice of its intent to deviate significantly from the Bank's Three-Year Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Bank's Three-Year Plan.

(6) For the purposes of this Article, changes that may constitute a significant deviation from the Bank's Three-Year Plan include, but are not limited to a change in the Bank's:

- (a) marketing strategies or marketing partners;
- (b) product or service offerings, including fee structure or pricing;
- (c) underwriting practices and standards, credit administration, account management, collection strategies or operations;
- (d) accounting processes and practices;
- (e) asset composition, size, and structure;
- (f) lines of business; or
- (g) funding strategy;

(7) Any of the changes mentioned in Paragraph (6) above, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. For purposes of this paragraph, "personnel" shall include the President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Lending Officer, Chief Compliance Officer, Risk Manager, Auditor, member of the Bank's Board of Directors, or any other position subsequently identified in writing by the Assistant Deputy Comptroller.

(8) 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 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 sixty (60) days of this Agreement, the Board shall take the necessary steps to ensure that the Bank develops safe and sound credit risk management and administration practices, to include at a minimum:

- (a) policies and procedures to ensure that the Bank does not grant, extend, renew, modify or restructure any loan or other extension of credit, or purchase any loan participation, equal to or exceeding five hundred thousand dollars (\$500,000), without:
 - (i) documenting the specific reason or purpose for the extension of credit;
 - (ii) identifying the expected source of repayment in writing;
 - (iii) structuring the repayment terms to coincide with the expected source of repayment and the useful life of the collateral;
 - (iv) 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, including global cash flow analysis, evaluation of contingent liabilities and verification of liquid assets, where appropriate;
 - (v) determining and documenting whether the loan complies with the Bank's Loan Policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;
 - (vi) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;

- (vii) providing an accurate risk assessment grade and proper accrual status for each credit;
 - (viii) obtaining an appraisal or evaluation as appropriate;
 - (ix) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable;
 - (x) performing periodic, meaningful, well-documented, inspections on all construction projects;
 - (xi) ensuring draw requests are advanced in accordance with construction progress and budget;
 - (xii) maintaining records of project completion versus amount advanced for all construction projects;
 - (xiii) obtaining lien waivers from contractors and sub-contractors;
 - (xiv) tracking the borrower's hard equity by project;
 - (xv) determining and documenting that any participations purchased comply with safe and sound banking practices, guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34; and
 - (xvi) obtaining the written approval of the Bank's Loan Committee or Board.
- (b) policies and procedures designed to aggregate, track and eliminate exceptions to the Loan Policy and underwriting guidelines 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 underwriting exceptions by type of loan and loan officer; and
 - (ii) accountability by the lending staff for such exceptions that, at a minimum, considers such exceptions in the periodic performance reviews and compensation of such lending staff.
- (c) policies and procedures to properly monitor all commercial, and commercial real estate loans to include periodic receipt (no less than annually), of an analysis and documentation of sufficient financial and operating information to measure and monitor the borrower's financial condition and repayment ability;
- (d) portfolio stress testing to comply with regulatory guidance in OCC Bulletin 2012-33, "Community Bank Stress Testing," dated October 18, 2012; and
- (e) policies and procedures to track, monitor, and enforce covenants in promissory notes or loan agreements.

(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 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

Credit Risk Ratings

(1) Within sixty (60) days 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 lending staff receives sufficient training with respect to the application of Subparagraph (a) of this Article;
- (c) loan officers are accountable for failing to appropriately and timely risk rate; and
- (d) loan officer failure to properly risk rate is considered in periodic performance reviews and compensation.

(2) Within sixty (60) days of this Agreement, the Board shall take the necessary steps to ensure that all credit relationships equaling two hundred fifty thousand (\$250,000) or more are formally reviewed by the assigned loan officer and accurately risk rated consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook*.

(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 VII

External Loan Review

(1) The Board shall continue to employ a qualified consultant to perform independent reviews of the Bank's loan portfolio at least semi-annually to ensure the timely identification and categorization of problem credits.

(2) The scope of the engagement with the loan review consultant 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*.

Article VIII

Allowance for Loan and Lease Losses

(1) Within sixty (60) 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 FAS Statement of Financial Accounting Standards No. 114) and Accounting Standards Codification 450-20 (formerly known as FAS Statement of Financial Accounting Standards No. 5, Accounting for Contingencies);

- (b) procedures for the designation of loan pools containing loans with similar risk characteristics;
- (c) procedures for validating the Allowance methodology;
- (d) procedures for the estimation of credit losses that consider 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) the applicable experience of the Bank's lending staff;
- (e) procedures to require that loans which have been designated impaired undergo impairment testing during each calendar quarter; and
- (f) immediate and periodic training for staff and management personnel responsible for calculating the Allowance.

(2) The Allowance 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 appropriateness of the Allowance.

(3) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program, policies, and procedures required by this Article.

Article IX

Consumer Compliance

(1) Within thirty (30) days of this Agreement, the Board shall ensure the designation of a qualified and capable Compliance Officer of the Bank. The Compliance Officer shall be employed and vested with sufficient time and authority to fulfill the duties and responsibilities of the position and to effectively manage the Bank's Consumer Compliance Program.

(2) In the event of a vacancy in the Compliance Officer position, the Board shall designate a qualified replacement candidate within thirty (30) days of such vacancy who shall be vested with sufficient time and authority to fulfill the duties and responsibilities of the position and to effectively manage the Bank's Consumer Compliance Program.

(3) Within ninety (90) days of this Agreement, the Board shall adopt, implement, and thereafter ensure adherence to a written consumer compliance program designed to ensure that the Bank is operating in compliance with all applicable consumer protection laws, rules, and regulations. This program shall include at a minimum:

- (a) a written description of the duties and responsibilities of the compliance officer;
- (b) adequate internal controls to ensure compliance with consumer protection laws, rules, and regulations;
- (c) the preparation of a policies and procedures manual covering all consumer protection laws, rules, and regulations for use by appropriate Bank

personnel in the performance of their duties and responsibilities and specifically tailored to the Bank's deposit and lending practices;

- (d) timely updates of the written policies and procedures manual to ensure it remains current;
- (e) a formalized risk assessment process and annual audit plan to use in determining the frequency and scope of ongoing compliance monitoring and audit;
- (f) a comprehensive independent audit program to adequately test for compliance with consumer protection laws, rules and regulations;
- (g) procedures to ensure that exceptions noted in the audit reports are corrected and responded to by the appropriate Bank personnel;
- (h) the education and training of all appropriate Bank personnel in the requirements of all applicable federal and state consumer protection laws, rules and regulations;
- (i) procedures for the dissemination of changes in laws, rules, regulations and OCC policy changes to affected Bank personnel; and
- (j) periodic reporting of the results of the consumer compliance audit to the Board or a committee thereof.

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

Article X

Closing

(1) Although the Board has by this Agreement consented 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.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent him from so doing.

(3) Any time requirements specified in 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) This Agreement shall be effective upon execution by the parties hereto, and its provisions shall continue in full force and effect until such time as they shall be amended by written mutual consent of the parties to this 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 noncompliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner of any noncompliance 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. 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 has hereunto set his hand.

/s/
Richard S. Dixon, Jr.
Assistant Deputy Comptroller
Los Angeles Field Office & Phoenix Satellite Office

November 19, 2014
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/
William Frank

November 19, 2014
Date

/s/
Steven Heslep

November 19, 2014
Date

/s/
Lee McPheters

November 19, 2014
Date

/s/
Christian David Roe

November 19, 2014
Date

/s/
R. Randy Stolworthy

November 19, 2014
Date