

AGREEMENT BY AND BETWEEN  
First National Bank  
Fort Collins, Colorado  
and  
The Comptroller of the Currency

First National Bank, Fort Collins, Colorado (“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 credit underwriting and administration, commercial real estate risk management, credit risk ratings, and allowance for loans and lease losses.

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:

Robert P. Sejnoha  
Assistant Deputy Comptroller  
Office of the Comptroller of the Currency  
440 South LaSalle Street, Suite 2700  
Chicago, Illinois 60605-1073

with a copy to:

Larry A. Burch  
National Bank Examiner  
Office of the Comptroller of the Currency  
301 NW 63<sup>rd</sup> Street, Suite 490  
Oklahoma City, Oklahoma 73116

## Article II

### COMPLIANCE COMMITTEE

- (1) Within fifteen (15) days of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors of which at least two (2) must not be an employee of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller.

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

(3) Within thirty (30) days of the date of this Agreement and quarterly 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 fifteen (15) calendar days of each calendar quarter end.

### Article III

#### 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) Effective as of the date of this Agreement, the Bank may not grant, extend, renew, modify or restructure any loan or other extension of credit, or purchase any loan participation, equal to or exceeding \$500,000 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; and
- (i) Obtaining the written approval of the Bank's Loan Committee or Board.

(3) Within sixty (60) days of this Agreement, the Board shall take the necessary steps to eliminate credit, collateral, and Bank Loan Policy exceptions, to include, at a minimum, the development of a program that makes loan officers accountable for such exceptions and considers such exceptions in the periodic performance reviews and compensation of such loan officers.

## Article IV

### COMMERCIAL REAL ESTATE RISK MANAGEMENT

(1) Within sixty (60) 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 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) Quarterly monitoring of concentration reports that stratify the CRE portfolio by product type, locality and other meaningful measures;
- (b) Strategies and procedures to manage and reduce CRE concentrations to conform with established limits set in Subparagraph (a) of this Article;
- (c) Portfolio-level multi-factor stress testing and/or sensitivity analysis for residential development loans and for the portfolio of income producing properties that equal or exceed \$500,000 to quantify the impact of changing economic conditions on asset quality, earnings, and capital;
- (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 establishment 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) Requirements to ensure participations purchased are underwritten and monitored in a manner that is consistent with safe and sound banking

practices, the guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34;

(g) 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 of 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.

(2) 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 V

### PROBLEM LOAN MANAGEMENT

(1) Within thirty (30) days of the date of this Agreement, the Board shall establish a plan that will reduce the volume of problem assets by ensuring that management promptly

addresses and intervenes, as appropriate, to resolve problem credit situations consistent with OCC Banking Circular 255.

(2) The Board's compliance with paragraph (1) of this Article shall include the development and implementation of policy guidance setting forth actions that management will take to strengthen or reduce problem loans, including, at a minimum, guidelines on the following:

- (a) Extensions or renewals of construction and development loans;
- (b) The use of interest reserves after initial loan term;
- (c) The curtailment or re-margining of outstanding loan balances upon renewal or extension; and
- (d) The freezing of loan commitments on problem loans.

(3) Effective as of the date of this Agreement, the Board shall take immediate and continuing action to protect its interest in those assets on the Bank's criticized loan list.

(4) Within thirty days (30) of establishing the plan required by paragraph (1) of this Article, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program designed to reduce the Bank's classified assets (the "Problem Assets Program"). The Problem Assets Program shall include the development of policies and procedures to ensure that Problem Loan Memoranda ("PLM") 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 \$250,000 or above, the PLM 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.

(5) 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.

(6) A copy of each PLM 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 or to dispose of the OREO, shall be submitted to the Assistant Deputy Comptroller within fifteen (15) days of each calendar quarter end.

(7) Effective as of the date of this Agreement, 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 on the Bank's criticized loan list and whose aggregate loans or other extensions of credit equal or \$250,000, 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 VI

### CREDIT RISK RATINGS AND NONACCRUAL RECOGNITION

(1) Within thirty (30) 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 loans and other assets are timely placed on nonaccrual by the lending officers in accordance with the guidelines set forth in the Call Report Instructions;
- (c) Loan officers are held accountable for failing to appropriately and timely risk rate loans and/or place loans on nonaccrual, during their periodic performance and compensation reviews; and

- (d) Risk ratings are confirmed by senior management of credit administration.

## Article VII

### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within thirty (30) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses (“Allowance”) in accordance with Generally Accepted Accounting Principles. 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 the “Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Bank and Savings Institutions” dated 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 independent validation of the Allowance methodology;

- (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) Adjustments to the ALLL methodology and balance are directionally consistent with credit risk;
  - (iii) Methods to incorporate more recent loss history when calculating historical loss rates;
  - (iv) Increasing the range of qualitative factor adjustments to allow proper adjustment for current factors that may impact historical loss rates;
  - (v) Determining and applying qualitative adjustments to historical loss rates by loan portfolio type, or by portfolios that are grouped together based on similar characteristics;
  - (vi) Determining the likelihood of funding off-balance sheet commitments when applying a loss rate to commitments;
  - (vii) Results of the Bank's independent loan review;
  - (viii) Concentrations of credit in the Bank;
  - (ix) Present and prospective economic conditions; and
  - (x) 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 VIII

### 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 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 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. 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/

6/25/09

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Bill Haas  
Deputy Comptroller  
Midsize Bank Supervision

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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.

<u>/s/</u> Jeff Bedingfield <u>/s/</u>	<u>6/22/09</u> Date 6/22/09
<u>Mark Driscoll</u> <u>/s/</u>	<u>Date</u> 6/22/09
<u>John Duffey</u> <u>/s/</u>	<u>Date</u> 6/22/09
<u>Harold Evans</u> Resigned	<u>Date</u>
<u>Larry Frey</u> <u>/s/</u>	<u>Date</u> 6/22/09
<u>Dorothy Horrell, Ph. D</u> <u>/s/</u>	<u>Date</u> 6/22/09
<u>Clark Lauritzen</u> <u>/s/</u>	<u>Date</u> 6/22/09
<u>Lucia Liley</u> <u>/s/</u>	<u>Date</u> 6/22/09
<u>D. Christian Osborn</u>	<u>Date</u>
<u>Resigned</u>	
<u>Stephen Schrader</u> <u>/s/</u>	<u>Date</u> 6/22/09
<u>Masoud Shirazi</u>	<u>Date</u>
<u> </u>	<u> </u>

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/s/

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6/23/09

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Mark Soukup  
/s/

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Date  
6/22/09

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Thomas Stokes  
/s/

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Date  
6/22/09

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David Wood

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Date

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