

AGREEMENT BY AND BETWEEN

Peoples National Bank Leadville, Colorado  
and  
The Comptroller of the Currency

Peoples National Bank Leadville, Leadville, 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 board and management oversight, credit underwriting and administration, and liquidity and interest rate risk monitoring.

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 be a “written agreement, order, or capital directive” within the meaning of 12 C.F.R. § 6.4.

## Article II

### COMPLIANCE COMMITTEE

(1) Within five (5) days of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors of which at least two (2) shall not 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 Agreement and shall meet at least monthly.

(3) By no later than March 31, 2010, and by the end of every 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 provide a summary report of the progress reached in attaining compliance with each Article of this Agreement to the Assistant Deputy Comptroller within ten (10) 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 Agreement 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 Agreement.

### Article III

#### 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 Agreement, 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 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 policies and procedures, designed to improve the Bank's corporate governance, to include at a minimum:

- (a) a detailed description of:
  - (i) the Bank's corporate governance and decision-making process, including meetings and minutes of the Board of Directors;
  - (ii) the Bank's committees and the structure, make-up, and purpose of each committee;
  - (iii) the Bank's organizational chart; and
  - (iv) job descriptions for all executive officers;
- (b) specific detailed plans for a budgeting process with established responsibility for monitoring and maintaining the budget, including supporting analysis and documentation of jointly allocated overhead expenses;
- (c) regular meetings of the Asset Liability Committee;
- (d) liquidity risk management and monitoring procedures that include at a minimum:
  - (i) review and revise as necessary the asset liability policy and risk limits by the Board, especially for the sale of federal funds;
  - (ii) inclusion of liquidity risk limits in each applicable liquidity report;

- (iii) an updated contingency funding plans to reflect current personnel and financial condition; and
- (e) interest rate risk management and monitoring procedures that include at a minimum:
  - (i) actions to reduce interest rate risk as appropriate; and
  - (ii) quarterly review of interest rate risk (IRR) model reports with earnings at risk (EAR) and economic value of equity (EVE) policy exceptions reported to the Board.

(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 III

#### CAPITAL PLAN

- (1) 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.
- (2) 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 capital 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 requirements of this Article and, at a minimum, address or include:

- (a) specific plans for the maintenance of adequate capital and sufficient to be well capitalized under 12 C.F.R. Part 6 and that includes primary and secondary sources and timing to meet current and future needs;
- (b) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (1) of this Article;
- (c) projections for capital requirements based upon a detailed analysis of the Bank’s assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (d) 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;
- (e) contingency plans that identify alternative methods should the primary source(s) under subparagraph (d) not be available;
- (f) 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
- (g) systems to monitor the Bank’s progress in meeting the plan’s goals and objectives.

(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 Bank's Three-Year Plan.

#### Article IV

#### CREDIT RISK MANAGEMENT

- (1) Within sixty (60) days of this Agreement, the Board shall implement 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) procedures to hold employees and officers accountable for non-compliance with the Bank's loan policy;
- (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 fifty thousand dollars (\$50,000), 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 September 30, 2009 (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 V

#### CREDIT RISK RATINGS AND NONACCRUAL RECOGNITION

(1) Within thirty (30) 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 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;
- (c) loan officers appropriately and timely risk rate and/or place loans on nonaccrual; and
- (d) all loan officers are trained to appropriately and timely risk rate loans in accordance with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook* and to place loans on nonaccrual in accordance with the guidelines set forth in the Call Report.

## Article VI

### EXTERNAL LOAN REVIEW

(1) Within thirty (30) days of this Agreement, the Board shall employ a qualified consultant to perform periodic independent reviews of the Bank's loan portfolio to assure the timely identification and categorization of problem credits. The consultant shall be utilized until such time as an ongoing internal asset quality review system is developed by the Board, implemented, and demonstrated to be effective.

(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*. Such reports shall, at a minimum, include comments and conclusions regarding:

- (a) the loan review scope and coverage parameters;
- (b) the overall quality of the loan and lease portfolios;
- (c) the adequacy of the Bank's credit risk management systems;
- (d) the identification, type, rating, and amount of problem loans and leases including grading differences;
- (e) the identification and amount of delinquent loans and leases;
- (f) credit and collateral documentation exceptions;
- (g) loans and leases not in conformance with the Bank's Loan Policy, and exceptions to the Bank's Loan Policy;
- (h) the identification and status of credit related violations of law, rule or regulation;
- (i) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (d) through (h) of the Article;
- (j) concentrations of credit;
- (k) loans and leases to affiliates and related parties;  
and
- (l) any recommendations for improvements.

(3) Before terminating the consultant's asset quality review services, the Board shall both certify the effectiveness of the internal asset quality review system, and receive a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

## Article VII

## VIOLATIONS OF LAW

(1) The Board shall immediately take all 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 monthly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within sixty (60) days of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations, practices, and breaches 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 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 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 her hand on behalf of the Comptroller.

/s/

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Karen M. Bohler  
Assistant Deputy Comptroller  
Denver Field Office

2/17/2010

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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> William P. Kauper	<u>                        2/17/2010                        </u> Date
<u>                        /s/                        </u> Chuck Kragel	<u>                        2/17/2010                        </u> Date
<u>                        /s/                        </u> Don Meinhold	<u>                        2/17/2010                        </u> Date
<u>                        /s/                        </u> Steven Stingley	<u>                        2/17/2010                        </u> Date
<u>                        /s/                        </u> Adam Winter	<u>                        2/17/2010                        </u> Date