

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WN-09-03
)	
FIRST BANK OF IDAHO, FSB,)	Effective Date: April 6, 2009
)	
Ketchum, Idaho.)	
OTS Docket No. 17496)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, First Bank of Idaho, FSB, Ketchum, Idaho, OTS Docket No. 17496 (Association), by and through its Board of Directors (Board) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 USC § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Western Region (Regional Director), is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

I. CEASE AND DESIST

The Association and its directors, officers, and employees shall cease and desist from any action (alone or with others) for or toward, causing, bringing about, participating in, counseling, or

aiding and abetting any unsafe or unsound practice that resulted in inadequate asset quality, earnings, liquidity planning, and capital levels at the Association.

II. CAPITAL

A. By June 30, 2009, the Association shall meet and maintain minimum capital levels of Tier 1 Core Capital of eight percent (8%) and Total Risk Based Capital of twelve percent (12%).

B. Effective immediately, the Board shall: (1) review the Association's capital levels at each regular monthly Board meeting; and (2) ensure that the Association continually assesses the sufficiency of the Association's capital levels relative to its risk profile, including, but not limited to, such risks as: classified asset levels, allowance for loan and lease loss (ALLL) and specific valuation allowances, and core earnings. The trends of such risks shall also be reviewed and monitored by the Board. The Board's review of capital adequacy shall be fully detailed in the Board meeting minutes.

C. In the event that the Association is unable to meet and maintain the capital levels set forth in Paragraph II.A or otherwise as requested by the Regional Director, the Association shall develop and submit a written Contingency Plan acceptable to the Regional Director. The Contingency Plan shall detail the actions necessary (with specific time frames) to achieve one of the following results: (1) merger with or acquisition by another banking institution or banking institution holding company, or such other transaction that OTS may approve; or (2) voluntary dissolution by, among other things, filing an appropriate application with the OTS in conformity with federal law and regulations.

III. BUSINESS PLAN

A. Within forty-five (45) days, the Board shall review and approve a revised business plan (Business Plan), to include the requirements contained within this Order, as well as, at a minimum, inclusion of the following:

1. Defined strategies for capital preservation and enhancement commensurate with the risk profile of the Association and the capital maintenance requirement of Paragraph II.A. above;
2. Detailed strategies designed to achieve and sustain profitability;
3. Detailed strategies to stress-test and adjust earnings forecasts based on continuing operating results, economic conditions and credit quality of the loan portfolio; and
4. Detailed pro forma balance sheets and income statements for a rolling three-year period on a quarterly basis beginning with March 31, 2009.

B. Within five (5) days of Board approval, the Board shall forward a copy of the revised Business Plan to the Regional Director for review and comment. The Board shall revise the Business Plan within ten (10) days of receiving the Regional Director's written comments, if any, and implement the Business Plan immediately thereafter. The Board shall send a copy of the revised Business Plan approved by the Board to the Regional Director within five (5) days of Board approval.

C. Management shall prepare quarterly variance reports on the Association's compliance with the Business Plan within thirty (30) days after the close of each calendar quarter starting with the first quarter-end after receipt of the Regional Director's approval of the Business Plan. Such variance reports shall detail actual operating results versus projected results and shall include detailed explanations of any material deviations with a description of the specific corrective actions

or measures that have been implemented or are proposed to address the material deviation. The Board shall review each variance report, and shall discuss the Association's compliance with the approved Business Plan. The Board's review of the variance reports and evaluation of the Association's compliance with the material elements of the Business Plan shall be thoroughly documented in the Board meeting minutes.

D. Within forty-five (45) days after the end of each quarter starting with the first quarter after the Effective Date, the Board shall provide the Regional Director with a copy of the Quarterly Business Plan Variance Report required by this paragraph.

IV. LENDING

Effective immediately, the Association shall not originate or acquire any construction loans, land acquisition loans, or land development loans.

V. ASSET CLASSIFICATION AND ALLOWANCE FOR LOAN AND LEASE LOSSES

A. Within forty-five (45) days, the Board shall review and approve revisions to the Association's Classification of Assets Policy to conform to the Interagency Policy Statement on ALLL (OTS CEO Memo dated December 13, 2006). Within five (5) days of Board approval, the Board shall forward a copy of the revised Classification of Assets Policy to the Regional Director for review and comment. The Board shall revise the Classification of Assets Policy within ten (10) days of receiving the Regional Director's comments, if any, and implement the revised policy immediately thereafter. The Board shall send a copy of the Classification of Assets Policy implemented by the Board to the Regional Director within five (5) days of Board approval of any revisions.

B. On a quarterly basis beginning with the quarter ending March 31, 2009, the Board shall review the adequacy of the Association's ALLL, including a review of the then current

market conditions and the reasonableness of the Association's inputs and assumptions in relation to current economic data and trends. The Board's review, including the factors considered and the conclusions reached in determining the adequacy of the ALLL, shall be fully documented in the appropriate Board meeting minutes.

VI. CLASSIFIED ASSET REDUCTION PLAN

A. Within forty-five (45) days, the Board shall review and approve a revised written comprehensive Classified Asset Reduction Plan. The Classified Asset Reduction Plan shall: (1) set targets acceptable to the OTS; (2) specify the manner and methods for reducing the Association's level of classified assets to the targets set therein; and (3) include supporting documentation for all assumptions and projections.

B. Within five (5) days of Board approval, the Board shall forward a copy of the Classified Assets Reduction Plan to the Regional Director for review and comment. The Board shall revise the Classified Assets Reduction Plan within ten (10) days of receiving the Regional Director's comments, if any, and implement the revised Classified Assets Reduction Plan immediately thereafter. The Board shall send a copy of the Classified Assets Reduction Plan implemented by the Board to the Regional Director within five (5) days of Board approval of any revisions.

C. Management shall prepare quarterly variance reports on the Association's compliance with the Classified Asset Reduction Plan within thirty (30) days after the close of each calendar quarter starting with the first quarter-end after receipt of the Regional Director's approval of the Classified Asset Reduction Plan. Such variance reports shall detail actual operating results versus projected results and shall include detailed explanations of any material deviations with a description of the specific corrective actions or measures that have been implemented or are

proposed to address the material deviation. The Board shall review each variance report, and shall discuss the Association's compliance with the approved Classified Asset Reduction Plan. The Board's review of the variance reports and evaluation of the Association's compliance with the material elements of the Classified Asset Reduction Plan shall be thoroughly documented in the Board meeting minutes.

D. Within forty-five (45) days after the end of each quarter starting with the first quarter after the Effective Date, the Board shall provide the Regional Director with a copy of the Classified Asset Reduction Plan required by this paragraph.

VII. LIQUIDITY PLAN

A. Within fifteen (15) days, the Board shall review and approve a written comprehensive Liquidity Plan. The Liquidity Plan shall contain specific Board strategies for ensuring that the Association maintains adequate short-term and long-term liquidity to withstand any anticipated or extraordinary demands against its funding base. At a minimum, the Liquidity Plan must include: (1) a cash flow analysis that includes reasonable assumptions, identifies anticipated funding needs and the sources of liquidity to meet those needs, considers the level and maturity of brokered deposits, and addresses potential contingent liabilities; and (2) identification of alternative liquidity sources to meet extraordinary demands, including, at a minimum, the selling of assets, obtaining lines of credit from correspondent institutions, recovering charged-off assets, and injecting additional equity capital. Further, the Liquidity Plan shall require the provision of liquidity reports to the Board and OTS in a frequency requested by OTS.

B. Within five (5) days of Board approval, the Board shall forward a copy of the revised Liquidity Plan to the Regional Director for review and comment. The Board shall revise the Liquidity Plan within ten (10) days of receiving the Regional Director's comments, if any, and

implement the Liquidity Plan immediately thereafter. The Board shall send a copy of the Liquidity Plan implemented by the Board to the Regional Director within five (5) days of Board approval of any revisions.

VIII. OPERATING RESTRICTIONS

A. Growth Restriction. Effective immediately, the Association shall comply with the requirements of OTS Regulatory Bulletin 3b (RB 3b), and except upon receipt of the prior written approval of OTS, shall not increase its total assets during any quarter, beginning with the quarter ending March 31, 2009, in excess of an amount equal to the net interest credited on deposit liabilities during the quarter.

B. Management Changes. Effective immediately, the Association shall comply with the requirements set forth in 12 CFR Part 563, Subpart H.

C. Employment Contracts and Compensation Arrangements. Effective immediately, the Association shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides OTS with not less than thirty (30) days prior written notice of the proposed transaction. The notice to OTS shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to OTS fully complies with the requirements of 12 CFR Part 359, 12 CFR §§ 563.39 and 563.161(b), and 12 CFR Part 570 – Appendix A.

D. Severance and Indemnification Payments. Effective immediately, the Association shall not make any golden parachute payment, as that term is defined in 12 CFR § 359.1(f), or any

prohibited indemnification payment, as that term is defined at 12 CFR § 359.1(l), unless, with respect to each such payment, the Association has complied with the requirements of 12 CFR Part 359 and, as to indemnification payments, 12 CFR § 545.121.

E. Capital Distributions. Effective immediately, the Association shall pay no dividends or make any other capital distributions, as that term is defined in 12 CFR § 563.141, without receiving the prior written approval of OTS. The Association's written request for such approval should be submitted to OTS at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

F. Contracts Outside of the Ordinary Course of Business. Effective immediately, the Association and its subsidiaries shall not enter into any third-party contracts outside of the normal course of business without prior written non-objection of OTS. To seek such non-objection, the Association shall provide thirty (30) days advance written notice to OTS of any such proposed contract. At a minimum, such notice shall set forth the Association's reasons for seeking the contract and shall transmit a copy of the proposed contract pursuant to OTS Examination Handbook § 310 and OTS Thrift Bulletin 82a.

G. Brokered Deposits. Effective immediately, the Association shall comply with the requirements of 12 CFR § 337.6(b)(2) and shall not, without obtaining the prior written approval of the Federal Deposit Insurance Corporation (FDIC) pursuant to 12 CFR § 337.6(c): (1) accept, renew or roll over any brokered deposit, as that term is defined at 12 CFR § 337.6(a)(2); or (2) act as a deposit broker, as that term is defined at 12 CFR § 337.6(a)(5).

IX. EFFECTIVE DATE, INCORPORATION OF STIPULATION

This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

X. DURATION

This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

XI. TIME CALCULATIONS

A. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

B. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

XII. SUBMISSIONS AND NOTICES

A. All submissions, including progress reports, to OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

B. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first-class U. S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

To OTS:

C.K. Lee, Regional Director
Office of Thrift Supervision, Western Region
225 E. John Carpenter Freeway, Suite 500
Irving, TX 75062-2326

With a copy to:

Dale R. Blackburn, Assistant Director
Office of Thrift Supervision, Western Region
101 Stewart Street, Suite 1010
Seattle, WA 98101-2419

XIII. NO VIOLATIONS AUTHORIZED

Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/
C.K. Lee, Regional Director
Western Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

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In the Matter of)	Order No.: WN-09-03
)	
FIRST BANK OF IDAHO, FSB,)	Effective Date: April 6, 2009
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Ketchum, Idaho.)	
OTS Docket No. 17496)	
_____)	

STIPULATION AND CONSENT TO
ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Western Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed First Bank of Idaho, FSB, Ketchum, Idaho, OTS Docket No. 17496 (Association) that OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 USC § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph 1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

a. The Association is a “savings association” within the meaning of 12 USC § 1813(b) and 12 USC § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 USC § 1813(c); and

b. Pursuant to 12 USC § 1813(q), the Director of OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 USC § 1818(b).

2. OTS Findings of Fact.

Based upon its ongoing supervision of the Association, OTS finds that the Association has engaged in unsafe and unsound banking practices which have resulted in inadequate asset quality, earnings, liquidity planning, and capital levels at the Association.

3. Consent.

The Association consents to the issuance by OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

4. Finality.

The Order is issued by OTS under 12 USC § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by OTS under the provisions of 12 USC § 1818(i).

5. Waivers.

The Association waives the following:

a. The right to be served with a written notice of OTS's charges against it as provided by 12 USC § 1818(b) and 12 CFR Part 509;

b. The right to an administrative hearing of OTS's charges as provided by 12 USC § 1818(b) and 12 CFR Part 509;

c. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 USC § 1818(h), or otherwise to challenge the validity of the Order; and

d. Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

6. OTS Authority Not Affected.

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent OTS from taking any other action affecting the Association if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

7. Other Governmental Actions Not Affected.

The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than OTS.

8. Miscellaneous.

a. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;

b. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise;

c. All references to OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

d. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

e. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and

f. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by OTS, acting through its Regional Director or other authorized representative.

9. Signature of Directors/Board Resolution.

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting.

WHEREFORE, the Association, by its directors, executes this Stipulation.

Accepted by:

FIRST BANK OF IDAHO, FSB
Ketchum, Idaho

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Wilson D. McElhinny
Chairman

By: _____ /s/
C.K. Lee, Regional Director
Western Region

Date: See Effective Date on page 1

_____/s/
William E. Babcock, Director

_____/s/
J. Karl Bick, Director

_____/s/
Everett Covington, Director

_____/s/
James Eden, Director

_____/s/
Robert C. Hummel, Director

_____/s/
Dennis Lallman, Director

_____/s/
Edward W. Liebzeit, Director

_____/s/
James D. McLaughlin, Director

Nancy R. Schauer, Director