UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	)	Order No.: WN-09-042
CHARTER BANK	)	Effective Date: November 20, 2009
Santa Fe, New Mexico OTS Docket No. 08337	)	

ORDER TO CEASE AND DESIST

WHEREAS, Charter Bank, Santa Fe, New Mexico, OTS Docket No. 08337 (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 U.S.C. § 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:

Cease and Desist.

1. The Association and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about,

participating in, counseling or the aiding and abetting the unsafe or unsound banking practices that resulted in the current high level of classified assets, inadequate capital, and the failure to implement policies and strategies to address liquidity risks. The Association and its directors, officers, employees, and agents also shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting violations of the following regulations:

(a) 12 C.F.R. § 560.160 (failure to classify assets and establish allowances in accordance with generally accepted accounting principles and the guidelines of the Federal banking agencies);

(b) 12 C.F.R. § 560.170(d) (failure to properly administer commercial real estate loans);

(c) 12 C.F.R. §§ 562.1(b) and 562.2 (failure to file an accurate Thrift Financial Report);

(d) 12 C.F.R. § 563.161(a) (failure to pursue financial polices that are consistent with the purpose of savings associations and to maintain adequate liquidity planning); and

(e) 12 C.F.R. § 563.170(c) (failure to maintain accurate and complete books and records).

Capital.

2. By December 31, 2009, and at all times thereafter, the Association shall have and maintain "adequately capitalized" status as defined at 12 C.F.R. § 565.4(b)(2).

3. By November 30, 2009, the Board shall prepare and submit for Regional Director's review and comment a written plan to have and maintain well capitalized status as defined at 12 C.F.R. § 565.4(b)(1) (Capital Augmentation Plan). At a minimum, the Capital Augmentation

Plan shall:

(a) consider the requirements and restrictions imposed by this Order;

(b) consider and address different scenarios based on current asset quality trends and real estate market conditions;

(c) require the Senior Executive Officers[1] (Management) to continually assess the sufficiency of the Association's capital levels relative to the Association's risk profile, classified asset levels, allowance for loan and lease losses (ALLL), asset concentrations, liquidity requirements, earnings, and trends in all of the above-listed areas;

(d) establish the timeframes by which additional capital will be raised;

(e) detail the method by which the additional capital will be raised and identify the sources of such capital; and

(f) require Management to prepare and submit for Board review at each regular monthly Board meeting, a written report on the Association's compliance with the Capital Augmentation Plan and the Association's current capital levels (Capital Status Report).

4. Within ten (10) days after receipt of comments from the Regional Director, if any, the Board will revise the Capital Augmentation Plan to incorporate any recommended changes by the Regional Director and adopt the Capital Augmentation Plan as revised. Thereafter, the Association shall implement and adhere to the Capital Augmentation Plan. Within five (5) days after the Board meeting, the Association shall provide a copy of the Capital Augmentation Plan and the Board meeting minutes reflecting the Board's adoption thereof to the Regional Director.

[1] For purposes of this Order, Management is defined as one or more "Senior Executive Officer" and the term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

5. Effective immediately, the Board shall (a) review the Association's capital levels and the Capital Status Report at each regular monthly Board meeting; and (b) ensure that Management continually assesses the sufficiency of the Association's capital levels relative to the factors listed in Paragraph 3(c) above. The Board's review of items (a) and (b) above at each regular monthly Board meeting shall be fully detailed in the Board meeting minutes. Within five (5) days after the Board meeting, the Association shall provide a copy of the Capital Status Report, any supporting documents, reports, or other information reviewed by the Board, and the Board meeting minutes detailing the Board's review to the Regional Director.

6. Within fifteen (15) days, the Board shall submit a written Contingency Plan acceptable to the Regional Director. The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (a) merger with, or acquisition by another federally insured depository institution or holding company thereof; or (b) voluntary liquidation by filing an appropriate application with the OTS in conformity with federal laws and regulations. The Association shall implement the Contingency Plan immediately upon the direction of the Regional Director. The Board shall make any changes to the Contingency Plan required by the Regional Director within twenty (20) days after being notified of such changes and provide a copy of the revised Contingency Plan to the Regional Director for review.

7. Upon implementation of the Contingency Plan, the Association shall provide the Regional Director with written status reports detailing the Association's progress in implementing the Contingency Plan by no later than the first (1^{st}) and fifteenth (15^{th}) of each month following implementation of the Contingency Plan.

Liquidity Management.

8. Effective immediately, the Board shall require that Management review the Association's liquidity position and prepare a liquidity report each business day (Daily Liquidity Report), in a format acceptable to the Regional Director. The Daily Liquidity Report shall set forth the uses and sources of funds for the Association's operation and cash flow projections for a sixty (60) day period. The Association shall submit the Daily Liquidity Report to the Regional Director and the Association's Asset/Liability Committee by the close of business each business day.

9. Effective immediately, at each Board meeting, the Board shall review the Daily Liquidity Reports. The Board's review and any corrective actions required by the Board shall be fully documented in the Board meeting minutes. Within five (5) days after the Board meeting, the Board shall submit a copy of the Board meeting minutes reflecting its review of the Daily Liquidity Reports and any corrective actions to the Regional Director.

Operations Restrictions.

10. Effective immediately, except with the prior written notice of non-objection of the Regional Director, the Association shall not:

(a) engage in any new activity or service in which the Association was not actively engaged as of the Effective Date of this Order;

(b) offer any loan or deposit product that was not offered as of the Effective Date of this Order;

(c) establish any new delivery channel, or modify any existing delivery channel, for lending or any other product or service; or

(d) purchase a non-agency mortgage-backed security.

Asset Classification.

11. Effective immediately, the Association shall evaluate and classify its assets and establish ALLL and specific valuation allowances in accordance with: (a) 12 C.F.R. § 560.160; (b) OTS Examination Handbook § 260 (Classification of Assets) and § 261 (Adequacy of Valuation Allowances); (c) Section II.G of Appendix A to 12 C.F.R. Part 570; (d) OTS CEO Letter No. 250, entitled "Interagency Policy Statement on the Allowance for Loan and Lease Losses and Questions and Answers on Accounting for Loan and Lease Losses;" (e) OTS CEO Letter No. 304, entitled "ALLL - Observed Thrift Practices Including Sound Practices;" and (f) Statements of Financial Accounting Standards Nos. 5 and 114.

Commercial Real Estate Concentration Risk.

12. By November 30, 2009, the Board shall submit to the Regional Director for review and comment a Commercial Real Estate Concentration Plan (CRE Concentration Plan) that addresses: (a) the reduction of the Association's existing commercial real estate loans to a level and within a timeframe satisfactory to the Regional Director; and (b) the assessment, monitoring, and control of the risks associated with the Association's commercial real estate portfolio in accordance with the guidelines set forth in: (i) the OTS CEO Letter No. 311, entitled "Risk Management: Asset and Liability Concentrations;" (ii) OTS CEO Letter No. 252, entitled "Guidance on Commercial Real Estate Concentration Risks;" and (iii) OTS CEO Letter No. 245, entitled "Updated Director's Responsibility Guide and Guide to Management Reports." The CRE Concentration Plan, at a minimum, shall contain specific targets for the reductions of commercial real estate loans as a percentage of Tier 1 (Core) Capital and ALLL and the time frames for reaching each such target.

13. Within fifteen (15) days after receipt of changes or notice of non-objection from the Regional Director, the Board shall revise the CRE Concentration Plan as required by the Regional Director and adopt the CRE Concentration Plan. Thereafter, the Association shall implement and comply with the CRE Concentration Plan. Within five (5) days after the Board meeting at which the CRE Concentration Plan was adopted, the Association shall provide the Regional Director with a copy of the CRE Concentration Plan and the Board meeting minutes reflecting its adoption by the Board.

14. Within fifteen (15) days after the end of each month, beginning with the month ending November 30, 2009, the Board shall provide to the Regional Director a written report (CRE Concentration Reduction Report) that: (a) sets forth the Association's efforts to reduce the Association's concentration in commercial real estate during that month in accordance with the targets in the CRE Concentration Plan; (b) reports and explains in detail the variances of actual operating results from the targets set forth in the CRE Concentration Plan for the reduction of commercial real estate loans; and (c) provides a specific description of the corrective action or measures that have been implemented, proposed, or are under consideration to correct or address any deviation.

Growth.

15. Effective immediately, the Association is subject to, and shall comply with the requirements and provisions of the OTS Regulatory Bulletin 3b. The Association shall not increase its total assets during any quarter beginning with the quarter ending September 30, 2009, in excess of an amount equal to net interest credited on deposit liabilities during the quarter.

Brokered Deposits Restriction.

16. Effective immediately, the Association shall not accept brokered deposits, except in compliance with 12 C.F.R. § 337.6(b). The Association shall comply with applicable interest rate restrictions contained in 12 C.F.R. § 337.6.

Dividends.

17. Effective immediately, the Association shall pay no dividends or make any other capital distribution, as that term is defined at 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director. The Association shall submit its written request for written approval to the Regional Director at least sixty (60) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

Severance and Indemnification Payments.

18. Effective immediately, the Association shall not make any golden parachute payment[2] or any prohibited indemnification payment[3] unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

Directorate and Management Changes.

19. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Management set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Arrangements.

20. 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

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[2] The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

[3] The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

director of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The written notice to the Regional Director 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 the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and Section III of Appendix A to 12 C.F.R. Part 570.

21. Effective immediately, the Association shall not, directly or indirectly, increase any salaries, bonuses, or directors' fees, or make any other similar payments to the Association's directors or Senior Executive Officers without the prior notice of written non-objection of the Regional Director.

Third Party Contracts.

22. Effective immediately, the Association shall not enter into any new arrangement or contract with a third party service provider that is significant[4] to the overall operation or financial condition of the Association, or outside the Association's normal course of business, unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract; (b) determined that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a and OTS Examination Handbook § 310; and (c) received a written notice of non-objection from the Regional Director.

[4] A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital.

Transactions with Affiliates and Controlling Parties.

23. Effective immediately, pursuant to 12 C.F.R. § 563.41(c)(4), the Association shall not engage in any transaction with any affiliate unless, with respect to such transactions the Association has complied with the notice requirements set forth in 12 C.F.R. § 563.41(c)(3). The Board shall ensure that all transactions with an affiliate for which a notice is submitted pursuant to this Paragraph of the Order shall comply with 12 C.F.R. § 563.41 and 12 C.F.R. Part 223.

Compliance with Order.

24. By the 30th day after the end of each month, beginning with the month ending November 30, 2009, the Board shall adopt a Board resolution (Compliance Resolution), formally resolving that, following a diligent inquiry of relevant information, to the best of its knowledge and belief, during the immediately preceding month, the Association complied with each provision of this Order currently in effect, except as otherwise stated. The Compliance Resolution shall specify in detail how, if at all, full compliance was found not to exist and identify all written notices of exemption or non-objection issued by the OTS that were outstanding as of the date of its adoption. The Association shall provide to the OTS a certified copy of each Compliance Resolution as adopted by its Board within five (5) calendar days of the meeting of its Board at which the Compliance Resolution was adopted.

25. The minutes of the meetings of the Board shall set forth the following information with respect to the adoption of the Compliance Resolution: (a) the identity of each director voting in favor of its adoption, and (b) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each director's reasoning for opposing or abstaining. The Board, by virtue of the submission of a certified copy of such Compliance Resolution by that

Board to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as noted therein.

Effective Date, Incorporation of Stipulation.

26. 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.

Duration.

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

Time Calculations.

28. 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.

29. 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.

Submissions and Notices.

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

31. 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:

(a) To the OTS:
C.K. Lee, Regional Director
Attn Vivian Carlton, Assistant Director
225 E. John Carpenter Freeway, Suite 500
Irving, Texas 75062-2326
Fax No. (972) 277-9501

(b) To the Association:
R. Glenn Wertheim, CEO
Charter Bank
2130 Eubank Blvd. NE
Albuquerque, *New Mexico 87192-0519*
Fax No. (505) 296-7998

No Violations Authorized.

32. 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

In the Matter of	)	Order No.: WN-09-042
	)	
CHARTER BANK	)	Effective Date: November 20, 2009
	)	
Santa Fe, New Mexico	)	
OTS Docket No. 08337	)	

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 Charter Bank, Santa Fe, New Mexico, OTS Docket No. 08337 (Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 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 the 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 Paragraphs

(d) 12 C.F.R § 563.161(a) (failure to pursue financial policies that are consistent with the purposes of savings associations and to maintain sufficient liquidity); and

(e) 12 C.F.R. § 563.170(c) (failure to maintain accurate and complete books and records).

Consent.

4. The Association consents to the issuance by the 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.

Finality.

5. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

6. The Association waives the following:

(a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;

(b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;

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

(d) any and all claims against the 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.

OTS Authority Not Affected.

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

Other Governmental Actions Not Affected.

8. 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 7 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 the OTS.

Miscellaneous.

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

10. 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.

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

12. 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.

13. 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.

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

Signature of Directors/Board Resolution.

15. 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 A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to the OTS, along with the executed original(s) of this Stipulation.

[Remainder of Page Intentionally Left Blank]

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

CHARTER BANK
Santa Fe, New Mexico

By: /s/
Robert Wertheim, Chairman

/s/
R. Glenn Wertheim, Chief Executive Officer and Director

/s/
Shirley A. Scott, Chief Operating Officer and Director

/s/
John W. Brown, Director

/s/
Ronald D. Brown, Director

/s/
Wayne A. Davenport, Director

/s/
Paul F. Goblet, Director

/s/
Joyce A. Godwin, Director

/s/
Martin I. Mondlick, Director

/s/
Bruce R. Seligman, Director

Accepted by:

OFFICE OF THRIFT SUPERVISION

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

Date: See Effective Date on page 1