



January 27, 2014

**Supervisory Condition #2014-03
February 2014**

Board of Directors
First Colorado National Bank
P.O. Box 100
Paonia, Colorado 81428

Members of the Board:

The Office of the Comptroller of the Currency (“OCC”) received a request by First Colorado National Bank, Paonia, Colorado (“Bank”) dated January 6, 2014, to terminate the Operating Agreement executed on May 10, 2007 (“Agreement”). The OCC hereby agrees to terminate the Agreement provided the following conditions are met:

1. The Bank’s Board shall submit an updated Business and Strategic Plan (“Plan”), which covers at least a three (3) year period and includes the items listed on Appendix A, for a written determination of no supervisory objection by the Assistant Deputy Comptroller for the Denver Field Office no later than February 15th on an annual basis. After securing the Assistant Deputy Comptroller’s supervisory non-objection to the Plan, the Bank’s Board shall immediately adopt, implement, and thereafter ensure Bank adherence to the Plan.
2. Prior to making any changes that will cause, result or bring about a significant deviation or change (collectively, a "significant deviation")¹ to the Plan or a subsequent Business and Strategic Plan adopted pursuant to the condition above, the Bank shall give the Assistant Deputy Comptroller at least sixty (60) days advance, written notice of its intent to make such changes, and must receive the Director's prior written determination of no supervisory objection to such action prior to making such a change.

The conditions of approval above are conditions “imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request” within the

¹ The term "significant deviation" shall mean, consistent with the description in PPM 5400-9, Appendix B: i) material deviations or changes in the bank's projected growth, strategy or philosophy, lines of business, funding sources, scope of activities, asset mix, deposit structure, or any other changes in personnel or operations that may have a material impact on the Bank's operations or financial performance; and/or ii) any variance in the Bank's net pre-tax earnings from the projections contained in the Bank's Operating Budget that would result in (i) a ten percent (10%) or greater reduction in the Bank's Tier 1 Capital during any single month; or (ii) a cumulative ten percent (10%) or greater reduction in the Bank's Tier 1 Capital in any three (3) consecutive month period.

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meaning of 12 U.S.C. § 1818. Accordingly, the conditions are enforceable under 12 U.S.C. § 1818.

This conditional approval, and the activities and communications by OCC employees in connection with the filings, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. The OCC may modify, suspend, or rescind this conditional approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions concerning this letter, please contact Kim Folk, Attorney at (720) 475-7630.

Sincerely,

/s/

Gary D. TeKolste
Assistant Deputy Comptroller
Denver Field Office

Acknowledged: /s/

Date: 01/29/2014

Enclosure: Appendix A

Appendix A

The Bank's Business and Strategic Plan ("Plan") shall, at a minimum, include the following items:

- a) A mission statement;
- b) A detailed analysis of the Bank's current financial condition;
- c) A concentration limit on the volume of aggregate holdings of the nonguaranteed portion of government guaranteed loans;
- d) A list of the Bank's short and long-term strategic goals, and the present and future market segments, business and product lines that the Bank will promote to achieve those goals;
- e) Targets for diversification to reduce the reliance upon the guaranteed loan sale premiums and servicing fees as the primary source of net income to the Bank and time frames for achieving such targets;
- f) A financial forecast for the three year period covered by the Plan, broken down on a monthly basis for the first year of the budget and annually for the remaining budget periods, to include projections for major balance sheet and income statement accounts, cash flow statements, specific earnings and profit goals, and the timeframes needed to achieve them (collectively, an "Operating Budget");
- g) Specific goals and targets to increase market share and penetration and to ensure compliance with the Community Reinvestment Act by meeting credit needs within the Bank's assessment area;
- h) Provisions for maintenance and growth of the Bank's earnings, capital and liquidity;
- i) Provisions for annual Board review and an assessment of the Bank's capital and liquidity positions;
- j) Specific business assumptions, and how Bank management will, through the year, track and address changes to those assumptions;
- k) An analysis of the Bank's proposed acquisitions and/or mergers; and
- l) Procedures to ensure dividends comply with the Plan and 12 U.S.C. §§ 56 and 60, and require prior written determination of no supervisory objection from the Assistant Deputy Comptroller for the Denver Field Office.