

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

STATE OF ARIZONA  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
PHOENIX, ARIZONA

Written Agreement by and among

GOLD CANYON BANK  
Gold Canyon, Arizona

FEDERAL RESERVE BANK OF  
SAN FRANCISCO  
San Francisco, California

and

ARIZONA DEPARTMENT OF  
FINANCIAL INSTITUTIONS  
Phoenix, Arizona

Docket No. 11-122-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Gold Canyon Bank, Gold Canyon, Arizona (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System, the Bank, the Federal Reserve Bank of San Francisco (the “Reserve Bank”), and the Arizona Department of Financial Institutions (the “Department”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on December 23, 2011, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Daniel R. Govinsky

to enter into this Agreement on behalf of the Bank, and consenting to compliance with each and every provision of this Agreement by the Bank and its institution-affiliated parties, as defined in section 3(u) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u)).

NOW, THEREFORE, the Bank, the Reserve Bank, and the Department agree as follows:

### **Asset Improvement**

1. The Bank shall not, directly or indirectly, extend, renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are criticized in the report of examination conducted by the Reserve Bank that commenced on May 2, 2011 (the “Report of Examination”), or in any subsequent report of examination, without the prior approval of a majority of the full board of directors. The board of directors shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that: (i) the Bank’s risk management policies and practices for loan workout activity are acceptable; (ii) the extension of credit is necessary to improve and protect the Bank’s interest in the ultimate collection of the credit already granted and maximize its potential for collection; (iii) the extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured; and all necessary loan documentation has been properly and accurately prepared and filed; (iv) the Bank has performed a comprehensive credit analysis indicating that the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and (v) the board of directors or its designated committee reasonably believes

that the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit and that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the meetings of the board of directors or its committee, as appropriate, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review.

2. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of \$100,000, including other real estate owned ("OREO"), that (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's problem loan list; or (iii) was adversely classified in the Report of Examination.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$100,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to improve the Bank's position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the Department to update each asset improvement plan, which shall include, at a minimum, the carrying

value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report.

**Allowance for Loan and Lease Losses**

3. (a) The Bank shall, within 30 days from the receipt of any report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank and the Department.

(b) The Bank shall maintain a sound process for determining, documenting, and recording an adequate allowance for loan and lease losses ("ALLL") in accordance with regulatory reporting instructions and relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17).

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of

the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the Department, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

### **Capital Plan**

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include the Bank's current and future capital requirements, including:

(a) Compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. Part 208, App. A and B);

(b) the volume of adversely classified assets;

(c) the adequacy of the loan loss reserve;

(d) any planned asset growth;

(e) the anticipated level of retained earnings;

(f) anticipated and contingent liquidity needs; and

(g) the source and timing of additional funds to fulfill the future

capital and loan loss reserve needs of the Bank.

5. The Bank shall notify the Reserve Bank and the Department, in writing, no more than 30 days after the end of any quarter in which any of the Bank's capital

ratios fall below the approved plan's minimum ratios. Together with the notification, the Bank shall submit an acceptable written plan that details the steps that the Bank will take to increase their capital ratios to or above the approved plan's minimums.

### **Liquidity**

6. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written enhanced contingency funding plan that, at a minimum, includes adverse scenario planning and identifies and quantifies available sources of liquidity for each scenario.

### **Business Plan and Budget**

7. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an enhanced business plan to improve the Bank's earnings and overall condition. The written plan shall include, but not be limited to:

- (i) Identification of the major areas where, and means by which, the board of directors will seek to improve the Bank's operating performance;
- (ii) a realistic and comprehensive budget for 2012, including income statement and balance sheet projections;
- (iii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components; and
- (iv) a budget review process that analyzes and reports budgeted versus actual income and expense performance.

(b) Upon adoption, the Bank shall implement the business plan. Bank management shall report monthly to the board of directors on progress made

implementing the plan. The written monthly report shall compare actual financial results to those projected in the business plan. In the event that revisions to the plan are necessary, such revisions shall be forwarded to the Reserve Bank and the Department within 15 days of adoption.

(c) A business plan and budget for each calendar year subsequent to 2012 shall be submitted to the Reserve Bank and the Department at least 30 days prior to the beginning of that calendar year.

### **Dividends**

8. (a) The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors, and the Department.

(b) All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date. All requests shall contain, at a minimum, current and projected information, as appropriate, on the Bank's capital, asset quality, earnings and ALLL needs; and identification of the sources of funds for the proposed payment. The Bank must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

### **Compliance with Laws and Regulations**

9. In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Bank shall comply with the notice

provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

10. The Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

### **Progress Reports**

11. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank and the Department written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

### **Approval and Implementation of Plans and Program**

12. (a) The Bank shall submit written plans and a program that are acceptable to the Reserve Bank and the Department within the applicable time periods set forth in paragraphs 2(a), 2(b), 3(c), 4, 5, and 6 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the Department, the Bank shall adopt the approved plans and program. Upon adoption, the Bank shall promptly implement the approved plans and program and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans and program shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Department.

## **Communications**

13. All communications regarding this Agreement shall be sent to:
  - (a) Ms. Mongkha Lu  
Examining Manager – Community Institutions Group  
Federal Reserve Bank of San Francisco  
Los Angeles Branch  
950 South Grand Avenue  
Los Angeles, California 90015
  - (b) Mr. Lauren W. Kingry  
Superintendent of Banks  
Arizona Department of Financial Institutions  
2910 N. 44<sup>th</sup> Street  
Suite 310  
Phoenix, Arizona 85018
  - (c) Mr. Daniel R. Govinsky  
President and Chief Executive Officer  
Gold Canyon Bank  
6641 South Kings Ranch Road  
Gold Canyon, Arizona 85118

## **Miscellaneous**

14. Notwithstanding any provision of this Agreement, the Reserve Bank and the Department may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

15. The provisions of this Agreement shall be binding upon the Bank, and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

16. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the Department.

17. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Department, or any other federal or state

agency from taking any other action affecting the Bank, or any of its current or former institution-affiliated parties and their successors and assigns.

18. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 4<sup>th</sup> day of January, 2012.

GOLD CANYON BANK

FEDERAL RESERVE BANK  
OF SAN FRANCISCO

By: /s/ Daniel R. Govinsky  
Daniel R. Govinsky  
President and CEO

By: /s/ Joe A. Lozano  
Joe A. Lozano  
Director

ARIZONA DEPARTMENT OF  
FINANCIAL INSTITUTIONS

By: /s/ Lauren W. Kingry  
Lauren W. Kingry  
Superintendent of Banks