

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

DEPARTMENT OF FINANCIAL INSTITUTIONS

PHOENIX, ARIZONA

In the Matter of)
MESA BANK)
MESA, ARIZONA)
(Insured State Nonmember Bank))
ORDER TO CEASE AND DESIST)
FDIC-09-106b)

Mesa Bank, Mesa, Arizona, ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and under section 6-137(D) of Arizona Revised Statutes ('ARS'), regarding hearings before the Department of Financial Institutions for the State of Arizona ("DFI"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and DFI, dated June 30, 2009, whereby, solely for

the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and DFI.

The FDIC and DFI considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC and DFI, therefore, accepted the CONSENT AGREEMENT and issued the following:

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices:

- A. Engaging in hazardous lending and lax collection practices.
- B. Operating with an inadequate level of capital protection for the kind and quality of assets held.
- C. Operating with an excessive level of adversely classified assets, delinquent loans, and nonaccrual loans.
- D. Failing to properly account for loan losses and troubled debt restructuring.

- E. Operating with inadequate liquidity in light of the Bank's asset and liability mix.
- F. Operating in such a manner as to generate inadequate earnings.
- G. Operating with an inadequate allowance for loan and lease losses for the volume, kind, and quality of loans and leases held.
- H. Operating with an excessive concentration of credit in commercial real estate loans.
- I. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.
- J. Operating with a board of directors which has failed to provide adequate supervision over and direction to the management of the Bank to prevent unsafe or unsound banking practices.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

MANAGEMENT

1. (a) Within 60 days from the effective date of this ORDER, the Bank shall retain qualified management. The qualifications of management shall be assessed on its ability to:

- (i) Comply with the requirements of this ORDER;
- (ii) Operate the Bank in a safe and sound manner;
- (iii) Comply with applicable laws, rules, and regulations; and
- (iv) Restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(b) During the life of this ORDER, prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall request and obtain the written approval of the FDIC and DFI. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act ("section 32"), 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

CAPITAL

2. (a) Within 120 days from the effective date of this ORDER, the Bank shall have and maintain its level of

Tier 1 capital as a percentage of its total assets ("capital ratio") at a minimum of 9.0 percent and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of 12.5 percent. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total assets, and risk-weighted assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("Part 325"), 12 C.F.R. Part 325.

(b) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior

to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 and to the DFI, 2910 N. 44th Street, Suite 310, Phoenix, AZ 85018, for their review. Any changes requested to be made in the materials by the FDIC or the DFI shall be made prior to their dissemination.

(c) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

DIVIDEND RESTRICTION

3. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and Superintendent.

ALLOWANCE FOR LOAN AND LEASE LOSSES

4. Prior to submission or publication of all Reports of Condition and Income required by the FDIC after the effective date of this ORDER, the board of directors of the Bank shall review the adequacy of the Bank's ALLL, provide for an adequate ALLL, and accurately report the same. The minutes of the board meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the ALLL recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the board of directors shall consider the FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC or DFI.

PROFIT PLAN AND BUDGET

5. (a) Within 90 days from the effective date of this ORDER, the Bank shall prepare a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2009 and 2010. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written profit plan shall address, at a minimum:

- (i) Realistic and comprehensive budgets;
- (ii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;
- (iii) Identification of major areas in, and means by which, earnings will be improved; and
- (iv) A description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(c) The bank shall prepare, implement, and adhere to a written profit plan and budget which are acceptable to the FDIC and DFI as determined at subsequent examinations or visitations for each calendar year for which this ORDER is in effect.

(e) Within 30 days from the end of each calendar quarter following completion of the profit plans and budgets required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation,

and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

LIQUIDITY

6. (a) Within 60 days of the effective date of this ORDER, the Bank shall adopt a written contingency funding plan ("Liquidity Plan"). The Liquidity Plan shall identify sources of liquid assets to meet the Bank's contingency funding needs over time horizons of one month, two months, and three months. At a minimum, the Liquidity Plan shall be prepared in conformance with the Liquidity Risk Management Guidance found at FIL-84-2008 and include provisions to address the issues identified on page 5, 6, and 12 of the Report of Examination dated October 6, 2008 ("Report").

(c) The plan required by this paragraph shall be submitted to the Regional Director and Superintendent for review and comment. Within 30 days of receipt of any comments from the Regional Director or Superintendent the Bank shall incorporate any changes required by the Regional Director or Superintendent and thereafter adopt, implement, and adhere to the plan.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

7. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to,

a written plan to reduce the Bank's risk position in each asset in excess of \$750,000, which is delinquent or classified "Substandard" or "Doubtful" in the Report. The plan shall include, but not be limited to, provisions which:

- (i) Prohibit an extension of credit for the payment of interest, unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank;
- (ii) Provide for review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow and collateral value;
- (iii) Delineate areas of responsibility for loan officers;
- (iv) Establish dollar levels to which the Bank shall reduce delinquencies and classified assets within 6 and 12 months from the effective date of this ORDER;
and
- (v) Provide for the submission of monthly written progress reports to the Bank's board of directors for review and

notation in minutes of the meetings of
the board of directors.

(b) As used in this paragraph, "reduce" means to:
(1) collect; (2) charge off; (3) sell; or (4) improve the
quality of such assets so as to warrant removal of any
adverse classification by the FDIC and the Superintendent.

(c) The plan required by this paragraph shall be
submitted to the Regional Director and Superintendent for
review and comment. Within 30 days of receipt of any
comments from the Regional Director or Superintendent the
Bank shall incorporate any changes required by the Regional
Director or Superintendent, and thereafter adopt, implement,
and adhere to the plan.

(d) While this ORDER remains in effect, the plan
shall be revised to include assets which become delinquent
after the effective date of this ORDER or are adversely
classified at any subsequent examinations.

CONCENTRATION OF CREDIT

8. Within 60 days from the effective date of this
ORDER, the Bank shall formulate adopt and implement a
written plan to manage each of the concentrations of credit
identified on pages 4 and 27 of the Report in a safe and

sound manner. At a minimum the plan must provide for written procedures for the ongoing measurement and monitoring of the concentrations of credit, and a limit on concentrations commensurate with the Bank's capital position, safe and sound banking practices, and the overall risk profile of the Bank.

LOSS CHARGE-OFF

9. As of the effective date of this Order the Bank shall charge off from its books and records any loan classified "Loss" in the Report.

LOAN UNDERWRITING AND CREDIT ADMINISTRATION

10. Within 90 days from the effective date of this ORDER, the Bank will implement a system to ensure that loan underwriting and credit administration deficiencies detailed in the Report are corrected.

INTEREST RATE RISK

11. (a) Within 60 days of the effective date of this ORDER, the Bank shall strengthen interest rate risk management. At a minimum, deficiencies detailed in the Report, including unrealistic model results, questionable model assumptions, and questionable levels of acceptable risk shall be corrected. The interest rate risk program shall require that an independent review be performed of the interest rate risk management process. The program and

independent review shall comply with the requirements of the Joint Agency Policy Statement on Interest Rate Risk.

INTERNAL ROUTINE AND CONTROLS

12. (a) Within 30 days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to a policy for the operation of the Bank in such a manner as to provide adequate internal routine and controls consistent with safe and sound banking practices. Such policy shall be consistent with those recommendations set forth and discussed on pages 7, 8, 12, and 13 of the Report, which recommendations are incorporated herein by reference.

(b) A copy of the policy required by this paragraph shall be submitted to the Regional Director and Superintendent.

SHAREHOLDER COMMUNICATION

13. Within 30 days from the effective date of this ORDER, the Bank shall send to its shareholder a copy or description of this ORDER: (1) in conjunction with the Bank's next shareholder communication; and (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication, notice or statement shall be sent

to the FDIC Registration and Disclosure Section 550 17th Street, N.W., Washington, D.C. 20429 and to DFI, 2910 N. 44th Street, Suite 310, Phoenix, AZ 85018, for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and DFI shall be made prior to dissemination of the description, communication, notice or statement.

PROGRESS REPORTS

14. (a) Within 30 days from the effective date of this ORDER, the Bank's board of directors shall have in place a program that will provide for monitoring of the Bank's compliance with this ORDER.

(b) Within 30 days of the last day of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and Superintendent written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and Superintendent have, in writing, released the Bank from making further reports.

The effective date of this ORDER shall be 10 calendar days after its issuance by the FDIC and DFI.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and DFI.

Pursuant to delegated authority.

Dated: July 8, 2009.

 /s/
M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

 /s/
Felecia Rotellini
Superintendent
Department of Financial
Institutions for the
State of Arizona