FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS

PHOENIX, ARIZONA

In the Matter of MOHAVE STATE BANK LAKE HAVASU CITY, ARIZONA (INSURED STATE NONMEMBER BANK)	)	CONSENT ORDER FDIC-10-033b

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency under Section 3(q) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1813(q) and the Arizona Department of Financial Institutions ("ADFI") under Arizona Revised Statutes § 6-121, Ariz. Rev. Stat. §6-121, is the appropriate state banking agency for Mohave State Bank, Lake Havasu City, Arizona ("Bank"). The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation and Consent to the Issuance of a Consent Order ("Stipulation") dated February 4, 2010, that is accepted by the FDIC and the ADFI. Through its stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation, to the issuance of this Consent Order ("Order") by the FDIC and the ADFI.

Having determined that the requirements for issuance of an order under Section 8(b) of the Act, 12 U.S.C. § 1818(b) and Section 6-137B of the Arizona Revised Statutes, Ariz. Rev. Stat. § 6-137B, have been satisfied, the FDIC and the ADFI hereby order that:

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include the following roles: (i) a chief executive officer with proven ability in managing a bank of comparable size and risk profile; (ii) a chief financial officer with proven ability in all aspects of financial management; and (iii) a senior lending officer with significant lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(b) 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 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.

(c) During the life of this Order, the Bank shall notify the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Superintendent of the Arizona Department of Financial Institutions ("Superintendent") in writing when it proposes to add or replace any individual on the Board, or employ any individual to serve as a senior executive officer, or change the responsibilities of any existing senior executive officer to include the responsibilities of another senior executive officer position. The term "senior executive officer" shall have the same meaning ascribed to it in Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101. The notification shall include a completed Interagency Biographical and Financial Report and Interagency Change in Director or Senior Executive Officer and must be received at least 30 days before the addition, employment or change of responsibilities is intended to become effective. The Regional Director and the Superintendent shall have the power under the authority of this Order to disapprove the addition, employment or change of responsibilities of any proposed officer or director.

(d) The requirement to submit information and the prior disapproval provisions of this paragraph are based upon the authority of 12 U.S.C. § 1818(b) and do not require the Regional Director and the Superintendent to complete their review and act on any such information or authority within 30 days, or any other timeframe. The Bank shall not add, employ or change the responsibilities of any proposed director or senior executive officer until such time as the Regional Director and the Superintendent have completed their review.

2. (a) From the effective date of this Order, the Bank shall maintain its Tier 1 capital in such an amount to ensure that the Bank's leverage ratio equals or exceeds 9.25 percent.

(b) From the effective date of this Order, the Bank shall maintain its total risk-based capital ratio in such an amount as to equal or exceed 12 percent.

(c) Within 60 days from the effective date of this Order, the Bank shall develop and adopt a plan to meet and maintain the capital requirements of this Order and to comply with the FDIC's Statement of Policy on Risk-Based Capital contained in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, Appendix A. Such plan and its implementation shall be in a form and manner acceptable to the Regional Director and the Superintendent as determined at subsequent examinations and/or visitations.

(d) The level of capital to be maintained during the life of this Order shall be in addition to a fully funded allowance for loan and lease losses ("ALLL") the adequacy of which shall be satisfactory to the Regional Director and the Superintendent as determined at subsequent examinations and/or visitations. Any increase in Tier 1 capital necessary to meet the requirements of this paragraph may not be accomplished through a deduction from the Bank's ALLL.

(e) For the purposes of this Order, the terms "leverage ratio," "Tier 1 capital" and "total risk-based capital ratio" shall have, the meanings ascribed to them in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 325.2(m), 325.2(v), 325.2(y), and Appendix A.

3. The Bank shall not pay cash dividends or make any other payments to its shareholders without the prior written consent of the Regional Director and the Superintendent.

4. (a) Within 45 days from the effective date of this Order, the Bank shall formulate a written plan to reduce the Bank's risk exposure in each asset adversely classified "Substandard" or "Doubtful" in the Joint FDIC and ADFI Report of Examination dated June 15, 2009 ("ROE"), including all outstanding loan commitments to a level of acceptable asset quality. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Regional Director and the Superintendent. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each such adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) The Bank shall, immediately upon completion, submit the plan to the Regional Director and the Superintendent for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Superintendent, and after due consideration of any recommended changes, the Board shall approve the plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the plan.

5. Within 45 days from the effective date of this Order, the Bank shall implement a methodology for the ALLL that ensures maintenance at an appropriate level and compliance with outstanding regulatory and accounting guidance, including the July 2, 2001 Interagency Policy Statement on ALLL Methodologies and Documentation for Banks and Savings Associations, the December 13, 2006 Interagency Policy Statement on Allowance for Loan and Lease Losses (FIL-105-2006) and Financial Accounting Standards Board ("FASB") Statements 5 and 114. The Bank's methodology for determining the adequacy of the Bank's ALLL and its implementation shall be satisfactory to the Regional Director and the Superintendent as determined at subsequent examinations and/or visitations.

6. (a) Beginning with the effective date of this Order, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, "Loss" and is uncollected. This paragraph shall not prohibit the Bank from renewing or extending the maturity of any credit in accordance with FASB 15.

(b) Beginning with the effective date of this Order, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been classified, in whole or part, "Doubtful" or “Substandard” without the prior approval of a majority of the Board or loan committee of the Bank. The Board and loan committee shall not approve any extension of credit or additional credit to such borrowers without first collecting in cash all past due interest.

7. Within 45 days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement a written plan, approved by its Board and acceptable to the Regional Director and the Superintendent for systematically reducing the amount of loans or other extensions of credit advanced, directly or indirectly, to or for the benefit of, any borrowers in the Commercial Real Estate Concentration (“CRE”), with particular emphasis on those borrowers in the speculative CRE area. Such plan shall be in conformance with Appendix A of Part 365 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 365, Appendix A; and Financial Institution Letter 104-2006, Commercial Real Estate Lending Joint Guidance, dated December 12, 2006.

8. Within 60 days of the effective date of this Order, the Bank shall develop and implement a corrective plan to address the loan underwriting and credit administration weaknesses detailed in the Joint ROE. The plans shall be reviewed and approved by the Bank’s Board and be acceptable to the Regional Director and Superintendent as determined at subsequent examinations and/or visitations.

9. Within 45 days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement a written liquidity and funds management policy that adequately addresses liquidity needs and appropriately reduces the reliance on non-core funding sources. Such policy and its implementation shall be satisfactory to the Regional Director and the Superintendent as determined at subsequent examinations and/or visitations.

10. Within 90 days of the effective date of this Order, the Bank shall formulate and fully implement a written three-year strategic plan inclusive of a comprehensive budget for all categories of income and expense for the years ending 2010, 2011, and 2012. The plan and budget required by this paragraph shall include formal goals and strategies, consistent with sound banking practices, to improve the Bank's net interest margin, reduce discretionary expenses, and improve and sustain the Bank's earnings. The plan shall include a description of the operating assumptions that form the basis for and adequately support major projected income and expense components. Thereafter, the Bank shall formulate such a plan and budget by November 30th of each subsequent year. The plan and budget required by this paragraph shall, upon completion, be submitted to the Regional Director and Superintendent for their review and opportunity for comment. Following the end of each calendar quarter, the Bank's Board shall evaluate the Bank's actual performance in relation to the plan and budget required by this paragraph and shall record the results of their evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken.

11. (a) During the life of this Order, the Bank shall comply with the provisions of section 337.6 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6.

(b) Within 60 days from the effective date of this Order the Bank shall submit to the Regional Director and the Superintendent a written plan for eliminating its reliance on brokered deposits. The plan shall contain details as to the current composition of brokered deposits by maturity and explain the means by which such deposits will be reduced. For purposes of this Order, brokered deposits are defined as described in section 337.6(a)(2) of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6(a)(2). Such plan and its implementation shall be satisfactory to the Regional Director and the Superintendent as determined at subsequent examinations and/or visitations.

12. Within 45 days from the effective date of this Order, the Bank shall eliminate and/or correct all violations of law, as more fully set forth in the ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

13. Within 30 days of the end of the first quarter following the effective date of this Order, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Superintendent detailing the form and manner of any actions taken to secure compliance with this Order and the results thereof. Such reports shall include a copy of the Bank's Reports of Condition and Income. Such reports may be discontinued when the corrections required by this Order have been accomplished and the Regional Director and the Superintendent have released the Bank in writing from making further reports.

14. Following the effective date of this Order, the Bank shall provide to its shareholder State Bank Corp a copy of the Order or otherwise furnish a description of the Order in conjunction with the next Board meeting of State Bank Corp, in which case such description shall fully described the Order in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429, at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the ADFI, or any other federal or state agency or department from taking any action against any of the Bank or any of the Bank's current or former institution-affiliated parties as that term is defined in Section 3(u) of the Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC and the ADFI.

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 provisions of this Order shall have been modified, terminated, suspended, or set aside by the FDIC and the ADFI.

Pursuant to delegated authority

Dated at San Francisco, California, this 8th day of February, 2010.

/s/
J. George Doerr
Deputy Regional Director
Risk Management
Division of Supervision and Consumer Protection
San Francisco Region
Federal Deposit Insurance Corporation

/s/
Thomas L. Wood
Acting Superintendent
Arizona Department of Financial Institutions