FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

DEPARTMENT OF FINANCIAL INSTITUTIONS

PHOENIX, ARIZONA

In the Matter of TOWNE BANK OF ARIZONA MESA, ARIZONA (INSURED STATE NONMEMBER BANK)	CONSENT ORDER Docket No. FDIC-10-032b

The Federal Deposit Insurance Corporation ("FDIC"), under 12 U.S.C. § 1813(q), is the appropriate Federal banking agency and the Department of Financial Institutions of the State of Arizona ("DFI") under Arizona Revised Statutes § 6-123(1) is the appropriate state banking agency for Towne Bank of Arizona, Mesa, Arizona ("Bank").

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation to the Issuance of a Consent Order" ("Stipulation"), dated January 29, 2010, that is accepted by the FDIC and the DFI. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices, to the issuance of this Consent Order ("Order") by the FDIC and the DFI.

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

1. The Bank shall continue to 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 a chief executive officer with proven ability in managing a bank of comparable size, experience in upgrading a low-quality loan portfolio, improving earnings, and running the day-to-day operations of a financial institution. Management shall also include a senior lending officer with significant appropriate lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio. Management shall also include a chief financial officer with proven abilities in asset/liability management and in maintaining a bank's books and records of comparable size, in accordance with GAAP principles and Call Report instructions. Each member of management shall be provided appropriate written authority from the Bank's board of directors 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 DFI ("Superintendent")in writing when it proposes to add any individual to the Bank's board of directors or employ any individual as a senior executive officer. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual or individuals to be added or employed.

2. Within 15 days from the effective date of this Order, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; liquidity and funds management activities; operating policies; and individual committee actions. The Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

3. Within 75 days from the effective date of this Order, the Bank shall increase and thereafter maintain its Tier 1 capital in such an amount to ensure that the Bank's leverage ratio equals or exceeds 10 percent.

(b) Within 75 days from the effective date of this Order, the Bank shall increase and thereafter maintain its total risk-based capital ratio in such an amount as to equal or exceed 13 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) If all or part of the increase in capital required by this Order is accomplished by the sale of new securities, the Board shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare 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 any other material disclosures necessary to comply with the 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 plan and any materials used in the sale of the securities shall be submitted to the FDIC, Registration, Disclosure and Securities Unit, 550 17th St. N.W., Washington, D.C. 20429, for review. Any changes requested by the FDIC shall be made prior to dissemination. If the increase in capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Regional Director and the Superintendent for prior approval.

(f) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities, a 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 days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

(g) 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.

4. 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.

5. Within 30 days from the effective date of this Order, the Bank shall update its written plan to reduce the Bank's risk exposure in each asset adversely classified "Substandard" or "Doubtful" as of June 30, 2009, 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. The Bank shall continue to submit written progress reports to its Board, which review will be noted in the Board's monthly meeting minutes.

(b) The plan mandated by this provision shall also include, but not be limited to, the following:

(i) A schedule for reducing the outstanding dollar amount of each such adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each such adversely classified asset must show its expected dollar balance on a quarterly basis);

(ii) Specific action plans intended to reduce the Bank's risk exposure in each such classified asset; and

(iii) A schedule showing, on a quarterly basis, the expected consolidated balance of all such adversely classified assets, and the ratio of the consolidated balance to the Bank's projected Tier 1 capital plus the ALLL.

(c) The requirements of this paragraph do not represent standards for future operations of the Bank. Following compliance with the above reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets. The plan may include a provision for increasing Tier 1 capital when necessary to achieve the prescribed ratio.

(d) The Bank shall, immediately upon completion, submit the plan to the Regional Director and the Superintendent for review and comment.

6. Within 30 days from the effective date of this ORDER, the Bank shall update its written plan, approved by its board of directors and acceptable to the Regional Director and the

Superintendent for systematically reducing the total level of commercial real estate concentrations and the total level of construction, land development and other land loans as reported in Call Report FFIEC 031 and 041, Schedule RC-C – Loans and Lease Financing Receivables, Part I: Loans and Leases, item 1a Loans secured by real estate; Construction, land development and other land loans. In addition, the Bank shall enhance the Bank's policies and procedures consistent with the guidelines discussed in the December 12, 2006, final joint Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices issued by all the federal banking regulators.

7. No later than 45 days of the effective date of this ORDER, the Bank shall update and submit to the Regional Director and the Superintendent a written strategic plan through December 31, 2012, based upon key interest rate assumptions stated in the plan. Such plan shall include specific goals for the dollar volume of total loans, total investment securities, and total deposits. For each calendar quarter, the plan will also specify the anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a percentage of total assets; and the ratio of net interest income to average earning assets. The plan shall be in a form and manner acceptable to the Regional Director and the Superintendent as determined at subsequent examinations and/or visitations.

8. No later than 30 days from the effective date of this ORDER, the Bank shall update its liquidity and funds management policy. Such policy 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.

9. Upon the effective date of this ORDER, the Bank shall not accept, renew, or roll over brokered deposits without obtaining a brokered deposit waiver approved by the FDIC

pursuant to Section 29 of the Federal Deposit Insurance Act, 12 U.S.C. § 1831f. 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) No later than 30 days from the effective date of this ORDER the Bank shall submit to the Regional Director and the Superintendent an updated 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.

10. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law which are more fully set out in the FDIC's Report of Examination dated July 13, 2009. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations, including:

(a) Performing and documenting the review of all appraisals accepted to determine the appraisals conform to regulatory requirements; and

(b) Maintaining real estate lending policies that have prudent underwriting standards, including loan-to-value limits, that are clear and measurable.

11. Within 30 days of the end of the first quarter following the effective date of this ORDER, and within thirty 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 Report of Condition and the Bank's Report of 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.

12. During the life of this ORDER, the Bank shall not increase its average assets by 20 per cent or more per annum without receiving the prior written approval of the Regional Director and the Superintendent.

13. The Bank shall not pay a discretionary bonus in addition to stipulated base salaries to or for the benefit of any executive officer of the Bank without providing written notice of such proposed action to the Regional Director and the Superintendent. The notification must be received no less than 30 days prior to the payment of the bonus. If the Bank were to propose to adopt a non-discretionary bonus plan or enter into an agreement with any executive officer which included a non-discretionary bonus potential, the Bank will provide written notification of such plan or provisions to the Regional Director and the Superintendent at least 30 days prior to the adoption of such plan or inclusion of such provision.

14. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, at least fifteen 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 DFI, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This Order will become effective upon its issuance by the FDIC and the 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 provisions of this Order shall have been modified, terminated, suspended, or set aside by the FDIC and the DFI.

Pursuant to delegated authority.

Dated at San Francisco, California, this 2nd day of February, 2010.

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

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