



GOLDWATER BANK

Kelly O Dunn # 329
President and CEO

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March 6, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of The Special Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

I am in receipt of your February 6, 2009 letter and am replying as requested. In addition to the responses below, I have attached pertinent supporting documentation for your consideration. My responses below correspond directly to each numbered request in your February 6, 2009 letter.

1(a). The Bank has used a portion of the TARP funds to increase the Bank's loan loss provision and anticipates using the remainder to leverage the capital of the Bank to increase the Bank's loan portfolio.

1(b). The Bank has created a separate entry in its general ledger to track the income and expenses associated exclusively with the TARP funds. Additionally, we have appointed a TARP officer within the Bank who will monitor the funds and insure the Bank's compliance with the requirements of the program.

1(c). As of today, \$858,000 of the \$2,568,000 received on January 30, 2009 has been utilized to increase the Bank's loan loss provision. This increase was not based on any specific loans, but was strategically done to bolster the Bank's loan loss provision to a higher level due to the current weakness in the economy. As a result, the Bank's loan loss provision increased from 1.58% of total loans to 2.43% of total loans.

1(d). The Bank intends to use the remaining funds to leverage the capital of the Bank to increase the loan portfolio. Through the use of the remaining funds, we are anticipating an increase in lending (b) (4) We intend to specifically increase the Bank's loan portfolio through Residential Mortgage Programs, Micro-Business Loans, and a Green Loan Program; summaries of each program are attached. With

(b) (8)

(b) (8)

2. The Bank's board of directors is currently in the process of executing a board resolution that addresses the Bank's compliance with the executive compensation requirements of the Emergency Economic Stabilization Act of 2008, a copy of which is enclosed. If necessary, a fully executed version of the resolution can be provided in the coming weeks. Moreover, the Bank has conducted a preliminary review and does not have any compensation, bonus, incentive and benefit plans, arrangements and agreements (including any golden parachute agreements) that do not comply with the executive compensation requirements. To the extent anything is found in the future that does not comply with the executive compensation requirements, the Bank shall modify those arrangements to the extent necessary to comply.

In conclusion, I am a duly authorized senior executive officer of Goldwater Bank, N.A. and do hereby certify to the accuracy of all statements, representations, and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Should you require any further information, please let me know.

Sincerely,

Kelly O. Dunn
President and CEO
Goldwater Bank, N.A.

Attachments

**RESOLUTIONS OF
THE BOARD OF DIRECTORS OF
GOLDWATER BANK, N.A.**

The undersigned, being all of the directors of Goldwater Bank, N.A. (the "Bank"), a national banking association, hereby consent to the adoption of the following resolutions without a meeting in accordance with Arizona law:

WHEREAS, on January 30, 2009, the Bank received \$2,568,000 (the "Investment") from the United States Department of the Treasury's Troubled Asset Relief Program Capital Purchase Program (the "Capital Purchase Program");

WHEREAS, as a condition to the closing of the Investment, the Bank and its Senior Executive Officers, defined as the CEO, CFO and the next three most highly compensated officers, are required to modify or terminate compensation, bonus, incentive and benefit plans, arrangements and agreements, including golden parachute agreements, to the extent necessary to be in compliance with the executive compensation and corporate governance requirements of the Emergency Economic Stabilization Act of 2008 (the "EESA") for the duration of the Investment. The Bank and its Senior Executive Officers do not have to amend any such agreements as the Bank and the Senior Executive Officers are currently in compliance with the terms of the EESA;

WHEREAS, the EESA requires that the Bank must (i) exclude compensation incentives for Senior Executive Officers to take unnecessary and excessive risks that threaten the value of the Corporation; (ii) provide for the recovery of any bonus or incentive compensation paid to a Senior Executive Officer and the next 20 most highly-compensated employees based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate; (iii) prohibit any golden parachute payments to its Senior Executive Officers or any of the next 5 most highly-compensated employees; (iv) prohibit any bonus, retention award, or incentive compensation to the most highly compensated employee of the Bank; and (v) agree not to deduct for tax purposes executive compensation in excess of \$500,000 for each Senior Executive Officer (collectively, the "Standards");

WHEREAS, as an additional condition to the Investment, the Chief Executive Officer of the Bank is required to certify within 120 days of the closing of the Investment and annually within 135 days that the Bank and its compensation committee have complied with the Standards (the "Certifications");

WHEREAS, the undersigned believe that it is in the best interests of the Bank to modify or terminate compensation, bonus, incentive and benefit plans, arrangements and agreements, including golden parachute agreements, with Senior Executive Officers to the extent necessary to comply with the Standards;

NOW, THEREFORE, BE IT

RESOLVED, that the Bank does not currently have any compensation, bonus, incentive and benefit plans, arrangements and agreements (including any golden parachute agreements)

that do not comply with the Standards. If the Bank shall be deemed to have any compensation, bonus, incentive and benefit plans, arrangements and agreements (including any golden parachute agreements) that do not comply with the Standards, they shall be modified to the extent necessary to make them comply;

FURTHER RESOLVED, that the Chief Executive Officer of the Bank is hereby authorized, in the name and on behalf of the Bank, to execute and deliver the Certifications as may be required throughout the duration of the Investment;

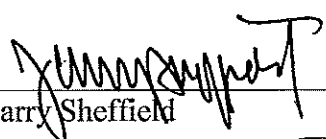
FURTHER RESOLVED, that the Chief Executive Officer of the Bank, and any other officer of the Bank authorized by such officer (collectively, the "Authorized Officers") be, and hereby are authorized, in the name and on behalf of the Bank, to review, modify and/or terminate compensation, bonus, incentive and benefit plans, arrangements and agreements, including golden parachute agreements, with Senior Executive Officers to the extent necessary to comply with the Standards, as now in existence or as modified in the future by the United States Department of the Treasury;

FURTHER RESOLVED, that the Authorized Officers are hereby authorized, in the name and on behalf of the Bank, to require such certificates, documents, instruments or other papers and to do or cause to be done all such acts and things as any of them, may deem necessary or appropriate to effect fully the intent and purposes of the above resolutions, including, but not limited to, the Certifications and agreements with Senior Executive Officers regarding compliance with the Standards, as now in existence or as modified in the future by the United States Department of the Treasury; and

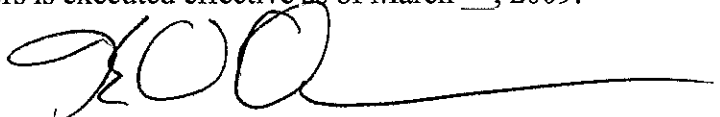
FURTHER RESOLVED, that any and all action heretofore or hereafter taken by any Authorized Officer of the Bank and by any person or persons designated or authorized to act by any Authorized Officer of the Bank within the terms of the foregoing Resolutions, be and hereby is, ratified and confirmed as the act and deed of the Bank.

This Resolution of the Board of Directors may be executed in counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.


This Resolution of the Board of Directors is executed effective as of March __, 2009.



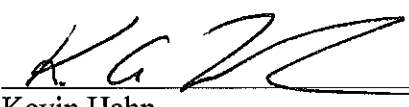
Larry Sheffield



Kelly Dunn



Max Poll



Kevin Hahn



Tim Braun



Adam Desmond

Being all of the directors of the Bank.

RESIDENTIAL MORTGAGE PROGRAMS

Goldwater Bank intends on focusing efforts to increase the residential mortgage portfolio utilizing the additional capital provided by the TARP funding. The goal would be to add (b) (4) in residential mortgage loans under the following programs:

- One (1) Year ARM Gold Mortgage
- Three (3) Year Balloon Mortgage
- Five (5) Year Balloon Mortgage
- Fifteen (15)Year Gold Mortgage

All other loan programs indicated above will be subject to a maximum loan to value of 70% with a minimum loan amount of \$417,000.00.

All of the loan programs will also be subject to the following:

- 1% loan origination fee
- \$400 Documentation fee (if self – employed)
- \$150 Documentation fee (if W-2 wage earner)
- \$125 Appraisal Review Fee
- \$500 Underwriting Fee

Goldwater Bank will also require high underwriting standards that include the following criteria that is non-negotiable:

(b) (4)

“GREEN” LENDING

Goldwater Bank would also like to make loans in the community that are specifically for “green” purposes. The goal of the bank is to lend (b) (4) dollars for the green initiative to include financing for Solar powered systems for residential use as well as commercial use. The bank is also focusing efforts toward loans for the purchase of Hybrid vehicles. We will consider any loan request that is environmentally beneficial for the community. All of these loans would be installment loans with principal and interest payments made monthly. We would not provide any interest only financing or lines of credit for this purpose. We would also have strict underwriting criteria such as:

(b) (4)

MICRO BUSINESS LOANS

Goldwater Bank would like to make loans to small business owners that are \$25,000.00 or less. The goal for the bank would be to make a total of (b) (4) (b) (4) of Small business loans for this purpose. The loans would be to provide small businesses with working capital, inventory purchases, equipment financing or the assist with accounts receivable. All of these loans would be installment loans with principal and interest payments made monthly. We would not provided any interest only financing or lines of credit for this purpose.

The underwriting would be based off of a one page application and credit scoring system. The following will be considered non-negotiable in terms of minimum standards:

(b) (4)

Capital Acquisition Resources Program (CARP)

Rate
(b) (4)

Assumptions
 Green Loans
 Micro Business Loans
 Residential Loans
 2% of Loan Support Functions

	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Total																																																																												
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