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Board of Directors/Committees

Board Member	Executive	Compensation	Audit	Nominating	Financial Expert
Leonard J. DeLayo, Jr. (Board Chairman & Director)	I	C			
A. J. (Jim) Wells (Director)	I	M	C		F
Lowell A. Hare (Director)	I		M		F
Herman N. Wisenteiner* (Director)	I	M		M	
Nedra Matteucci (Director)	I	M		M	
Daniel H. Lopez, PhD (Director)	I	M	C	M	
Kathleen Avila (Director)	I	M		M	C
Linda Childears (Director)	I		M		
Michael J. Blake (Director)	I	M		M	
Michael R. Stanford (President & Director)		M			
H. Patrick Dee (Treasurer & Director)		M			

C - Committee Chairman **M** - Committee Member **I** - Independent Director **F** - Financial Expert

*Herman N. Wisenteiner is the Presiding Director for meetings of Independent Directors

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Shareholder Communication with Board of Directors

The Board provides a process for stockholders to send communications to the Board or any of the Directors. Stockholders may send written communications to the Board and any of the Directors c/o Secretary, P.O. Box 3686, Albuquerque, New Mexico 87190. All communications will be compiled by the Secretary of the Company and submitted to the Board or the individual Directors within a reasonable time after their receipt.

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Code of Conduct

A Message From Mike Stanford:

First State Bancorporation (the Bank) is proud of how we do business and how we treat our employees, our customers and the community at large. The Bank is committed to the highest standards of integrity, ethical behavior and compliance with the law in all decisions and actions we take. The following Code of Conduct provides the framework for our maintaining the highest possible standards of honest, ethical conduct. To ensure continued success, First State Bancorporation requires its employees and directors to adhere to the values and ethical standards of the Code and to apply the principles of the Code of Conduct in all of their dealings with the bank, with employees and directors, and with customers. Please assist management in its efforts to ensure that the Code of Conduct is being followed.

Remember, we are in this together. A good personal guide is “live as if everything you do will eventually be known.”

Michael R. Stanford
President, CEO

First State Bancorporation Code of Conduct

Not being “typical”, The First State Bancorporation Code of Conduct is based on our belief that our employees, officers, and directors are honest and ethical in all their business dealings and we at all times:

- are honest, trustworthy, and fair in all of our actions and relationships with other employees, our customers, and those we serve,
- judge whether our decisions and acts are properly based upon our own sense of honesty and integrity, realizing that the appearance of impropriety can be as dangerous as the fact of impropriety,
- committed to gaining business by vigorous and honest competitive methods and innovative and appropriate financial services, and
- respect the dignity of others and will take no action which, or might be viewed, as discriminatory or harassing,
- avoid circumstances or dealings which are or appear to be conflicts of interest,
- comply with all federal, state and local laws and regulations,
- maintain fair and accurate financial records and insure that all government filings and other public disclosures shall be full, fair and not misleading,
- keep confidential the documents and information of our customers,
- maintain the confidentiality of proprietary information and other company confidential matters,
- assist management in enforcing the Code of Conduct by advising appropriate personnel of any suspected violations of the Code.

All employees and directors are strongly encouraged to assist management in its efforts to ensure the Code of Conduct is followed. If an employee or a director observes a breach of the Code of Conduct or any law, regulation, or other policy by another employee or director, he or she must report such observations or suspicions and describe their circumstances to management or a director by memo, phone call, or e-mail. Such reports are treated as confidential to the extent consistent with appropriate investigation. Senior management officers, corporate counsel or a non-management director will investigate and determine if remedial actions and/or notification to regulators or law enforcement is appropriate. Retaliation of any kind against any employee or director who makes a good faith report of an observed or suspected violation of the Code of Conduct or any law, regulation, or Company policy is prohibited.

We are committed to the fair enforcement of violations of the Code of Conduct. While we are an “at will” employer and reserve the right to act, at all times, in accordance with that legal doctrine to terminate employment for any reason, enforcement and disciplinary actions because of breaches of the Code of Conduct are subject to review by the President/CEO, or by a non-management director in the case of enforcement action against the executive officers.

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Code of Ethical Conduct for Senior Executive Officers

In my role as Executive Officer of First State Bancorporation,

I recognize that Senior Executive Officers hold an important and elevated role in corporate governance. I am uniquely capable and empowered to ensure that stakeholders' interests are appropriately balanced, protected and preserved. Accordingly, this Code provides principles to which Senior Executive Officers are expected to adhere and advocate. The Code embodies rules regarding individual and peer responsibilities, as well as responsibilities to the company, the public and other stakeholders.

I certify to you that I adhere to and advocate the following principles and responsibilities governing my professional and ethical conduct.

To the best of my knowledge and ability:

1. I will act with honesty and integrity.
2. I will avoid actual or apparent conflicts of interest in personal and professional relationships, and will disclose to the Chair of the Board of Directors and the Chair of the Company's Audit Committee any material transaction or relationship that reasonably could be expected to give rise to such a conflict to the Chair of the Board of Directors or the Company's Audit Committee.
3. I will provide information that is full, fair, accurate, complete, relevant, timely and understandable to the public, Securities Exchange Commission and NASD.
4. I will comply with rules and regulations of federal, state, and local governments, and other appropriate private and public regulatory agencies.
5. I will report promptly any violations of the Code to the Chair of the Board of Directors and the Chair of the Company's Audit Committee.
6. I will act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing my independent judgment to be subordinated to personal interests.
7. I will respect the confidentiality of information acquired in the course of my work and will not disclose such information except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of my work will not be used for personal advantage.
8. I will proactively promote ethical behavior as a responsible partner among peers in my work environment and community
9. I will achieve responsible use of and control over all assets and resources employed or entrusted to me.

I recognize that I am accountable to the Company's Board of Directors and its shareholders and, in event of my violation of the Code; I will face appropriate sanctions from the Board of Directors.

Signed: Executive Officer

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NOMINATING COMMITTEE CHARTER

(Approved January 16, 2004)

I. General

This Charter sets forth the authority and duties of the Nominating Committee (the "Committee") of the Board of Directors (the "Board") of First State Bancorporation.

The Committee will identify and consider individuals qualified to become members of the Board, and recommend Director nominees for the next annual meeting of shareholders.

The Committee will report its activities to the Board on a regular basis and make such recommendations as the Committee deems necessary or appropriate

The Committee will have the resources and authority appropriate to discharge its responsibilities, including authority to retain and terminate search firms used to identify director candidates and to approve such search firms' fees and other retention terms.

The Committee will have the authority to delegate to a subcommittee consisting of one or more members of the Committee such of its duties and responsibilities as it deems appropriate and advisable.

This charter will be published on the Company's Website, available in written form upon request and otherwise made publicly available under the rules and regulations of the Securities and Exchange Commission and National Association of Security Dealers, Inc.

The Committee will review the adequacy of this charter annually and recommend changes to the Board of Directors when necessary.

II. Membership

The Committee members will be appointed by the Board of Directors, and the Chairman of the Committee will be designated by the Board.

Committee members will serve at the pleasure of the Board and may be removed by the Board of Directors in its discretion.

The Committee will consist of two or more members, each of whom will satisfy, as determined by the Board of Directors, the regulations of the Securities and Exchange Commission and the National Association of Securities Dealers, Inc., including those with respect to independence.

The composition of the Committee and its independence will be reviewed annually by the Board of Directors.

III. Meetings

The Committee will meet as often as appropriate to fulfill its duties and responsibilities.

Minutes of meetings will be approved by the Committee and maintained.

The Committee may request any officer or employee of the Company, or the Company's outside advisors, or any special counsel or advisors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

IV. Duties and Responsibilities

The Committee will:

- Lead the search for qualified directors, review qualifications of individuals suggested by shareholders and directors as potential candidates, and identify nominees who are best qualified. The criteria for selecting nominees for election as directors of the Company shall include, but not be limited to, extensive business, accounting or legal experience, civic and business accomplishments, an established reputation in or knowledge of the locations and markets in which the Company operates, educational attainment, demonstrated skills, and the highest personal and professional integrity;
- Recommend to the Board of Directors the nominees to be proposed by the Company for election as directors of the Company at the annual meeting of shareholders, or to fill vacancies on the Board of Directors;
- The Committee will review committee composition annually and recommend new committee members, as necessary;
- The Committee will perform such other duties as may be properly delegated to it by the Board of Directors.

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FIRST STATE BANCORPORATION NOMINATING COMMITTEE POLICIES AND PROCEDURES

First State Bancorporation Nominating Committee Procedures for Identifying and Evaluating Candidates for Director

The First State Bancorporation Nominating Committee will observe the following procedures in identifying and evaluating candidates for election to the Company's Board of Directors.

Incumbent Directors

The continuing service of qualified incumbents promotes stability and continuity in the boardroom, contributing to the Board's ability to work as a collective body, while giving the Company the benefit of the familiarity and insight into the Company's affairs that its directors have accumulated during their tenure. Accordingly, the process of the Committee for identifying nominees shall reflect the Company's practice of re-nominating incumbent directors who continue to satisfy the Committee's criteria for membership on the Board and whom the Committee believes will make important contributions to the Board. In considering candidates for election, the Committee will first determine the incumbent directors whose terms expire at the upcoming meeting of shareholders and who wish to continue their service on the Board.

The Committee will evaluate the qualifications and performance of the incumbent directors that desire to continue their service and determine if the incumbent director continues to satisfy the minimum qualifications for service as a director

If the Committee determines that an incumbent director consenting to re-nomination continues to be qualified and has satisfactorily performed his or her duties as director during the preceding term; and there exist no reasons why in the Committee's view the incumbent should not be re-nominated, the Committee will, absent special circumstances, propose the incumbent director for re-election.

New Candidates

The Committee will identify and evaluate new candidates for election to the Board where there is no qualified and available incumbent, including for the purpose of filling vacancies arising by reason of the resignation, retirement, removal, death or disability of an incumbent director or a decision of the directors to expand the size of the Board.

It is appropriate for the Committee, in its discretion, to solicit the views of the Chief Executive Officer, other members of the Company's senior management and other members of the Board regarding the qualifications and suitability of candidates to be nominated as directors.

The Committee will solicit and receive recommendations for nominees from persons that the Committee believes

are likely to be familiar with qualified candidates. These persons may include members of the Board and company management.

As to each candidate that the Committee believes merits consideration, the Committee will-

- assemble information concerning the background and qualifications of the candidate, including information concerning the candidate required to be disclosed in the Company's proxy statement under the rules of the SEC;
- determine if the candidate satisfies the minimum qualifications required by the Committee of candidates for election as director;
- determine if the candidate possesses any of the specific qualities or skills that must be possessed by one or more members of the Board;
- consider the contribution that the candidate can be expected to make to the overall functioning of the Board.
- a member of the Committee or director shall interview the candidate.

Based on all available information and relevant considerations, the Committee will select a candidate who, in the view of the Committee, is most suited for membership on the Board.

In making its selection, the Committee will evaluate candidates proposed by shareholders under criteria similar to the evaluation of other candidates, except that the Committee may consider, as one of the factors in its evaluation of shareholder recommended nominees, the size and duration of the interest of the recommending shareholder or shareholder group in the equity of the Company.

The Committee shall maintain appropriate records regarding its process of identifying and evaluating candidates for election to the Board.

First State Bancorporation Policy and Procedures for Security Holders Submitting Nominating Recommendations

It is the policy of the Company that the Nominating Committee of the Board consider recommendations for the nomination of directors submitted by holders of the Company's shares entitled to vote generally in the election of directors. If the Nominating Committee has determined to re-nominate an incumbent director for a position on the Board it will not consider other recommendations for that position. It is the policy of Committee to re-nominate any incumbent director unless the Committee determines that the incumbent does not meet minimum qualifications to serve as a director or does not agree to serve.

The Nominating Committee of the Company's Board of Directors will accept for consideration submissions from shareholders of recommendations for the nomination of directors. Acceptance of a recommendation for consideration does not imply that the Committee will nominate the recommended candidate.

All shareholder nominating recommendations must be in writing, addressed to the Nominating Committee care of the Company's corporate secretary at the Company's principal headquarters, 7900 Jefferson NE, Albuquerque, New Mexico 87109. Submissions must be made by mail, courier or personal delivery. E-mailed submissions will not be considered.

A nominating recommendation must be accompanied by the following information concerning each recommending shareholder:

- The name and address, including telephone number, of the recommending shareholder;
- The number of the Company's shares owned by the recommending shareholder and the time period for which such shares have been held;
- If the recommending shareholder is not a shareholder of record, a statement from the record holder of the shares (usually a broker or bank) verifying the holdings of the shareholder and a statement from the recommending shareholder of the length of time that the shares have been held. (Alternatively, the shareholder may furnish a current Schedule 13D, Schedule 13G, Form 3, Form 4 or Form 5 filed with the Securities and Exchange Commission reflecting the holdings of the shareholder, together with a statement of the length of time that the shares have been held); and
- A statement from the shareholder as to whether the shareholder has a good faith intention to continue to hold the reported shares through the date of the Company's next annual meeting of shareholders.
- If a recommendation is submitted by a group of two or more shareholders, the information regarding recommending shareholders must be submitted with respect to each shareholder in the group.

A nominating recommendation must be accompanied by the following information concerning the proposed nominee:

- the information required by Item 401 of SEC Regulation S-K (generally providing for disclosure of the name, address, any arrangements or understanding regarding nomination and five year business

experience of the proposed nominee, as well as information regarding certain types of legal proceedings within the past five years involving the nominee);

- the information required by Item 403 of SEC Regulation S-K (generally providing for disclosure regarding the proposed nominee's ownership of securities of the Company); and
- the information required by Item 404 of SEC Regulation S-K (generally providing for disclosure of transactions between the Company and the proposed nominee valued in excess of \$60,000 and certain other types of business relationships with the Company).

The nominating recommendation must describe all relationships between the proposed nominee and the recommending shareholder and any agreements or understandings between the recommending shareholder and the nominee regarding the nomination.

The recommending shareholder must state whether, in the view of the shareholder, the nominee, if elected, would represent all shareholders and not serve for the purpose of advancing or favoring any particular shareholder or other constituency of the Company.

The nominating recommendation must be accompanied by the consent of the proposed nominee to be interviewed by the Committee, if the Committee chooses to do so in its discretion (and the recommending shareholder must furnish the proposed nominee's contact information for this purpose), and, if nominated and elected, to serve as a director of the Company.

The Nominating Committee must have both adequate time to consider a shareholder recommendation and current relevant information regarding a candidate. Accordingly, shareholders who wish to recommend a nominee for election as director at the next annual shareholders' meeting should submit a completed form not earlier than December 15, of the year preceding the annual meeting and not later than 120 days prior to one-year anniversary of the date the proxy statement for the preceding annual meeting was released to shareholders.

Shareholders who wish to nominate a person for election as a director at the annual meeting (as opposed to making a recommendation to the Nominating Committee) may do so in accordance with the Restated Articles of Incorporation described in the most recent proxy statement, either in lieu of or in addition to making a recommendation to the Nominating Committee.

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FIRST STATE BANCORPORATION CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE PURPOSE

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee has the following purposes:

- Monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, fiduciary responsibilities, and legal and regulatory compliance.
- Monitor the independence and performance of the Company's independent auditors and internal audit department.
- Provide an avenue of communication among the independent auditors, management, the internal audit department, loan review department and the Board of Directors.
- Review areas of potential significant financial risk to the Company.
- Prepare the Report of the Audit Committee for delivery with the Company's proxy statement.
- Report the results and conclusions resulting from all its review activities, together with its recommendations for action, to the Board of Directors at their next meeting subsequent to that of the Committee.

The Audit Committee has the authority to conduct or authorize any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as any employee of First State Bancorporation or its subsidiary. The Audit Committee has the authority to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

AUDIT COMMITTEE MEMBERSHIP AND PROCEDURES

The Board of Directors shall appoint an Audit Committee of at least three members, consisting entirely of independent directors of the Board, and shall either designate one member as chairperson or delegate the authority to designate a chairperson to the Audit Committee. For the purposes hereof, the term "independent" shall mean a director who meets the definition of "independence," under the requirements of the Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers ("NASD"), as determined by the Board. Each member of the Company's Audit Committee must be financially literate at the time of appointment, and at least one member of the Audit Committee shall have accounting or related financial management expertise, as provided by rules of the NASD and the SEC, and by the listing standards of the NASDAQ Stock market.

If an Audit Committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership. The Committee shall meet at least four times annually, or more frequently as circumstances dictate either in person or telephonically. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. A majority of the members of the Audit Committee present in person or by telephone shall constitute a quorum.

The Committee shall meet privately in executive session at least annually with management, the director of the internal audit department, the independent auditors, and as a committee to discuss any matters that the Committee or each of these groups believe should be discussed. In addition, the Committee, or at least its Chair, will communicate with management and the independent auditors quarterly, to review the Company's financial statements and significant findings based upon the auditor's review procedures.

AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES

The Company's executive management bears primary responsibility for the Company's financial and other reporting, for establishing the system of internal controls and for ensuring compliance with laws, regulations and Company policies. The Audit Committee's responsibilities and related key processes are described below. From time to time, the Audit Committee may take on additional responsibilities, at the request of the Board of Directors.

Relationship with Independent Auditors. The Committee shall bear primary responsibility for overseeing the Company's relationship with its independent auditors. In carrying out this responsibility, the Committee shall:

- Be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation and oversight of the independent auditing firm. In this regard, the Audit Committee shall have the sole authority to (i) appoint and retain, subject to ratification by the Company's stockholders, (ii) determine the funding for, and (iii) when appropriate, terminate, the independent auditing firm, which shall report directly to the Audit Committee.
- Approve in advance all audit services to be provided by the independent auditing firm, including any written engagement letters related thereto. (By approving the audit engagement, the audit service contemplated in any written engagement letter shall be deemed to have been pre-approved.)
- Establish policies and procedures for the engagement of the independent auditing firm to provide permissible non-audit services, which shall require pre-approval by the Audit Committee of all permissible non-audit services to be provided by the independent auditing firm.
- Determine, at least annually, the independence of the outside auditing firm, including whether the outside auditing firm's performance of permissible non-audit services is compatible with the auditor's independence; obtain and review a report by the outside auditing firm describing any relationships between the outside auditing firm and the Company or any other relationships that may adversely affect the independence of the auditor; discuss with the outside auditing firm any disclosed relationships or services that may impact the objectivity and independence of the auditor; and present to the Board of Directors the Audit Committee's conclusions with respect to the independence of the outside auditing firm.
- Review any representation letter that management provides to the outside auditing firm.
- Review and discuss with the outside auditing firm: (i) the scope of the audit, the results of the annual audit examination by the auditor and any accompanying management letters, and any difficulties the auditor encountered in the course of their audit work, including any restrictions on the scope of the outside auditing firm's activities or access to requested information, and any significant disagreements with management; and (ii) any reports of the outside auditing firm with respect to interim periods.

Financial Reporting. The Committee shall review the preparation by management of the Company's quarterly and annual financial reports. In carrying out this responsibility, the Committee shall:

- Review and discuss with management and the independent auditing firm the annual audited and quarterly unaudited financial statements of the Company, including: (i) an analysis of the auditors' judgment as to the quality of the Company's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (ii) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," including the development, selection and reporting of accounting policies that may be regarded as critical; and (iii) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations.
- Review quarterly financial press releases and recommend publication to the Board, if appropriate.
- Recommend to the Board based on the review and discussion described above, whether the financial statements should be included in the Annual Report on Form 10-K.
- Review, with the legal counsel for the Company, material pending legal proceedings involving the Company and other contingent liabilities.
- Annually prepare the Report of the Audit Committee to shareholders as required by the SEC. The report should be delivered with the Company's annual proxy statement to shareholders.

Internal Controls. The Committee reviews the internal controls of the Company and in furtherance thereof shall:

- Periodically review and discuss the adequacy of the Company's internal controls, any significant deficiencies in internal controls, and significant changes in such controls.
- Review and approve the internal audit plan, internal audit budget, risk assessment and internal audit manual.
- Review and discuss with the principal internal auditor of the Company and such others as the Audit Committee deems appropriate, the scope and results of the internal audit program. Periodically review the adequacy and effectiveness of the Company's disclosure controls and procedures and management reports thereon.
- Review and discuss with management and the outside auditors any material financial or nonfinancial arrangements of the Company which do not appear in the financial statements of the Company.

Internal Audit Department. The Committee shall have responsibility for determining that the Internal Audit Department is effectively discharging its responsibilities. In carrying out this responsibility, the Committee shall:

- Review the budget, plan, changes in plan, activities, organizational structure, and qualifications of the internal audit department, as needed.
- Review the performance, and replacement of the senior internal audit executive. The internal audit department shall be responsible to senior management, but have a direct reporting responsibility to the Board of Directors through the Committee. Changes in the senior internal audit executive shall be subject to Committee approval. Review significant reports prepared by the internal audit department together with management's response and followup to these reports.

Legal and Regulatory Compliance

- On at least an annual basis, review with the Company's legal counsel, any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

Other Audit Committee Responsibilities. The committee shall have the following additional responsibilities:

- Review and approve, if appropriate, any related party transactions involving directors or executive officers of the Company.
- Establish procedures for receiving and handling complaints regarding accounting, internal accounting controls and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.
- Establish policies for the hiring of employees and former employees of the outside auditing firm.
- Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Committee or Board deems necessary or appropriate.
- Evaluate annually the performance of the Internal Audit Department and the adequacy of the Audit Committee Charter based upon a self-assessment of the Committee.
- Maintain minutes of meetings and periodically report to the Board of Directors on significant results of the forgoing activities.

Limitation on Audit Committee's Role. While the Committee has the responsibilities and duties set forth in this Charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures in connection therewith are complete, accurate and in accordance with generally accepted accounting principles and applicable law and regulation. These are the responsibilities of the Company's management. The responsibilities of the Company's independent auditors are contained in the independent auditor's retention agreement with the Company.

Adopted April 15, 2003
As amended January 16 2004
As amended May 11, 2005
As amended October 27, 2006
As amended January 26, 2007.

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FIRST STATE BANCORPORATION AUDIT COMMITTEE PROCEDURES FOR RECEIPT OF CONFIDENTIAL INFORMATION OR COMPLAINTS CONCERNING ACCOUNTING, INTERNAL CONTROLS, OR AUDITING
(Approved January 16, 2004)

Under procedures established by the Audit Committee:

- All complaints by any persons concerning accounting, financial statements or other related matters; internal accounting controls or auditing matters (accounting concerns) shall be directed to the Vice

President - Internal Audit. Complaints may be submitted, on an anonymous and/or confidential basis to:

Audit Committee, First State Bancorporation
C/O Vice President, Internal Audit
P.O. Box 90098
Albuquerque, NM 87199-0098

- The Vice President - Internal Audit will maintain a separate P.O. Box for the receipt of anonymous and/or confidential complaints. Access to the P.O. Box will be limited to the Chair of the Audit Committee and the Vice President - Internal Audit.
- Every two weeks, the Vice President - Internal Audit and a member of the Internal Audit Staff will remove mail from the P.O. Box. They will record on a log, the individual pieces received, postmark date and date received. Should the P.O. Box contain no mail, they will record on the log the date they checked the box and that no mail was received. Both individuals will sign the log.
- The mail will be returned unopened, to the Internal Audit Office. The Vice President - Internal Audit will retain sole, secure custody of the mail and log.
- The Vice President - Internal Audit will review complaints for the sole purpose of determining if they relate to accounting concerns.
 - The Vice President - Internal Audit will maintain control over the mail in order to maintain confidentiality of both the initiator and subject matter. The Vice President - Internal Audit will review the complaints to identify those that relate to accounting concerns. The Vice President - Internal Audit will update the log to evidence the disposition of each item received.
 - The Vice President - Internal Audit will maintain a complete record of all complaints received.
- The Vice President - Internal Audit will transmit complaints that relate to accounting concerns to the Chair of the Audit Committee for review, and if appropriate, for investigation by the Committee.
 - The Vice President - Internal Audit will promptly notify the Chair of the Audit Committee of any complaints that relate to accounting concerns. The Vice President - Internal Audit will send copies of such letters to the Chair of the Audit Committee by overnight mail.
 - The Vice President - Internal Audit will determine the appropriate handling for complaints that do not involve accounting concerns.
- The Vice President - Internal Audit will retain all complaints in confidential records, separate from the Company's general records. Complaints will be retained under the sole control of the Vice President - Internal Audit or the Audit Committee for three years. Complaints that concern a matter referred to the Audit Committee will be retained for three years after the matter is resolved.
 - The Vice President - Internal Audit will retain all original letters, envelopes and the log in secure storage for three years. Complaints referred to the Audit Committee will be retained for three years after the matter is resolved. During this time, it will be available for review by the Chair of the Audit Committee. The Vice President - Internal Audit will shred materials that have reached the three-year retention period.
 - To ensure the Audit Committee is receiving appropriate information regarding complaints that relate to accounting concerns, the Chair of the Audit Committee will periodically meet with the Vice President - Internal Audit to review the logs, all materials received (including any determined to concern other matters) and the complaint process.
- The name or names of any complaining employees shall be kept confidential, unless they consent to disclosure in writing, or their identity is compelled by legal process.
 - The Audit Committee will make all determinations regarding the handling and disclosure of the subject matter of complaints that relate to accounting concerns.

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COMPENSATION COMMITTEE CHARTER

Purpose and Scope

The primary function of the Compensation Committee (the "Committee") is to assist the Board of Directors (the "Board") in fulfilling its responsibilities and duties by making recommendations to the Board with respect to the compensation of the Company's Chief Executive Officer ("CEO") and its executive officers. The Compensation Committee shall act in accordance with the Securities and Exchange Commission (the "SEC") and the National Association of Securities Dealers ("NASD").

Composition and Meetings

The Committee shall be comprised of a minimum of three members of the Board, as appointed by the Board, each of whom shall meet the applicable independence requirements promulgated by the Securities and Exchange Commission (the "SEC") and the National Association of Securities Dealers ("NASD"). The members of the Committee shall be elected by the Board and shall serve until their successors shall be duly elected and qualified or until their earlier resignation or removal. Unless a Chair of the Committee is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. A majority of the number of Committee members shall constitute a quorum for the transaction of business.

The Committee shall meet as often as necessary, but at least once each year, to enable it to fulfill its responsibilities and duties as set forth herein. The Committee shall report its actions to the Board and keep written minutes of its meetings, which shall be recorded and filed with the books and records of the Company.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

1. Produce an annual report on executive compensation for inclusion in the Company's proxy statement.
2. Annually review and approve corporate goals and objectives relevant to the CEO's compensation, evaluate the CEO's performance in light of these goals and objectives, and recommend to the Board the CEO's compensation level based on this evaluation. The CEO shall not be present during the voting or any deliberations concerning the CEO's compensation.
3. Annually recommend to the Board the compensation of executive officers of the Company. The CEO may participate in such deliberations, but shall not vote to approve or recommend any form of compensation for such executive officers.
4. Recommend to the Board awards of equity based options under the Company's 2003 Equity Incentive Plan, as amended ("Plan"), to the CEO, the executive officers, and other key employees under the Company's Plan and exercise such other power and authority as may be permitted or required under the Plan.
5. Make recommendations to the Board with respect to incentive compensation plans and equity-based plans, employment agreements and other employment compensation arrangement between the Company and the CEO and other executive officers.
6. Timely communicate all Committee decisions and the basis and support for decisions to Company management to facilitate administration and prompt and adequate disclosure in accordance with SEC requirements.
7. From time to time review and make recommendations to the Board with respect to the compensation of directors.
8. Make regular reports to the Board.
9. Review committee member qualifications; committee member appointment and removal; committee structure and operations (including authority to delegate to subcommittees); and committee reporting to the Board.
10. Have authority to retain and terminate any compensation consultant used to assist in the evaluation or development of compensation arrangements between the Company and its directors, CEO and other executive officers, and shall have authority to approve the firm's fees and other retention terms. Such consultants shall be independent.
11. Have authority to obtain advice and assistance from internal or external legal, financial, or other advisors.
12. Review the Company's Compensation Discussion and Analysis (CD&A) and discuss it with management.
13. Based on the review and discussions, the Compensation Committee will recommend to the board of directors that the CD&A be included in the annual report on Form 10-K (or incorporated by reference to the proxy statement).
14. Review and assess the adequacy of this Charter periodically as conditions dictate, but at least annually, and recommend any modifications to this Charter if and when appropriate to the Board for its approval.
15. Annually review the Committee's own performance.

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EQUITY COMPENSATION GRANT POLICY

First State Bancorporation ("Company") has adopted the following Equity Compensation Grant Policy, effective January 26, 2007. The Policy is consistent with past practices and procedures of the Company in its grants of equity compensation. Definitions. The following definitions apply to all grants of equity based compensation under the Company's 2003 Equity Incentive Plan, as amended.

"Board" means the Company's Board of Directors.

"Compensation Committee" means the Company's Compensation Committee.

"Company Officer" means the Company's "Named Executive Officers" as defined by Securities and Exchange Commission Rule 402(a), Regulation S-K.

"Covered Employee" means any employee deemed to be a "covered employee" by the provisions of Internal Revenue Code Section 162(m).

"Employee" means any employee of the Company or any of its subsidiaries.

"Equity Based Security" means any equity based security or equivalent compensation unit authorized or permitted under the Company's 2003 Equity Incentive Plan, as amended, and includes, without limitation, stock options, restricted stock, stock appreciation rights, and restricted stock units.

"Equity Compensation Compliance Officer" means that person designated by the Compensation Committee to insure compliance with state law, federal securities law and regulation, Internal Revenue Code Section 162(m), and the Company's 2003 Equity Incentive Plan.

"Grant" means a grant of an equity based security or equivalent compensation unit authorized or permitted under the Company's 2003 Equity Incentive Plan, as amended, and includes, without limitation, stock options, restricted stock, stock appreciation rights, and restricted stock units.

"Plan" means the Company's 2003 Equity Incentive Plan, as amended.

Scope of Policy: This policy applies to any Grant of an Equity Based Security under the Plan by the Board or the Compensation Committee. It is the policy of the Company that all Grants to any Company Officer, Covered Employee, Employee or member of the Board shall be in accordance with this policy. The Policy shall apply to Grants to newly hired employees or those new employees who are promised Grants as a condition of their accepting employment.

Grants, Timing of Grants and Pricing of Grants: All Grants of an Equity Based Security shall be in accordance with the procedures as set forth hereinafter.

1. All Grants shall occur only at regular quarterly or special meetings of the Board and the pricing or exercise price of any Equity Based Security shall be equal to the price of the underlying Company security at the close of business on the date of the Grant.
2. All Grants shall be recommended by the Compensation Committee and approved by the Board at a regularly noticed meeting and the date of such Grant shall be the date of the meeting approving the Grant.
3. No Grant shall be made unless the Grant is made at a meeting of the Board held in person or by telephone.

Equity Compensation Compliance Officer. The Compensation Committee shall appoint an Equity Compensation Compliance Officer, with Board approval, who shall have experience and training in the legal and accounting aspects of Grants under the federal securities law, the federal tax laws and generally accepted accounting principles. The Equity Compensation Compliance Officer shall review recommended Grants for compliance with accounting and legal requirements before approval of the Grant by the Board. The Equity Compensation Compliance Officer may be an employee of the Company or its subsidiaries, but may not be a Named Executive Officer or Covered Employee.

Exceptions to Policy: Exceptions to this policy shall only be made upon special and unique circumstances which are fully approved by the Board. Any such exception shall not be made in Grants to any Director, Named Executive Officer or Covered Employee. Such exceptions shall be fully disclosed to the extent required by the federal securities laws and be the subject of proper accounting and tax treatment.

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STATEMENT OF POLICY WITH RESPECT TO RELATED PARTY TRANSACTIONS

A. Introduction.

The Board of Directors recognizes that related party transactions present a heightened risk of conflicts of interest and/or improper valuation (or the perception thereof) and therefore has adopted this policy which shall be followed in connection with all related party transactions involving the Company.

Under this policy, any "Related Party Transaction" shall be consummated or shall continue only if:

1. the Audit Committee shall approve or ratify such transaction in accordance with the guidelines set forth in this policy and if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party, or
2. the transaction is approved by the disinterested members of the Board of Directors, or
3. the transaction involves compensation approved by the Company's Compensation Committee.

For these purposes, a "Related Party" is:

1. a named executive officer (which shall include at a minimum each executive or senior vice president

- and Section 16 officer), or any director of the Company
2. a shareholder owning in excess of five percent of the Company
 3. a person who is an immediate family member of a named executive officer, or any director of the Company
 4. an entity to which the company made, or from which the company received, payments for property or services in the current or any of the past three fiscal years that exceed \$120,000 or more and which is owned or controlled by someone listed in 1, 2 or 3 (or Family Member of those listed), other than the following:
 - i. payments arising solely from investments in the company's securities; or
 - ii. payments under non-discretionary charitable contribution matching programs

For these purposes, a "Related Party Transaction" is a transaction between the Company and any Related Party (including any transactions requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934) or a transaction covered by NASDAQ Rule 4350(h), other than:

1. transactions available to all employees generally
2. transactions involving less than \$60,000 when aggregated with all similar transactions (whether or not required to be disclosed under Item 404 of Regulation S-K under the Securities Exchange Act of 1934)..

B. Audit Committee Approval

The Board of Directors has determined that the Audit Committee of the Board is best suited to review and approve Related Party Transactions. Accordingly, at each regularly scheduled Audit Committee meeting, management shall recommend Related Party Transactions to be entered into by the Company for that calendar year, including the proposed aggregate value of such transactions if applicable. After review, the Committee shall approve or disapprove such transactions. Management shall inform the Audit Committee of any material changes to the transaction and the Audit Committee shall approve or disapprove the transaction as changed.

D. Disclosure

All Related Party Transactions are to be disclosed in the Company's applicable filings as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules. Furthermore, management shall disclose all Related Party Transactions to the Audit Committee of the Board and any Related Party Transaction shall be disclosed to the full Board of Directors.

E. Other Agreements and Laws

Management shall assure that all Related Party Transactions are approved in accordance with any requirements of the Company's financing agreements and any other federal or state law or regulation requiring such review or approval.

As adopted January 26, 2007

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