

AGREEMENT BY AND BETWEEN
Canyon National Bank
Palm Springs, California
and
The Comptroller of the Currency

Canyon National Bank, Palm Springs, California (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to supervision of the affairs of the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall cause the Bank to continue to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

(6) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
Southern California—South Field Office
1925 Palomar Oaks Way, Suite 202
Carlsbad, California 92008

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

- (3) Within thirty (30) days of the date of this Agreement, and monthly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:
- (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
 - (b) actions taken to comply with each Article of this Agreement; and
 - (c) the results and status of those actions.
- (4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE III

CAPITAL PLAN

- (1) Effective immediately, the Bank shall only declare dividends:
- (a) when the Bank is in compliance with the Bank's Three-Year Capital Plan described in Paragraphs (2) and (3) of this Article;
 - (b) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (c) with the prior written approval from the Assistant Deputy Comptroller.
- (2) Within sixty (60) days of the date of this Agreement, the Board shall develop a written capital plan that covers at least the next three years (hereafter the Bank's "Three-Year Capital Plan"), complete with specific time frames that incorporate the capital, strategic and other requirements of this Article.
- (3) The Bank's Three-Year Capital Plan shall establish objectives and projections for the Bank's overall risk profile, earnings performance, growth expectations, balance sheet mix,

off-balance sheet activities, liability structure, capital and liquidity adequacy, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives, that are specific, measurable, and verifiable. At a minimum, the Bank's Three-Year Capital Plan shall address or include:

- (a) an assessment of the Bank's present and future operating environment;
- (b) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (c) the development of strategic goals and objectives to be accomplished over the short and long term;
- (d) growth limitations and actions to reduce significant concentrations of credit;
- (e) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (1) of this Article;
- (f) specific plans for the maintenance of adequate capital as required by the OCC and sufficient to be well capitalized under 12 C.F.R. Part 6;
- (g) specific plans for maintaining adequate liquidity in accordance with the requirements of Article X, including developing an appropriate contingency funding plan;
- (h) the primary source(s), especially those that are not credit sensitive, from which the Bank will maintain a capital structure sufficient to meet the Bank's needs;
- (i) contingency plans that identify alternative capital sources should the primary source(s) under subparagraph (g) not be available; and

- (j) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the next three years.

(4) A copy of the Bank's Three-Year Capital Plan, and any amendment of such plan approved by the Board, shall be forwarded to the Assistant Deputy Comptroller immediately upon completion.

ARTICLE IV

CREDIT RISK RATINGS

(1) Within thirty (30) days of the date of this Agreement, the Board shall develop a program to ensure that the risks associated with the Bank's loans and other assets are properly reflected and accounted for on the Bank's books and records, and appropriately reported to the Board and management. Such program shall include, at a minimum, provisions requiring that:

- (a) the Bank's loans and other assets are appropriately and timely risk rated and reserved for, or charged-off, by the lending officers using a loan grading system that is based upon current facts, existing repayment terms and that is consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook*; and
- (b) loan officers are accountable for failing to appropriately and timely risk rate loans.

ARTICLE V

APPRAISAL AND EVALUATION PROCESS

(1) Within sixty (60) days of the date of this Agreement, the Board shall revise, adopt, implement and thereafter ensure Bank adherence to a written program of policies and procedures designed to ensure that the Bank obtains appraisals and evaluations in compliance with 12 C.F.R. Part 34, Advisory Letter 2003-9, and OCC Bulletin 2005-6, and consistent with safe and sound banking practices, to include at a minimum:

- (a) procedures to ensure that a current appraisal or evaluation from a State certified or licensed appraiser, as appropriate, is obtained prior to the renewal of any loan at the Bank secured by real estate whenever:
 - (i) there has been material deterioration in market conditions or physical aspects of the property which would threaten the institution's collateral protection; or
 - (ii) there has been material deterioration in the borrower's financial condition and/or credit standing;
- (b) procedures to ensure that if an appraisal is prepared by a fee appraiser, the appraiser shall be engaged directly by the Bank and have no direct or indirect interest, financial or otherwise, in the property or transaction. The Bank may accept an appraisal that was prepared by an appraiser engaged directly by another financial institution, if:
 - (i) the appraiser has no direct or indirect interest, financial or otherwise, in the property or the transaction; and

- (ii) the Bank determines that the appraisal conforms with 12 C.F.R. Part 34 and is otherwise acceptable;
- (c) procedures to ensure that, upon transfer of a property to OREO, the Bank shall substantiate the value of such property by obtaining a current appraisal or evaluation, as appropriate, in conformance with 12 C.F.R. Part 34, Subpart C;
- (d) the establishment and implementation of a policy requiring a meaningful review, independent of the lending function of the Bank, of all appraisals and evaluations to include analysis commensurate with the type, size and complexity of the property being appraised; and
- (e) the establishment of a tickler system for tracking appraisals and evaluations ordered, received, returned and reviewed.

ARTICLE VI

COMMERCIAL REAL ESTATE UNDERWRITING

(1) Within sixty (60) days of the date of this Agreement, the Board shall adopt, implement and thereafter ensure Bank adherence to a revised commercial real estate lending policy that provides for the following enhancements:

- (a) conducting individual loan stress testing and/or sensitivity analysis at origination and periodically thereafter to quantify the impact of changing economic conditions on asset quality, earnings and capital, including at a minimum:

- (i) the expansion of stress testing for term commercial property loans to cover changes in interest rates, capitalization rates, vacancy rates, rental rates and expenses;
 - (ii) the expansion of stress testing for residential construction loans to cover changes in interest rates, absorption rates and selling price; and
 - (iii) the expansion of stress testing for income producing property loans to cover changes in interest rates, capitalization rates, vacancy rates, rental rates and prices;
- (b) conducting portfolio-level multi-factor stress testing and/or sensitivity analysis to better quantify the impact of changing economic conditions on asset quality, earnings and capital; and
- (c) requiring complete financial analysis of the ability of principals and guarantors to support construction projects in the event that sales do not materialize as projected, both during the loan underwriting process and on an ongoing basis, including at a minimum:
- (i) obtaining complete financial and income information from each borrower and guarantor on a loan; and
 - (ii) conducting a thorough analysis of the financial information, including contingent liabilities, in order to evaluate the global cash flow of each borrower and guarantor on a loan.

(2) The Board shall submit a copy of the revised commercial real estate lending policy required by this Article to the Assistant Deputy Comptroller.

ARTICLE VII

PARTICIPATIONS PURCHASED

(1) The Bank may grant, purchase, assume or acquire in any manner, directly or indirectly, or as a fiduciary or nominee, any loan, loan participation, loan obligation or other asset, as long as such grant, purchase, assumption, or acquisition is consistent with safe and sound banking practices, the guidelines set forth in Banking Circular 181 (revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34.

ARTICLE VIII

CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written asset diversification program consistent with the “Concentrations of Credit” booklet of the *Comptroller’s Handbook (Section 216)*. The program shall include, but not necessarily be limited to, the following:

- (a) a review of current policies, processes and procedures to control and monitor concentrations of credit;
- (b) a written analysis of all concentrations of credit that fully assesses inherent credit, liquidity, and interest rate risk;
- (c) establishment of safe and sound, formal risk limits for all concentrations of credit based on a percentage of capital;
- (d) an action plan approved by the Board to reduce the risk of any concentration of credit deemed imprudent in the above analysis; and

(e) standards for approving changes to the plan, including temporary changes to concentration limits where specifically approved by the Board.

(2) The Board shall ensure that future concentrations of credit are subjected to the analysis required by paragraph (1)(b), and the limits established by paragraph (1)(c), of this Article and that the analysis demonstrates that the concentration will not subject the Bank to undue credit, liquidity, or interest rate risk.

(3) The Board shall forward a copy of the written asset diversification program, including the analysis of existing concentrations of credit, and the establishment of formal limits for all existing or future concentrations of credit, to the Assistant Deputy Comptroller for prior determination of no supervisory objection.

ARTICLE IX

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days of the date of this Agreement, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the maintenance of an appropriate Allowance. This review and program shall be designed to meet Generally Accepted Accounting Principles and regulatory guidance set forth in FAS 5, FAS 114, OCC Bulletin 2001-37, OCC Bulletin 2006-47, and the "Allowance for Loan and Lease Losses" booklet of the *Comptroller's Handbook*, and shall focus particular attention on the following factors:

- (a) suitable policies and procedures that communicate the Allowance process internally to all applicable personnel;
- (b) clear explanations and documentation for the Allowance analysis;

- (c) results of the Bank's internal risk ratings;
- (d) results of the Bank's external loan review;
- (e) an estimate of loss exposure on each impaired credit;
- (f) loan loss experience;
- (g) trends of delinquent and nonaccrual loans;
- (h) concentrations of credit in the Bank; and
- (i) present and prospective economic conditions.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Call Report, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

ARTICLE X

LIQUIDITY

- (1) Within thirty (30) days, the Board shall take the necessary steps to ensure that liquidity risk at the Bank is controlled, to include at a minimum:
- (a) evaluating or establishing appropriate lines of credit available from the Federal Reserve Bank and the Federal Home Loan Bank;
 - (b) evaluating or establishing appropriate lines of credit available from correspondent banks;
 - (c) preparing a sources and uses of funds report on a monthly basis to assist with monitoring the funds flow in the Bank that, at a minimum, includes:

- (i) a maturity schedule of certificates of deposit, including large uninsured deposits;
 - (ii) the volatility of demand deposits including escrow deposits;
 - (iii) the amount and type of loan commitments and standby letters of credit; and
 - (iv) an analysis of continuing availability and volatility of present funding sources;
- (d) ensuring that the Asset Liability Committee (“ALCO”) formally meets at least monthly;
- (e) enhancing the asset/liability management policy to incorporate forward-looking risk measurements and liability concentration limits such as limits on the amount of funds that may be sourced from any individual customer or groups of customers, or liability concentration by instrument; and
- (f) establishing a contingency funding plan that forecasts funding needs and funding sources under multiple stress scenarios and:
- (i) represents management’s best estimate of balance sheet changes that may result from a liquidity crisis or credit event;
 - (ii) provides for assumptions based on the possible cumulative reductions in the primary liquidity sources;
 - (iii) includes assumptions specifically providing for the impact of a significant increase in the level of problem assets, along with an assumption that wholesale funding sources may not be available;

- (iv) identifies, quantifies, establishes and ranks all sources of funding by preference for the various scenarios, including asset side funding, liability side funding, and off-balance sheet funding;
- (v) ensures that administrative policies and procedures are consistent with the Board's guidance and risk tolerances;
- (vi) specifically identifies individuals with responsibility to declare, manage, and resolve a liquidity crisis;
- (vii) describes internal and external communication processes for disseminating relevant information; and
- (viii) defines a process of regular testing to ensure that the contingency funding plan is operational.

(2) The Board shall prepare monthly reports setting forth the Bank's liquidity requirements and sources and its contingency plans. Copies of these reports shall be forwarded to the Assistant Deputy Comptroller along with the Bank's monthly progress reports.

ARTICLE XI

CRITICIZED ASSETS

(1) The Bank shall take prompt and continuing action to protect its interest in those assets criticized by the Comptroller, by internal or external loan review, or in any list subsequently provided to management by the Comptroller during any review.

(2) Within thirty (30) days, the Board shall ensure that the Bank's Problem Loan Report is enhanced to provide specific reasons to support the loan grade, detailed action plans

that include time frames and goals, and triggers for potential risk rating upgrades and downgrades.

(3) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized by the Comptroller, or by any internal or external loan review, or in any list subsequently provided to management by the Comptroller during any review, as “doubtful,” “substandard,” or “special mention.” This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(4) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds five hundred thousand dollars (\$500,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(5) A copy of each review shall be forwarded to the Assistant Deputy Comptroller.

(6) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized by the Comptroller, in any internal or external loan review, or in any list subsequently provided to management by the Comptroller during any review, and whose aggregate loans or other extensions exceed five hundred thousand dollars (\$500,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(7) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE XII

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited by the Comptroller. The monthly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited by the Comptroller and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

ARTICLE XIII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are

amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow up on any noncompliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any noncompliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has

statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/

Steven J. Vander Wal
Assistant Deputy Comptroller
Southern California—South Field Office

9/15/2008

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/ _____ Mark Bennedetti	9/15/08 _____ Date
/s/ _____ Lynne Bushore	9/15/08 _____ Date
/s/ _____ Robert M. Fey	9/15/08 _____ Date
/s/ _____ Michael D. Harris, Sr.	9/15/08 _____ Date
/s/ _____ Stephen G. Hoffmann	9/15/08 _____ Date
/s/ _____ Milton W. Jones	9/15/08 _____ Date
/s/ _____ Kipp I. Lyons	9/15/08 _____ Date
/s/ _____ Max Ross	9/15/08 _____ Date
/s/ _____ Richard Shalhoub	9/15/08 _____ Date