#2010-001
Terminates **#2008-131**

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

In the Matter of: Palm Desert National Bank Palm Desert, CA	)))	AA-EC-09-111

CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America ("Comptroller"), through his National Bank Examiner, has supervisory authority over Palm Desert National Bank, Palm Desert, CA ("Bank");

WHEREAS, the Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a Stipulation and Consent to the Issuance of a Consent Order ("Stipulation and Consent"), dated 1-5-10, that is accepted by the Comptroller; and

WHEREAS, by this Stipulation and Consent, which is incorporated by reference, the Bank, has consented to the issuance of this Consent Order ("Order") by the Comptroller;

NOW, THEREFORE, pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Order, the Board shall appoint and maintain a Compliance Committee of at least three (3) directors, of whom 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 Director of Special Supervision ("Director"). The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

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

(3) Within thirty (30) days of the date of this Order and every thirty (30) days 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 Order;

(b) actions taken to comply with each Article of this Order; 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, together with a copy of the most recent Board minutes to the Director within ten (10) days of receiving such report.

(5) All reports or plans which the Bank or Board has agreed to submit to the Director pursuant to this Order shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision Comptroller of the Currency 250 E Street, S.W. Mail Stop 7-4 Washington, DC 20219	with a copy to: Southern California – South Field Office 1925 Palomar Oaks Way Suite 202 Carlsbad, CA 92008

(6) The Board shall ensure that the Bank has sufficient processes, personnel, and control systems to effectively implement and adhere to all provisions of this Order, and that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Order.

ARTICLE II

STRATEGIC PLAN

(1) Within ninety (90) days, the Board shall forward to the Director for his review, pursuant to paragraph (4) of this Article, a written Strategic Plan for the Bank that is acceptable to the Director, covering at least a three-year period. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the Strategic Plan. The Strategic Plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development, and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives, and shall, at a minimum, include:

(a) a mission statement that forms the framework for the establishment of strategic goals and objectives;

(b) a description of the Bank's targeted market(s) and an assessment of the current and projected risks and competitive factors in its identified target market(s);

(c) the strategic goals and objectives to be accomplished;

(d) identification and description of specific actions to improve the quality of the Bank's loan portfolio;

(e) an assessment of the role the Bank's Electronic Banking Solutions division will have on the Bank, including the effect of any sale or partial sale of the Electronic Banking Solutions division, over the period covered by the Strategic Plan;

(f) specific actions to improve Bank earnings and accomplish the identified strategic goals and objectives;

(g) identification of Bank personnel to be responsible and accountable for achieving each goal and objective of the Strategic Plan, including specific time frames;

(h) a financial forecast, to include projections for major balance sheet and income statement accounts, targeted financial ratios, and growth projections over the period covered by the Strategic Plan;

(i) a description of the assumptions used to determine financial projections and growth targets;

(j) an identification and risk assessment of the Bank's present and planned future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in the Strategic Plan, with the requirement that the risk assessment of new product lines be completed prior to the offering of such product lines;

(k) a description of control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's markets;

(l) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems, and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives established in the Strategic Plan;

(m) a management employment and succession program to promote the retention and continuity of capable management;

(n) assigned responsibilities and accountability for the strategic planning process, new products, growth goals, and proposed changes in the Bank's operating environment; and

(o) a description of systems to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) At least monthly, the Board shall review financial reports and earnings analyses prepared by the Bank that evaluate the Bank’s performance against the goals and objectives established in the Strategic Plan, as well as the Bank’s written explanation of significant differences between actual and projected balance sheet, income statement, and expense accounts, including descriptions of extraordinary and/or nonrecurring items. Within ten (10) days of the completion of its review, the Board shall submit a copy of the reports to the Director.

(3) At least quarterly, the Board shall prepare a written evaluation of the Bank’s performance against the Strategic Plan, based on the Bank’s monthly reports, analyses, and written explanations of any differences between actual performance and the Bank’s strategic goals and objectives, and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. Within ten (10) days of completing its evaluation, the Board shall submit a copy to the Director.

(4) Prior to adoption by the Board, a copy of the Strategic Plan, and any subsequent amendments or revisions, shall be forwarded to the Director for review and prior written determination of no supervisory objection. Upon receiving a written determination of no

supervisory objection from the Director, the Board shall adopt and the Bank shall immediately implement and adhere to the Strategic Plan.

(5) The Bank may not initiate any action that deviates significantly from the Board-approved Strategic Plan without a written determination of no supervisory objection from the Director. The Board must give the Director thirty (30) day advance, written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan.

(6) For the purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's disposition strategy with respect to the Electronic Banking Solutions division, marketing strategies, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. For purposes of this paragraph, "personnel" shall include the president, chief executive officer, chief operating officer, chief financial officer, chief credit officer, chief compliance officer, risk manager, auditor, member of the Bank's board of directors, or any other position subsequently identified in writing by the Director.

ARTICLE III

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall within one hundred twenty (120) days achieve and thereafter maintain the following minimum capital ratios as defined in 12 C.F.R. Part 3[1]:

(a) Tier 1 capital at least equal to eleven percent (11%) of risk-weighted assets;

(b) Tier 1 capital at least equal to nine percent (9%) of adjusted total assets.[2]

(2) Within ninety (90) days, the Board shall forward to the Director for his review, pursuant to paragraph (5) of this Article, a written Capital Plan for the Bank, covering at least a three-year period. The Capital Plan shall be consistent with the Strategic Plan required by Article II of this Order. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the Capital Plan. The Capital Plan shall include:

(a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);

(b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;

(c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;

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[1] The requirement in this Order to meet and maintain a specific capital level means that the Bank may not be deemed to be "well capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6, pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

[2] Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets**.**

(d) identification of the primary sources from which the Bank will maintain an appropriate capital structure to meet the Bank's future needs, as set forth in the Strategic Plan;

(e) specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Order and with 12 U.S.C. § 1831o, including the restrictions against brokered deposits in 12 C.F.R. § 337.6;

(f) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and

(g) address capital needs in relation to supervisory and operational risk and risk tolerance in the merchant processing area.

(3) The Bank may pay director fees only:

(a) when the Bank is in compliance with the capital ratios required in paragraph (1) of this article; and

(b) following the prior written determination of no supervisory objection by the Director.

(4) The Bank may pay a dividend or make a capital distribution only:

(a) when the Bank is in compliance with its approved Capital Plan and would remain in compliance with its approved Capital Plan immediately following the payment of any dividend;

(b) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and

(c) following the prior written determination of no supervisory objection by the Director.

(5) Prior to adoption by the Board, a copy of the Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Director, the Board shall adopt and the Bank shall immediately implement and adhere to the Capital Plan. The Board shall review and update the Bank's Capital Plan at least annually and more frequently if necessary or if requested by the Director. Revisions to the Bank's Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection.

(6) If the Bank fails to submit an acceptable Capital Plan as required by paragraph (2) of this Article, fails to implement or adhere to a Capital Plan to which the Director has taken no supervisory objection pursuant to paragraph (5) of this Article, or fails to achieve and maintain the minimum capital ratios as required by paragraph (1) of this Article; then in the sole discretion of the Director, the Bank shall, upon direction of the Director, within thirty (30) days develop and shall submit to the Director for his review and prior written determination of no supervisory objection a Disposition Plan that shall detail the Board's proposal to sell or merge the Bank, or liquidate the Bank under 12 U.S.C. § 181.

(7) In the event that the Disposition Plan submitted by the Bank's Board outlines a sale or merger of the Bank, the Disposition Plan shall, at a minimum, address the steps that will be taken and the associated timeline to ensure that a definitive agreement for the sale or merger is executed not later than ninety (90) days after the receipt of the Director's written determination of no supervisory objection to the Disposition Plan pursuant to paragraph (6) of this Article. If the Disposition Plan outlines a liquidation of the Bank, the Disposition Plan shall detail the actions and steps necessary to accomplish the liquidation in conformance with 12 U.S.C. §§ 181 and 182, and the dates by which each step of the liquidation shall be completed,

including the date by which the Bank will terminate the national bank charter. In the event of liquidation, the Bank shall hold a shareholder vote, pursuant to 12 U.S.C. § 181, and commence liquidation within thirty (30) days of receiving the Director's written determination of no supervisory objection to the Disposition Plan pursuant to paragraph (6) of this Article.

(8) After the Director has advised the Bank in writing that he does not take supervisory objection to the Disposition Plan, the Board shall immediately adopt and implement, and shall thereafter ensure adherence to, the terms of the Disposition Plan. Failure to submit a timely, acceptable Disposition Plan, or failure to implement and adhere to the Disposition Plan after the Board obtains a written determination of no supervisory objection from the Director, may be deemed a violation of this Order, in the exercise of the Director's sole discretion.

ARTICLE IV

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) The Board shall ensure that the Bank has competent management in place on a full-time basis in all executive officer positions to carry out the Board's policies; ensure compliance with this Order; ensure compliance with applicable laws, rules, and regulations; and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Director written notice, as required by 12 C.F.R. § 5.51 and in accordance with the Comptroller's Licensing Manual. The Director shall have the power to disapprove the appointment of the proposed executive officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer.

(3) The Board shall perform, at least annually, a written performance appraisal for each Bank executive officer that establishes objectives by which the officer's effectiveness will

be measured, evaluates performance according to the position's description and responsibilities, and assesses accountability for action plans to remedy issues raised in Reports of Examination or audit reports. Upon completion, copies of the performance appraisals shall be submitted to the Director. The Board shall ensure that the Bank addresses any identified deficiencies in a manner consistent with paragraphs (3) of this Article.

ARTICLE V

APPOINTMENT OF NEW DIRECTORS

(1) The Board shall immediately look for director-nominees to add, at a minimum, one new independent director. For the purpose of complying with this Order, the term "independent director" means a person who is not an officer, employee, or principal shareholder (as defined in 12 C.F.R. § 215.2(m) ("principal shareholder")) of the Bank, who is not a director, officer, employee, or principal shareholder of an affiliate of the Bank (as defined in 12 U.S.C. § 221a and 12 U.S.C. § 371c), and who is not a relative of such a person.

(2) Within one hundred twenty (120) days, the Bank shall add a sufficient number of directors, consistent with paragraph (1) of this article, to achieve and maintain an odd number of directors.

(3) Prior to appointing any new director, the Bank must provide the Director with written notice as required by 12 C.F.R. § 5.51 (notice forms and instructions are in the "Changes in Directors and Senior Executive Officers" and "Background Investigations" booklets of the Comptroller's Licensing Manual).

(4) The Director shall have the power to disapprove the appointment of the proposed new director. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed director.

(5) If the Board is unable to identify any qualified director candidates within sixty (60) days, the Board shall document its efforts to locate such candidates, and notify the Director in writing. Thereafter, the Board shall provide monthly reports to the Director summarizing its continuing efforts to locate such candidates.

ARTICLE VI

BOARD'S COMMITTEE STRUCTURE

(1) Within sixty (60) days, the Compliance Committee shall conduct a review of the Board's committee structure. The review shall include an evaluation of the existing structure and shall include:

(a) the composition of each committee with regard to the number of members and the technical expertise required for each committee; and

(b) specific recommendations to improve the efficiency and responsiveness of each committee.

(2) Upon completion of the review, a copy of the report shall be forwarded to the Director along with a copy of the Board resolution making appropriate adjustments in the committee structure.

ARTICLE VII

LOAN PORTFOLIO MANAGEMENT

(1) Within sixty (60) days, Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to a written credit policy to improve the Bank's loan portfolio management. The credit policy shall include (but not be limited to):

(a) a description of the types of credit information required from borrowers and guarantors, including (but not limited to) annual audited statements (except where the credit policy specifically permits annual unaudited statements in the case of certain small business or individual borrowers), interim financial statements, personal financial statements, and tax returns with supporting schedules;

(b) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and validating current credit information about the borrower and any guarantor sufficient to fully assess and analyze the borrower's and guarantor's cash flow, debt service requirements, contingent liabilities, and global liquidity condition, and only after the credit officer prepares a documented credit analysis;

(c) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and documenting the current valuation of any supporting collateral, perfecting and verifying the Bank's lien position, and that reasonable limits are established on credit advances against collateral, based on a consideration of (but not limited to) a realistic assessment of the value of collateral in accordance with the Policy Statement on Prudent Commercial Real Estate Loan Workouts (FIL-61-2009), the ratio of loan to value, and overall debt service requirements;

(d) procedures to ensure that loans made for the purpose of constructing or developing real estate include (but are not limited to) requirements to:

(i) obtain and evaluate detailed project plans; detailed project budget; time frames for project completion; detailed market analysis; and sales projections, including projected absorption rates;

(ii) conduct stress testing of significant project and lending; and

(iii) obtain current documentation sufficient to support a detailed analysis of the financial condition of borrowers and significant guarantors.

(e) a requirement that borrowers and/or guarantors maintain any collateral margins established in the credit approval process;

(f) procedures that prohibit the capitalization of accrued interest on any loan renewal or extension;

(g) procedures that prohibit, on any loan renewal, extension or modification, the establishment of a new interest reserve using the proceeds of any Bank loan to the same borrower or guarantor;

(h) procedures to ensure that all exceptions to the credit policy shall be clearly documented on the loan offering sheet, problem loan report, and other management information systems ("MIS"); and approved by the Board or a committee thereof before the loan is funded or renewed;

(i) credit risk rating definitions consistent with applicable regulatory guidance;

(j) procedures for early problem loan identification, to ensure that credits are accurately risk rated promptly;

(k) procedures governing the identification and accounting for nonaccrual loans that are consistent with the requirements contained in the Call Report Instructions; and

(l) prudent lending and approval limits for lending officers that are commensurate with their experience and qualifications, and that prohibit combining individual lending officers' lending authority to increase limits.

(2) The Board shall ensure that Bank personnel performing credit analyses are adequately trained in cash flow analysis, particularly analysis using information from tax returns, and that processes are in place to ensure that additional training is provided as needed.

(3) Within sixty (60) days the Board shall establish a written performance appraisal and salary administration process for loan officers that adequately consider performance relative to job descriptions, policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters.

ARTICLE VIII

CONCENTRATIONS

(1) Within sixty (60) days, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to a written concentration management program consistent with the guidelines in OCC Bulletin 2006-46. The program shall include (but not necessarily be limited to) the following:

(a) policy guidelines addressing the level and nature of exposures acceptable to the institution and setting concentration limits, including limits on commitments to individual borrowers and appropriate sub-limits;

(b) procedures to identify and quantify the nature and level of risk presented by concentrations, including review of reports describing changes in conditions in the Bank's markets;

(c) procedures to periodically review and revise, as appropriate, risk exposure limits and sub-limits to conform to any changes in the institution's strategies and to respond to changes in market conditions;

(d) periodic portfolio-level stress tests or sensitivity analysis to quantify the impact of changing economic conditions on asset quality, earnings, and capital;

(e) appropriate strategies for managing concentration levels, including a contingency plan to reduce or mitigate concentrations in the event of adverse market conditions; and

(f) periodic reports to the Board, to include the following, as appropriate:

(i) a summary of concentration levels, by type and subtype;

(ii) a synopsis of the Bank's market analysis;

(iii) a discussion of recommended strategy when concentrations approach or exceed Board-approved limits; and

(iv) a synopsis of changes in risk levels by concentration type and subtype, with discussion of recommended changes in credit administration procedures (for example, underwriting practices, risk rating, monitoring, and training)

(2) The Board shall forward a copy of the program required in paragraph (1) above, and any concentration reports, studies, or analyses to the Director.

ARTICLE IX

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the most recent Report of Examination ("ROE"), in any subsequent ROE, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within sixty (60) days, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to a written program designed to protect the Bank's interest in those assets criticized in the most recent Report of Examination ("ROE"), in any subsequent ROE, any internal or external loan review, or in any list provided to management by the National Bank Examiners as "doubtful," "substandard," or "special mention."

(3) The program shall include the development of Criticized Asset Reports ("CARs") identifying all credit relationships and other assets totaling in aggregate five hundred thousand dollars ($500,000) or more, criticized as "doubtful," "substandard," or "special mention." The CARs must be updated and submitted to the Board and the Director monthly. Each CAR shall cover an entire credit relationship and include, at a minimum, analysis and documentation of the following:

(a) the origination date and any renewal or extension dates, amount, purpose of the loan, and the originating and current loan officer(s);

(b) the expected primary and secondary sources of repayment, and an analysis of the adequacy of the repayment source;

(c) the appraised value of supporting collateral and the position of the Bank's lien on such collateral, where applicable, as well as other necessary documentation to support the current collateral valuation;

(d) an analysis of current and complete credit information, including cash flow analysis where loans are to be repaid from operations;

(e) results of any FAS 114 impairment analysis;

(f) significant developments, including a discussion of changes since the prior CAR, if any; and

(g) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment, including an appropriate exit strategy.

(4) The Bank may not extend credit, directly or indirectly, including renewals, modifications or extensions, to a borrower whose loans or other extensions of credit are criticized in any ROE, in any internal or external loan review, or in any list provided to management by the National Bank Examiners, unless and until each of the following conditions is met:

(a) the Board, or a designated committee thereof, finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, modifying or extending 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. A copy of the findings and approval of the Board or designated committee shall be maintained in the credit file of the affected borrower and made available for review by National Bank Examiners;

(b) the Bank performs a written credit and collateral analysis as required by paragraph (3)(d) of this Article and, if necessary, the proposed action referred to in paragraph (3)(g) of this Article is revised, as appropriate; and

(c) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of additional credit.

ARTICLE X

LOAN REVIEW

(1) Within sixty (60) days, the Board shall establish an effective, independent, and on-going loan review program to review, no less than four (4) times a year, the Bank's loan and lease portfolios, to assure the timely identification and categorization of problem credits. The program shall provide for a written report to be filed with the Board promptly after each review and shall employ a loan and lease rating system consistent with the guidelines set forth in "Rating Credit Risk" and "Allowance for Loan and Lease Losses," booklets A-RCR and A-ALLL, respectively, of the Comptroller's Handbook. Such reports shall include, at a minimum:

(a) conclusions regarding the overall quality of the loan and lease portfolios;

(b) the identification, type, rating, and amount of problem loans and leases;

(c) the identification and amount of delinquent loans and leases;

(d) credit and collateral documentation exceptions;

(e) loans meeting the criteria for nonaccrual status;

(f) the identity of the loan officer of each loan reported in accordance with subparagraphs (b) through (e);

(g) the identification and status of credit-related violations of law, rule, or regulation;

(h) concentrations of credit;

(i) loans and leases to the directors, executive officers, and principal shareholders of the Bank and to their related interests; and

(j) loans and leases in nonconformance with the Bank's lending and leasing policies, and exceptions to the Bank’s lending and leasing policies.

(2) The Board shall evaluate the loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, as appropriate, is taken upon all findings noted in the report(s), and documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

ARTICLE XI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall immediately require and the Bank shall implement and thereafter adhere to a program for the maintenance of an adequate Allowance for Loan and Lease Losses (“ALLL”). The program shall be consistent with the comments on maintaining a proper ALLL found in the Interagency Policy Statement on the ALLL contained in OCC Bulletin 2006-47 (December 13, 2006) and with "Allowance for Loan and Lease Losses," booklet A-ALLL of the Comptroller's Handbook, and shall incorporate the following:

(a) internal risk ratings of loans;

(b) results of the Bank's independent loan review;

(c) criteria for determining which loans will be reviewed under Financial Accounting Standard ("FAS") 114, how impairment will be determined, and procedures to ensure that the analysis of loans complies with FAS 114 requirements;

(d) criteria for determining FAS 5 loan pools and an analysis of those loan pools;

(e) recognition of non-accrual loans in conformance with generally accepted accounting principles (“GAAP”) and regulatory guidance;

(f) loan loss experience;

(g) trends of delinquent and non-accrual loans;

(h) concentrations of credit in the Bank; and

(i) present and projected economic and market conditions.

(2) The program shall provide for a review of the ALLL by the Board at least once each calendar quarter. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to filing the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained of the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL and made available for review by National Bank Examiners.

(3) A copy of the Board's ALLL program, and any subsequent revisions to the program, shall be submitted to the Director within ten (10) days of being reported to or approved by the Board.

ARTICLE XII

LIQUIDITY RISK MANAGEMENT PROGRAM

(1) Within sixty (60) days, the Board shall revise and maintain a comprehensive liquidity risk management program which assesses, on an ongoing basis, the Bank’s current and projected funding needs, and ensures that sufficient funds or access to funds exist to meet those

needs. Such a program must include effective methods to achieve and maintain sufficient liquidity and to measure and monitor liquidity risk, to include at a minimum:

(a) strategies to maintain sufficient liquidity at reasonable costs including, but not limited to, the following:

(i) better diversification of funding sources;

(ii) reducing reliance on wholesale or noncore funding sources;

(iii) reducing rollover risk;

(iv) increasing liquidity through such actions as obtaining additional capital, placing limits on asset growth, aggressive collection of problem loans and recovery of charged-off assets, and asset sales; and

(v) monitoring the projected impact on reputation, economic and credit conditions in the Bank's market(s).

(b) The preparation of liquidity reports which shall be reviewed by the Board on at least a monthly basis, to include, at a minimum, the following:

(i) a certificate of deposit maturity schedule, including separate line items for all noncore funding sources including brokered deposits and uninsured deposits, depicting maturities on a weekly basis for the next two months and monthly for the following four months, which schedule shall be updated at least weekly;

(ii) a schedule of all funding obligations, including money market accounts, unfunded loan commitments, outstanding lines of credit and outstanding letters of credit, showing the obligations that can be drawn immediately, and on a weekly basis for the next two months and monthly for the following four months, which schedule shall be prepared and updated at least weekly;

(iii) a listing of funding sources, prepared and updated on a weekly basis for the next two months and monthly for the following four months, including federal funds sold; unpledged assets and assets available for sale; and borrowing lines by lender, including original amount, remaining availability, type and book value of collateral pledged, terms, and maturity date, if applicable.

(iv) a monthly sources and uses of funds report for a minimum period of six months, updated monthly, which reflects known and projected changes in asset and liability accounts, and the assumptions used in developing the projections. Such reports shall include, at a minimum:

1. the funding obligations and sources required by (b) and (c) of this paragraph;

2. projected additional funding sources, including loan payments, loan sales/participations, or deposit increases; and

3. projected additional funding requirements from a reduction in noncore deposit accounts including uninsured and brokered deposits, inability to acquire federal funds purchased, or availability limitations or reductions associated with borrowing relationships.

(c) A contingency funding plan that, on a monthly basis, forecasts funding needs, and funding sources under different stress scenarios which represent management's best estimate of balance sheet changes that may result from a liquidity or credit event. The contingency funding plan shall include:

(i) specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Order and 12 U.S.C. §1831o, including the restrictions against brokered deposits in 12 C.F.R. §337.6 (which plans may be subject to revision as may be appropriate upon the adoption, if any, of currently-proposed changes to 12 C.F.R.337.6);

(ii) the preparation of reports which identify and quantify all sources of funding and funding obligations under best case and worst case scenarios, including asset funding, liability funding and off-balance sheet funding; and

(iii) procedures which ensure that the Bank's contingency funding practices are consistent with the Board's guidance and risk tolerances.

(2) The Board shall submit a copy of the comprehensive liquidity risk management program, along with the reports required by this Article, to the Director within ten (10) days of being reported to or approved by the Board.

ARTICLE XIII

MERCHANT PROCESSING

(1) Within thirty (30) days, the Board shall adopt and thereafter ensure compliance with a level (i.e., matrix, percentage, number, volume) of acceptable risk tolerance for the Bank's overall merchant processing operation. The level of risk tolerance shall be incorporated into the Bank's Risk Management Program. The Board approved level of risk tolerance, at a minimum, shall consider and include for each merchant processing risk category defined as "High Risk" according to the Bank's underwriting guidelines, an acceptable level of merchant sales and number, level of charge-back amounts and frequency, and profitability; as well as limits on ticket size and merchant credit criteria, i.e., derogatory credit, credit score, underwriting exceptions.

(2) Within thirty (30) days, the Board shall adopt and implement a staffing plan for the Electronic Banking Solutions division, including the area of merchant processing, that would ensure adequate staffing appropriate for the operation's overall risk, the number of independent sales organizations (ISOs), transaction volume, and number of merchant accounts that would be sufficient to enable the Bank to monitor the merchants' activities knowledgeably and effectively. A proposed staffing plan (including current staffing) shall take into consideration the Bank's growth objectives; strategic direction; managerial and staff roles, experience, and responsibilities; operational complexity and size; and adequacy of risk and control functions. The staffing plan shall be forwarded to the Director within ten (10) days of approval by the Board.

(3) Within thirty (30) days and monthly thereafter, the Bank shall identify, document, and report to the Board merchants that have not submitted any transactions for a period of at least six (6) months and which have an outstanding reserve account according to Bank records. The Bank's policies shall ensure compliance with state escheatment laws for those merchants

whose reserve accounts cannot successfully be refunded. This report shall be included in the monthly progress reports submitted to the Director as required by Article I.

(4) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure an independent risk review process exists to:

(a) measure Bank adherence to established risk tolerance as required by paragraph (1) above;

(b) assess reasonableness of established levels of risk tolerance; and

(c) measure credit quality including charge-back volume, ticket size, credit criteria, and profitability to established and reasonable standards.

(5) Within sixty (60) days, the Board shall conduct and update annually thereafter, a comprehensive written assessment to better understand the risks and mitigating factors supporting the various merchants within the Bank's approved merchant risk categories and those risk categories not permitted by the Bank. This assessment shall be forwarded to the Director within ten (10) days after it is reported to the Board.

(6) The Board shall adopt and implement consistent and comprehensive MIS reporting concerning ISO and merchant risk, when multiple ISOs exist within the Bank's merchant processing operation. Consistent reporting requires use of uniform informational data and reporting format, when practical.

(7) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure adherence to a system designed to regularly identify and evaluate individual merchant account behavior. The described system, for example, shall allow the Bank to recognize and alter weak policies and practices, strengthen policies and practices that improve performance, better identify individual or portfolio trends and risk, or address problematic merchants.

(8) Within sixty (60) days, the Board shall revise, implement, and/or thereafter ensure compliance with the Bank's policies and procedures for merchant processing. The Board shall, at a minimum, reassess the adequacy of policies and procedures annually. These revised policies and procedures must be submitted to the Director for his review within ten (10) days of approval by the Board. The policies and procedures shall include, but not be limited to:

(a) termination procedures for merchants when the ISO approves a merchant outside the Bank's policy;

(b) handling of exceptions to the Bank's merchant approval policy including setting forth specific exception criteria that mitigates the risk when the Bank approves the boarding of any merchant;

(c) ongoing monitoring procedures for high-risk merchants;

(d) a strong vendor management program for ISOs including contract compliance and policies to address breach of contract by ISOs;

(e) comprehensive procedures used to document, validate, and approve the release of any merchant and ISO reserves;

(f) use, validation, and assessment of any scoring process according to OCC 1997-24 Credit Scoring Models and OCC 2000-16 Risk Modeling, Model Validation including those to track and identify fraud; and

(g) quality control and risk review activities outlined in paragraph (9) below.

(9) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to written policies and procedures that address the Bank's daily and periodic quality control and risk review activities for merchant processing including marketing/sourcing, underwriting/boarding, charge-backs, reserves, and risk security or fraud monitoring. These

policies and procedures shall be submitted to the Director within ten (10) days after approval by the Board. For each key area, the policy and procedures shall specifically identify personnel and procedural requirements including, but not limited to:

(a) designated positions (primary and back-up),

(b) responsibilities,

(c) independence,

(d) experience,

(e) training,

(f) activity objective,

(g) activity frequency,

(h) timeliness (i.e., allowable time between the event and the review activity),

(i) activity scope,

(j) sample selection (i.e., type, number, and process),

(k) documentation expectations (i.e., log, spreadsheet, procedures),

(l) conclusion and ratings,

(m) reporting format (i.e., template, standard report),

(n) reporting hierarchy (i.e., audit or risk committee, executive management),

(o) exception tracking process, and

(p) follow-up process.

(10) Within sixty (60) days, the Board shall confirm in writing that: the external auditors are independent and have sufficient knowledge and experience to perform merchant processing reviews; a comprehensive audit program is in place; and the audit shall be conducted at least annually and include a review of any actions the Bank has taken in response to

recommendations made in the most recent external or internal audit report or in the most recent regulatory examination report. The audit program, at a minimum, shall include the: objective, scope, frequency, procedures, sample selection process, conclusion and rating, standardized reporting, exception tracking process, and follow-up process. The Board's confirmation shall be submitted to the Director for his review within ten (10) days after it is approved by the Board.

(11) Within ninety (90) days and at least quarterly thereafter, the reports provided to the Board concerning the Bank's Electronic Banking Solutions Division shall include merchant processing. The reports shall be expanded to:

(a) address and present an analysis of key supervisory and operational/functional risks, including those associated with credit, reputation, strategic, consumer compliance, and IT risks; as well as, marketing/sourcing, underwriting/boarding, account management, collections, charge-backs, reserves, fraud, settlement, profitability, pricing, capital, risk management, vendor management, and control programs;

(b) provide a written narrative to support data presented in graphs and charts; and

(c) identify any recommendations and expected implementation date resulting from the Bank's analysis or assessments of the data presented.

The report shall be submitted to the Director for his review within ten (10) days after it is given to the Board.

(12) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure adherence to the Bank's new merchant account generating and marketing process including:

(a) a system to track the performance and compliance of merchants contracted and underwritten by each agent or underwriter; and

(b) procedures to review and rate performance tracking and terminate agents and underwriters that regularly refer and underwrite, respectively, sub-quality or unprofitable merchants to the Bank.

(13) Within ninety (90) days and annually thereafter, the Board shall conduct an assessment of merchant pricing and ISO profitability to ensure the Bank is receiving appropriate compensation for the risk taken. This analysis shall be submitted to the Director within ten (10) days after approval by the Board. The assessment will clearly identify how this risk may or may not impact pricing and profitability. The Board's assessment shall consider, but not be limited to the:

(a) the inherent risk in an ISO;

(b) the inherent risk in merchants submitted by a particular ISO;

(c) the risk associated with merchant type, typical ticket size, charge-back volume, sales volume, and use of reserves or a combination thereof;

(d) the costs or expenses associated with merchant type and ISOs; and

(e) reasonableness and expense associated with ISO training, controls, and risk review functions.

ARTICLE XIV

OTHER PROVISIONS

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Director, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank’s books and records.

(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 Order shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Except as otherwise expressly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose signature appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order in which the Bank or 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 Order;

(b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;

(c) follow up on any non-compliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The Bank entered into a Formal Agreement dated October 9, 2008. This Order replaces the Formal Agreement in its entirety and therefore, the October 9, 2008 Formal Agreement is hereby terminated.

(8) The terms of this Order, 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.

IT IS SO ORDERED, this 5th day of January, 2010.

signed

Hank Fleming
Director for Special Supervision

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

In the Matter of: Palm Desert National Bank Palm Desert, CA	)))	AA-EC-09-111

STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America ("Comptroller" or "OCC") intends to initiate cease and desist proceedings against Palm Desert National Bank, Palm Desert, California ("Bank"), pursuant to 12 U.S.C. § 1818(b), through the issuance of a Notice of Charges, for unsafe and unsound banking practices relating to , among other things, asset quality, credit administration, and management as well as the Bank's merchant processing operation;

WHEREAS, the Bank, in the interest of compliance and cooperation, and without admitting or denying any wrongdoing, consents to the issuance of a Consent Order, dated 1-5-10 ("Order") by executing this Stipulation and Consent to the Issuance of a Consent Order ("Stipulation and Consent");

NOW THEREFORE, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq*.

(2) The Comptroller is "the appropriate Federal banking agency" regarding the Bank, pursuant to 12 U.S.C. §§ 1813(q) and 1818.

(3) The Bank is an "insured depository institution" within the meaning of 12 U.S.C. § 1818.

ARTICLE II

ACKNOWLEDGMENTS

(1) The Bank acknowledges that said Order shall be deemed an "order issued with the consent of the depository institution," as defined in 12 U.S.C. § 1818(h)(2), and consents and acknowledges that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818. 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, 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.

(2) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Department of the Treasury, 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.

ARTICLE III

WAIVERS

(1) The Bank, by signing this Stipulation and Consent, hereby waives:

(a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818;

(b) any and all procedural rights available in connection with the issuance of the Order;

(c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818 and 12 C.F.R. Part 19;

(d) all rights to seek any type of administrative or judicial review of the Order; and

(e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

CLOSING PROVISIONS

(1) As a result of the Order:

(a) the Bank is not an "eligible bank," pursuant to the definition in 12 C.F.R. § 5.3(g)(4), for the purposes of 12 C.F.R. Part 5 regarding rules, policies, and procedures for corporate activities, and is not an “eligible bank,” pursuant to the definition in 12 C.F.R. § 24.2(e)(4), for the purposes of 12 C.F.R. Part 24 regarding public welfare investments, unless, in either case, the Bank is otherwise informed in writing by the OCC;

(b) the Bank is subject to the restrictions found at 12 U.S.C. § 1831f and 12 C.F.R. § 337.6 on brokered deposits;

(c) the Bank is in “troubled condition,” pursuant to the definition in 12 C.F.R. § 5.51(c)(6)(ii), for the purposes of 12 C.F.R. § 5.51, which requires OCC approval of a change in directors and senior executive officers, or changing responsibilities of any senior executive officer, unless otherwise informed in writing by the OCC; and

(d) the Bank, because it is in “troubled condition,” pursuant to the definition in 12 C.F.R. § 5.51(c)(6)(ii), is subject to the limitation found at 12 C.F.R. § 359.2 on golden parachute payments, as defined at 12 C.F.R. § 359.1(f) (see in particular subsection (f)(1)(ii)(C)), and to the limitation found at 12 C.F.R. § 359.3 on indemnification payments, unless otherwise informed in writing by the OCC.

(2) The provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any

time, the Comptroller deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

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

signed 1-5-10

Henry Fleming
Director, Special Supervision Division

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.

signed	12-30-09
Dale Cowle	Date
signed	12-30-09
Irwin L. Golds	Date
signed	12-30-09
Sandra K. Hartfield	Date
signed	12-24-09
Colin McDermott	Date
signed	12-30-09
Kevin McGuire	Date
signed	12-30-09
Pamela E. McGuire	Date
signed	12-30-09
Dona M. Peri	Date
signed	12-30-09
Richard D. Schneider	Date