

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

In the Matter of:)
Mojave Desert Bank, National Association) AA-WE-12-01
Mojave, California)

CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over Mojave Desert Bank, National Association, Mojave, California (“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 March 7, 2012, 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) The Board shall maintain a Compliance Committee of at least five (5) directors, the majority of which shall not be employees or controlling shareholders 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. 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.

(2) The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order and shall meet at least monthly.

(3) By the end of every calendar month, 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 provide a summary report of the progress reached in attaining compliance with each Article of this Order to the Assistant Deputy Comptroller within ten (10) days of the end of each calendar quarter (e.g., January 10th, April 10th, July 10th, and October 10th).

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

Assistant Deputy Comptroller
Los Angeles Field Office
550 North Brand Blvd., Suite 500
Glendale, California 91203

(6) The Board shall ensure that the Bank has the processes, personnel, and control systems to ensure implementation of and adherence to the policies, procedures, and programs required by this Order.

Article II

Management and Board Supervision

(1) By no later than April 30, 2012, the Board shall take the necessary steps to ensure that the Bank timely files complete and accurate Consolidated Reports of Condition and Income (“Call Reports”) in accordance with the Federal Financial Institutions Examination Counsel’s “Instructions for Preparation of Consolidated Reports of Condition and Income” (“Call Report Instructions”), to include at a minimum:

- (a) the designation of an officer with the knowledge, skills, and abilities necessary to ensure compliance with this Article to be responsible for the accurate and timely filing of the Bank’s Call Reports;
- (b) training of appropriate Bank personnel in Call Report preparation;
- (c) procedures to ensure the Bank retains documentation providing an appropriate audit trail for all Call Report schedules; and
- (d) the performance of an independent review and verification of the accuracy of all Call Report schedules in advance of each Call Report filing.

(2) Within ninety (90) days of this Order, the Board shall develop, adopt, and thereafter adhere to a written policy designed to ensure that management effectively addresses adverse findings contained in compliance reviews, audits, and examinations. The policy shall include, at a minimum:

- (a) a requirement that management responds to any audit or compliance criticisms, regulatory violations of law, unsafe or unsound banking practices, breaches of fiduciary duty, and Matters Requiring Attention (collectively, “material criticisms”) with a written action plan that contains:
 - (i) corrective actions to be taken;
 - (ii) deadlines for taking the corrective action; and
 - (iii) the individual responsible for making the corrective action;
- (b) formal review and approval by the Board of management’s proposed actions to be taken;
- (c) a tracking system that will ensure that material criticisms are reported to the Board and corrected in a timely manner; and
- (d) retention in the Bank’s books and records of:
 - (i) all written responses to material criticisms; and
 - (ii) documentation of Board approval of the written responses.

(3) Within ninety (90) days of this Order, the Board shall hire an independent outside management consultant (“Consultant”). Prior to the appointment or employment of any consultant or entering into any contract with a consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(4) Within sixty (60) days of the receipt of the written determination of no supervisory objection to the proposed consultant, the Consultant shall complete a study of current management and Board supervision presently being provided to the Bank, the Bank's management structure, and its staffing requirements in light of the Bank's present condition. The findings and recommendations of the Consultant shall be set forth in a written report (the "Management Study") to the Board. At a minimum, the Management Study shall contain:

- (a) an assessment of the current Board and senior management, as well as staffing for each area of the Bank, with particular emphasis given to the Bank's internal audit program (including the external firm), consumer compliance, information technology, and credit risk management;
- (b) a detailed written description of:
 - (i) the Bank's corporate governance and decision-making process;
 - (ii) the Bank's committees and the structure and purpose of each committee;
 - (iii) organizational chart; and
 - (iv) job descriptions for all officers;
- (c) an evaluation of each officer's knowledge, skills, abilities and a determination of whether each of these individuals possess the experience and other qualifications required to perform present and anticipated duties of the position;
- (d) an evaluation of the Bank's present condition;

- (e) the effectiveness of the Bank's committees, corporate governance and decision-making process;
- (f) recommendations as to whether management, staffing and structural changes should be made, including the need for additions to, or deletions from, the current Board and management team or structure and lending staff;
- (g) objectives by which management's and the Board's effectiveness will be measured;
- (h) a training program to address identified weaknesses in the skills and abilities of the Bank's staff and management team;
- (i) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
- (j) a recommended organization chart that clearly reflects areas of responsibility and lines of authority for all officers;
- (k) an assessment of whether Board members are receiving adequate information on the operation of the Bank to enable them to fulfill their fiduciary duties and other responsibilities under law;
- (l) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;
- (m) recommendations to ensure the Board exercises proper oversight over the affairs of the Bank; and

(n) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank.

(5) Within two weeks of completion of the Management Study, a copy shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(6) Within sixty (60) days of receipt of the OCC's no objection to the Management Study, the Board shall prepare and submit a Management Plan to correct the deficiencies noted in the Management Study to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(7) Within thirty (30) days of receipt of the OCC's no objection to the Management Plan, the Board shall adopt, implement and thereafter adhere to the Management Plan.

Article III

Internal Audit

(1) Within ninety (90) days of this Order, the Board shall review and update the existing audit policy, incorporating a comprehensive, formal risk assessment of the Bank's audit needs, and determining an adequate scope and frequency for internal audit based on the risks inherent in the Bank's operations, including the risks inherent in the Bank's outsourced operations. The revised audit policy shall establish an independent, internal audit program that complies with guidelines set forth in the *OCC's Handbook on Internal and External Audit* and related issuances. The internal audit program may make use of an external audit firm and shall:

(a) describe the organization and function of the Bank's audit program, including duties and responsibilities;

- (b) provide for a comprehensive, formal risk assessment process of the Bank's significant business activities and inherent risks;
- (c) ensure adequate audit coverage of all functional areas of Bank operations, including any outsourced operations;
- (d) detail the development of an adequate audit plan and audit cycle;
- (e) detect irregularities in the Bank's operations;
- (f) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (g) evaluate the Bank's adherence to established policies, procedures, and internal controls in all functional areas of the Bank;
- (h) provide a formal follow-up process to ensure that deficiencies and recommendations identified by internal audit are corrected and implemented in a timely manner, and that the corrective actions are documented;
- (i) require that the Board receive status reports regarding any outstanding deficiencies and recommendations identified by internal audit;
- (j) require that the Board or a committee thereof provide an overall assessment of the adequacy of the Bank's internal controls annually, based on overall audit findings; and
- (k) require that the Board formally review and update the Bank's audit programs, policies, and procedures, at a minimum, on an annual basis.

(2) The Board shall ensure that the audit staff or outside firm is qualified to assess and experienced in, the risks posed by the Bank's operations, and that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of individuals employed.

(3) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff or outside firm shall be filed directly with the Board and not through any intervening party.

(4) The Bank's audit program shall provide a formal follow-up process to ensure that the deficiencies identified in the audit reports relating to the service(s) or product(s) provided to the Bank are corrected in a timely manner, and the corrective action is documented.

Article IV

Capital and Profitability Plan

(1) The Bank shall achieve and maintain the following minimum capital ratios:

By June 30, 2012:

- (a) Tier 1 capital at least equal to eight and one-half percent (8.50%) of adjusted total assets; and
- (b) total risk-based capital at least equal to twelve percent (12.00%) of risk-weighted assets; and

By September 30, 2012:

- (a) Tier 1 capital at least equal to nine percent (9.00%) of adjusted total assets; and
- (b) total risk-based capital at least equal to twelve percent (12.00%) of risk-weighted assets.

(2) For purposes of this Article, “Tier 1 capital,” “total risk-based capital,” “adjusted total assets,” and “risk-weighted assets” are as defined in 12 C.F.R. Part 3.

(3) The requirement in this Order to meet and maintain a specific capital level means that the Bank is not to 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).

(4) Effective immediately, the Bank shall only declare dividends after it has received the prior written no supervisory objection from the Assistant Deputy Comptroller.

(5) Within ninety (90) days of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a written Capital and Profitability Plan for the Bank covering at least the next three years, complete with specific time frames that incorporate the requirements of this Article. Copies of the Bank’s Capital and Profitability Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(6) The Bank’s Capital and Profitability Plan shall provide specific plans to return the Bank to sustained profitability and include projections for the Bank’s capital adequacy, overall risk profile, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, liquidity adequacy, product line

development, lending and market segments that the Bank intends to achieve, and at a minimum, address or include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) specific plans to establish responsibilities and accountability for the strategic planning process, new products and services, or the significant expansion of existing products and services, and proposed changes in the Bank's operating environment;
- (c) strategic goals and objectives with quantifiable measures and specific implementation dates regarding the Bank's operating performance;
- (d) identification of specific actions and time frames by which the Board and management will raise capital to meet the requirements of Paragraph (1) of this Article;
- (e) contingency plans that identify alternative capital sources should the primary source(s) under subparagraph (e) not be available;
- (f) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (4) of this Article;
- (g) specific plans to improve earnings performance, that focuses in particular on items contributing to Bank interest income, cost of funds, and non-interest expenses;
- (h) the identification of personnel to be responsible and accountable for achieving each goal and objective of the Capital and

Profitability Plan, including specific time frames for each goal and objective; and

- (i) systems to monitor the Bank's progress in meeting the plan's goals and objectives, including at a minimum, quarterly Board reporting and a comparison of projected performance to actual performance.

(7) If the Bank's Capital and Profitability Plan under Paragraphs (5) and (6) of this Article includes a proposed sale or merger of the Bank, the Capital and Profitability Plan shall, at a minimum, identify potential acquirers or merger partners and address the steps that will be taken and the associated timeline to effectuate the implementation of that alternative.

(8) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Bank's Capital and Profitability Plan.

Article V

Credit Underwriting and Administration

(1) Within sixty (60) days of this Order, the Board shall ensure that all lending officers comply with all laws, rules, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties.

(2) Within sixty (60) days of this Order, the Board shall review and approve the Bank's loan policy to ensure it accurately and consistently incorporates the several separate policy amendments and appropriately reflects the Board's tolerance for risk.

(3) Within sixty (60) days of this Order, the Board shall take the necessary steps to improve the Bank's credit risk management practices to include at a minimum:

- (a) immediate training on the requirements of the loan policy, risk rating, and global cash flow analysis for loan officers and staff;
- (b) immediate training for the Chief Credit Officer in risk rating, Allowance methodology, bank accounting, appraisals, and insider lending regulations;
- (c) procedures to eliminate and reduce credit, collateral and policy exceptions; and
- (d) measures to hold management accountable for compliance with the Bank's lending policies and the credit-related provisions of this Order.

(4) Effective as of the date of this Order, the Bank may not grant, renew, modify, restructure, or extend by more than thirty (30) days, any loan or other extension of credit equal to or exceeding fifty thousand dollars (\$50,000), without:

- (a) documenting the specific reason or purpose for the extension of credit, documenting the expected source of repayment, and appropriately structuring the repayment terms to coincide with the expected source of repayment;
- (b) determining and documenting whether the loan complies with the Bank's loan policy and if it does not comply, providing identification of the exception and justification to support waiving the policy provision;
- (c) providing an accurate risk assessment grade and proper accrual status for each credit; and

(d) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

(5) The Board shall take the necessary steps to ensure that current and satisfactory credit and proper collateral information is maintained on all loans. Within thirty (30) days of notification, the Board shall ensure that the Bank obtains any missing credit or collateral information described in the Report of Examination conducted as of June 30, 2011 (the "ROE"), in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(6) Effective as of the date of this Order, the Board shall ensure the Bank adheres to its commercial real estate ("CRE") concentration management program to include the following:

- (a) continue to monitor and manage CRE concentrations;
- (b) hold loan officers accountable for the completion of individual loan stress testing;
- (c) require loan officers to perform annual credit reviews on term commercial and income producing CRE loans;
- (d) require loan officers to determine whether existing collateral valuations are still valid and order updated real estate appraisals or evaluations, as appropriate; and
- (e) require loan officers to perform initial and periodic global cash flow analyses, including evaluations of contingent liabilities and

verifications of liquidity, on borrowers and guarantors to evaluate their capacity to support all debt.

Article VI

Appraisal and Evaluation Process

(1) Effective as of the date of this Order, the Board shall ensure Bank adherence to its written appraisal policy which is designed to ensure that the Bank obtains real estate appraisals and evaluations in compliance with USPAP, 12 C.F.R. Part 34, the Interagency Appraisal and Evaluation Guidelines (December 10, 2010), Advisory Letter 2003-9, and OCC Bulletin 2005-6, to include at a minimum:

- (a) safeguards to ensure that appraisals and evaluations are ordered, prepared, and reviewed by personnel not involved in the loan origination and approval process;
- (b) the establishment of criteria for obtaining updated appraisals, new appraisals, and evaluations;
- (c) the development of procedures to ensure that appraisals, updates and evaluations are the appropriate type and ordered in a timely manner;
- (d) the establishment of a tickler system for tracking when appraisals, updates and evaluations are received, reviewed and adjustments are made, as appropriate, to reflect Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114) impairment and changes in risk ratings; and

(e) the establishment and implementation of a policy requiring a meaningful review, independent of the lender, of all appraisals to include analysis commensurate with the type, size, and complexity of the property being appraised.

(2) Within thirty (30) days of this Order, the Board shall ensure that all violations of the regulations addressing real estate appraisals or evaluations identified in the ROE have been corrected.

(3) Within thirty (30) days of this Order, the Board shall ensure that management provides adequate, immediate and on-going training to the lending staff on the provisions of the Bank's appraisal policy.

Article VII

Problem Asset Management

(1) Within sixty (60) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program designed to reduce the Bank's criticized assets (the "Problem Assets Program"). The Problem Assets Program shall include or address the following matters:

- (a) aggregate reporting of criticized asset levels by type to the Board or a designated committee thereof every month;
- (b) specific plans for the reduction of criticized assets by asset type with target reductions by month; and
- (c) procedures for the monthly review and preparation of written determinations by the Board or a designated committee thereof regarding the effectiveness of the responsible officer's efforts to

eliminate the weaknesses in each criticized credit relationship or Other Real Estate (“ORE”) totaling one hundred thousand dollars (\$100,000) or more.

(2) The Board’s compliance with Paragraph (1) of this Article shall include policies and procedures to ensure that Criticized Asset Reports are prepared for each criticized credit relationship or ORE totaling one hundred thousand dollars (\$100,000) or more, and contain the following:

- (a) current information and analysis of expected sources of repayment and collateral;
- (b) trigger dates for positive borrower actions or for loan officers to reassess the strategy and enact collection plans;
- (c) a determination of whether the loan is impaired and the amount of the impairment, consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114); and
- (d) specific action plans and trigger dates for risk rating changes and documentation of the analysis and reasoning to support the current risk rating.

(3) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Problem Assets Program required by this Article.

(4) A copy of each Criticized Asset Report prepared during the month following each quarter end (e.g., April, July, October, and January), along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in

each credit or to dispose of the ORE, shall be submitted to the Assistant Deputy Comptroller within fifteen (15) days of receipt and review by the Board.

(5) The Bank shall not extend credit, directly or indirectly, including, but not limited to, renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized by the OCC in a Report of Examination or otherwise, or in any internal or external loan review, and whose aggregate loans or other extensions of credit, are one hundred thousand dollars (\$100,000) or more, unless the Board or a designated committee thereof certifies in writing that:

- (a) the Board's formal plan to collect or strengthen the criticized asset will not be compromised; and
- (b) the extension or renewal is necessary to promote the best interests of the Bank, with documentation for the reasons thereof and that include consideration of the following:
 - (i) an analysis of current, complete credit information, including a detailed cash flow analysis of all expected repayment sources, to determine whether the borrower can repay the indebtedness as agreed; and
 - (ii) an analysis of the collateral value, including appropriate support and compliance with the appraisal requirements of 12 C.F.R. Part 34, to determine whether the loan is adequately secured.

Article VIII

Credit Risk Ratings and Nonaccrual Recognition

(1) By no later than April 30, 2012, the Board shall take the necessary steps to ensure that the risk associated with the Bank's loans is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, the annual review of all credit relationships that equal or exceed one hundred thousand dollars (\$100,000) by the loan officers to ensure that:

- (a) the Bank's loans and other assets are appropriately and timely risk rated and charged off 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) the Bank's loans and other assets are timely placed on nonaccrual in accordance with the guidelines set forth in the Call Report.

(2) By no later than April 30, 2012, the Board shall prepare a written program designed to ensure that the Bank complies with Subparagraphs (1)(a) and (b) of this Article, that contains at a minimum:

- (a) immediate and ongoing training for the lending staff with respect to the application of Subparagraphs (1)(a) and (b) of this Article;
- (b) procedures to ensure loan officers are held accountable for failing to appropriately and timely risk rate and/or place loans on nonaccrual, including but not limited to, consideration of loan officer and staff failure to properly risk rate and/or place loans on nonaccrual in periodic performance reviews and compensation.

(3) After the Board has developed the program required by this Article, the Board shall immediately implement, and shall thereafter ensure adherence to its terms.

Article IX

Independent Loan Review

(1) Effective as of the date of this Order, the Board shall continue to employ a qualified consultant or firm to perform periodic loan reviews that are sufficient in scope and coverage to accurately identify the risk in the loan portfolio and make conclusions regarding the items listed in Paragraph (2) of this Article.

(2) The scope and coverage of the loan review shall provide for the use of a loan and lease grading system consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook*, be performed at least annually and include appropriate coverage of the Bank's loan portfolio (in particular, the construction, development and land portfolios) using a risk-based approach, and require a written report to be filed with the Board. The loan review report shall, at a minimum, include comments and conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent and nonaccrual loans;
- (c) the identification and status of credit related violations of law, rule, or regulation;
- (d) loans not in conformance with the Bank's lending policies;
- (e) credit underwriting and documentation exceptions;
- (f) credit analysis and documentation of such;
- (g) accuracy of internal risk ratings;

- (h) the effectiveness of overall credit administration practices; and
- (i) completeness and effectiveness of problem loan workout plans.

(3) Prior to the change in the appointment or employment of any individual or consulting firm to perform the required loan reviews or entering into any contract for such services, the Board shall submit the name and qualifications of the proposed individual or firm and the proposed scope and terms of employment (including the proposed engagement letter and any amendments thereto) to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(4) Within thirty (30) days of the Bank's receipt of each independent loan review report, the Board or a designated committee shall review it and, if appropriate, ensure that immediate, adequate, and continuing remedial action, is taken upon the findings noted in the report.

(5) Within forty-five (45) days of the Bank's receipt of each independent loan review report, a copy of the loan review report, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be maintained in the books and records of the Bank.

(6) The Bank shall not terminate the consultant's loan review services without submitting a written notice of said termination to the Assistant Deputy Comptroller at least thirty (30) days prior to the effective termination date and obtaining a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

Article X

Allowance for Loan and Lease Losses

(1) Within sixty (60) days of this Order, the Board shall revise, adopt, implement, and thereafter ensure adherence to written policies and procedures for

maintaining an appropriate Allowance for Loan and Lease Losses (“Allowance”) in accordance with GAAP. The Allowance policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council’s “Interagency Policy Statement on the Allowance for Loan and Lease Losses” dated December 13, 2006 (OCC Bulletin 2006-47), and July 20, 2001 (OCC Bulletin 2001-37), and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan) and Accounting Standards Codification 450-20 (formerly known as FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies);
- (b) procedures for the designation of loan pools containing loans with similar risk characteristics;
- (c) procedures for validating the Allowance methodology;
- (d) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:
 - (i) trends in the Bank’s internal risk ratings, delinquent and nonaccrual loans;
 - (ii) results of the Bank’s external loan review;
 - (iii) concentrations of credit in the Bank;

- (iv) present and prospective economic conditions; and
- (v) the applicable experience of the Bank's lending staff;

(e) procedures to ensure that loans which have been designated impaired undergo impairment testing during each calendar quarter.

(2) The Allowance program shall provide for a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Call Reports for the Allowance. 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.

(3) The Board shall take the necessary steps to ensure that an independent review and test of the Allowance sufficiency is performed prior to the filing of each Call Report beginning with the quarter ending June 30, 2012.

(4) The Board shall engage an independent consultant or accountant to perform periodic reviews of the appropriateness of the Bank's Allowance methodology. The first review shall be performed before the filing of the June 30, 2012 Call Report.

Article XI

Consumer Compliance Program

(1) Within ninety (90) days of this Order, the Board shall review and add, as necessary, sufficient staffing and/or training, to ensure that the Bank complies with all applicable consumer laws and regulations.

(2) Within ninety (90) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written, risk-based consumer compliance program designed to ensure that the Bank is operating in compliance with all applicable consumer protection laws, rules, and regulations. This program shall include at a minimum:

- (a) a written description of the duties and responsibilities of the compliance officer;
- (b) adequate internal controls to ensure compliance with consumer protection laws, rules, and regulations;
- (c) the preparation of a policies and procedures manual covering all consumer protection laws, rules, and regulations for use by appropriate Bank personnel in the performance of their duties and responsibilities and specifically tailored to the Bank's deposit and lending practices;
- (d) immediate and on-going training for the compliance officer and all appropriate Bank personnel with respect to their assigned responsibilities for compliance with the consumer compliance program;
- (e) timely updates of the written policies and procedures manual to ensure it remains current;
- (f) a formalized risk assessment process and annual audit plan to use in determining the frequency and scope of on-going compliance monitoring and audits;

- (g) a comprehensive independent audit program to adequately test for compliance with consumer protection laws, rules and regulations; and
- (h) procedures for the dissemination of changes in laws, rules, regulations and OCC policy changes to affected Bank personnel.

(3) As part of the written consumer compliance program required by Paragraph (2) of this Article, the Board shall update its policy addressing flood insurance to ensure it complies with the Flood Disaster Protection Act, 12 U.S.C. § 4012a *et seq.*, and the OCC's implementing regulations, 12 C.F.R. Part 22, and with the guidelines contained in Flood Disaster Protection, CCE, of the *Comptroller's Handbook*. The revised flood insurance policy shall include at a minimum:

- (a) the designation of persons responsible for ensuring the Bank's compliance with the policy;
- (b) the appropriate retention of special flood hazard determination forms;
- (c) the forced placement of flood insurance; and
- (d) procedures for the on-going monitoring of compliance with the policy.

(4) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement, and shall thereafter ensure adherence to the Bank's consumer compliance program.

Article XII

BSA Program

(1) Within ninety (90) days of this Order, the Board shall determine whether any changes are needed regarding the Bank's BSA Officer, including the responsibilities, authority, structure, independence or skills of the BSA Officer. In particular, the Board shall ensure that the BSA Officer has sufficient training, authority, and skill to perform the assigned responsibilities.

(2) To provide for compliance with the Bank Secrecy Act, as amended (31 U.S.C. § 5311 *et seq.*), the regulations promulgated there under at 31 C.F.R. Part 103, as amended, and 12 C.F.R. Part 21, Subparts B and C, and the rules and regulations of the Office of Foreign Assets Control ("OFAC") (collectively referred to as the "Bank Secrecy Act" or "BSA"), the Board shall, within ninety (90) days of this Order, prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a revised BSA program to include, at a minimum:

- (a) the identification of the risks associated with the Bank's products, services, customers, and geographies served;
- (b) an evaluation of existing internal controls to mitigate the identified risks;
- (c) policies and procedures for the appropriate identification and monitoring of transactions that pose greater than normal risk for compliance with the Bank Secrecy Act;
- (d) a comprehensive training program for all appropriate operational and supervisory personnel to ensure their awareness of their

- specific assigned responsibilities for compliance with the requirements of the Bank Secrecy Act;
- (e) policies and procedures to provide for the Bank's monitoring of suspicious cash, monetary instruments, wire transfers, and other activities for all types of transactions, accounts, customers, products, services, and geographic areas;
 - (f) policies and procedures for expanded account-opening procedures for all accounts that pose greater than normal risk for compliance with the Bank Secrecy Act, which shall include the following:
 - (i) clear definitions of high-, medium-, and low-risk customers; and
 - (ii) the assignment of high-, medium-, and low-risk scores to all customers, including consumers and businesses;
 - (g) policies and procedures for the maintenance of an integrated, accurate system for all Bank areas to produce periodic reports designed to identify unusual or suspicious activity, including patterns of activity, to monitor and evaluate unusual or suspicious activity, and to maintain accurate information needed to produce these reports;
 - (h) periodic reviews, not less than each calendar year, of all account documentation for all high-risk customers and accounts and the related accounts of those customers at the Bank to determine

whether the account activity is consistent with the customer's business or occupation and the stated purpose of the account; and

- (i) an independent audit program designed to ensure compliance with the Bank Secrecy Act in all areas of the Bank, including scope, testing, and documentation.

(3) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Bank's revised BSA program.

Article XIII

Information Technology

(1) Within ninety (90) days of this Order, the Board shall take appropriate actions to ensure the Bank's Information Security Program complies with the Gramm-Leach-Bliley Act 501(b) ("GLBA") and the Interagency Guidelines Establishing Information Security Standards, 12 C.F.R. Part 30, Appendix B ("Guidelines"), to include, at a minimum:

- (a) training or other necessary steps to ensure that the Bank's Information Security officer has the requisite knowledge, skills and abilities to address identified deficiencies and manage the Information Security Program required by this Article;
- (b) the development of a written description of the duties and responsibilities of the Information Security officer; and
- (c) measures to ensure employees and management are held accountable for noncompliance with Guidelines in periodic performance reviews and compensation.

(2) The Information Security Program shall be consistent with the security process described in the “Information Security” booklet of the FFIEC Information Technology Examination Handbook, and shall include, at a minimum:

- (a) a bank-wide assessment of the risks to the Bank’s customer information or customer information systems and a written report evidencing such assessment, to include:
 - (i) the identification of reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or customer information systems;
 - (ii) an assessment of the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information; and
 - (iii) an assessment of the sufficiency of policies, procedures, customer information systems, and other arrangements in place to control risks;
- (b) a process to monitor and control the identified risks, commensurate with the sensitivity of the information, as well as the complexity and scope of the Bank’s activities;
- (c) procedures to review, approve, and monitor new IT service providers and to review and maintain progress reports on new projects; and

- (d) a test plan that provides for regular testing of key controls, systems, and procedures of the Information Security Program. The frequency and nature of such tests shall be determined by the risk assessment. Such tests shall be conducted or reviewed by independent third parties or staff independent of those who develop or maintain the Information Security Program.
- (3) As part of the Information Security Program, the Board shall:
 - (a) require the preparation and submission to the Board of an Annual Information Security Status Report which shall include a description of the Bank's compliance with the Guidelines, to include the identification of "material matters" as described in Part 30, Appendix B, III. F; and
 - (b) review and evaluate each Annual Information Security Status Report and any external information security audit report and shall ensure that all criticisms or identified weaknesses contained in such reports are immediately and adequately addressed, tracked and corrected.

Article XIV

Closing

(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 Assistant Deputy Comptroller, 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 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 Board or a Board committee is required to ensure adherence to and undertake to perform certain obligations of the Bank, including the obligation to prepare, update, develop, or implement plans, policies or other actions, it is intended to mean that the Board or Board committee shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary or appropriate for the Bank to perform its obligations under 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 for any non-compliance with such actions.

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

In the Matter of:)	
Mojave Desert Bank, National Association)	AA-WE-12-01
Mojave, California)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Mojave Desert Bank, National Association, Mojave, California (“Bank”), pursuant to 12 U.S.C. § 1818(b), for unsafe or unsound banking practices relating to, among other issues, its Board and management oversight, high level of classified assets, deficient earnings, credit risk management and administration and violations of laws and regulations.

The Bank, in the interest of compliance and cooperation consents to the issuance of a Consent Order, dated March 7, 2012 (“Order”);

In consideration of the above premises, 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(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

Article II

Acknowledgements

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) 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(i). 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(i), 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.

(3) 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. 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.

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);
- (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(i) or 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

Other Provisions

(1) 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, it 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.

/s/

March 7, 2012

Richard S. Dixon, Jr.
Assistant Deputy Comptroller

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/	March 7, 2012
_____ Karunyan Arul	_____ Date
/s/	March 7, 2012
_____ Loren Burch	_____ Date
/s/	March 7, 2012
_____ Timothy Fuller	_____ Date
/s/	March 7, 2012
_____ Patricia Gorden	_____ Date
/s/	March 7, 2012
_____ Richard Kieffe	_____ Date
/s/	March 7, 2012
_____ John Miller	_____ Date
/s/	March 7, 2012
_____ George E. Nagy	_____ Date
/s/	March 7, 2012
_____ James Quiggle	_____ Date
_____ Mike Riccomini	_____ Date
/s/	March 7, 2012
_____ Richard Rutan	_____ Date
/s/	March 7, 2012
_____ Gisela Schulz	_____ Date