FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

IN THE MATTER OF MAGNETBANK SALT LAKE CITY, UTAH (INSURED STATE NONMEMBER BANK)	ORDER TO CEASE AND DESIST Docket FDIC-08-176b

MagnetBank, Salt Lake City, Utah ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC") dated September 30, 2008, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe and unsound banking practices, as more fully set forth in a joint FDIC and Utah Department of Financial Institutions ("UDFI") Report of Examination ("ROE") dated April 7, 2008:

(a) operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits;

(b) operating with a board of directors which has failed to provide adequate supervision over and direction to the active management of the Bank;

(c) operating with inadequate capital in relation to the kind and quality of assets held by the Bank;

(d) operating with an inadequate loan valuation reserve;

(e) operating with a large volume of poor quality loans;

(f) engaging in unsatisfactory lending and collection practices;

(g) operating in such a manner as to produce operating losses; and

(h) operating with inadequate provisions for liquidity.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. The Bank shall retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include a chief executive officer with proven ability in managing a bank of comparable size, and experience in upgrading a low quality loan portfolio, improving earnings, and other matters needing particular attention. Management shall also include a senior lending officer with significant appropriate lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio. Each member of management shall be provided appropriate written authority from the Bank's Board of Directors (“Board”) to implement the provisions of this ORDER.

(b) The qualifications of management shall be assessed on its ability to:

(i) comply with the requirements of this ORDER;

(ii) operate the Bank in a safe and sound manner;

(iii) comply with applicable laws and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(c) During the life of this ORDER, the Bank shall notify the Regional Director of the FDIC’s San Francisco Regional Office (“Regional Director”) and the Commissioner of the UDFI (“Commissioner”) in writing when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual or individuals to be added or employed.

2. Within 30 days from the effective date of this ORDER, the Bank's Board shall adopt and implement a program that will provide for monitoring of the Bank's compliance with this ORDER (action plan). The Bank shall submit the program, and any future modifications, to the Regional Director and the Commissioner for review and comment. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the Bank shall approve the revised program, which approval shall be recorded in the minutes of the meeting of the Bank's Board. Thereafter, the Bank shall implement and fully comply with the program. Following the adoption of the program, the Bank's Board shall review the Bank's compliance with this ORDER and record its review in the minutes of the meeting of the Bank's Board.

3. Within 30 days from the effective date of this ORDER, the Bank's Board shall establish a committee, consisting of at least 3 independent directors, responsible for ensuring compliance with the ORDER, overseeing corrective measures with respect to the ORDER, and reporting to the Bank's Board. The committee shall monitor compliance with this ORDER and within 45 days from the effective date of this ORDER and every 30 days after each successive calendar quarter, shall submit a written report detailing the Bank's compliance with this ORDER to the Bank's Board, for review and consideration during its regularly scheduled meeting. The compliance report and any discussion related to the report or ORDER shall be incorporated into the minutes of the meeting of the Bank's Board. Nothing contained herein shall diminish the

responsibility of the entire Board to ensure compliance with the provisions of this ORDER. For the purposes of this ORDER, an “independent director” shall be an individual who:

(a) Is not employed in any capacity by the Bank, any of its subsidiary or affiliated organizations, other than as a director;

(b) Does not own or control more than ten percent (10%) of the outstanding shares of the Bank;

(c) Is not related by blood or marriage to an officer or director of the Bank or its affiliates, or to any shareholder owning more than ten percent (10%) of the outstanding shares of the Bank, and who does not otherwise share a common financial interest with such officer, director or shareholder; and

(d) Is a resident of, or engaged in business in, the Bank’s trade area; or is otherwise deemed to be an independent director for purposes of this ORDER by the Regional Director and the Commissioner.

4. The Bank’s Board shall increase its participation in the affairs of the Bank. Participation shall require the assumption of full responsibility for the approval of sound policies, strategic plans, and budgets for all of the Bank’s activities. Nothing in this paragraph shall preclude the Bank’s Board from considering matters other than those contained in the agenda.

5. During the life of this ORDER, the Bank shall notify the Regional Director and the Commissioner in writing of any resignations and/or terminations of any members of the Bank’s Board and/or any of its senior officers within 5 days of the event. The Bank shall also establish procedures to ensure compliance with section 32 of the FDI Act, 12 U.S.C. § 1831i and Subpart F of Part 303 of the FDIC’s Rules and Regulations, 12 C.F.R. §§ 303.100 through

303.103. In addition, the Bank shall notify the Regional Director and the Commissioner in writing when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer. The notification must be received at least 30 days before such addition or employment is intended to become effective and shall include all documentation required by section 32.

6. During the life of this ORDER, the Bank's Board shall take action to ensure that complete and accurate minutes of the Bank's Board and committee meetings are maintained, and the minutes adequately address the areas covered in this ORDER; and that management reports are sufficient to provide the Bank's Board with timely and adequate information necessary for making business decisions on the basis of fully informed and meaningful deliberation.

7. (a) Within 60 days after the effective date of this ORDER, the Bank shall formulate and adopt a comprehensive business/strategic plan covering an operating period of at least three years. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written strategic plan shall address short-term goals and operating plans to comply with the terms of this ORDER and correct all regulatory criticisms; intermediate goals and project plans; and long-range goals and project plans. In addition, the plan shall address, at a minimum:

(i) Strategies for pricing policies and asset/liability management;

(ii) The anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a percentage of total assets; and the ratio of net interest income to average earning assets;

(iii) The dollar volume of total loans, total investment securities, and total deposits;

(iv) Plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;

(v) Goals for reducing problem loans;

(vi) Plans for attracting and retaining qualified individuals to fill vacancies in the lending and accounting functions; and

(vii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings.

(c) The Bank shall submit the strategic plan to the Regional Director and the Commissioner for review and comment. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the Bank's Board. Thereafter, the Bank shall implement and follow the strategic plan.

8. (a) The strategic plan required by this ORDER shall be revised and submitted to the Regional Director and the Commissioner for review and comment 45 days after the end of each calendar year for which this ORDER is in effect. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such

comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the Bank's Board. Thereafter, the Bank shall implement the revised plan.

(b) Within 45 days from the end of each calendar quarter following the effective date of this ORDER, the Bank's Board shall evaluate the Bank's performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the meeting of the Bank's Board during which such evaluation is undertaken. In the event the Bank's Board determines that the strategic plan should be revised in any manner, the strategic plan shall be revised and submitted to the Regional Director and the Commissioner for review and comment within 30 days after such revisions have been approved by the Bank's Board. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the Bank's Board. Thereafter, the Bank shall implement the revised plan.

9. (a) Within 120 days after the effective date of this ORDER, the Bank shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an adequate allowance for loan and lease losses:

(i) Tier 1 capital at least equal to six percent (6%) of total assets;

(ii) Tier 1 risk-based capital at least equal to eight percent (8%) of total risk-weighted assets; and

(iii) Total risk-based capital at least equal to ten percent (10%) of total risk-weighted assets.

(b) Within 210 days after the effective date of this ORDER, the Bank shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an adequate allowance for loan and lease losses:

(i) Tier 1 capital at least equal to eight percent (8%) of total assets;

(ii) Tier 1 risk-based capital at least equal to ten percent (10%) of total risk-weighted assets; and

(iii) Total risk-based capital at least equal to twelve percent (12%) of total risk-weighted assets.

(c) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, App. A.

(d) In the event any ratio falls below the established minimum, the Bank shall notify the Regional Director and the Commissioner and shall increase capital in an amount sufficient to comply with this provision within 10 days.

(e) The Bank shall not initiate a plan to increase total assets by more than ten percent (10%) during any consecutive three-month period.

10. (a) Within 30 days of the effective date of this ORDER, the Bank's Board shall develop a capital plan that shall be submitted to the Regional Director and the Commissioner for review and comment. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the

Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meetings of the Bank's Board. Thereafter, the Bank shall implement and fully comply with the capital plan. The Bank's Board shall review and update the Bank's capital plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Regional Director and the Commissioner. At a minimum, the plan shall include:

(i) specific plans to achieve the capital levels required under the plan and this ORDER;

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

(iii) projections for asset growth and capital requirements, and such projections shall be based upon a detailed analysis of the Bank's current and projected assets, liabilities, earnings, fixed assets, and off-balance sheet activities, each of which shall be consistent with the Bank's strategic business plan;

a) Increases or decreases in total assets of more than ten percent (10%) during any three-month period shall be supported by relevant projections and analysis that consider capital adequacy, asset quality, earnings, liquidity, and sensitivity to market risk;

(iv) projections for the amount and timing of the capital necessary to meet the Bank's current and future needs;

(v) the primary source(s) from which the Bank will strengthen its capital to meet the Bank's needs;

(vi) contingency plans that identify alternative sources of capital should the primary source(s) under (v) above not be available; and

(vii) a dividend policy that permits the declaration of a dividend only:

a) when the Bank is in compliance with its approved capital program;

b) when the Bank is in compliance with applicable State and Federal laws and regulations;

c) when, after payment of such dividends, the Bank remains in compliance with the above minimum capital ratios;

d) when such declaration and payment of dividends has been approved in advance by the Bank's Board; and

e) when such declaration and payment of dividends has been approved in advance, in writing, by the Regional Director and the Commissioner.

(b) The Bank's Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this provision.

(c) Any increase in capital necessary to meet the requirements of the provisions of this paragraph may be accomplished by the following:

(i) The sale of new securities in the form of common stock;

(ii) The sale of noncumulative perpetual preferred stock;

(iii) The direct contribution of cash by the directors, shareholders, or parent holding company of the Bank; or

(iv) Any other method acceptable to the FDIC and approved in advance in writing by the Regional Director and the Commissioner.

(d) No increase in capital necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Bank's allowance for loan and lease losses or other reserve accounts. Further, the Bank shall not lend funds directly or indirectly, whether secured or unsecured, to any purchaser of Bank or affiliate stock or other securities, or to any investor by any other means for any portion of any increase in capital required herein.

11. (a) If all or part of the increase in capital required by the provisions of this ORDER is accomplished by the sale of new securities, the Bank's Board shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the Regional Director, the FDIC's Registration, Disclosure, and Securities Unit, 550 17th Street, N.W., Room F-6053, Washington, D.C. 20429, and the Commissioner for review. Any changes to the plan or offering materials requested by the Regional Director and the Commissioner shall be made prior to their dissemination. If the Regional Director and the Commissioner allow any part of the increase in capital to be provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative

to the interest rate and any convertibility factor, shall be presented to the Regional Director and the Commissioner for prior approval.

(b) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 30 days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

(c) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 325 of the FDIC's Rules and Regulations.

12. (a) While this ORDER is in effect, the Bank shall not declare or pay any cash dividends without the prior written approval of the Regional Director and the Commissioner. Further, while this ORDER is in effect, the Bank shall not declare or pay cash dividends in any amount except as follows:

(i) Such declarations and payments are made in accordance with applicable State and Federal laws and regulations;

(ii) That after payment of such dividends, the Bank's capital ratios will not fall below the minimums established in paragraph 9 of this Order;

(iii) That such declaration and payment of dividends shall be approved in advance by the Bank's Board, with such declarations reflected in the minutes of the Bank's Board meeting during which such declarations were acted upon;

(iv) That the Bank is in substantial compliance with this ORDER; and,

(v) That such declaration and payment of dividends shall be approved in advance, in writing, by the Regional Director and the Commissioner, which approval shall not be unreasonably withheld.

13. (a) Within 45 days from the effective date of this ORDER, the Bank shall develop and submit a written plan to the Regional Director and the Commissioner for systematically reducing and monitoring the Bank's portfolio of loans, securities, or other extensions of credit advanced or committed, directly or indirectly, to or for the benefit of any borrowers in commercial real estate (the "concentration plan"), to an amount which is commensurate with the Bank's business strategy, management expertise, size, and location. At a minimum, the plan shall include:

(i) Dollar levels and percent of capital to which the Bank shall reduce each concentration;

(ii) Timeframes for achieving the reduction in dollar levels identified in response to (i) above;

(iii) Provisions for the submission of monthly written progress reports to the Bank's Board for review and notation in minutes of the meetings of the Bank's Board;

(iv) Procedures for monitoring the Bank's compliance with the plan; and

(v) When fully implemented, the concentration plan shall limit the bank's concentration in total, overall commercial real estate loans to no more than two hundred and fifty percent (250%) of the Bank's total capital and seventy five percent (75%) for loans in acquisition, development and construction..

(b) The Bank shall submit the concentration plan to the Regional Director and the Commissioner for review and comment. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the Bank's Board. Thereafter, the Bank shall implement and fully comply with the concentration plan.

(c) The Bank shall not make any new extensions or commitments of credit to or for the benefit of any borrower or associated entities so long as such extension or commitment would result in the Bank exceeding any limit contained in the concentration plan.

14. Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" and 50 percent (50%) of all assets or portions of assets classified "Doubtful" in the ROE that have not been previously collected or charged off. If an asset classified "Doubtful" is a loan or a lease, the Bank may, in the alternative, increase its allowance for loan and lease losses by an amount equal to 50 percent of the loan or lease classified "Doubtful".

(a) Additionally, as long as this ORDER remains in effect, within 10 days after the receipt of any future report of examination of the Bank from the FDIC, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" and 50 percent of all assets or portions of assets classified "Doubtful" in the ROE that have not been previously collected or charged off. If an asset classified "Doubtful" is a loan or a lease, the Bank may, in the alternative, increase its allowance for loan and lease losses by an amount equal to 50 percent of the loan or lease classified "Doubtful".

(b) Elimination or reduction of assets through proceeds of other loans made by the Bank is not considered collection for purposes of this provision.

15. (a) Within 45 days from the effective date of this ORDER, the Bank shall formulate a written plan to reduce the Bank's risk exposure in each asset in excess of $50,000 classified "Substandard" or "Doubtful" in the ROE. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the FDIC. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) In addition, the plan mandated by this provision shall also include, but not be limited to, the following:

(i) A schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);

(ii) Specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(iii) A schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Bank's projected Tier 1 capital plus the allowance for loan and lease losses;

(iv) A provision for the Bank's submission of monthly written progress reports to its Bank's Board; and

(v) A provision mandating the Bank's Board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the Bank's Board.

(c) The plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified "Substandard" and "Doubtful" in the ROE in accordance with the following schedule. For purposes of this paragraph, "number of days" means the number of days from the effective date of this ORDER.

(i) Within 180 days, to not more than $73 million.

(ii) Within 360 days, to not more than $39 million.

(d) The requirements of this paragraph do not represent standards for future operations of the Bank. Following compliance with the above reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets. The plan may include a provision for increasing Tier 1 capital when necessary to achieve the prescribed ratio.

(e) The Bank shall immediately submit the plan to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner, and after due consideration of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the meeting of the Bank's Board. Thereafter, the Bank shall implement and fully comply with the plan.

16. (a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit or obligation with the Bank that has been, in whole or in part, charged off or classified "Loss" or "Doubtful" and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower. This provision shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Bank's Board, or a designated committee thereof, who shall certify, in writing:

(i) Why failure of the Bank to extend such credit would be detrimental to the best interests of the Bank.

(ii) That the extension of such credit would improve the Bank's position, including an explanatory statement of how the Bank's position would improve.

(iii) An appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(iv) The signed certification shall be made a part of the minutes of the meeting of the Bank's Board, or designated committee, with a copy retained in the borrower's credit file.

(b) While this ORDER is in effect, the Bank shall not make any further extensions of credit, directly or indirectly, to any borrower whose loans are adversely classified "Substandard" or "Doubtful" by the FDIC, without prior approval by the Bank's Board. The Bank's Board shall not approve the proposed extension without first making affirmative determinations that:

(i) The extension of credit is in full compliance with the Bank's loan policy;

(ii) The extension of credit is necessary to protect the Bank's interests, or is adequately secured;

(iii) The Bank found the primary and secondary obligors to be creditworthy based on a credit analysis; and

(iv) All necessary loan documentation is on file, including, at a minimum, current financial and cash flow information, and satisfactory appraisal, title and lien documents, where appropriate.

(c) The affirmative determination shall be recorded in the minutes of the meeting of the Bank's Board, with a copy retained in the borrower's credit file.

17. (a) Within 60 days from the effective date of this ORDER, and annually thereafter, the Bank's Board shall review the Bank's loan policies and procedures for adequacy and, based upon this review, shall make all appropriate revisions to the policies and procedures

necessary to strengthen the Bank's asset quality and lending functions and to prevent further deterioration. As required by this paragraph, the Bank's loan policies shall be enhanced to include, at a minimum, provisions that:

(i) Identify the general fields of lending in which the Bank will engage, the types and kinds of loans and collateral considered desirable, and the types and kinds of loans and collateral considered undesirable;

(ii) Require a determination that loan officers have the necessary expertise to make, monitor, and service the types and kinds of loans that will be assigned to them, and that appropriate supervision by a qualified loan officer will be provided if the assigned loan officer does not possess the necessary expertise;

(iii) Establish lending limits for each officer, including limitations on the aggregate level of credit to any one borrower that can be granted without the prior approval of the Bank's loan committee;

(iv) Establish lending limits for the Bank's loan committee, including limitations on the aggregate level of credit to any one borrower that can be granted without the prior approval of the Bank's Board;

(v) Require prior written approval by the Bank's Board for any extension of credit, renewal, or disbursement in an amount which, when aggregated with all other extensions of credit to that person and its "related interests," as such term is defined in section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System (12 C.F.R. § 215.2(n)), exceeds $50,000;

(vi) Establish review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures, and that the directorate is receiving timely and fully documented reports on loan activity, including reports that identify deviations from established policy and the loan officers responsible for the deviations;

(vii) Designate the Bank's normal trade area;

(viii) Establish limitations on the maximum volume of loans in relation to total assets;

(ix) Require that for all extensions of credit originated or renewed by the Bank, including loans purchased from a third party (loan participations):

a) Have a clearly defined and stated purpose;

b) Have a predetermined and realistic repayment source and schedule, including secondary source of repayment;

c) Are supported by complete loan documentation, including lien searches, perfected security interests, and collateral valuations; and

d) Are supported by current financial information, profit and loss statements or copies of tax returns, and cash flow projections, which information shall be maintained throughout the term of the loan; and are otherwise in conformance with the Bank's lending policies and procedures.

(x) Establish standards for extending unsecured credit;

(xi) Incorporate limitations on the amount that can be loaned in relation to established collateral values, require the source of collateral valuations to be identified, require that collateral valuations be completed prior to the commitment to lend funds, and require that collateral valuations be performed on a periodic basis over the term of the loan;

(xii) Require that extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such person, be reviewed for compliance with all provisions of Regulation O and Part 337 of the FDIC's Rules and Regulations, 12 C.F.R. Part 337;

(xiii) Require accurate reporting of past due loans to the Bank's Board at least monthly;

(xiv) Establish standards for collection efforts for past due loans;

(xv) Establish guidelines for timely recognition of loss through charge-off;

(xvi) Require a non-accrual policy in accordance with the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;

(xvii) Prohibit the capitalization of interest or loan-related expenses unless the Bank's Board provides, in writing, a detailed explanation of why said deviation is in the best interest of the Bank;

(xviii) Address concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories, and development of a tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;

(xix) Require strict guidelines for out-of-territory loans which, at a minimum, include an aggregate limitation on such loans, require complete credit documentation, and require approval by a majority of the Bank's Board prior to disbursement of funds, including a written explanation of why such loans are in the best interest of the Bank;

(xx) Require that collateral appraisals be completed prior to making secured extensions of credit, and define the circumstances and time frames under which subsequent collateral valuations will be performed;

(xxi) Establish review and monitoring procedures for compliance with the FDIC's appraisal regulation, 12 C.F.R. Part 323;

(xxii) Require the establishment and maintenance of a loan grading system and internal loan watch list;

(xxiii) Require a written plan to lessen the risk position in each line of credit identified as a problem credit on the Bank's internal loan watch list;

(xxiv) Require loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" and "Doubtful" in regulatory reports of examination; and

(xxv) Prohibit extending the maturity date, advancing additional credit, or renewing a loan to a borrower whose obligations to the Bank were classified "Substandard" or "Doubtful," whether in whole or in part, in regulatory reports of examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured and/or are adequately supported by current and complete financial information, and the extension or renewal has first been approved in writing by a majority of the Bank's Board.

(b) The Bank shall submit the revised policy to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner, and after due consideration of any recommended changes, the Bank shall approve the policy, with its approval recorded in the minutes of the Bank's Board meeting. Thereafter, the Bank shall implement and fully comply with the policy.

18. (a) As of the effective date of this ORDER, the Bank's Board shall have made a provision which will replenish the allowance for loan and lease losses (allowance) for the loans charged off as a result of this examination and reflect the potential for further losses in the remaining loans or leases classified "Substandard" and "Doubtful" as well as all other loans and leases in its portfolio

(b) As of the effective date of this ORDER, the Bank's Board shall review its comprehensive policy and methodology for determining the adequacy of the allowance and shall confirm that it satisfactory. The policy shall provide for a review of the allowance at least once each calendar quarter and be completed at least 10 days prior to the end of each quarter in order that the results of the review conducted by the Bank's Board may be properly reported in the quarterly Reports of Condition and Income. Such reviews shall, at a minimum, include the following:

(i) The Federal Financial Institutions Examination Council's Instructions for the Reports of Condition and Income, the Interagency Statement of Policy on the Allowance for Loan and Lease Losses, other applicable regulatory guidance that addresses the adequacy of the Bank's allowance, and any analysis of the Bank's allowance provided by the FDIC;

(ii) The volume and mix of the overall loan portfolio, including trends in the portfolio mix by loan type and geography, trends in the severity of nonperforming or delinquent loans, trends in the severity of weaknesses in extensions of credit identified as "Special Mention" and adversely classified in the ROE;

(iii) Previous loan loss experience by loan type, including the level, trends, and severity of overdrafts, trend of net charge-offs as a percent of average loans over the past several years, as well as an analysis of net charge-offs experienced on previously adversely classified loans;

(iv) The degree of risk associated with renewed and extended loans;

(v) The volume, trend, rate and duration of loan growth;

(vi) The results of internal loan reviews;

(vii) Concentrations of credit and significant individual credits;

(viii) Present and prospective economic conditions, generally and locally;

(ix) Off-balance sheet credit risks; and

(x) Any other factors appropriate in determining future allowances, including changes in the Bank's strategic plan, and loan products and markets.

(c) A deficiency in the allowance shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any capital determinations required by this ORDER and prior to the Bank's submission of its Report of Condition and Report of Income. The Bank's Board shall thereafter maintain an adequate allowance.

(d) The Bank shall submit the policy to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner, and after due consideration of any recommended changes, the Bank shall approve the policy, which approval shall be recorded in the minutes of the Bank's Board meeting. Thereafter, the Bank shall implement and fully comply with the policy.

(e) While this ORDER is in effect, the Bank shall submit to the Regional Director and the Commissioner the analysis supporting the determination of the adequacy of the allowance. These submissions may be made at such times as the Bank files the quarter-end progress reports otherwise required by this ORDER. The Bank's policy and methodology for determining the adequacy of the Bank's allowance and its implementation shall be satisfactory to the Regional Director. In the event that the Regional Director and the Commissioner determine that the Bank's allowance is inadequate, the Bank shall increase the allowance and amend its Consolidated Reports of Condition and Income accordingly.

19. (a) Within 45 days from the effective date of this ORDER, the Bank's Board shall develop a written policy for managing the other real estate owned ("ORE") by the Bank. At a minimum, the policy shall provide for:

(i) Review of the ORE portfolio, at least quarterly, by a committee appointed by the Bank's Board;

(ii) Documentation that taxes and insurance premiums are paid in a timely manner;

(iii) Resolution of documentation exceptions;

(iv) A realistic and comprehensive budget for each parcel with a book value in excess of $100,000, including projections of the Bank's carrying costs (e.g., upkeep, repairs, and insurance costs) and projections of the marketing costs;

(v) Independent appraisal of each parcel at the time of foreclosure and periodically thereafter (but no more than 12 months from the date of the prior appraisal report);

(vi) Determination by the ORE committee that each parcel of ORE is listed with a real estate broker or otherwise made widely available for sale within an appropriate timeframe and at a realistic selling price;

(vii) Periodic progress reports from each real estate broker marketing Bank ORE, including projected sales timeframes;

(viii) Detailed report from the ORE committee to the Bank's Board at least quarterly, with a copy of the report, including documentation of the action taken to facilitate the timely sale of ORE, made part of the Bank's Board minutes; and

(ix) Requirements for accounting, documentation, resale terms, and action plans for the orderly liquidation of ORE from the Bank's books.

(b) The Bank shall submit the policy to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner, and after due consideration of any recommended changes, the Bank shall approve the policy, which approval shall be recorded in the minutes of the Bank's Board meeting. Thereafter, the Bank shall implement and fully comply with the policy.

20. Within 45 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the Bank's Board shall develop and fully implement a written profit plan consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this Order. The profit plan and any subsequent modification thereto shall be submitted to the Regional Director and the Commissioner for review and comment. No more than 30 days after

the receipt of any comment from the Regional Director and the Commissioner, the Bank's Board shall approve the profit plan which approval shall be recorded in the minutes of the meeting of the Bank's Board. Thereafter, the Bank, its directors, officers, and employees shall fully implement the profit plan and any subsequently approved modification. The written profit plan shall include, at a minimum:

(a) Identification of the major areas in and means by which the Bank's Board will seek to improve the Bank's operating performance;

(b) Specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings, as well as maintain adequate provisions to the allowance for loan and lease losses;

(c) Realistic and comprehensive budgets for all categories of income and expense items;

(d) A description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;

(e) Coordination of the Bank's loan, investment, funds management, and operating policies; strategic plan; and allowance for loan and lease loss methodology with the profit and budget planning;

(f) A budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than quarterly; recording the results of the evaluation and any actions taken by the Bank in the minutes of the Bank's Board meeting at which such evaluation is undertaken; and,

(g) Individuals responsible for implementing each of the goals and strategies of the Profit Plan.

21. (a) Within 45 days from the effective date of this ORDER, the Bank shall review its written funds management policies and plans, and amend each as necessary. The Bank shall submit the policies and plans, and any future modifications, to the Regional Director and the Commissioner for review and comment. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the Bank shall approve the revised policies and plans, which approval shall be recorded in the minutes of the meeting of the Bank's Board. Thereafter, the Bank shall implement and fully comply with the policies and plans. Annually or more frequently thereafter, while this ORDER is in effect, the Bank shall review this policy for adequacy and, based upon the above criteria, shall make necessary revisions to the policy. Quarterly or more frequently thereafter, while this ORDER is in effect, the Bank shall review the plan for adequacy and, based upon the above criteria, shall make necessary revisions to the plan. At a minimum, the policies and plan shall:

(i) Provide for the establishment of an asset/liability committee and define its membership, responsibilities and authorities, minimum frequency of meetings, reporting from management, and reporting to the Bank's Board;

(ii) Identify personnel responsible for the funds management functions within the Bank;

(iii) Provide a statement of the Bank's long-term and short-term liquidity needs and plans for insuring that such needs are met;

(iv) Provide for a periodic review of the Bank's deposit structure. Include the volume and trend of total deposits and the volume and trend of the various types of deposits offered, the maturity distribution of time deposits, rates being paid on each type of deposit, rates being paid by trade area competition, caps on large time deposits, public funds, out-of-area deposits, and any other information needed;

(v) Establish target liquidity and dependency ratios and/or parameters;

(vi) Provide for a periodic calculation to measure the liquidity posture. Review performance with established liquidity ratio target. Review compliance with required legal reserves;

(vii) Provide for a periodic calculation to determine the extent to which the Bank is funding long-term assets with short-term liabilities;

(viii) Establish parameters for use, volume, and maturities of brokered deposits, deposits obtained through solicitation services, and borrowings;

(b) Further, the plan shall:

(i) Address coordination among the Bank's loan, investment, operating, and budget and profit planning policies with the written funds management policy;

(ii) Provide a method of computing the Bank's cost of funds;

(iii) Provide a method of loan pricing that considers cost of funds, overhead and administrative costs, and desired profits. Determine when to use fixed rates and when to use floating rates;

(iv) In conjunction with the Bank's lending activities, determine which types of loans are permitted and desirable, the desired mix among different types of loans, the volume of loans compared to total deposits and total loans, upcoming loan maturities, and loan commitments outstanding;

(v) Review possible alternative sources of funds and address their use. Establish lines of credit and test accessibility on a periodic basis, but no less frequently than annually;

(vi) Provide for tax planning; and

(vii) Establish contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs.

22. Upon the effective date of this ORDER, and so long as this ORDER is in effect, the Bank shall not increase the amount of brokered deposits above the amount outstanding as of the effective date of this ORDER. Within 10 days of the effective date of this ORDER, the Bank shall submit a written plan for reducing its reliance on brokered deposits to the Regional Director and the Commissioner. The plan shall detail the current composition of brokered deposits by maturity and explain the means by which such deposits will be paid. The Bank shall submit the plan to the Regional Director and the Commissioner for review and comment. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the Bank's Board. Thereafter, the Bank shall implement and fully comply with the plan. For purposes of this ORDER, brokered deposits are defined in section 337.6(a)(2) of the FDIC Rules and Regulations to include any deposits funded by third-party agents or nominees for depositors, including deposits managed by a trustee or custodian when each individual beneficial interest is entitled to or asserts a right to federal deposit insurance.

23. Within 45 days from the effective date of this ORDER, the Bank shall establish policies and procedures designed to identify and report suspicious activities. At a minimum, such policies and procedures shall satisfy the requirements of Part 353 of the FDIC's Rules and Regulations, and shall be designed to identify misconduct from both internal and external sources. The Bank shall submit the policies and procedures to the Regional Director and the Commissioner for review and comment. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner, and after consideration of all such comments, the Bank shall approve the revised policy and procedures, which approval shall be recorded in the minutes of the meeting of the Bank's Board. Thereafter, the Bank shall implement and fully comply with the policies and procedures. The Policy shall be reviewed and approved by the Bank's Board on an annual basis, or more frequently as appropriate.

24. Following the effective date of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER, (i) in conjunction with the Bank's next shareholder communication, and (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

25. (a) Within 45 days of the end of the first calendar quarter following the effective date of this ORDER, and within 45 days of the end of each calendar quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Such written progress reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of the ORDER, including at a minimum:

(i) Description of the identified weaknesses and deficiencies;

(ii) Provisions of the ORDER pertaining to each weakness or deficiency;

(iii) Actions taken or in-process for addressing each deficiency;

(iv) Results of the corrective actions taken;

(v) The Bank's status of compliance with each provision of the ORDER; and

(vi) Appropriate supporting documentation.

(b) Progress reports may be discontinued when the Regional Director and the Commissioner have, in writing, released the Bank from making additional reports.

This ORDER will become effective upon its issuance by the FDIC. Violation of any provision of this ORDER will be deemed to be conducting business in an unsafe or unsound manner, and will subject the Bank to further regulatory enforcement action. The provisions of this ORDER shall remain effective and enforceable by the FDIC except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated at San Francisco, California, this 1st day of October, 2008.

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Stan Ivie
Regional Director
Division of Supervision and Consumer Protection
San Francisco Region
Federal Deposit Insurance Corporation