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[¶12,619] **In the Matter of Prime Alliance Bank, Woods Cross, Utah**, Docket No. 06-096b (6-27-06).

A cease and desist order was issued, based on findings by the FDIC that it had reason to believe that respondent was engaged in unsafe and unsound practices.

[.1] **Management—Qualifications Specified**

[.2] **Board of Directors—Increased Participation in Bank Affairs Required**

[.3] **Capital—Tier 1 Capital Increase/Maintain**

[.4] **Business Plan—Preparation Required**

[.5] **Loan Loss Reserve—Establishment of or Increase Required**

[.6] **Violations of Law—Correction of Violations Required**

[.7] **Bank Secrecy Act—Compliance Program**

[.8] **Customer Due Diligence Program—Establishment Required**

[.9] **Customer Identification Program—Requirements Specified**

[.10] **Assets—Problem Assets—Reduce Substandard Assets**

[.11] **Loans—Extensions of Credit—Curtail to Existing Borrowers**

[.12] **Loan—Preparation or Revision of Policy Required**

[.13] **Loans—Extensions of Credit—To Borrowers with Existing Adversely Classified Assets**

[.14] **Strategic Plan—Preparation of Required**

[.15] **Profit Plan—Preparation of Plan Required**

[.16] **Cease and Desist Orders—Specific Category of Loans, Review Required—Preparation or Revision of Funds Management Policy Required**

[.17] **Bank Operation—Internal Routine and Control Procedures—Establish**

[.18] **Dividends—Dividends Restricted**

[.19] **Brokered Deposits—Acceptance of Limited**

[.20] **Shareholders—Disclosure of Cease and Desist Order Required**

[.21] **Progress Report—Written Report Required**

**In the Matter of
PRIME ALLIANCE BANK
WOODS CROSS, UTAH
(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST**

Docket No. FDIC-06-096b

Prime Alliance Bank, Woods Cross, Utah ("Bank"), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of law and/or regulations 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 Utah Code Ann. §7-1-307, 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 June 21, 2006, and with counsel for the Department of Financial Institutions for the State of Utah ("Department") dated June 21, 2006, whereby
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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 and the Department.

The FDIC and the Department considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had committed violations of law and/or regulations. The FDIC and the Department, 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 and violations of law and/or regulation.

(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 excessive operating losses;

(h) operating with inadequate provisions for liquidity;

(i) operating with inadequate internal routine and controls policies;

(j) operating in violation of the conditions imposed in the FDIC's Order of Deposit Insurance and in the Department's Order granting charter authority under the laws of the state of Utah;

(k) operating in violation of sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§371c, 371c-1, made applicable to state nonmember insured institutions by section 18(j)(1) of the Act, 12 U.S.C. §1828(j)(1), as more fully described on pages 20–23 of the Report of Examination as of December 31, 2005; sections 22(g) and 22(h) of the Federal Reserve Act, as amended, 12 U.S.C. §§375a, 375b, as more fully described on pages 23–24 of the Report of Examination as of December 31, 2005; and sections 215.4(a), 215.4(c),

215.4(d), 215.5(c) and 215.10(d) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. §§215.4(a), 215.4(c), 215.4(d), 215.5(c), and 215.10, made applicable to state nonmember institutions by section 18(j)(2) of the Act, 12 U.S.C. §1828(j)(2), as more fully described on pages 23–24 of the Report of Examination as of December 31, 2005;

(l) operating in violation of Part 323 of the FDIC's Rules and Regulations, 12 C.F.R. Part 323; as more fully described on page 25 of the Report of Examination as of December 31, 2005;

(m) operating in violation of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. §326.8, as more fully described on pages 24–25 of the Report of Examination as of December 31, 2005;

(n) operating in violation of section 103.33 of the Rules and Regulations of the Department of Treasury, 31 C.F.R. §103.33, as more fully described on pages 24–25 in the Report of Examination as of December 31, 2005;

(o) operating in violation of section 103.100 of the Rules and Regulations of the Department of Treasury, 31 C.F.R. §103.100, as more fully described on pages 24–25 in the Report of Examination as of December 31, 2005;

(p) operating in violation of section 103.121 of the Rules and Regulations of the Department of Treasury, 31 C.F.R. §103.121, as more fully described on pages 24–25 in the Report of Examination as of December 31, 2005;

(q) operating in contravention of Appendix A to Part 364 of the FDIC's Rules and Regulations, 12 C.F.R. Part 364, as more fully described on page 28 in the Report of Examination as of December 31, 2005;

(r) operating in contravention of Appendix

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A to Part 365 of the FDIC's Rules and Regulations, 12 C.F.R. Part 365, as more fully described on page 28 in the Report of Examination as of December 31, 2005;

(s) operating in violation of Utah Code Section 7-3-19 and Utah Administrative Code Section R331-23, as more fully described on pages 25–27 in the Report of Examination as of December 31, 2005; and

(t) operating in violation of Utah Administrative Code Section R331-5-6, as more fully described on pages 27–28 in the Report of Examination as of December 31, 2005.

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

[.1] 1. The Bank shall have and 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. Management shall also include a chief executive officer with proven abilities in asset/liability management and in maintaining a bank's books and records of comparable size, in accordance with GAAP principles and Call Report instructions. Each member of management shall be provided appropriate written authority from

the Bank's board of directors 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, Department of Financial Institutions for the State of Utah, ("Commissioner") in writing when it proposes to add any individual to the Bank's board of directors 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.

(d) Within 90 days after the effective date of this ORDER, the Bank's board of directors shall obtain an independent study of the management and personnel structure of the Bank to determine whether additional personnel are needed for the safe and profitable operation of the Bank. Such a study shall include, at a minimum, a review of the duties, responsibilities, qualifications, and remuneration of the Bank officers. The Bank shall formulate a plan to implement the recommendations of the study. The plan shall be acceptable to the Regional Director and the Commissioner as determined at subsequent examinations.

[.2] (a) Within 30 days from the effective date of this ORDER, the board of directors shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; and individual committee actions. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within 270 days of the date of this ORDER, and during the life of this ORDER, independent directors shall comprise a majority of the Bank's board of directors.

(c) The addition of any new Bank directors
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required by this paragraph may be accomplished, to the extent permissible by state statute or the Bank's by-laws, by means of appointment or election at a regular or special meeting of the Bank's shareholders. For purposes of this ORDER, an independent director shall be any individual who is not an officer of the Bank, any subsidiary, or any of its affiliated organizations; who does not own more than 10 percent of the outstanding shares of the Bank; who is not related by blood or marriage to an officer or director of the Bank or to any shareholder owning more than 10 percent of the Bank's outstanding shares and does not otherwise have a common financial interest with such officer, director or shareholder; who is not indebted to the Bank directly or indirectly, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding 10 percent of the Bank's total Tier 1 capital and allowance for loan and lease losses; or who is deemed to be an independent director for purposes of this ORDER by the Regional

Director and the Commissioner.

[.3] 3. (a) Within 90 days from the effective date of this ORDER, the Bank shall achieve and thereafter maintain Tier 1 capital at not less than ten (10) percent of the Bank's total assets. Thereafter Tier 1 capital shall be maintained at no less than ten (10) percent of the Bank's total assets for the life of this Order.

(b) Within 90 days from the effective date of this ORDER, the Bank shall develop and adopt a plan to meet and thereafter maintain the minimum risk-based capital requirements as described in the FDIC Statement of Policy on Risk-Based Capital contained in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, Appendix A. The Plan shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations.

(c) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to Subparagraph 3 (a) shall be in addition to a fully funded allowance for loan and lease losses, the adequacy of which shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(d) Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 3 of this ORDER may be accomplished by the following:

- (i) the sale of common stock; or
- (ii) the sale of noncumulative perpetual preferred stock; or
- (iii) the direct contribution of cash by the board of directors and/or shareholders of the Bank; or
- (iv) any other means acceptable to the Regional Director and the Commissioner; or
- (v) any combination of the above means.

Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 3 of this ORDER may not be accomplished through a deduction from the Bank's allowance for loan and lease losses.

(e) If all or part of the increase in Tier 1 capital required by Paragraph 3 of this ORDER is accomplished by the sale of new securities, the board of directors shall forthwith take all necessary steps to 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 fifteen (15) 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 FDIC, Registration and Disclosure Unit, Washington, D.C. 20429, and to the Department for review. Any reasonable changes requested to be made in the plan or materials by the FDIC or the Department shall be made prior to their dissemination. If the increase in Tier 1 capital is 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 interest rate and convertibility factor, shall be presented to the Regional Director and the Commissioner for prior approval.

(f) In complying with the provisions of
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Paragraph 3 of this ORDER, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities, a 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 ten (10) 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.

(g) For the purposes of this ORDER, the terms "Tier 1 capital" and "total assets" shall have the meanings ascribed to them in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. §§ 325.2(v) and 325.2(x).

[.4] 4. Within 90 days from the effective date of this Order, the board and management shall develop an amended business plan, including loan portfolio composition and types of deposits and funding, and including projected total assets, loans, and deposits. The provisions of the amended business plan shall be substantially similar to the provisions of the business plan filed with the application for deposit insurance, as approved by the FDIC on November 17, 2004 and by the Department on November 8, 2004. Such amended business plan shall be provided to the Regional Director and the Commissioner for review and approval prior to implementation.

[.5] 5. Within 90 days from the effective date of this ORDER, the Bank shall have and thereafter maintain an adequate allowance for loan and lease losses.

Additionally, within 30 days from the effective date of this ORDER, the board of directors shall develop or revise, adopt and implement a comprehensive policy for determining the adequacy of the allowance for loan and lease losses. For the purpose of this determination, the adequacy of the reserve shall be determined after the charge-off of all loans or other items classified "Loss." The policy shall provide for a review of the allowance at least once each calendar quarter. Said review shall be completed at least ten (10) days prior to the end of each quarter, in order that the findings of the board of directors with respect to the loan and lease loss allowance may be properly reported in the quarterly Reports of Condition and Income. The review should focus on the results of the Bank's internal loan review, loan loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. A deficiency in the allowance shall be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition, by a charge to current operating earnings. The minutes of the board of directors meeting at which such review is undertaken shall indicate the results of the review. Upon completion of the review, the Bank shall increase and maintain its allowance for loan and lease losses consistent with the allowance for loan and lease loss policy established. Such policy and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

[.6] 6. Within 90 days of the effective date of this ORDER, the Bank shall correct all violations of law and cease acting in contravention of FDIC policies and Utah law as cited and described in pages 20–28 in the Report of Examination as of December 31, 2005. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

[.7] 7. Within 30 days of the effective date of this ORDER, the Bank shall comply in all material respects with the Bank Secrecy Act ("BSA") and its rules and regulations.

[.8] 8. Within 30 days of the effective date of this ORDER, the Bank shall develop, adopt and implement a written customer due diligence program. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations of the

Bank. At a minimum, the customer due diligence program shall provide for the following:

(a) A risk focused assessment of the customer base of the Bank to determine the appropriate level of enhanced due diligence necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at or through the Bank.

(b) For those customers whose transactions require enhanced due diligence, procedures to:

(i) determine the appropriate documentation

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necessary to confirm the identity and business activities of the customer;

(ii) understand the normal and expected transactions of the customer; and

(iii) reasonably ensure the identification and timely, accurate and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and supervisory authorities, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353.

[.9] 9. Within 30 days of the effective date of this ORDER, the Bank shall develop and implement a written and comprehensive Customer Identification Program that complies with 31 C.F.R. Part 103.121 of the Department of the Treasury's Financial Recordkeeping and Reporting Regulations. Such program and its implementation shall be in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations at the Bank. At a minimum, the Customer Identification Program shall provide for the following:

(a) Account opening procedures detailing the information necessary to confirm the identity and business activities of the customer;

(b) Establishment of documentary and non-documentary procedures to verify the identity of bank customers; and

(c) Procedures to ensure compliance with section 314(a) requests from the Financial Crimes Enforcement Network (FinCEN) upon receipt.

[.10] 10. (a) Within 90 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the Report of Examination as of December 31, 2005, to not more than \$40,000,000.

(b) Within 180 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the Report of Examination as of December 31, 2005, to not more than \$30,000,000.

(c) Within 270 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the Report of Examination as of December 31, 2005, to not more than \$20,000,000.

(d) Within 360 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the Report of Examination as of December 31, 2005, to not more than \$10,000,000.

(e) The requirements of subparagraphs 10(a), 10(b), 10(c), and 10(d) of this Order are not to be construed as standards for future operations and, in addition to the foregoing, the Bank shall eventually reduce the total of all adversely classified assets. Reduction of these assets through proceeds of other loans made by the

Bank is not considered collection for the purpose of this paragraph. As used in subparagraphs 10(a), 10(b), 10(c) and 10(d), the word "reduce" means:

(i) to collect;

(ii) to charge-off; or

(iii) to sufficiently improve the quality of assets adversely classified as to warrant removing any adverse classification, as determined in subsequent on-site examinations by the FDIC and the Department.

[.11] 11. (a) Beginning with the effective date of this ORDER, 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 from the Bank that has been charged-off or classified, in whole or in part, "Loss" and is uncollected. Subparagraph 11(a) of this ORDER shall not prohibit the Bank from renewing or extending the maturity of any credit in accordance with the Financial Accounting Standards Board Statement Number 15 ("FASB 15").

(b) Beginning with the effective date of this ORDER, 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 from the Bank, that has been classified, in whole or part, "Substandard" without the prior approval of a majority of the board of directors of the Bank.

(c) The Board shall not approve any extension of credit, or additional credit to a borrower in paragraphs (b) and (c) above without first collecting in cash all past due interest.

[.12] 12. (a) Within 90 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function, which policies shall include
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specific guidelines for placing loans on a non-accrual basis. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policies and their implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(b) The initial revisions to the Bank's loan policy and practices, required by this paragraph, at a minimum, shall include the following:

(i) provisions, consistent with FDIC instructions for the preparation of Reports of Condition and Income, under which the accrual of interest income is discontinued and previously accrued interest is reversed on delinquent loans;

(ii) provisions which prohibit the capitalization of interest or loans related expense unless the board of directors supports in writing and records in the minutes of the corresponding board of directors meeting why an exception thereto is in the best interests of the Bank;

(iii) provisions which require complete loans documentation, realistic repayment terms and current credit information adequate to support the outstanding indebtedness of the borrower. Such documentation shall include current financial information, profit and loss statements or copies of tax returns and cash flow projections;

(iv) provisions which incorporate limitations on the amount that can be loaned in relation to established collateral values;

(v) provisions which specify the circumstances and conditions under which

real estate appraisals must be conducted by an independent third party;

(vi) provisions which establish standards for unsecured credit;

(vii) provisions which establish officer lending limits;

(viii) provisions that require extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such persons, to be approved in advance by a majority of the entire board of directors in accordance with section 215.4(b) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. §215.4(b);

(ix) provisions which prohibit the issuance of standby letters of credit unless the letters of credit are fully secured by readily marketable collateral and/or are supported by current and complete financial information;

(x) provisions that directors first determine that the lending staff has the expertise necessary to properly supervise construction loans and that adequate procedures are in place to monitor any construction involved before funds are disbursed;

(xi) provisions which prohibit concentrations of credit in excess of 25 percent of the Bank's total equity capital and reserves to any borrower and that borrower's related interests;

(xii) provisions which require the preparation of a loan "watch list" which shall include relevant information on all loans in excess of \$250,000 which are classified "Substandard" and "Doubtful" in the FDIC's Report of Examination as of December 31, 2005, or by the FDIC or the Department in subsequent Reports of Examination and all other loans in excess of \$250,000, which warrant individual review and consideration by the board of directors as determined by the loan committee or active management. The loan "watch list" shall be presented to the board of directors for review at least monthly with such review noted in the minutes; and

(xiii) the board of directors shall adopt procedures whereby officer compliance with the revised loan policy is monitored and responsibility for exceptions thereto assigned. The procedures adopted shall be reflected in minutes of a board of directors meeting at which a majority of members are present and the vote of each is noted.

[.13] 13. Within 90 days from the effective date of this ORDER, the Bank shall develop a written plan, approved by its board of directors and acceptable to the Regional Director and the Commissioner for systematically reducing the amount of loans or other extensions of credit advanced, directly or indirectly, to or for the benefit of, any borrowers in the "real estate" Concentrations as listed on pages 36–37 in the Report of Examination as of December 31, 2005. No new loans or other extensions of credit shall be granted to or for the benefit of, any borrower
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in the "Applied Lending" Concentrations with the exception of loans or extensions of credit to individuals which are for first lien single family residential real estate financing or for household, family, or other consumer expenditures and which have received the prior written approval of the board of directors as reflected in its recorded minutes and are otherwise in conformance with all laws and regulations.

[.14] 14. Within 90 days from the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner a written three-year strategic plan. Such plan shall include specific goals for the dollar volume of total loans, total investment securities, total deposits and total assets as of each calendar year end. For each time frame, the plan will also specify 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. The plan shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

[.15] 15. Within 90 days from the effective date of this ORDER, the Bank shall formulate and implement a written profit plan. This plan shall be forwarded to the Regional Director and the Commissioner for review and comment and shall address, at a minimum, the following:

(a) goals and strategies for improving and sustaining the earnings of the Bank, including:

- (i) an identification of the major areas in, and means by which, the board of directors will seek to improve the Bank's operating performance;
- (ii) realistic and comprehensive budgets;
- (iii) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections; and
- (iv) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) coordination of the Bank's loan, investment, and operating policies, and budget and profit planning, with the funds management policy.

[.16] 16. Within 45 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written liquidity and funds management policy. Such policy and its implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

[.17] 17. Within 45 days from the effective date of this ORDER, the Bank shall adopt and implement a policy for the operation of the Bank in such a manner as to provide adequate internal routine and control policies consistent with safe and sound banking practices. Such policy and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

[.18] 18. The Bank shall not pay cash dividends without the prior written consent of the Regional Director and the Commissioner.

[.19] 19. Upon the effective date of this ORDER, the Bank shall not accept, renew, or rollover brokered deposits, and shall not increase the amount of brokered deposits above the amount outstanding on that date without obtaining a Brokered Deposit Waiver approved by the FDIC pursuant to §29 of the Federal Deposit Insurance Act.

Within ten (10) days of the effective date of this ORDER, the Bank shall submit to the Regional Director and the Commissioner a written plan for eliminating its reliance on brokered deposits. The plan should contain details as to the current composition of brokered deposits by maturity and explain the means by which such deposits will be paid. The Regional Director and the Commissioner shall have the right to reject the Bank's plan. On the tenth of each month, the Bank shall provide a written progress report to the Regional Director and the Commissioner detailing the level, source, and use of brokered deposits with specific reference to progress under the Bank's plan. For purposes of this ORDER, brokered deposits are defined as described 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

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beneficial interest is entitled to or asserts a right to federal deposit insurance.

[.20] 20. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also 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, Registration and Disclosure Unit, Washington, D.C., 20429, and to the Department at least fifteen (15) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the Department shall be made prior to dissemination of the description, communication, notice, or statement.

[.21] 21. Within 45 days of the end of the first calendar quarter following the effective date of this ORDER, and within thirty (30) 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 and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports shall include a copy of the Bank's Report of Condition and the Bank's Report of Income. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making further reports.

This ORDER shall be effective ten (10) days from the date of its issuance. The provisions of this ORDER shall remain effective and enforceable 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 or the Department.

Pursuant to delegated authority.

Dated at San Francisco, California, this 27th day of June, 2006.

Last
Updated legal@fdic.gov
9/19/2006