#2002-36

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

In the Matter of:	)
Sequoia National Bank	)
San Francisco, California	)

CONSENT ORDER

The Comptroller of the Currency of the United States of America ("Comptroller"), through his National Bank Examiner, has examined Sequoia National Bank, San Francisco, California ("Bank"), and his findings are contained in the Report of Examination, dated July 11, 2001 ("ROE").

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," dated April 10, 2002, that is accepted by the Comptroller. By this Stipulation and Consent, that is incorporated herein by reference, the Bank has consented to the issuance of this Consent Order ("Order") by the Comptroller.

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

MONTHLY PROGRESS REPORTING

(1) The Board shall submit monthly progress reports to the Assistant Deputy Comptroller, Brian J. Quade, 50 Fremont Street, Suite 3900, San Francisco, California 94105 ("ADC" or "Assistant Deputy Comptroller"). These reports shall set forth in detail:

(a) Actions taken to comply with each Article of the Consent Order;

(b) Results of those actions; and

(c) A description of the actions needed to achieve full compliance with each Article of the Consent Order.

(2) The progress reports should also include any actions initiated by the Board and the Bank pursuant to the criticisms and comments in the July 11, 2001, ROE, any future Report of Examination, or in any external or internal audit reports and loan reviews.

(3) The first progress report shall be submitted for the period ending April 30, 2002, and will be due within fifteen (15) days of that date. Thereafter, progress reports will be submitted within twenty (20) days after the month end.

ARTICLE II

BOARD AND MANAGEMENT SUPERVISION

(1) Within thirty (30) days, the Board shall develop a program which will provide for effective Board supervision over the Bank's management team. At a minimum, the program shall include:

(a) A director education program to address identified weaknesses in the supervision of the Bank as detailed in the ROE, any subsequent Report of Examination, or in any external or internal audit reports and loan reviews;

(b) An evaluation of the Board's performance in fulfilling their duties as directors; and

(c) An assessment of whether Board members, consistent with concerns regarding confidentiality and 12 C.F.R. Part 4 and 18 U.S.C. § 641, are receiving adequate information from management on the operations of the Bank to enable them to effectively supervise the Bank and fulfill their fiduciary responsibilities.

(2) Within forty-five (45) days, the Board shall prepare a written review of the capabilities of the Bank's management to perform present and anticipated duties, considering the findings in the July 11, 2001, ROE. The written review shall include a written plan identifying what management changes should be made, if any, to ensure that the Bank has competent management, including adequate staff in place to perform their assigned tasks and duties, to achieve compliance with this Order.

(3) Within seventy-five (75) days, the Board shall ensure that the Bank has competent management in place on a full-time basis to carry out the Board's policies, to ensure compliance with this Order, applicable laws, rules and regulations, and to manage the day-to-day operations of the Bank in a safe and sound manner.

(4) Subject to the prior notice requirements of Section 914 of FIRREA, 12 U.S.C. § 1831i, and 12 C.F.R. § 5.51, for management vacancies which exist now or in the future, including if the Board realigns an existing officer's responsibilities and a management position becomes vacant, the Board shall, within forty-five (45) days of such vacancy, identify a capable person to the vacant position who shall be vested with sufficient authority to ensure that the officer can carry out the responsibilities of his/her position.

ARTICLE III

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that the Bank corrects each violation of law, rule or regulation cited in the Violations of Laws and Regulations section of the July 11, 2001, ROE, any subsequent Report of Examination or any other official OCC written correspondence, or in any external or internal audit report. The monthly progress

reports required by Article I of this Consent Order shall include the date and manner in which each correction has been effected during that reporting period. In addition, the Board shall provide the Assistant Deputy Comptroller with adequate supporting documentation for each violation correction.

(2) Within thirty (30) days, the Board shall develop and submit to the Assistant Deputy Comptroller for review specific procedures to prevent future violations of law as cited in the July 11, 2001, ROE and in any external or internal audit report. Upon obtaining a notice of no-objection from the Assistant Deputy Comptroller, the Bank shall immediately adopt, implement, and adhere to these procedures.

(3) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

ARTICLE IV

ACTION PLAN

(1) Within thirty (30) days, the Board shall develop and submit to the Assistant Deputy Comptroller for review a written action plan ("Action Plan") detailing the Board's assessment of what needs to be done to improve the Bank's earnings and to achieve and maintain profitability, specifying how the Board will implement the plan, and setting forth a detailed timetable for the implementation of the plan. The Action Plan shall include:

(a) A written strategic plan for the Bank covering at least a three-year period. The strategic plan shall establish specific and detailed objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with detailed strategies to achieve those objectives and, at a minimum, include:

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

(ii) An assessment of the Bank's present and future operating environment;

(iii) The development of strategic goals and objectives over the short and long term, including limiting and controlling loan growth to reduce the high level of credit risk in the Bank;

(iv) An identification of the Bank's present and future product lines (assets and liabilities) that will be used to accomplish the strategic goals and objectives established in (1)(a)(iii) of this Article;

(v) A management employment and succession program to promote the retention and continuation of capable management;

(vi) Product line development and market segments that the Bank intends to promote or develop;

(vii) A profit plan to improve Bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;

(viii) Control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;

(ix) Specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank's operating environment; and

(x) Systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(b) A detailed written budget and profit plan that shall include a projection of major balance sheet and income statement components, and shall provide for injections of capital, as necessary. Specifically, the plan shall describe the Bank's objectives for improving Bank earnings, including contemplated strategies and major capital expenditures required to achieve those objectives. Such strategies shall include specific market segments that the Bank intends to promote or develop. Procedures shall also be established to monitor the Bank's actual results against these projections and to provide for appropriate adjustments to the budget and profit plan. The plan shall set forth specific time frames for the accomplishment of these objectives.

(c) A detailed written capital plan covering a three-year period, including:

(i) Specific plans for the maintenance of capital;

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

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

(iv) The primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs; and

(v) Contingency plans that identify alternative methods should the primary source(s) under (iv) not be available.

(2) Upon obtaining a notice of no-objection from the Assistant Deputy Comptroller, the Bank shall immediately adopt, implement, and adhere to the Action Plan. The Board shall restrict loan growth to five percent (5%) on an annualized basis until the Bank receives a notice of no-objection from the Assistant Deputy Comptroller. The Board shall establish appropriate procedures for the implementation of the Action Plan.

(3) The Action Plan shall be implemented pursuant to the time frames set forth within the Action Plan. The monthly progress reports required by Article I of this Order shall set forth the Bank's progress in achieving the objectives stated in the Action Plan. Where the Board considers modifications necessary, a Remedial Action Plan shall be submitted to the Assistant Deputy Comptroller for review. The Bank must give the Assistant Deputy Comptroller at least sixty (60) days advance notice of its intent to significantly deviate from the Action Plan. For purposes of this Order, a significant deviation shall have the same meaning as that phrase is

further described in PPM 5400-9, Appendix B.[1] The Remedial Action Plan shall detail, inter alia, a description of the proposed change; any contracts or agreements that relate to the proposed change; a description of the security and internal controls governing the proposed change; and the impact that the proposed change will have on staffing, operating expenses, and projected profitability, as well as on the Bank's proposed balance sheet, income statement, and the capital ratios. The Board shall not significantly deviate from or change the Action Plan, or adopt or implement a Remedial Action Plan, without obtaining the Assistant Deputy Comptroller's prior written determination of no supervisory objection to such action.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the Action Plan developed pursuant to this Article.

ARTICLE V

LIQUIDITY, ASSET AND LIABILITY MANAGEMENT POLICY

(1) The Bank shall achieve compliance within thirty (30) days of the effective date of this Order, and thereafter maintain a liquidity ratio at least equal to fifteen percent (15%) and a

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[1] PPM 5400-9, De Novo and Converted Banks (September 13, 2000), defines a significant deviation as "a material variation from the bank's operating plan submitted during the charter application process." Significant deviations may include, but are not limited to, deviations in the bank's:

- Projected growth, such as significantly increasing growth plans for the bank.
- Strategy or philosophy, such as reducing the emphasis of their targeted niche (*e.g.*, small business lending) in favor of another (*e.g.*, funding large commercial real estate projects).
- Scope of activities, such as establishing transactional Internet or electronic banking.
- Lines of business, such as initiating subprime lending.
- Funding sources, such as a shift in funding from core deposits to brokered deposits.
- Markets, such as expanding from a smaller market to an entire state.
- Delivery systems, such as using a telephone call program, direct mail solicitations, or Internet banking to promote a credit or deposit program.
- Stock benefit plans (stock options and warrants), including the introduction of plans that were not previously reviewed with no objection by the OCC.
- Relationship with, or condition of, a parent company or affiliate.

loan-to-deposit ratio of no more than eighty-five percent (85%) at all times. The liquidity ratio shall be computed as the ratio of net liquid assets to total deposits.[2] If the Bank is unable to achieve compliance within thirty (30) days from the date of this Order, it shall provide the Assistant Deputy Comptroller with a written detailed plan to achieve compliance within sixty (60) days from the date of the Order.

(2) Within sixty (60) days, the Board shall develop and submit to the Assistant Deputy Comptroller for review, a written liquidity, asset and liability management policy. The Board shall ensure that the Bank's policy is consistent with the Comptroller's Handbook for National Bank Examiners, Section 405, and the Interest Rate Risk booklet, L-IRR, of the Comptroller's Handbook. The policy shall provide for a coordinated liquidity, asset and liability management strategy that, at a minimum, addresses:

(a) Guidelines for managing the relationship between rate sensitive assets and rate sensitive liabilities;

(b) Guidelines for the minimum/maximum average maturities for different categories of assets and liabilities;

(c) Limits on the minimum acceptable rate differential between liability cost and asset yield on new business;

(d) Measures to improve net interest income;

(e) Procedures that enable the Board and management to monitor the Bank's liquidity position and maintain liquidity at an adequate level;

[2] Net liquid assets equals federal funds sold plus investments maturing within one year or less plus available for sale investment securities plus expected loan sales within 90 days plus cash and due from banks minus reserve requirements minus investments pledged.

(f) The liquidity, maturity and pledging requirements of the investment portfolio;

(g) Development of a liquidity contingency plan;

(h) Guidelines concerning the nature, extent, and purpose of the Bank's use of brokered deposits (as the term is defined in 12 C.F.R. § 337.6) consistent with the Bank's overall funds management strategies;

(i) The nature, extent and purpose of Bank borrowings;

(j) Limits on concentration of funding sources;

(k) The establishment of adequate management reports on which to base sound funds management and interest rate risk decisions;

(l) The establishment and guidance of the Bank's strategic direction and tolerance for interest rate risk;

(m) Implementation of measurement and monitoring mechanisms to supervise adequately the Bank's performance and overall interest rate risk profile;

(n) Prudent limits on the nature and amount of interest rate risk that can be taken; and

(o) Periodic reviews of the Bank's adherence to the policy.

(3) Upon obtaining a notice of no-objection from the Assistant Deputy Comptroller, the Bank shall immediately adopt, implement, and adhere to the policy.

(4) If the Bank falls out of compliance with the ratios required in paragraph (1) of this Article, it shall immediately notify the OCC of such noncompliance. If the OCC determines that the noncompliance results from unusual, nonrecurring situations beyond the control of the Bank,

the Bank shall be permitted to provide the Assistant Deputy Comptroller with a written plan to achieve and maintain compliance within thirty (30) days of the noncompliance.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE VI

NEW PRODUCTS AND SERVICES

(1) Prior to the Bank's involvement in any new products or services, the Board shall prepare a comprehensive written analysis of said product or service. The written analysis shall, at a minimum, include the following:

(a) A comprehensive assessment of the risks and benefits of the product or service to the Bank;

(b) An explanation of how the product or service is consistent with the Bank's Action Plan under Article IV;

(c) A detailed evaluation of the adequacy of the Bank's organizational structure, staffing, MIS, internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the product or service;

(d) A profitability analysis, including growth projections and the potential impact on interest rate risk;

(e) A description of the geographic areas and customer groups from which the Bank proposes to draw its new business;

(f) An analysis of the Bank's proposed market in terms of economic characteristics;

(g) An analysis of anticipated changes in the market and the effect that such changes will have on the Bank's new business activities or product lines;

(h) A list of any potential competitors in the Bank's target market area;

(i) A discussion of the major planning assumptions (such as market growth, interest rates, cost of funds, and competition) for the market analysis that was used in developing the Bank's new plans and objectives; and

(j) A detailed analysis, and all pertinent supporting documentation, regarding the credit and collateral standards, risk management processes and internal audit program that will be employed in connection with the new business activities or product lines.

(2) Prior to the Bank's involvement in any new products or services, the Board shall ensure that the Bank has in place sufficient capitalization prior to offering or engaging in the new products or services so as to be able to support the projected volume and type of business activities or product lines. The Bank shall submit the formula or basis it used to arrive at the proposed capital structure, and shall provide an analysis as to how the proposed capital structure will be adequate relative to market factors, the Bank's planning and financial assumptions, and its projected organization and operating expenses.

(3) Prior to the Bank's involvement in any new products or services, the Board shall have in place adequate and competent personnel, including members of the Board and management, with the necessary ability and experience to direct the affairs of the Bank in a safe and sound manner.

(4) Prior to the Bank's involvement in any new products or services, the Board shall have in place comprehensive policies and procedures to guide Bank personnel as they engage in the new business activity or product line.

(5) Prior to the Bank's involvement in any new products or services, a copy of the analysis shall be submitted to the Assistant Deputy Comptroller for review. The Bank shall obtain a notice of no-objection from the Assistant Deputy Comptroller prior to offering or providing the new product or service.

ARTICLE VII

LENDING POLICY

(1) Within forty-five days (45) days, the Board shall revise and submit to the Assistant Deputy Comptroller for review the Bank's written loan policy. The Board shall ensure that the policy is consistent with the Loan Portfolio Management booklet, A-LPM, of the Comptroller's Handbook. This policy shall incorporate, but not necessarily be limited to, the following:

(a) A description of acceptable types of loans;

(b) A provision that current and satisfactory credit information will be obtained on each borrower;

(c) Maturity scheduling related to the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;

(d) Maximum ratio of loan value to appraised value or acquisition costs of collateral securing the loan;

(e) Collection procedures, to include follow-up efforts, that are systematically and progressively stronger;

(f) A pricing policy that takes into consideration costs, general overhead, and probable loan losses, while providing for a reasonable margin of profit;

(g) A definition of the Bank's geographic trade area;

(h) Guidelines and limitations for loans originating outside of the Bank's geographic trade area;

(i) A limitation on aggregate outstanding loans in relation to other balance sheet accounts;

(j) Distribution of loans by category;

(k) A prohibition regarding the use of brokered deposits to fund loan growth or support criticized loans;

(l) Guidelines for loans to insiders, including a statement that such loans will not be granted on terms more favorable than those offered to similar outside borrowers;

(m) Guidelines and limitations on concentrations of credit;

(n) A limitation on the type and size of loans that may be made by loan officers without prior approval by the Board or a committee established by the Board for this purpose;

(o) Measures to correct the deficiencies in the Bank's lending procedures noted in any ROE, or in any external or internal loan review, including compliance with the real estate appraisal requirements of 12 C.F.R. Part 34;

(p) Guidelines designed to improve Board oversight of the loan underwriting and approval process, specifically with regard to credits exhibiting significant risk, including construction, commercial real estate, and stated income/low documentation loans. At a minimum, the policy shall:

(i) Establish dollar limits on extensions of credit to any one borrower, above which the prior approval of the Board, or a committee thereof, would be required;

(ii) Establish dollar limits on aggregate extensions of credit to any one borrower, above which any new extensions of credit to that borrower, regardless of amount, would require the prior approval of the Board, or a committee thereof;

(iii) Require that all credits which deviate from the Bank's normal course of business, including all credits which deviate from the Bank's written strategic plan, receive the prior approval of the Board, or a committee thereof;

(iv) Require that current rent rolls and financial statements be obtained and analyzed for commercial real estate loans;

(v) Require that monthly reviews be performed for construction loans, which shall include an analysis of the current status of completion, funds remaining, leasing prospects, and permanent financing options for each loan; and

(vi) Require monthly reporting to the Board consisting of significant risk credits.

(q) Guidelines consistent with Banking Circular 255, setting forth the criteria under which renewals of extensions of credit may be approved. At a minimum the policy shall:

(i) Ensure that renewals are not made for the sole purpose of reducing the volume of loan delinquencies; and

(ii) Provide guidelines and limitations on the capitalization of interest.

(2) The Bank's loan policy developed under paragraph (1) of this Article shall include detailed lending policy guidelines for each specific loan type and product that is included in the Bank's loan policy, including participation loans and bulk loan purchases. In addition, the Bank shall ensure that participation loans and bulk loan purchases are made in compliance with the Bank's loan policy.

(3) Upon obtaining a notice of no-objection from the Assistant Deputy Comptroller, the Bank shall immediately adopt, implement, and adhere to the revised lending policy.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE VIII

LOAN ADMINISTRATION

(1) Within sixty (60) days, the Bank shall develop and submit to the Assistant Deputy Comptroller for review a written program to improve the Bank's loan administration and underwriting. The program shall correct the administration deficiencies listed in the ROE, any subsequent Report of Examination, or in any external or internal loan review, including:

(a) Written procedures to ensure credit is granted only after meeting the criteria established in paragraph (2) of this Article;

(b) Written procedures governing Board review and approval of all exceptions to established lending policies, including guidelines to ensure any exceptions are fully documented in the credit file of the affected borrower(s), including an explanation as to why it is in the best interest of the Bank to grant such an exception;

(c) Written procedures that require the Board to review on a quarterly basis the Bank's adherence to the established lending policies; and

(d) Procedures to ensure loan classifications, including upgrades in classification, are properly documented and supported in the credit file of the affected borrower(s).

(2) The Board shall take immediate and continuing action to ensure that the Bank grants, extends, alters, or restructures any loan or other extension of credit only after:

(a) Obtaining and analyzing current and satisfactory credit information, including cash flow information;

(b) Documenting the specific reason or purpose for extension of credit;

(c) Identifying and analyzing, in writing, the primary and secondary sources of repayment;

(d) Structuring the repayment terms to coincide with the expected source of repayment;

(e) Analyzing and documenting the current value of collateral and perfecting the Bank's lien on that collateral; and

(f) Ensuring that credit presentation reports submitted to the loan committee for approval are accurate and disclose all information necessary to make an informed decision.

(3) Within sixty (60) days, the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the July 11, 2001, ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the OCC at the conclusion of an examination.

(4) Within sixty (60) days, the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE, in any subsequent Report of Examination, 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.

(5) Upon obtaining a notice of no-objection from the Assistant Deputy Comptroller, the Bank shall immediately adopt, implement and adhere to the program.

(6) The Board shall ensure that the Bank has processes, personnel, including adequate, qualified staff in all lending functional areas, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE IX

LOAN REVIEW

(1) Within thirty (30) days, the Board shall employ or designate a sufficiently experienced and qualified person(s) as a loan review officer(s) at the Bank to ensure the timely and independent identification of problem loans and leases.

(2) Within sixty (60) days, the Board shall establish an effective, ongoing internal loan review system to review, at least monthly, the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in the Loan Portfolio Management booklet, A-LPM, of the Comptroller's Handbook. Such reports shall, at a minimum, include conclusions regarding:

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

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

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

(d) The quality of credit and collateral documentation, including an exceptions report;

(e) The identification and status of credit related violations of law, rule or regulation;

(f) The identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (e) of this Article;

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

(h) Loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(3) Within sixty (60) days, the Board shall develop and submit to the Assistant Deputy Comptroller for review a written program providing for an assessment of problem loans and leases in the Bank's loan and lease portfolios on a monthly basis for the purpose of

monitoring portfolio trends. The program shall require a monthly report to the Board. At a minimum the program shall provide for an independent reviewer's assessment of the Bank's:

(a) Monitoring systems for early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;

(b) Statistical records that serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;

(c) System for monitoring previously charged-off assets and their recovery potential;

(d) System for monitoring compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function; and

(e) System for monitoring the adequacy of credit and collateral documentation.

(4) Upon obtaining a notice of no-objection from the Assistant Deputy Comptroller, the Bank shall immediately adopt, implement, and adhere to the internal loan review program.

(5) Within sixty (60) days, the Bank shall employ a qualified consultant to perform an effective, independent ongoing asset quality review of the Bank on at least a semi-annual basis. The consultant shall assess the effectiveness of the Bank's internal asset quality review system, including, at a minimum, the items specified in paragraphs (2) and (3) of this Article. Prior to hiring a consultant or entering into a contract with a consultant, the Bank shall submit the name of the proposed consultant to the Assistant Deputy Comptroller for review. The Bank shall

obtain a notice of no-objection from the Assistant Deputy Comptroller prior to hiring or entering into a contract with the consultant.

(6) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(7) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(8) A copy of the report(s) submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

ARTICLE X

CONSUMER COMPLIANCE PROGRAM

(1) Within sixty (60) days, the Bank shall complete an independent external review of the Bank's consumer compliance risk management program, including an assessment of the Bank's compliance with applicable consumer protection laws, rules, and regulations. Upon completion, a copy of the independent external review shall be forwarded to the Assistant Deputy Comptroller for review.

(2) Within ninety (90) days, the Bank shall develop and submit to the Assistant Deputy Comptroller for review a written 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, but not be limited to:

(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 applicable consumer protection laws, rules and regulations for use by appropriate Bank personnel in the performance of their duties and responsibilities;

(d) Semiannual updates of the written policies and procedures manual to ensure it remains current;

(e) An audit program to test for compliance with consumer protection laws, rules and regulations;

(f) Procedures to ensure that exceptions noted in the audit reports are corrected and responded to by the appropriate Bank personnel;

(g) The ongoing education and training of all appropriate Bank personnel in the requirements of all applicable federal and state consumer protection laws, rules and regulations; and

(h) Periodic reporting of the results of the consumer compliance audit to the Board or a committee thereof.

(3) Upon obtaining a notice of no-objection from the Assistant Deputy Comptroller, the Bank shall immediately adopt, implement, and adhere to the consumer compliance program.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE XI

BANK SECRECY ACT

(1) Within thirty (30) days, the Board shall develop and submit to the Assistant Deputy Comptroller for review a written program of policies and procedures to ensure compliance with the Bank Secrecy Act, as amended (31 U.S.C. § 5311 *et. seq.*), the regulations promulgated thereunder at 31 C.F.R. Part 103, as amended, and 12 C.F.R. Part 21, Subparts B and C (collectively referred to as the "Bank Secrecy Act"). At a minimum, the written program shall establish:

(a) A comprehensive training program for all personnel to ensure their awareness of and compliance with the requirements of the Bank Secrecy Act; and

(b) Operating procedures for both the opening of new accounts and the monitoring of high risk accounts, including proper procedures to identify and designate customer exemptions to the Bank Secrecy Act.

(2) Upon obtaining a notice of no-objection from the Assistant Deputy Comptroller, the Bank shall immediately adopt, implement, and adhere to the program.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE XII

INSIDER TRANSACTIONS

(1) Effective immediately, the Board shall maintain adequate, centralized records of all business transactions involving the Bank and any of the Bank's directors, principal shareholders, executive officers, affiliates, and employees ("Insiders"), and related interests of such Insiders, in a form and manner that will enable easy, independent review. These records shall identify all Insiders and shall also:

(a) Specify the names of the parties to the transaction other than the Bank;

(b) State the relationship of the parties to the Bank;

(c) Provide a brief description of the transaction and its terms;

(d) Provide a notation of the approval of the transaction by the Board, including the vote of each director and the bases for any dissenting or abstaining votes; and

(e) Explain why it is in the best interest of the Bank to enter into the transaction.

(2) Within thirty (30) days, the Board shall develop and submit to the Assistant Deputy Comptroller for review a written, comprehensive conflict of interest policy applicable to the Bank's Insiders and related interests of such Insiders. The policy, in addition to defining a conflict of interest, shall address:

(a) Avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;

(b) Involvement in the loan approval process of Insiders who may benefit directly or indirectly from the decision to grant credit;

(c) Disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of "related interests" as defined by 12 C.F.R. Part 215;

(d) Requirements for arms-length dealing in any transactions by Insiders, or their related organizations, involving the Bank's sale, purchase, or rental of property and services, including loans and/or loan products;

(e) Disclosure of any Insider's material interest in the business of a borrower, an applicant, or other customer of the Bank; and

(f) Restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank.

(3) Upon obtaining a notice of no-objection to from the Assistant Deputy Comptroller, the Bank shall immediately adopt, implement, and adhere to the policy.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

(5) Within sixty (60) days, the Board shall conduct a review of the Bank's existing relationships with its directors, executive officers, affiliates, principal shareholders, employees and their related interests for the purpose of identifying relationships not in conformity with the policy. The Board shall ensure that:

(a) Any nonconforming relationships are brought into conformity with the policy within thirty (30) days; and

(b) Within thirty (30) days the Bank is properly reimbursed for:

(i) Any excess or improper payments to Insiders and their related interests; and

(ii) Any excess or improper payments for services provided by Insiders and their related interests.

(6) Following the review required in paragraph (5) of this Article, the Board shall review all proposed transactions, or modifications of existing relationships, between the Bank and its directors, executive officers, affiliates, principal shareholders, employees and their related interests. Documentation supporting these reviews shall be in writing and preserved in the Bank.

ARTICLE XIII

INTERNAL AUDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program sufficient to:

(a) Detect irregularities in the Bank's operations;

(b) Determine the Bank's level of compliance with all applicable laws, rules and regulations;

(c) Evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification;

(d) Ensure adequate audit coverage in all areas;

(e) Ensure an ongoing program of monthly account certifications; and

(f) Establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

(2) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(4) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.

(5) 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 shall be filed directly with the Board and not through any intervening party.

(6) All audit reports shall be in writing and preserved by the Bank. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

(7) The audit staff shall have access to any records necessary for the proper conduct of its activities. National bank examiners shall have access to all reports and workpapers of the audit staff and any other parties working on its behalf.

(8) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller.

ARTICLE XIV

BANK INFORMATION TECHNOLOGY

(1) Within sixty (60) days, the Bank shall complete an independent external review of the Bank's Information Technology ("IT") activities, including a review of the effectiveness of the Bank's IT security and operations procedures, Fedline security, and vendor management/due diligence process for the selection and ongoing monitoring of service providers.

(2) Within ninety (90) days, the Bank shall take all steps necessary to improve management of the Bank's IT activities and correct each deficiency cited in the August 21, 2000, and July 11, 2001, Reports of Examination, any subsequent Report of Examination, or in any external or internal IT audit, including the review performed pursuant to paragraph (1) of this Order.

(3) The Board shall provide a monthly written progress report on each of the requirements of this Article to the Assistant Deputy Comptroller.

ARTICLE XV

CONTINGENCY PLAN

(1) If the Bank fails to achieve compliance with any Article in this Order, or any deadline or requirement specified in any plan required to be submitted pursuant to this Order, it shall submit a Contingency Plan to the Assistant Deputy Comptroller within fifteen (15) days of receiving notice from the Assistant Deputy Comptroller that it is in noncompliance with the Order.

(2) If the OCC determines, in its sole judgment, that: (a) it objects to the Contingency Plan, and the Bank is unable to satisfactorily amend the Contingency Plan or resolve the OCC's

supervisory objections; or (b) after receipt of the OCC's written determination of no supervisory objection to the Contingency Plan, the OCC determines, in its sole judgment, that the Contingency Plan has failed to achieve its stated objective, then upon receiving notice of that fact from the OCC, the Bank shall develop and shall submit to the OCC for its review and prior determination of no supervisory objection a Plan of Resolution, which shall detail the Board's proposal to sell or merge the Bank, or liquidate the Bank at no cost or loss to the Federal Deposit Insurance Corporation and in conformance with 12 U.S.C. § 181.

(3) The Plan of Resolution shall be submitted to the Assistant Deputy Comptroller no later than sixty (60) days after the receipt of the notice from the OCC as set forth in paragraph (2) of this Article.

(4) After the Assistant Deputy Comptroller has advised the Bank that he does not take supervisory objection to the Plan of Resolution, the Board shall immediately implement, and shall thereafter ensure adherence to, the terms of the Plan of Resolution. The OCC may, in its sole discretion, deem failure to submit to a timely, acceptable Plan of Resolution to be a violation of this Order.

ARTICLE XVI

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or approval of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United

States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

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

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand 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, or his designated representative.

IT IS SO ORDERED, this 10th day of April, 2002.

/s/ Brian J. Quade

4/10/02

Brian J. Quade
Assistant Deputy Comptroller
San Francisco Field Office

Date

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

In the Matter of:	)
Sequoia National Bank	)
San Francisco, California	)

STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER

The Comptroller of the Currency of the United States of America ("Comptroller") has initiated cease and desist proceedings against Sequoia National Bank, San Francisco, California ("Bank") pursuant to 12 U.S.C. § 1818(b).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated April 10, 2002 (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

AGREEMENT

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

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 seek any type of administrative or judicial review of the Order; and

(d) Any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

OTHER ACTION

(1) The Bank agrees that 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, he 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/ Brian J. Quade	4/10/02
Brian J. Quade Assistant Deputy Comptroller San Francisco Field Office	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/ Joseph L. Garrett	4-10-02 Date
/s/ Paul Van Etten	4/10/02 Date
/s/ Michael Fish	4/10/02 Date
/s/ Gilbert Mac Quarrie III	4-10-02 Date
/s/ Brenda Usher	4-10-02 Date
/s/ Andrew Wilson	4/10/02

/s/ Leonard Auerbach

4/11/02
Date

Date

Date

Date