

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

In the Matter of:)	
Ramona National Bank)	AA-WE-05-101
Ramona, California)	

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over Ramona National Bank, Ramona, California (“Bank”).

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 12/14/2005, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

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

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within fifteen (15) days of the date of this Order, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the

name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

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

(3) Within thirty (30) days of the date of this Order and monthly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the action needed to achieve full compliance with each Article of this Order;

(b) actions taken to comply with each Article of this Order; and

(c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE II

NEW CHIEF EXECUTIVE OFFICER

(1) Within ninety (90) days, the Board shall appoint an experienced, capable, and full-time Chief Executive Officer who shall be vested with sufficient executive authority to fulfill the duties and responsibilities of the position and ensure the safe and sound operation of the Bank.

(2) Prior to the appointment of any individual to the Chief Executive Officer position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) the information sought in the “Changes in Directors and Senior Executive Officers” and “Background Investigations” booklets of the Comptroller’s Licensing Manual, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(3) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed Chief Executive Officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

(4) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller or the Assistant Deputy Comptroller to complete his review and act on any such information or authority within ninety (90) days.

ARTICLE III

MANAGEMENT AND BOARD SUPERVISION STUDY

(1) Within five (5) days the Board shall submit the name and qualifications of an independent outside management consultant to conduct and complete the study required by paragraph (4) of this Article and the proposed terms and scope of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(2) If the OCC issues a prior written determination of no supervisory objection as to an independent outside management consultant and the proposed terms and scope of employment, the Board shall employ that management consultant within five (5) days of receipt

of such written determination. If the OCC notifies the Board that it is unable to issue a prior written determination of no supervisory objection to the proposed terms and scope of employment for any proposed independent outside management consultant, the Board shall, within five (5) days from receipt of such notice, address the OCC's concerns and resubmit the proposed terms and scope of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. If the OCC notifies the Board that it is unable to issue a prior written determination of no supervisory objection as to any proposed independent outside management consultant, the Board shall, within thirty (30) days of receipt of such notice, submit the name and qualifications of a different independent outside management consultant and the proposed terms and scope of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(3) The requirement to submit information and the provision for a prior written determination of no supervisory objection in this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller or the Assistant Deputy Comptroller to complete his review and act on any such information or authority within ninety (90) days.

(4) Within seventy-five (75) days of receipt of a prior written determination of no supervisory objection as to any independent outside management consultant and the terms and scope of that consultant's employment, the Consultant shall complete a study of current management and Board supervision presently being provided to the Bank, the Bank's management structure, the Bank's compensation plan, and its staffing requirements in light of the Bank's present condition. The findings and recommendations of the Consultant shall be set forth in a written report to the Board. At a minimum, the report shall contain:

- (a) the identification of present and future management and staffing requirements of each area of the Bank, with particular emphasis given to the construction and land lending area and the La Mesa Branch;
- (b) a recommended organization chart that clearly reflects areas of responsibility and lines of authority for all officers, including the Bank's president and chief executive officer;
- (c) detailed written job descriptions for all executive officers;
- (d) criteria, based on subparagraph (c) above, on which management's effectiveness will be measured;
- (e) an evaluation of each officer's and director's, including the chairman of the board's, qualifications and abilities and a determination of whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of his or her officer or director position;
- (f) recommendations as to whether management or staffing changes should be made, including the need for additions to or deletions from the current management team;
- (g) an evaluation and assessment, using the factors outlined in Appendix A of 12 C.F.R. Part 30, of whether the compensation paid by the Bank to each executive officer is excessive;
- (h) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;

- (i) an evaluation and assessment of the role of the chairman of the board and each committee chairperson, and a determination of whether that role is appropriate;
- (j) recommendations as to whether there should be changes in the composition of the board of directors;
- (k) an assessment of whether management provides Board members with adequate information on the Bank's operations to enable them to fulfill their fiduciary responsibilities and other responsibilities under law, and, if needed, recommendations for management to expand the scope, frequency, and sufficiency of information provided to the Board;
- (l) an evaluation of the extent of responsibility of management and/or the Board for present weaknesses in the Bank's condition; and
- (m) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank.

(5) Within sixty (60) days of completion of this study, the Board shall develop a written plan, with specific time frames, that will correct any deficiencies which are noted in the study. This written plan shall also include a training program to address identified weaknesses in the skills and abilities of the Bank's staff and management team.

(6) Immediately upon completion of the written plan required by paragraph (5) of this Article, the Board shall submit this written plan to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection to both the Consultant's study and the Board's written plan. Immediately upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement, and thereafter

ensure Bank adherence to the written plan. Neither the Board nor the Bank shall deviate from the written plan without receiving a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

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

ARTICLE IV

ACTION PLAN

(1) Within ninety (90) days, the Board shall develop a written action plan (Action Plan) detailing the Board's assessment of what needs to be done to improve the Bank 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 objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of criticized assets, product line development and market segments that the Bank intends to promote or develop, together with 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 to be accomplished over the short and long term;
 - (iv) an identification of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in paragraph (1)(a)(iii) of this Article;
 - (v) control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
 - (vi) 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
 - (vii) systems to monitor the Bank's progress in meeting the plan's goals and objectives.
- (b) A management employment and succession program to promote the retention and continuity of capable management.
- (c) A written profit plan to improve and sustain the earnings of the Bank.

This plan shall include, at minimum, the following elements:

- (i) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance, including

- individual responsibilities, accountability, and specific time frames;
 - (ii) a description of the operating assumptions that form the basis for major projected income and expense components;
 - (iii) realistic and comprehensive budgets, including projected balance sheets, year-end income statements, and desired financial ratios; and
 - (iv) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections.
- (d) A written three-year capital program. This program shall include:
- (i) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of Article V of this Order;
 - (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 primary sources and timing of additional capital to meet the Bank's current and future needs;
 - (iv) contingency plans that identify alternative methods should the primary source(s) under (iii) above not be available; and
 - (v) 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 12 U.S.C. §§ 56 and 60; and
- (c) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller.

(2) The budgets and related documents required in paragraph (1)(c) of this Article for the year 2006 shall be submitted to the Assistant Deputy Comptroller by January 31, 2006. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (1) of this Article for each year this Order remains in effect. The budget for each subsequent year shall be submitted on or before November 30, of the preceding year.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a monthly basis.

(4) Upon completion, the Bank's Action Plan shall be submitted to the Assistant Deputy Comptroller for prior written determination of no supervisory objection. Upon receiving a prior written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately adopt and implement the Action Plan pursuant to the time frames set forth in the Action Plan. The Board shall thereafter ensure adherence to the Action Plan.

(5) The Board shall restrict the Bank's loan growth to a maximum of five percent (5%) of total assets on an annual basis unless and until the Bank receives the prior written determination of no supervisory objection referred to in paragraph (4) of this Article.

(6) 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 Appendix G (Significant Deviations After Opening) of the “Charters” booklet of the Comptroller’s Licensing Manual (January 2005). 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.

(7) 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 V

CAPITAL MINIMUMS

(1) By January 31, 2006, the Bank shall inject a minimum of five hundred thousand dollars (\$500,000) in Tier I capital, as defined in 12 C.F.R. Part 3.

(2) The Bank shall maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Total capital at least equal to twelve percent (12%) of risk-weighted assets; and

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

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

ARTICLE VI

LOAN PORTFOLIO MANAGEMENT

(1) The Board shall, within sixty (60) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:

- (a) procedures to ensure that any grant, purchase, assumption or acquisition in any manner, directly or indirectly, or as a fiduciary or nominee, of any loan, loan participation, loan obligation or other asset is consistent with the Bank's loan approval requirements, safe and sound banking practices, the guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34;
- (b) procedures to ensure and effectively monitor compliance with loan approval requirements;
- (c) procedures to ensure satisfactory and perfected collateral documentation;
- (d) procedures to ensure that loans and extensions of credit are granted, renewed, altered, or restructured only after:

¹ Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets.

- (i) documenting the specific reason or purpose for the extension of credit;
- (ii) identifying the expected source of repayment in writing;
- (iii) structuring the repayment terms to coincide with the expected source of repayment;
- (iv) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
 - a) Failure to obtain the information in paragraph (1)(d) of this Article shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (1)(d) would be detrimental to the best interests of the Bank; and
 - b) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by the National Bank Examiners in subsequent examinations of the Bank.
- (e) a system to track and analyze exceptions to the Bank's loan policy;
- (f) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;

- (g) procedures and systems for effective monitoring of early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (h) procedures and systems for effective monitoring of statistical records that will serve as a basis for identifying sources of problem loans and leases by collateral and individual lending officer;
- (i) procedures and systems for effective monitoring of previously charged-off assets and their potential recovery;
- (j) procedures to ensure the accuracy of internal management information systems; and
- (k) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters.

(2) Upon completion, a copy of the program shall be immediately forwarded to the Assistant Deputy Comptroller.

(3) The Board shall continue to engage the Bank's existing external loan review consultant to perform at least quarterly loan reviews. Before terminating the consultant's loan review services, the Board shall:

- (a) receive the Assistant Deputy Comptroller's written determination of no supervisory objection to the qualifications of a new consultant and the proposed terms and scope of employment for the new consultant; or

- (b) both certify the effectiveness of the internal loan review system and receive prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(4) Beginning December 31, 2005, on a monthly basis management will provide the Board with written reports including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Paragraph;
- (f) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;
- (g) the identification and amount of loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank;
and
- (h) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(5) Within thirty (30) days the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the current Report of

Examination (ROE), in any subsequent ROE, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination. At the expiration of the thirty (30) day period, the Board shall list all loans for which it is unable to obtain such information. This list shall include a detailed explanation of the actions taken to obtain such information, the reasons why such information has not been obtained, and a plan to obtain such information by a specified time.

(6) Within thirty (30) days the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the current ROE, in any subsequent ROE, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination. At the expiration of the thirty (30) day period, the Board shall list all loans for which it is unable to obtain such documentation. This list shall include a detailed explanation of the actions taken to obtain such documentation, the reasons why such documentation has not been obtained, and a plan to obtain such documentation by a specified time.

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

ARTICLE VII

CONSTRUCTION AND LAND LOAN UNDERWRITING STANDARDS

(1) Effective immediately, the Bank shall not extend, endorse, guarantee, or in any manner provide any extension of credit whatsoever for construction or land purposes unless:

- (a) an extension of credit is made pursuant to a legally binding written commitment to lend that was entered into prior to the effective date of this Order, or
- (b) the Board or a designated committee finds that renewal of an extension of credit made prior to the effective date of this Order is necessary to promote the best interests of the Bank and, prior to renewal, the Board or designated committee approves the renewal and records, in writing, why such renewal is necessary to promote the best interests of the Bank.

Documentation supporting the reasons stated in subparagraph (a) or (b) above shall be maintained in the file of the affected borrower.

(2) Within forty-five (45) days, the Board shall develop a written program to improve its construction and land loan underwriting standards. The program shall include, but not be limited to, procedures for ensuring that:

- (a) market feasibility analyses are performed on construction and land projects;
- (b) cash flow analyses are performed on construction and land loan borrowers;
- (c) current rental and sales information is maintained on all construction projects;
- (d) periodic inspections are performed on all construction projects; and
- (e) all construction and land loans are either in conformity with the Bank's construction and land loan policies and procedures or in compliance with

the Bank's written provisions for exceptions to loan policies and procedures.

(3) Upon completion, the Board shall submit a copy of the program to the Assistant Deputy Comptroller for review and a prior written determination of no supervisory objection.

(4) Prior to the Bank's resumption of construction and land lending, the Bank shall receive the Assistant Deputy Comptroller's written determination of no supervisory objection to the written program required by paragraph (2) of this Article. Upon receipt of such written determination of no supervisory objection, the Board shall immediately implement and thereafter adhere to the written program.

(5) 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 VIII

CRITICIZED ASSETS

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

(2) Within forty-five (45) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the current ROE, in any subsequent ROE, or by any internal or external loan review,

or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding two hundred fifty thousand dollars (\$250,000) shall be forwarded to the Assistant Deputy Comptroller.

(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.

(5) The Board, or a designated committee, shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds two hundred fifty thousand dollars (\$250,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a monthly basis (in a format similar to Appendix A, attached hereto).

(7) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the current ROE, in any subsequent ROE, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed two hundred fifty thousand dollars (\$250,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE IX

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance found in the "Allowance for Loan and Lease Losses" booklet of the Comptroller's Handbook, and shall focus particular attention on the following factors:

- (a) results of the Bank's internal loan review;
- (b) results of the Bank's external loan review;
- (c) an estimate of inherent loss exposure on each significant credit;
- (d) loan loss experience;
- (e) trends of delinquent and nonaccrual loans;
- (f) concentrations of credit in the Bank; and
- (g) present and prospective economic conditions.

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

(3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon

receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the 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 X

VIOLATIONS OF LAW

(1) Within forty-five (45) days, the Board shall ensure an independent review is conducted and documented in accordance with 12 C.F.R. § 34.45(b), for each parcel of real property that represents primary collateral behind any extension of credit. A written certification adopted by the Board attesting to the completion and results of the independent reviews shall be immediately forwarded to the Assistant Deputy Comptroller. The Assistant Deputy Comptroller shall retain the right to determine the adequacy of these independent reviews and their compliance with this Order.

(2) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the current ROE and in any subsequent ROE. The monthly progress reports required by Article I of this Order shall include the date and manner in which each correction has been effected during that reporting period.

(3) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the current ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing

compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) Within thirty (30) days of receipt of any subsequent ROE which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(5) Upon adoption, a copy of these procedures shall be immediately forwarded to the Assistant Deputy Comptroller.

(6) 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 XI

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon it 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.

(5) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow up on any noncompliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any noncompliance with such actions.

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

(7) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 14th day of December, 2005.

/s/ Steven J. Vander Wal

Steven J. Vander Wal
Assistant Deputy Comptroller
Southern California South Field Office

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

In the Matter of:)	
Ramona National Bank)	AA-WE-05-101
Ramona, California)	

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

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Ramona National Bank, Ramona, California (“Bank”) pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice for unsafe and unsound banking practices relating to board and management supervision; strategic, profit, and capital planning; lending; capital; and earnings; and violation of 12 C.F.R. Part 34, subpart C.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated 12/14/2005 (“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).

(4) This Order is a “consent order,” as that phrase is used in 12 C.F.R. § 5.51(c)(6)(ii), such that the Bank is in “troubled condition” for purposes of 12 C.F.R. § 5.51 and 12 C.F.R. Part 359. In addition, this Order shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g).

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.

(2) 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). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any

officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

ARTICLE III

Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
 - (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19;
 - (d) all rights to seek any type of administrative or judicial review of the Order; and
 - (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

Other 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 it 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/ Steven J. Vander Wal

Steven J. Vander Wal
Assistant Deputy Comptroller
Southern California South Field Office

12/14/2005

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.

<i>Signed</i> _____ Lauren Blagg	<i>12/14/05</i> _____ Date
<i>Signed</i> _____ Timothy Buzbee	<i>12-14-05</i> _____ Date
<i>Signed</i> _____ William Ehlen	<i>12/14/05</i> _____ Date
<i>Signed</i> _____ John Farkash	<i>12/14/05</i> _____ Date
<i>Signed</i> _____ William Fox	_____ Date
<i>Signed</i> _____ Lester Machado	<i>12-14-05</i> _____ Date
<i>Signed</i> _____ Joseph Metranga	_____ Date
<i>Signed</i> _____ G. Alex Sinclair	<i>12-14-05</i> _____ Date
<i>Signed</i> _____ Anton Westbrook	<i>12-14-05</i> _____ Date
<i>Signed</i> _____ Shelly Hicks	<i>12/14/05</i> _____ Date