

AGREEMENT BY AND BETWEEN  
Mission Oaks National Bank  
Temecula, California  
and  
The Comptroller of the Currency

Mission Oaks National Bank, Temecula, California (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank and the findings are contained in the Report of Examination for the examination that commenced on June 2, 2008.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller  
Southern California - South Field Office  
1925 Palomar Oaks Way, Suite 202  
Carlsbad, California 92008-6526

## ARTICLE II

### COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors of which at least two (2) must not 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 Agreement and shall meet at least monthly.

(2) By January 31, 2009, 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 Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

(3) 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 the end of each calendar quarter.

### ARTICLE III

#### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("ALLL") in accordance with generally accepted accounting principles. The ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006 (OCC Bulletin 2006-47), and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan;
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies. The procedures should include methods to determine proper qualitative adjustments to historical loan loss rates to incorporate current conditions impacting current estimates of loan losses;

- (c) procedures for validating the ALLL methodology; a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Consolidated Reports of Condition and Income ("Call Reports") for the ALLL.
- (d) The program shall provide for a review of the ALLL by the Board at least once each calendar quarter. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Call Report, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL.

(2) The Board shall submit a copy of the ALLL policy and procedures required by this Article to the Assistant Deputy Comptroller.

#### ARTICLE IV

##### LOAN RISK RATING SYSTEM

(1) Beginning December 31, 2008, and on an ongoing basis thereafter, the Board must ensure that the Bank's internal risk ratings of credit relationships are timely, accurate, and consistent with the regulatory credit classification criteria set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. At a minimum, the Board must ensure, on an ongoing basis, that with respect to the Bank's assessment of credit risk:

- (a) the primary consideration is the strength of the borrower's primary source of repayment (i.e., the probability of default rather than the risk of loss);

- (b) the strength of the borrower's primary source of repayment is determined through analysis of the borrower's historical and projected financial statements, past performance, and future prospects in light of conditions that have occurred or may occur during the term of the loan;
- (c) collateral, non-government guarantees, and other similar credit risk mitigants that affect potential loss in the event of default (rather than the probability of default) are taken into consideration only if the primary source of repayment has weakened and the probability of default has increased;
- (d) collateral values should reflect a current assessment of value based on actual market conditions and project status;
- (e) credit risk ratings are reviewed and updated whenever relevant new information is received; and
- (f) the credit risk rating analysis is documented and available for review by the Board and the OCC upon request.

(2) Beginning December 31, 2008, and on an ongoing basis thereafter, the Board must ensure that any loan relationship with a high probability of payment default or other well-defined weaknesses is rated no better than Substandard, regardless of the existence of illiquid collateral, non-government guarantees, and other similar credit risk of loss mitigants. A well-defined weakness in a loan relationship may include, but is not limited to, slow leasing or sales activity resulting in protracted repayment or default on the loan, changes in concept or plan due to unfavorable market conditions, materially deteriorated market conditions, delinquent taxes, or the inability to obtain necessary zoning or permits.

(3) By March 31, 2009, the Board must establish a credit risk rating management information system that provides, at a minimum, the following information to the Board on a monthly basis:

- (a) individual detail regarding the identification, type, amount, and assigned rating of all loans and loan commitments rated Special Mention or worse in excess of five hundred thousand dollars (\$500,000);
- (b) individual, or summary, detail regarding this same information for all problem loans and loan commitments less than or equal to five hundred thousand dollars (\$500,000);
- (c) ratings equivalent to, or readily convertible to, the common regulatory risk rating definitions of pass, special mention, substandard, doubtful and loss set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook; and
- (d) summary of loan portfolio data highlighting trends in, and condition of, the quality of loans rated pass.

(4) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

## ARTICLE V

### DEPENDENCE ON WHOLESALE OR CREDIT SENSITIVE LIABILITIES

(1) Within ninety (90) days the Board shall adopt, implement, and thereafter ensure adherence to a written plan to improve the Bank's liquidity position. The plan shall include, but not be limited to:

- (a) targets for
  - (i) an appropriate level of available liquid assets to support the Bank's funding needs, and
  - (ii) an appropriate level of wholesale funding, including brokered deposits and other credit-sensitive borrowings.
- (b) timeframes for achieving the targets adopted pursuant to subparagraph (a).

(2) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

## ARTICLE VI

### REAL ESTATE VALUATION PROGRAM

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure adherence to a written real estate valuation program designed to ensure that the Bank assesses and maintains current information on the adequacy of collateral securing its commercial real estate loans. The program shall, at a minimum:

- (a) provide for the independence of the persons ordering, performing, and reviewing appraisals;

- (b) establish selection criteria and procedures to evaluate and monitor the ongoing performance of persons who perform appraisals;
- (c) ensure that appraisals contain sufficient information to support the appraised value;
- (d) maintain criteria for content and appropriate use of real estate evaluations;
- (e) provide for the receipt and review of the appraisal or evaluation report in a timely manner to support credit decisions;
- (f) develop criteria to assess the validity of existing appraisals or evaluations to support subsequent transactions;
- (g) implement internal controls that promote compliance with the appraisal regulation, the Interagency Appraisal and Evaluation Guidelines, and industry appraisal standards;
- (h) ensure that policies clearly outline situations where appraisals should be updated such as when a credit deteriorates, there are materially negative market trends, or stress testing indicates concentrations are increasingly susceptible to market variances, etc; and
- (i) establish criteria for obtaining appraisals or evaluations for transactions that are not otherwise covered by regulatory requirements.

(2) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.



## ARTICLE VII

### CONSTRUCTION AND DEVELOPMENT LENDING

(1) Within ninety (90) days, the Board shall revise its construction and development loan policy, and thereafter implement and ensure adherence to the policy. The revisions shall include the following:

(a) guidelines for evaluating and monitoring a borrower's capacity to meet a realistic repayment program from liquidity and cash flow that establish, at a minimum:

- (i) standards for minimally acceptable financial information on borrowers and guarantors;
- (ii) requirements for financial analysis to include, at minimum, verification of liquid assets and global cash flow analysis for borrowers and related entities when appropriate;
- (iii) loan-to-value limits by property type; and
- (iv) minimum requirements for initial investment and maintenance of equity by the borrower that has not been financed elsewhere.

(b) guidelines and parameters for construction and development loan administration that, at a minimum:

- (i) allow disbursement of loan proceeds only after appropriate project milestones have occurred;
- (ii) require periodic inspections of development projects that coincide with disbursement schedule;

- (iii) implement a process for ongoing and periodic assessment of project performance against project plans; and
  - (iv) require curtailment or re-margining of a credit facility from secondary sources of repayment if the original source of repayment does not materialize.
- (c) limitations on the use of interest reserves and capitalized interest that, at a minimum:
- (i) prohibit advances to fund interest reserves at renewal when the original repayment plan did not materialize, unless such advance is clearly supported by the project's viability in the current market and the borrower's repayment capacity;
  - (ii) prohibit advances to fund interest reserves for non-construction or non-development related loans, e.g., holding of raw land; and
  - (iii) prohibit capitalization of interest unless such capitalization is deemed appropriate pursuant to the guidance in Examining Circular 229, Guidelines for Capitalization of Interests on Loans.

(2) Upon adoption of the revisions, a copy of the policy shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

## ARTICLE VIII

### COMMERCIAL REAL ESTATE RISK MANAGEMENT PROGRAM

(1) Within ninety (90) days, the Board shall revise, implement, and thereafter ensure adherence to its commercial real estate loan risk management program designed to ensure that

the Bank effectively identifies, monitors, and controls its commercial real estate risks, including concentration risk. The program shall be consistent with the guidance contained in OCC 2006-46, Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, and include, at a minimum:

- (a) Management information systems (MIS) that:
  - (i) stratify the commercial real estate portfolio by property or collateral type, geographic market, risk rating, loan structure (for example, fixed rate or adjustable), loan purpose (for example, construction, short-term, or permanent), loan-to-value limits, debt service coverage, and policy exceptions on newly underwritten credit facilities;
  - (ii) identify and aggregate exposures to a single borrower or related borrowers; and
  - (iii) clearly identify changes in the portfolio's risk profile, including risk-rating migrations.
- (b) Board-approved concentration limits and sub-limits.
- (c) Guidelines for the periodic receipt of market analyses for the various property types and geographic markets represented in concentrations within the portfolio.

(2) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

## ARTICLE IX

### CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, 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/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

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

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement 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 Agreement;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. 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(b)(1), 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. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency 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. The terms of this Agreement, 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.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/

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

12/18/2008

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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.

<u>/s/</u> Irma L. Atillo	<u>12/18/08</u> Date
<u>/s/</u> Walter F. Combs	<u>12/18/08</u> Date
<u>/s/</u> Donald Coop	<u>12/18/08</u> Date
<u>/s/</u> Michael D. Crews	<u>12/18/08</u> Date
<u>/s/</u> Gregory L. Gissler	<u>12/18/08</u> Date
<u>/s/</u> Fred D. Grimes	<u>12/18/08</u> Date
<u>/s/</u> Keith O. Johnson	<u>12/18/08</u> Date
<u>/s/</u> Robert D. Knogge	<u>12/18/08</u> Date
<u>/s/</u> Joseph J. Kuebler	<u>12/18/08</u> Date
<u>/s/</u> Patrick Utnehmer	<u>12/18/08</u> Date
<u>/s/</u> Gary W. Votapka	<u>12/18/08</u> Date