

**#2011-082**

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

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**In the Matter of:**

Norman A. Morales,  
Former President / CEO  
Vineyard Bank, N.A., Corona, CA

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) AA-EC-11-34  
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**CONSENT ORDER**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate proceedings for an order to cease and desist and assessment of a civil money penalty against Norman A. Morales (“Respondent”) pursuant to 12 U.S.C. §§ 1818(b) and (i), on the basis of Respondent’s activities during the period of January 2006 through January 2008, when he served as President and Chief Executive Officer at Vineyard Bank, N.A., Corona, California (“Bank”) for breach of fiduciary duty and unsafe or unsound banking practices; and

WHEREAS, in the interest of cooperation and to avoid the costs associated with future administrative and judicial proceedings with respect to the above matter, Respondent, without admitting or denying any wrongdoing, consents to the issuance of this Consent Order (“Order”);

NOW, THEREFORE, it is stipulated by and between the Comptroller, through his duly authorized representative, and Respondent that:

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Date \_\_\_\_\_

Article I

JURISDICTION

(1) Vineyard Bank, N.A., Corona, California ("Bank") was 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*, until it was placed in receivership on July 1, 2009. Accordingly, the Bank was an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) Respondent was the President and Chief Executive Officer of the Bank and is an “institution-affiliated party” of the Bank as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within six (6) years from the date hereof (see 12 U.S.C. § 1818(i)(3)).

(3) Pursuant to 12 U.S.C. § 1813(q), the Comptroller is the “appropriate Federal banking agency” to maintain an enforcement proceeding against institution-affiliated parties. Therefore, Respondent is subject to the authority of the Comptroller to initiate and maintain cease and desist and civil money penalty actions against him pursuant to 12 U.S.C. §§ 1818(b) and (i).

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Article II

COMPTROLLER'S FINDINGS

The Comptroller finds, and Respondent neither admits nor denies, the following:

(1) In October 2007, Respondent caused the Bank to pay for expensive hand-blown Italian glassware (*i.e.*, flutes, tumblers, stemware, and carafes), which he retained for his personal use. In addition, during 2006 and 2007, Respondent caused the Bank to pay for numerous personal charges incurred by his wife and children at a local golf club.

(2) In October 2008, following the Bank's internal investigation of Respondent's use of Bank funds for personal expenses, the Bank demanded reimbursement for, among other items, the glassware and personal expenses charged to the Bank at the golf club. In response, Respondent reimbursed the Bank \$60,525 on October 10, 2008.

(3) By reason of the foregoing conduct, Respondent engaged in unsafe or unsound practices, breached his fiduciary duty to the Bank, and engaged in a pattern of misconduct resulting in pecuniary gain or other benefit to himself.

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Article III

PERSONAL CEASE AND DESIST ORDER

Respondent consents to, and it is ORDERED that:

(1) Whenever Respondent is employed by, or is offered employment at, an insured depository institution (as defined in 12 U.S.C. § 1813(c)(2)) or otherwise becomes an institution-affiliated party (“IAP”) within the meaning of 12 U.S.C.

§ 1813(u), Respondent shall:

- (a) Prior to becoming an IAP, or within ten (10) days of consenting to this Order if he is currently an IAP, provide a copy of this Order to the board of directors or chief executive officer (or any other senior management officer, provided that such officer has been approved by the OCC for this purpose) of the insured depository institution.
- (b) Provide written certification of his compliance with the foregoing disclosure requirement to the Director of the Enforcement and Compliance Division, 250 E Street, S.W. Washington, DC 20219 (“Enforcement Director”) within ten (10) days of compliance.
- (c) Comply fully with all laws, rules, and regulations pertaining to such insured depository institution as that term is defined in 12 U.S.C. § 1813(c)(2).

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- (d) Not engage in any unsafe or unsound practices, as that term is used in Title 12 of the United States Code.
- (e) Fulfill the fiduciary duties of loyalty and care owed to any insured depository institution with which he is or may become affiliated and, at all times, not place his own interests above those of the institution.
- (f) Adhere to the written policies and procedures of any insured depository institution or agency to which he may become affiliated, including those regarding submission of business expenses for Bank reimbursement and Bank payment of personal expenses, or seek and receive written permission from appropriate authorized individuals to do otherwise.
- (g) Be limited to no more than \$1,000 in purchase authority on behalf of an insured depository institution, unless specific authorization for purchase authority in excess of that amount is provided by his supervisory officer or the Board, as appropriate.

(2) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. § 1818.

Article IV

ORDER FOR CIVIL MONEY PENALTY

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Date \_\_\_\_\_

Respondent consents to, and it is ORDERED that:

(1) Respondent shall pay a civil money penalty in the amount of twenty-five thousand dollars (\$25,000), to be paid as provided in paragraph (2).

(2) Five thousand dollars (\$5,000) shall be paid by June 10, 2011. Thereafter, seven consecutive payments of twenty-five hundred dollars (\$2,500) each shall be made by the following dates: September 1, 2011; December 1, 2011; March 1, 2012; June 1, 2012; September 1, 2012; December 1, 2012; and March 1, 2013. A final payment of twenty-five hundred dollars (\$2,500) shall be paid by June 1, 2013.

(3) Respondent shall make each such payment by certified check or money order made payable to the Treasurer of the United States and shall deliver the payment to: Comptroller of the Currency, P.O. Box 979012, St. Louis, MO 63197-9000. The docket number of this case, (AA-EC-11-34), shall be entered on all checks.

(4) At the time payment is made pursuant to paragraphs (2) and (3), a copy of each certified check or money order shall be sent to the Director of the Enforcement and Compliance Division, 250 E Street, S.W. Washington, DC 20219 (“Enforcement Director”).

(5) Upon execution of this Order, Respondent shall notify the Enforcement Director of the address of his current place of residence by completing the appropriate section of the form attached hereto as Appendix A and returning it with this Order.

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(6) If Respondent fails to comply with any provision of this Order for civil money penalty, then the entire balance of the penalty amount described in paragraph (1) of this Article shall become immediately due and payable.

(7) The amount of the civil money penalty has been reduced or mitigated based on Respondent's submission of a personal financial statement disclosing his current financial condition dated April 13, 2011, and submitted subject to penalties for false statements provided by 18 U.S.C. § 1001. If the Comptroller subsequently learns that the Respondent's personal financial statement is materially incorrect or misleading, the Comptroller may consider imposition of a greater civil money penalty up to and including a total amount of fifty thousand dollars (\$50,000).

(8) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. § 1818.

#### Article V

#### BANKRUPTCY

(1) If Respondent files for bankruptcy protection prior to payment in full of the civil money penalty ordered in Article IV, Respondent shall notify the Enforcement Director within ten (10) days of the filing and shall provide a copy of the filing to the Enforcement Director.

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(2) In any bankruptcy proceeding in which it is or may be contended that Respondent's obligation to pay the civil money penalty pursuant to this Order is subject to discharge, Respondent shall make a motion to the court for an order of non-dischargeability of the civil money penalty and provide the Enforcement Director with a copy of the motion, concurrent with filing, and a copy of any subsequently issued order within ten (10) days of issuance. If Respondent fails to make such motion, Respondent will in no manner contest the assertion of the Comptroller or any agent, officer or representative of the United States, pursuant to 11 U.S.C. § 523(a) or otherwise, that the civil money penalty obligation in the Order arises out of acts which result in claims not dischargeable in bankruptcy.

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Article VI

OTHER PROVISIONS

(1) By consenting to the issuance of this Order, Respondent waives:

- (a) the right to the issuance of Notice(s) under 12 U.S.C. §§ 1818(b) and (i);
- (b) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. §§ 1818(b) and (i) and 12 C.F.R. Part 19;
- (c) all rights to seek judicial review of this Order;
- (d) all rights in any way to contest the validity of this Order; and
- (e) any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or this Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.

(2) Respondent acknowledges that:

- (a) He shall not cause, participate in, or authorize the Bank (or any subsidiary or affiliate thereof) to incur, directly or indirectly, any expense for the payment of the civil money penalty under this Order,

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or any legal (or other professional) expense relative to the negotiation and issuance of this Order except as permitted by 12 C.F.R. § 7.2014 and Part 359; and he shall not, directly or indirectly, obtain or accept any indemnification (or other reimbursement) from the Bank (or any subsidiary or affiliate thereof) with respect to such amounts except as permitted by 12 C.F.R. § 7.2014 and Part 359.

(b) He has read the premises and obligations of this Order and declares that no separate promise or inducement of any kind has been made by the Comptroller or his agents or employees to cause or induce him to agree to consent to the issuance of this Order or to execute this Order.

(3) This Order constitutes a settlement of the cease and desist and civil money penalty proceedings arising out of the specific acts, omissions, or violations described in the Comptroller's Findings (Article II of this Order). However, the specific acts, omissions or violations described in Article II may be used by the OCC in future enforcement actions to establish a pattern or practice of misconduct or the continuation of a pattern or practice of misconduct.

(4) This Order shall not be construed as an adjudication on the merits and, except as set forth above in paragraph (3), shall not inhibit, estop, bar, or otherwise

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prevent the Comptroller from taking any action affecting Respondent 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.

(5) Respondent further agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, the specific acts, omissions, or violations referenced in this Order, or otherwise creating the impression that this Order is without factual basis. If Respondent violates this provision, the OCC may set aside this settlement and commence administrative proceedings on the actions alleged herein. Nothing in this paragraph shall affect Respondent's testimonial obligations.

(6) Nothing herein shall preclude any proceedings brought by the Comptroller to enforce the terms of this Order, and nothing herein constitutes, nor shall Respondent contend that it constitutes, a waiver of any right, power, or authority of any other representatives of the United States or agencies thereof, including the Department of Justice, to bring other actions deemed appropriate.

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Date \_\_\_\_\_

IN TESTIMONY WHEREOF, the undersigned has hereunto set his hand.

/s/  
Norman A. Morales

5-5-11  
Date

**IT IS SO ORDERED.**

/s/  
John W. Quill  
Deputy Comptroller  
Special Supervision Division

5/10/11  
Date