UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of:	)	Order No: WN-10-002
LA JOLLA BANK, FSB Rancho Santa Fe, California.	)	Effective Date: February 16, 2010
OTS No. 08247	)	

PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, La Jolla Bank, FSB, Rancho Santa Fe, California, OTS Docket No. 08247 (Institution), is a federally chartered savings association that is regulated by the Office of Thrift Supervision (OTS);

WHEREAS, Section 38 of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1831o, and Part 565 of the OTS Regulations, 12 C.F.R. Part 565, require institutions that are undercapitalized to file a capital restoration plan specifying the steps the institution will take to become at least adequately capitalized;

WHEREAS, Section 38 of the FDIA, 12 U.S.C. § 1831o, requires the OTS to take prompt corrective action to resolve the problems of insured savings associations at the least possible long-term loss to the Deposit Insurance Fund;

WHEREAS, Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, provides for the OTS's issuance of directives to take prompt corrective action to resolve the problems of insured depository institutions and to restore their capital;

WHEREAS, the OTS, on January 22, 2010, notified the Institution that it was undercapitalized for purposes of the prompt corrective action provisions of Section 38 of FDIA, 12 U.S.C. § 1831o;

WHEREAS, on February 1, 2010, the date upon which the Institution was required to file its most recent Thrift Financial Report (TFR), the Institution had notice that it was critically undercapitalized for purposes of the prompt corrective action provisions of Section 38 of FDIA, 12 U.S.C. § 1831o;

WHEREAS, the Institution also is not in compliance with the capital standards required by Section 5(t) of the Home Owners Loan Act (HOLA), 12 U.S.C. § 1464(t);

WHEREAS, Section 5(t)(6)(B)(ii) of HOLA, 12 U.S.C. § 1464(t)(6)(B)(ii), requires any savings association not in compliance with the capital standards to comply with a capital directive issued by the OTS;

WHEREAS, on February 5, 2010, the Institution submitted to the OTS a Capital Restoration Plan (Capital Plan) under Section 38(e)(2)(A) of the FDIA, 12 U.S.C. § 1831o(e)(2)(A);

WHEREAS, the OTS has considered the Institution's capital deficiency and the Capital Plan, in accordance with Section 567.5 of the OTS Regulations, 12 C.F.R. § 567.5, and Section 38(e)(2) of FDIA, 12 U.S.C. § 1831o(e)(2), and the OTS has determined that the Capital Plan is not acceptable under Section 567.5 of the OTS Regulations, 12 C.F.R. § 567.5, and Section 38(e)(2) of FDIA, 12 U.S.C. § 1831o(e)(2) as set forth in a letter to the Institution, dated February 16, 2010;

WHEREAS, Section 565.7(a)(2) of the OTS Regulations, 12 C.F.R. § 567.7(a)(2), provides for the immediate issuance of a final PCA directive if the OTS finds it necessary to carry out the purposes of Section 38 of the FDIA;

WHEREAS, the OTS has determined that it is necessary in this case to issue immediately a final PCA Directive to carry out the purposes of Section 38 of the FDIA;

NOW, THEREFORE, pursuant to Section 38 of FDIA, 12 U.S.C. § 1831o, including but not limited to subsection (f) thereof, Section 5(t)(6)(B)(ii) of HOLA, 12 U.S.C. § 1464(t)(6)(B)(ii), and Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, the OTS directs the Institution and its Board of Directors to do the following:[1]

PART I – IMPROVING CAPITAL

Section 1.1 Required Recapitalization Through Merger, Acquisition, or Sale.

Pursuant to 12 U.S.C. §§ 1831o(f)(2)(A) and subject to Section 1.4 of this PCA Directive and any and all applicable laws and regulations, the Institution is directed to increase the amount of capital to a level sufficient to restore the Institution to at least an "adequately capitalized" capital category by doing one or more of the following:

(a) Merging with or being acquired by another financial institution, financial holding company, or other entity[2] whereby the resulting depository institution would be at least "adequately capitalized," as defined at 12 C.F.R. § 565.4(b)(2); or

(b) Selling all or substantially all of the Institution's assets and liabilities to another financial institution, financial institution holding company, or other entity.

[1] The OTS must impose one or more of the presumptive restrictions set forth in 12 U.S.C. § 1831(f), especially 12 U.S.C. § 1831o(f)(3) and (4) if the Institution: (1) is significantly or critically undercapitalized; (2) is undercapitalized and did not submit an acceptable capital restriction plan; or (3) fails to implement an approved plan. Critically undercapitalized institutions are also subject to the restrictions set forth in 12 U.S.C. § 1831o(i).
[2] For the purposes of this PCA Directive, "other entity" may include but is not limited to an individual, a group of individuals, a partnership, a corporation, or any other form of business organization that may, under applicable statutes and regulations, merge with or acquire the Institution or purchase all or substantially all of its assets and liabilities.

Section 1.2 Required Recapitalization Plan.

Pursuant to 12 U.S.C. §§ 1831o(f)(2)(A) and 1831o(f)(2)(J), the Institution is directed to take such actions as are necessary, including the sale of shares or obligations of the Institution, to restore the Institution to an "adequately capitalized" capital category and thereafter maintain, at a minimum, the following capital levels:

A. Total Risk-Based Capital Ratio of eight percent (8%);

B. Tier 1 Core Risk-Based Capital Ratio of eight percent (8%); and

C. Leverage Ratio of four percent (4%).

Section 1.3 Efforts to Obtain Capital.

The Board of Directors of the Institution shall at all times make diligent efforts to cause the Institution to comply with Sections 1.1 and 1.2 hereof. For purposes of this PCA Directive, diligent efforts to seek capital shall include, but not be limited to, the following:

A. Authorize and direct appropriate Institution officers to take appropriate actions consistent with the Institution's obligations under said Sections 1.1 and 1.2, which include, but are not limited to, taking all reasonably practicable steps to remove impediments to increasing capital;

B. Cause the Institution to hire such professionals as are necessary and appropriate to fulfill the Institution's obligations under Sections 1.1 and 1.2;

C. Cause the Institution to share appropriate information about itself with potential acquirors, merger partners and purchasers, including, but not limited to, any such potential acquiror or merger partner or purchaser identified or referred to the Institution by the OTS or the Federal Deposit Insurance Corporation (FDIC); and

D. Inform the OTS and FDIC regarding: (i) all efforts the Institution has made to seek or increase capital; (ii) status of its efforts to merge with or be acquired by another financial institution, financial institution holding company or other entity, or sell all or substantially all of the Institution's assets and liabilities to another financial institution, financial institution holding company or other entity; and (iii) all expressions of interest by prospective investors, acquirors, or merger including referrals from the OTS or FDIC candidates; the Institution shall submit status report to the OTS and the FDIC by close of business on the first (1st) and fifteenth (15th) of each month following the Effective Date of this PCA Directive.

The OTS requires these actions, pursuant to 12 U.S.C. § 1831o(f)(2)(J), having determined that such actions will better carry out the purposes of 12 U.S.C. § 1831o.

Section 1.4 Prior Notice Required; Change in Status.

The Institution and any subsidiary shall not issue any securities, enter into any agreement or understanding to merge, consolidate, sell all or substantially all of its assets or liabilities, enter into any agreement of understanding to reorganize, or otherwise be acquired unless: (a) the Institution has provided the OTS with prior written notice of its intention to take such action; and (b) following such notice, the OTS has provided the Institution with prior written notice of its non-objection to the proposed action by the Institution.

The OTS requires this action, pursuant to 12 U.S.C. § 1831o(f)(2)(J), having determined that such action will better carry out the purposes of 12 U.S.C. § 1831o.

Section 1.5 Reports of Compliance.

A. By the tenth (10th) day of each month following the Effective Date of this PCA Directive, management of the Institution shall prepare, and the Board of Directors of the Institution shall review, a written report concerning the Institution's compliance with the requirements of this PCA Directive. The report and review shall include verification of the Institution's prompt corrective action capital category and confirmation that the Institution is in compliance with: (i) all restrictions that apply automatically to an institution in that category; and (ii) with the other restrictions and requirements contained in this PCA Directive. The Institution shall document this review in the minutes of the meeting of the Board of Directors. All documentation considered by the Board of Directors in performing its review shall be explicitly referenced in the minutes of the meeting at which the review was undertaken.

B. By the fifteenth (15th) day of each month following the Effective Date of this PCA Directive, the Institution shall submit the following documents to the OTS in a format acceptable to the OTS:

1. Variance reports for: (a) activities, capital levels/targets established by Sections 1.1 and 1.2; and (b) each of the operating restrictions imposed in Part II of this PCA Directive;

2. A summary of actions taken, during the immediately preceding month, by the Institution, its Board of Directors, and executive officers in furtherance of the Institution's efforts to increase its capital ratios and engage in a merger/ acquisition or other transaction as required by subparagraphs (a) Section 1.1, including descriptions of any material discussions with potential investor(s), acquiror(s) or merger partner(s), any letters of intent entered into with potential investor(s), acquiror(s) or merger partner(s) any due diligence performed by potential investor(s), acquiror(s) or merger partner(s);

3. Confirmation of the Institution's compliance with this PCA Directive or a description of any instance of noncompliance with any of the Institution's obligations under this Directive and the specific measures undertaken to cure such noncompliance; and

4. If requested, copies of the minutes of the Institution's Board of Directors supporting actions taken to comply with this Directive.

The OTS requires these actions, pursuant to 12 U.S.C. § 1831o(f)(2)(J), having determined that such actions will better carry out the purposes of 12 U.S.C. § 1831o.

Section 1.6 Adequate Progress.

If the OTS, in its sole discretion, determines that the Institution is failing to make adequate progress toward achieving the requirements set forth in this Part I above, the OTS may take such further supervisory, enforcement, or resolution action as it deems appropriate.

PART II – OPERATING RESTRICTIONS

MANDATORY RESTRICTIONS

Section 2.1 Compliance with Mandatory Restrictions.

A. The Institution shall comply with all of the mandatory prompt corrective action provisions set forth in 12 U.S.C. § 1831o and 12 C.F.R. § 565.6 that automatically apply to the Institution based upon the Institution's prompt corrective action capital category. These provisions are set forth as follows:

1. No capital distributions may be made without the prior written approval of the OTS if: (a) the Institution is not adequately capitalized; or (b) after making the distribution, the Institution would be undercapitalized. 12 U.S.C. § 1831o(d)(1); 12 C.F.R. §§ 565.6(a)(1) and (a)(2)(i).

2. No management fees may be paid to any person having control of the Institution if: (a) the Institution is not adequately capitalized, or (b) after making the payment, the Institution would be undercapitalized. 12 U.S.C. § 1831o(d)(2); 12 C.F.R. §§ 565.6(a)(1) and (a)(2)(i).

3. The Institution may not permit its average total assets during any calendar quarter to exceed its average total assets during the preceding quarter. 12 U.S.C. § 1831o(e)(3); 12 C.F.R. § 565.6(a)(2)(iv).

4. The Institution may not, directly or indirectly, acquire any interest in any company or insured depository institution, establish or acquire any additional branch office, or engage in any new line of business, unless the FDIC's Board of Directors approves the action. 12 U.S.C. § 1831o(e)(4); 12 C.F.R. § 565.6(a)(2)(v).

5. Without the OTS's prior written approval, the Institution may not: (a) pay any bonus to any senior executive officer, or (b) provide compensation to any senior executive officer exceeding that officer's average rate of compensation (excluding bonuses, stock options, and profit-sharing) during the twelve (12)

calendar months preceding the calendar month in which the Institution became undercapitalized. 12 U.S.C. § 1831o(f)(4); 12 C.F.R. § 565.6(a)(3).

6. The Institution may not accept, renew or rollover any brokered deposit. 12 U.S.C. § 1831f(a); 12 C.F.R. § 337.6(b)(3);

7. The Institution shall monitor its compliance with applicable requirements of 12 U.S.C. § 1831o(e) and 12 C.F.R. § 565.5.

8. Without the FDIC's prior written approval, as required by 12 U.S.C. §§ 1831o(h)(1) and (i)(2) and 12 C.F.R. § 565.6(a)(4)(i), the Institution may not:

   (a) Enter into any material transaction other than in the usual course of business, including any investment, expansion, acquisition, sale of assets, or similar action with respect to which the Institution is required to give notice to the OTS;

   (b) Extend credit for any highly leveraged transaction;

   (c) Amend the Institution's charter or bylaws, except to the extent necessary to carry out any other requirement of any law, regulation or order;

   (d) Make any material change in accounting methods;

   (e) Engage in any "covered transaction" with an affiliate, as defined in 12 U.S.C. § 371c(b);

   (f) Pay excessive compensation or bonuses; or

   (g) Pay interest on new or renewed liabilities at a rate that would increase the Institution's weighted average cost of funds to a level significantly exceeding the prevailing rates of interest on insured deposits in the Institution's normal market area.

B. If the Institution should improve from a lower to a higher PCA capital category, it must continue to comply with the previously applicable mandatory sanctions of the lower category until such time as written approval to cease compliance with the lower category sanctions is requested of, and received from, the OTS.

Section 2.2 <u>Restrictions on Interest Rates; Brokered Deposits.</u>

The Institution shall restrict the rates it pays on deposits to the prevailing rates of interest on deposits of comparable amounts and maturities in the Institution's normal market area. Nothing herein shall be construed as requiring a reduction of rates paid on outstanding time deposits prior to their renewal. The OTS is imposing this restriction pursuant to 12 U.S.C. § 1831o(f)(2)(C).

Section 2.3 Restrictions on Activities Posing Excessive Risk.

A. The Institution's activities are restricted as provided by this Section 2.3 hereof. The OTS imposes these restrictions pursuant to 12 U.S.C. §§ 1831o(f)(2)(E) and (f)(2)(J), having determined that those activities not permitted pose excessive risk to the Institution in view of its deteriorating financial condition and based upon a determination by the OTS that the following action will better carry out the purposes of 12 U.S.C. § 1831o(f).

B. Pursuant to 12 U.S.C. §§ 1831o(f)(2)(E) and (f)(2)(J) and except as permitted by Section 2.4 hereafter or as may be required by legally binding written commitment of the Institution outstanding as of January 31, 2010, the Institution shall not, without prior written notice of non-objection of the OTS, directly or indirectly do the following:

1. Make, invest in, purchase, or commit to make, invest in, or purchase any loan secured by real estate or any participation therein;

2. Make, invest in, purchase, or commit to make, invest in, or purchase any commercial loans, letters of credit, or participations therein;

3. Make, invest in, purchase, or commit to make, invest in, purchase, any consumer or education loans;

4. Release any borrower or guarantor from personal or corporate liability on any loan or extension of credit granted by the Institution, except when the outstanding balance of the loan and other outstanding loans to the borrower or guarantor have been paid in full;

5. Make, or commit to make, any investment in any service corporation, finance subsidiary, or operating subsidiary, or any subsidiary of a service corporation or in real estate or equity securities;

6. Enter into any joint venture or limited partnership agreement, directly or indirectly;

7. Engage in any forward commitment, futures transaction, or financial options transaction;

8. Enter into any contract or agreement for the purchase, sale, or lease of goods, materials, equipment, supplies, services or capital assets, except, however, that this restriction does not apply to contracts or agreements to be entered into in the ordinary course of business where the amount of each such contract or agreement does not exceed $10,000;

9. Enter into any lease or contract for the purchase or sale of real estate or of any interest therein; except, however, that this restriction does not apply for the sale

of real estate owned due to foreclosure, where the consideration for the contract is cash consideration and the funding is not provided by the Institution;

10. Encumber any of its property or other assets; except, however, that the Institution may pledge its assets in connection with borrowings necessary to meet liquidity needs;

11. Incur any material obligation or contingent liability, except as otherwise permitted by this PCA Directive;

12. Accept new retirement or employee plan deposits;

13. Establish any branch, loan production or agency office;

14. Accept any non-cash capital contribution; or

15. Accept, renew, or rollover any deposit not fully insured by the FDIC.

C. The Institution shall not make, invest in, purchase, or commit to make, invest in, or purchase any loan to finance the acquisition, development and/or construction of real property.

D. All marketing and advertising related to loans not permitted herein, shall be discontinued upon the Effective Date of this PCA Directive.

Section 2.4 Permitted Activities.

Subject to the restrictions in Section 2.3 above, the Institution is permitted to engage in the following lending (including origination) and investment activities, provided that: (a) such activities do not cause the Institution to increase its level of total assets to an amount that would violate Section 2.1 hereof, and complies with all applicable regulatory requirements, including but not limited to the lending limits set forth in 12 C.F.R. § 560.93; and (b) the Institution engages in such activities in a prudent manner and complies with all applicable regulatory requirements:

A. Qualifying Mortgage Loans: make "qualifying mortgage loans," as defined in 12 C.F.R. § 567.1, underwritten in accordance with criteria established for residential loans eligible for purchase by the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association, guaranteed by the Department of Veterans Affairs against default, or insured by the Federal Housing Administrative against default, but excluding any Subprime Lending programs;

B. Savings Account Loans: make loans fully secured by savings or time deposit accounts over which the Institution establishes proper collateral controls;

C. Guaranteed Loans: make loans evidenced by notes guaranteed by state or Federal government;

D. Lines of Credit on Checking and NOW Accounts: extend or commit to extend lines of credit of no more than $5,000 underwritten in accordance with all applicable OTS regulations, with overdrafts on checking accounts permitted consistent with customary and prudent banking practice;

E. Consumer Loans: unsecured consumer loans not exceeding $10,000; provided that the proceeds of such loans are not used for debt service on other loans at the Institution;

F. Secondary Marketing Sales: sell "qualifying mortgage loans" (within the meaning of Subsection A above) in the secondary market without recourse, as defined in 12 C.F.R. § 567.1 and prudently manage forward commitments in connection therewith;

G. Salvage Power Activities: acquire property in satisfaction of debt previously contracted in connection with the exercise of the Institution's salvage powers, provided that the Institution may release a guarantor/borrower from personal or corporate liability in order to obtain the title to real property only if it is able to document that: (i) the current appraised value of the property equals or exceeds the book value of the loan; or (ii) the outstanding balance of the loan and other outstanding loans to the borrower or guarantor have been paid in full; and

H. Liquid Assets: invest in cash and such other liquid instruments and investments.

Section 2.5 Restrictions on Affiliate Transactions and Insiders Loans.

A. The Institution shall not extend any credit to executive officers, directors and principal shareholders, without the prior written notice of non-objection of the OTS. The OTS directs this action pursuant to 12 U.S.C. § 1831o(f)(2)(J) and based upon a determination by the OTS that such action will better carry out the purposes of 12 U.S.C. § 1831o.

B. The Institution shall not engage in any "covered transactions" as defined in 12 U.S.C. § 371c(b)(7). The OTS is imposing this restriction, pursuant to 12 U.S.C. §§ 1831o(f)(5) and (i)(2)(E), based upon the OTS's determination that the restriction is necessary to carry out the purpose of 12 U.S.C. § 1831o.

C. Except for written arrangements related to the operations of the Holding Company that are in effect as of the Effective Date of this PCA Directive that are in compliance with 12 C.F.R. Part 223 and 12 C.F.R. § 563.41, the assets, facilities and staff of the Institution shall only be used for the benefit of the Institution and shall not be shared or otherwise used, directly or indirectly, for the benefit of any affiliate or other company. The OTS is imposing this restriction pursuant to the authority at 12 U.S.C. § 1831o(f)(2)(B).

D. The Institution shall provide thirty (30) days prior notice to the OTS of any and all proposed transactions with affiliates not otherwise prohibited b Section 2.5 B hereof. The OTS requires this action, pursuant to 12 U.S.C. § 1831o(f)(2)(J), having determined that such action will better carry out the purposes of 12 U.S.C. § 1831o.

Section 2.6 Limits on Deposits from Correspondent Banks.

Pursuant to 12 U.S.C. § 1831o(f)(2)(G), the Institution shall not accept deposits, or renewals or roll-overs of prior deposits, from correspondent depository institutions without the OTS's prior written notice of non-objection.

Section 2.7 Limits on Compensation and Benefits.

Pursuant to 12 U.S.C. §§ 1831o(f)(2)(J), (f)(4), and (f)(5), based upon a determination by the OTS that the following restrictions will better carry out the purpose of 12 U.S.C. § 1831o, the Institution is hereby directed:

A. Not to provide any compensation or other direct or indirect benefits to directors (which shall include directors emeritus or honorary directors for purposes of this Section), officers or employees beyond those determined reasonable and prudent for a capital deficient institution. Such compensation for directors and other employees shall be in accordance with 12 C.F.R. § 563.161(b), 12 C.F.R. Part 359, Appendix A to 12 C.F.R. Part 570, and current OTS guidance;

B. Not to incur any compensation or benefit expense for items or services that do not have an immediate, direct relationship to the performance of any individual's duties; except for expenses incurred for employee pension/profit sharing/retirement plans and health and medical plans in existence as of the Effective Date of this PCA Directive;

C. Not to enter into, modify, or renew any agreement or employment contract with, or increase the compensation of, or severance pay for any senior executive officer or director of the Institution without the OTS's prior written non-objection;

D. Not to make any "golden parachute payment" as that term is defined in 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359; and

E. Not to purchase any bank owned life insurance without the OTS's written notice of non-objection.

The requirements of this Section 2.7 are imposed in addition to the mandatory restrictions imposed in senior executive officers' compensation set forth in Section 2.1 hereof.

Section 2.8 Imposition of Restrictions/Requirements on Subsidiaries.

Pursuant to 12 U.S.C. § 1831o(f)(2)(E), the Institution shall cause all subsidiaries in which the Institution owns a majority of the stock to abide by the restrictions, limitations or requirements imposed on the Institution by this PCA Directive. The Institution shall also vote its shares, use its influence and otherwise use its best efforts to impose the same restriction on any subsidiary of which the Institution owns a minority of the stock. The Institution shall immediately notify the OTS in the event that the actions of any subsidiary would contravene the restrictions, limitations or requirements of this PCA Directive if undertaken directly by the Institution.

Section 2.9 Process for Exemptions from Restrictions.

A. The Institution may submit written requests to the OTS, requesting the OTS to issue a notice of non-objection for the purpose of either relieving the Institution from certain restrictions hereunder, or requesting the OTS to provide notice of supervisory non-objection with respect to a particular specifically identified transaction, loan, or investment.

B. Requests for written notice of the OTS's non-objection to make loans or investments otherwise prohibited in this Directive must be accompanied by a resolution of the Board, signed by each individual member of the Board voting in favor of the resolution. All documentation considered by the Board in adopting such resolution shall be explicitly referenced in the minutes of the meeting at which the resolution was adopted and shall be made available to OTS representatives upon request.

PART III - GENERAL PROVISIONS

Section 3.1 Jurisdiction.

This PCA Directive constitutes a final order under 12 U.S.C. § 1831o and is enforceable under 12 U.S.C. § 1818(i).

Section 3.2 Definitions.

A. All technical words or terms used in this PCA Directive, for which meanings are not specified or otherwise provided by the provisions of this PCA Directive shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA, OTS Bulletins, or the OTS Examination Handbook. Any such technical words or terms used in this PCA Directive and undefined in Code of Federal Regulations, HOLA, FDIA, the OTS Bulletins or the OTS Examination Handbook shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

B. The term "Effective Date" has the meaning set forth in Section 3.11 of this PCA Directive.

Section 3.3 Successor Statutes, Regulations, Guidance Amendments.

Reference in this PCA Directive to provisions of statutes and regulations shall be deemed to include references to all amendments to such provisions as have been made as of the effective date hereof and references to successor provisions as they become applicable.

Section 3.4 Notices.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the PCA Directive to be made upon, given or furnished to, delivered to, or filed with the OTS or the Institution shall be in writing and sent by first class U.S. mail (or by reputable overnight courier, electronic facsimile transmission, secured electronic transmission, or hand delivery via messenger) addressed as follows:

OTS: C.K. Lee, Regional Director, Western Region
Attn: Timothy J. Lane, Assistant Director
Office of Thrift Supervision
1551 North Tustin Avenue, Suite 1050
Santa Ana, CA 92705-8661
Facsimile: (714) 796-4710

With a copy to: David Twichell, Field Manager
Office of Thrift Supervision
1551 North Tustin Avenue, Suite 1050
Santa Ana, CA 97205-8661
Facsimile: (714) 796-4710

Institution: Board of Directors
Attn: Richard J. Colbourne
La Jolla Bank, FSB
6134 La Granada
Rancho Santa Fe, CA 92067
Facsimile: (858) 454-9376

Section 3.5 Duration, Termination, or Suspension of the PCA Directive.

A. The terms and provisions of this PCA Directive shall be binding upon the Institution and its successors in interest.

B. The PCA Directive shall remain in effect until terminated, modified, or suspended in writing by the OTS.

C. The OTS, in its discretion, may, by written notice, suspend any or all provisions of the PCA Directive, except for Section 2.1 (Mandatory Restrictions).

Section 3.6 Effect of Headings.

The Part and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 3.7 Separability Clause.

In case any provision in this PCA Directive is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby unless the OTS, in its sole discretion, determines otherwise.

Section 3.8 No Violations Authorized; Consequences of PCA Directive.

Nothing in this PCA Directive, including, without limitation, any of the timeframes for actions set forth in Part I, shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting the OTS from taking such actions as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, actions pursuant to 12 U.S.C. § 1831o, or taking any other type of supervisory, enforcement, or resolution action that the OTS determines to be appropriate.

Section 3.9 Other Enforcement Documents.

A. The Order to Cease and Desist and its accompanying Stipulation and Consent to the issuance by the OTS (OTS Order No. WN-09-026) against the Institution on September 9, 2009 remains in effect.

B. Nothing contained in this PCA Directive shall affect or limit the OTS's ability to take enforcement action in connection with any violation of the above-referenced Order to Cease and Desist, dated September 9, 2009, regardless of when such violation has or may occur.

Section 3.10 Incorporation of Stipulation.

The Stipulation is made a part hereof and is incorporated herein by this reference.

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Section 3.11 Effective Date of this PCA Directive.

This PCA Directive (including all the requirements and limitations herein) is effective immediately on the date of issuance of the PCA Directive (Effective Date), which is the date indicated on the first page of this PCA Directive.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
C.K. Lee
Regional Director
Western Region

Date: See Effective Date on page 1.