

**UNITED STATES OF AMERICA**  
**Before The**  
**OFFICE OF THRIFT SUPERVISION**

In the Matter of:	)	Order No: WN-10-022
	)	
<b>LOS PADRES BANK</b>	)	Effective Date: July 27, 2010
	)	
Solvang, California	)	
OTS No. 07935	)	
	)	

**PROMPT CORRECTIVE ACTION DIRECTIVE**

**WHEREAS**, Los Padres Bank, Solvang, California, OTS Docket No. 07935 (Association), is a federally chartered savings association that is regulated by the Office of Thrift Supervision (OTS); and

**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” and remain so for four (4) consecutive quarters; and

**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; and

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

**WHEREAS**, the OTS, on April 23, 2010, notified the Association that it was undercapitalized for purposes of the prompt corrective action provisions of Section 38 of FDIA, 12 U.S.C. § 1831o; and was required to submit a Capital Restoration Plan no later than May 10, 2010; and

**WHEREAS**, the Association 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); and

**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 May 10, 2010, the Association submitted to the OTS a capital restoration plan; and

**WHEREAS**, the OTS has considered the Association's capital deficiency and the Capital Restoration Plan, in accordance with Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, and Section 38(e)(2) of FDIA, 12 U.S.C. § 1831o(e)(2), and the OTS has determined that the Capital Restoration Plan is not acceptable under Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, and Section 38(e)(2) of FDIA, 12 U.S.C. § 1831o(e)(2) as set forth in a letter to the Association, dated June 28, 2010;

**WHEREAS**, the OTS having issued a Notice of Intent to issue this Prompt Corrective Action Directive (PCA Directive or Directive) on June 28, 2010 (Notice of Intent), and having considered the responses thereto filed by the Association, has determined to issue this PCA Directive in order to resolve the Association's problems at the least long term cost to the deposit insurance fund, thereby effectuating the purpose of Section 38 of FDIA, 12 U.S.C. § 1831o;

**WHEREAS**, the Association and its Board of Directors, by execution of the attached Stipulation and Consent (Stipulation) to the issuance of this PCA Directive, the terms of which are incorporated herein by this reference, have stipulated and consented to the issuance of the PCA Directive;

**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 Association and its Board of Directors to do the following:<sup>1</sup>

## **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 1831o(e)(5), and subject to Section 1.3 of this PCA Directive and any and all applicable laws and regulations, the Association is directed to increase the amount of capital to a level sufficient to restore the Association to at least an "adequately capitalized" capital category by July 30, 2010, and to remain so for four (4) consecutive quarters, by doing one or more of the following:

- (a) Merging with or being acquired by another financial institution, financial holding company, or other entity<sup>2</sup> whereby the resulting depository institution would be at least "adequately capitalized," as defined at 12 C.F.R. § 565.4(b)(2), and would remain so for four (4) consecutive quarters;
- (b) The sale of all or substantially all of the Association's assets and liabilities to another financial institution, financial institution holding company, or other entity; or

---

<sup>1</sup> The OTS must impose one or more of the presumptive restrictions set forth in 12 U.S.C. § 1831o(f), especially 12 U.S.C. § 1831o(f)(3) and (4), if the Association: (1) is significantly or critically undercapitalized; (2) is undercapitalized and did not submit an acceptable capital restoration plan; or (3) fails to implement an approved plan.

<sup>2</sup> 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 Association or purchase all or substantially all of its assets and liabilities.

- (c) Raising capital by issuing shares of equity securities (*e.g.*, common or preferred stock through a public offering or private placement).

#### Section 1.2 Efforts to Obtain Capital.

The Board of Directors of the Association shall continue at all times to make diligent efforts to cause the Association to become “adequately capitalized.” The OTS requires the actions in this Section, pursuant to 12 U.S.C. § 1831o(e)(5) and (f)(2)(J), having determined that such actions will better carry out the purposes of 12 U.S.C. § 1831o.

#### Section 1.3 Prior Notice Required; Change in Status.

- A. The Association and any subsidiary or holding company thereof shall not issue any securities, enter into any agreement, letter of intent, 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 Association 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 Association with prior written notice of its non-objection to the proposed action by the Association.
- B. The OTS requires this action, pursuant to 12 U.S.C. § 1831o(e) (5) and (f)(2)(J), having determined that such action will better carry out the purposes of 12 U.S.C. § 1831o.

#### Section 1.4 Ongoing Monitoring of Capital Category Required.

- A. The Association must monitor its own PCA capital ratios and if the Association improves from a lower to a higher PCA capital category, it must continue to comply with each provision of this PCA Directive except to the extent the provision shall be modified, terminated, suspended or set aside by the OTS in writing.
- B. If the Association falls into a lower PCA capital category, it must comply immediately with the appropriate additional restrictions contained in 12 U.S.C. § 1381o and 12 C.F.R. § 565.6.
- C. The OTS requires this action, pursuant to 12 U.S.C. § 1831(f)(2)(J) and based upon a determination by the OTS that such action will better carry out the purposes of Section 38 of the FDIA.

#### Section 1.5 Reports of Compliance.

By the close of business of the fifteenth (15<sup>th</sup>) day of each month following the Effective Date of this PCA Directive:

- (a) Management of the Association shall prepare, and the Board of Directors of the Association shall review, a written report concerning the Association’s compliance with the requirements of this PCA Directive. The report and review shall include

verification of the Association's prompt corrective action capital category and confirmation that the Association 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 Association 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) The Association shall submit the following documents to the OTS in a format acceptable to the OTS: a summary of actions taken, during the immediately preceding month, by the Association, its Board of Directors, and executive officers in furtherance of the Association's efforts to increase its capital ratios and engage in a merger/ acquisition or other transaction as required by 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), and any due diligence performed by potential investor(s), acquiror(s) or merger partner(s);
- (c) 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 Association 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 Association 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 Association based upon the Association'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. 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 Association if: (a) the Association is not adequately capitalized, or (b) after making the payment, the Association would be undercapitalized. 12 U.S.C. § 1831o(d)(2); 12 C.F.R. §§ 565.6(a)(1) and (a)(2)(i).
  - 3. The Association 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 Association 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 Association 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 Association became undercapitalized. 12 U.S.C. § 1831o(f)(4); 12 C.F.R. § 565.6(a)(3).
- B. If the Association's PCA capital category deteriorates to a lower level, the Association must continue to comply with the above restrictions, as well as all of the additional mandatory prompt corrective action provisions applicable to its lower PCA capital category.
- C. If the Association improves 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 Affiliate Transactions.

- A. The Association shall not engage in any new transaction with any subsidiary, affiliate or institution-affiliated party, as that term is defined in Section 3(u) of the Federal Deposit Insurance Act, 12 U.S.C. § 1813(u), without the prior written non-objection of the Regional Director.
- B. The OTS is imposing these restrictions pursuant to 12 U.S.C. §§ 1831o(f)(2)(B)(ii) and (f)(2)(J) based on its determination that the restriction is necessary to carry out the purpose of 12 U.S.C. § 1831o.

## Section 2.3 Restrictions on Activities Posing Excessive Risk.

- A. The Association'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 Association 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), the Association shall not, without prior written notice of non-objection of the OTS, directly or indirectly do the following:

1. Release any borrower or guarantor from personal or corporate liability on any loan or extension of credit granted by the Association, except when the outstanding balance of the loan and other outstanding loans to the borrower or guarantor have been paid in full;
2. 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, except for additional funds advanced to the subsidiary for payment of taxes, insurance, utilities, security, maintenance, and operating expenses necessary to preserve the value of the real estate owned, consistent with safe and sound banking practices and for the protection of the Association's interest in the collateral;
3. Enter into any joint venture or limited partnership agreement, directly or indirectly;
4. Engage in any forward commitment, futures transaction, or financial options transaction;
5. 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 \$50,000;
6. 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 Association;
7. Encumber any of its property or other assets; except, however, that the Association may pledge its assets in connection with borrowings necessary to meet liquidity needs;
8. Incur any material obligation or contingent liability, except as otherwise permitted by this PCA Directive;
9. Establish any branch, loan production or agency office;
10. Accept any non-cash capital contribution;
11. Accept, renew, or rollover any deposit not fully insured by the FDIC;
12. Extend any credit to executive officers, directors, and principal shareholders, beyond existing legally binding commitments that are in compliance with Regulation O, 12 C.F.R. Part 215; or

13. Originate or participate in any loan or line of credit, except for the origination of owner-occupied, Qualifying Mortgage Loans, as defined in 12 C.F.R. § 567.1, underwritten in accordance with the criteria established, at the time of loan origination, for loans: (i) purchased by Federal Home Loan Mortgage Corporation (FHLMC) or Federal National Mortgage Association (FNMA); (ii) guaranteed by the Department of Veterans Affairs against default (VA Mortgage); or (iii) insured by the Federal Housing Administration against default (FHA Mortgage). For purposes of complying with the lending restriction set forth in this Section 2.3(B)(13), the Association may: (x) enter into extensions, refinancings, assumptions or modifications of existing loans or lines that do not involve the granting of new funds provided that for any extension, refinancing, assumption, or modification of an existing loan or line, the Association shall maintain documentation sufficient to demonstrate that such a transaction was in the best interest of the Association; and (y) make disbursements pursuant to legally binding commitments made prior to the Effective Date of this PCA Directive.
- C. The Association 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 Limits on Deposits from Correspondent Banks.

Pursuant to 12 U.S.C. § 1831o(f)(2)(G), the Association 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 2.5 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 Association 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 Association 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 2.5 are imposed in addition to the mandatory restrictions imposed in senior executive officers' compensation set forth in Section 2.1 hereof.

#### Section 2.6 Imposition of Restrictions/Requirements on Subsidiaries.

Pursuant to 12 U.S.C. § 1831o(f)(2)(E), the Association shall cause all subsidiaries in which the Association owns a majority of the stock to abide by the restrictions, limitations or requirements imposed on the Association by this PCA Directive. The Association 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 Association owns a minority of the stock. The Association 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 Association.

### **PART III – RELIEF FROM RESTRICTIONS**

#### Section 3.1 Process for Exemptions from Restrictions.

- A. The Association may submit written requests to the OTS, requesting the OTS to issue a notice of non-objection for the purpose of either relieving the Association 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 IV - GENERAL PROVISIONS**

#### Section 4.1 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 4.2 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 4.11 of this PCA Directive.

#### Section 4.3 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 4.4 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 Association 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: Philip A. Gerbick, Regional Director, Western Region  
Attn: Tony Jardieu, Assistant Director  
Office of Thrift Supervision  
225 E. John Carpenter Freeway, Suite 500  
Irving, TX 75062-2326  
Facsimile: (972) 277-9501

Association: Board of Directors  
Attention: Craig Cerny, Chairman  
Los Padres Bank  
610 Alamo Pintado Road  
Solvang, CA 93463-2202  
Facsimile: (805) 688-4959

#### Section 4.5 Duration, Termination, or Suspension of the PCA Directive.

- A. The terms and provisions of this PCA Directive shall be binding upon the Association 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 4.6 Effect of Headings.

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

Section 4.7 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 4.8 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 Association 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 4.9 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. 09-031) against the Association on October 14, 2009 remains in effect. In the event of a conflict between a provision of the Order to Cease and Desist and a provision of this PCA Directive, the more restrictive provision shall control.
- 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 October 14, 2009, regardless of when such violation has or may occur.

Section 4.10 Incorporation of Stipulation.

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

Section 4.11 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/

Philip A. Gerbick  
Regional Director  
Western Region

Date: See Effective Date on page 1.

**UNITED STATES OF AMERICA**  
**Before The**  
**OFFICE OF THRIFT SUPERVISION**

_____ )	
In the Matter of: )	OTS Order No.: WN-10-022
)	
<b>LOS PADRES BANK</b> )	Effective Date: July 27, 2010
)	
Solvang, California )	
OTS Docket No. 07935 )	
_____ )	

**STIPULATION AND CONSENT TO**  
**PROMPT CORRECTIVE ACTION DIRECTIVE**

1. The Office of Thrift Supervision (OTS) has informed Los Padres Bank, Solvang, California OTS No. 07935 (Association), based upon information reported to the OTS, that grounds exist to issue a Prompt Corrective Action Directive (PCA Directive) pursuant to Section 38 of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1831o, and Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, against the Association. The Association, in the interest of cooperation and to avoid the time and expense of pursuing further OTS administrative procedures for the issuance of a PCA Directive, stipulates and consents to the terms set forth in this Stipulation and Consent.
2. The Association stipulates it is a federal savings association subject to the supervision and regulation by OTS. The Association is a “savings association” as that term is used in the Home Owners’ Loan Act (HOLA), 12 U.S.C. §§ 1461 *et seq.*, and an “insured depository institution” as defined in 12 U.S.C. §§ 1813(b) and 1813(c)(2). The Association stipulates, as such, it is subject to the OTS’s authority to issue a directive to take prompt corrective action pursuant to Section 38 of FDIA, 12 U.S.C. § 1831o, and Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7.
3. The Association consents, by execution of the Stipulation and Consent, to the OTS’s issuance of the accompanying PCA Directive. The Association further agrees to comply with the terms of the PCA Directive.
4. The attached PCA Directive is effective upon issuance. The Association acknowledges that the PCA Directive is enforceable pursuant to Section 5(d) of HOLA, 12 U.S.C. § 1464(d), and Section 8 of FDIA, 12 U.S.C. § 1818.

5. The Association hereby waives the following:
  - (a) its rights to pursue the OTS's administrative process for issuance of the accompanying PCA Directive pursuant to 12 C.F.R. § 565.7;
  - (b) any and all rights it might otherwise have pursuant to federal law or regulations (including, but not limited to, 12 U.S.C. § 1831o and 12 C.F.R. § 565.7) in connection with issuance of the PCA Directive;
  - (c) its right to seek judicial review of the PCA Directive, including, but not limited to, any such right provided by Section 8(h) of FDIA, 12 U.S.C. § 1818(h); and
  - (d) its right to challenge or contest in any manner the basis, issuance, validity or enforceability of the PCA Directive or any provision thereof.
6. The Order to Cease and Desist issued against Los Padres Bank (OTS Order No. WN-09-031, dated October 14, 2009) remains in effect. In the event of a conflict between a provision of the Order to Cease and Desist and a provision of the PCA Directive, the more restrictive provision shall control.
7.
  - (a) The laws of the United States of America shall govern the construction and validity of this Stipulation and Consent and the PCA Directive.
  - (b) All references to the OTS in this Stipulation and Consent and the PCA Directive also shall mean any of the OTS's predecessors, successors, and assigns.
  - (c) To the extent this Stipulation and Consent and PCA Directive may be deemed an agreement, the written terms herein and in the accompanying PCA Directive represent the final and sole binding written terms of such agreement with respect to the subject matters addressed therein.
8. Each Director signing this Stipulation attests that s/he voted in favor of the resolution authorizing the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to the OTS, along with the executed original(s) of this Stipulation.

**[REST OF PAGE INTENTIONALLY LEFT BLANK]**

**WHEREFORE**, the Association, by and through its Board of Directors, hereby executes the Stipulation and Consent intending to be legally bound hereby.

**LOS PADRES BANK  
Solvang, California**

By: \_\_\_\_\_ /s/  
Craig J. Cerny, Chairman

By: \_\_\_\_\_ /s/  
William D. Ross, Director

By: \_\_\_\_\_ /s/  
Paul O. Halme, Director

By: \_\_\_\_\_ /s/  
William W. Phillips, Jr., Director

By: \_\_\_\_\_ /s/  
Tim Hatlestad, Director

By: \_\_\_\_\_ /s/  
Susan C. Weber, Director

By: \_\_\_\_\_ /s/  
John J. McConnell, Director

Accepted By:

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
Philip A. Gerbick, Regional Director  
Western Region

Date: See Effective Date on Page 1