FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

STATE OF CALIFORNIA

DEPARTMENT OF FINANCIAL INSTITUTIONS

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| IN THE MATTER OF | ) | |
| | ) | ORDER TO CEASE AND DESIST |
| DESERT COMMERCIAL BANK | ) | |
| PALM DESERT, CALIFORNIA | ) | Docket FDIC-08-397b |
| | ) | |
| (INSURED STATE NONMEMBER BANK) | ) | |

Desert Commercial Bank, Palm Desert, California ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and Section 1912 of the California Financial Code, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), and with counsel for the California Department of Financial Institutions ("CDFI"), dated February 12, 2009, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the CDFI.

The FDIC and the CDFI considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC and the CDFI, therefore, accepted the CONSENT AGREEMENT and issued the following:

## ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe and unsound banking practices, as more fully set forth in the Joint FDIC and CDFI Report of Examination ("Joint ROE") dated May 5, 2008:

(a) operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits;

(b) operating with a board of directors which has not provided adequate supervision over and direction to the active management of the Bank;

(c) operating with inadequate capital in relation to the kind and quality of assets held by the Bank;

(d) operating with an inadequate loan valuation reserve;

(e) operating with a large volume of poor quality loans;

(f) operating in such a manner as to produce operating losses; and

(g) operating with inadequate provisions for liquidity.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. The Bank shall retain management acceptable to the Regional Director of the Federal Deposit Insurance Corporation ("Regional Director") or the Commissioner of the CDFI.

Such management shall include a chief executive officer, a senior loan officer and a chief financial officer qualified to restore the Bank to a sound condition, operate the Bank in a safe and sound manner, and comply with the provisions of this Order. Without limiting the generality of the foregoing, the Regional Director and the Commissioner reserve the right to determine whether present members of management of the Bank will be deemed acceptable.

2. During the life of this Order, the Bank shall notify the Regional Director and the Commissioner in writing when it proposes to appoint, elect, or add any individual to its board of directors or when it proposes to employ any individual as a senior executive officer. The notification must be received at least 30 days before such appointment, election, addition, or employment is intended to become effective. The notification shall also include a description of the background and experience of the individual or individuals to be appointed, elected, added or employed. Unless the Regional Director or the Commissioner objects, the appointment, election, addition, or employment may be made 30 days after the required notification.

3. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop and adopt a capital plan to:

(i) maintain Tier 1 capital in such an amount as to equal or exceed nine percent of the Bank's total assets; and

(ii) meet and thereafter maintain the minimum risk-based capital requirements as described in the FDIC's Statement of Policy on Risk-Based Capital contained in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, Appendix A. The capital plan shall be in a form and manner acceptable to the Regional Director and Commissioner as determined at subsequent examinations.

(b) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to subparagraph 3(a) shall be in addition to a fully funded allowance for loan and lease losses, the adequacy of which shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(c) For the purposes of this ORDER, the terms "Tier 1 capital" and "total assets" shall have, the meanings ascribed to them in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 325.2(v) and 325.2(x).

4. Within 60 days from the effective date of this Order, the Bank shall restore the Allowance for Loan and Lease Losses to an appropriate level based on an Allowance for Loan and Lease Losses analysis that has been strengthened to remedy the contravention of the 2006 Interagency Policy Statement on the allowance for Loan and Lease Losses cited in the joint ROE. The Bank shall thereafter maintain an appropriate level for the Allowance for Loan and Lease Losses.

5. Within 60 days from the effective date of this Order, the Bank shall develop, adopt and implement a comprehensive policy for determining the appropriateness of the allowance for loan losses. The policy shall require that the Board of Directors of the Bank (the "Board") review the appropriateness of the Bank's allowance for loan losses before the end of each calendar quarter. The minutes of the board meeting at which such review is undertaken shall indicate the results of the review, the amount of any increase in the allowance and the basis for determination of the amount of the allowance provided. In determining the appropriateness of the allowance, the Board shall consider, among other things, the size and composition of the loan portfolio, the level of problem and past-due loans, an estimate of loss potential in problem and past-due loans, the Bank's history of loan losses and current economic conditions. The

policy and its implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

6. Within 90 days from the effective date of this Order, the Bank shall develop a written action plan to reduce the Bank's risk exposure in adversely classified assets listed in the Joint ROE. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, review, analyze and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position. The plan and its implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

7. Within 90 days from the date of this Order, the Bank shall develop, adopt and implement a plan to reduce the concentration in real estate related assets, including commercial real estate, construction and land development, and unsecured credits. The plan shall, among other appropriate provisions, address limits on the type of real estate loans with respect to gross capital. The plan shall also create a system to monitor future compliance with limits established. The plan and its implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

8. Within 90 days from the effective date of this Order, the Bank shall adopt and implement a written policy for the operation of the Bank in such a manner as to provide adequate liquidity and funds management practices consistent with safe and sound banking practices. Such policy shall provide for the elimination and/or correction of all funds management

deficiencies as more fully set forth in the Joint ROE. At a minimum, the revised policy shall establish parameters for:

(a) Assessing the level of unsecured deposits;

(b) Enhancing balance-sheet liquidity; and

(c) Establishing and maintaining secondary lines of liquidity, including securing line of credit at the Federal Reserve Bank and the Federal Home Loan Bank.

The policy and its implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

9. The Bank shall immediately comply with all laws and regulations applicable to the Bank, and shall comply in the future with all laws and regulations applicable to the Bank.

10. During the life of this Order, the Bank shall not make any distribution to its shareholders except with the prior written approval of the Regional Director and the Commissioner.

11. Within 90 days of the effective date of this Order, the Board shall formulate a comprehensive written business/strategic plan covering an operating period of at least three years for the Bank ("Strategic Plan"). The Strategic Plan shall contain an assessment of the Bank's current financial condition and market area along with a description of the operating assumptions that form the basis for major projected income and expense components of the assessment. The Strategic Plan shall include short term goals and operating plans to comply with the terms of this Order and correct all regulatory criticisms, intermediate goals and project plans, and long-range goals and project plans. Additionally, the Strategic Plan shall, at a minimum, include:

(a) Strategies for pricing policies and asset/liability management;

(b) Anticipated average maturity and average yield on loans and securities, average maturity and average cost of deposits, the level of earning assets as a percentage of total assets and the ratio of net interest income to average earning assets;

(c) Dollar volume of total loans, total investment securities and total deposits;

(d) Plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;

(e) Financial goals including pro forma statements for asset growth, capital adequacy and earnings; and

(f) Formation of a mission statement and the development of a strategy to carry out that mission.

The Bank shall submit the Strategic Plan within 15 days of adoption to the Regional Director and the Commissioner.

12. Within 60 days from the effective date of this Order, the Bank shall develop and implement an effective external and independent internal audit program ("Audit Program"). The Audit Program shall be implemented and maintained in a manner that is acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations. The Audit Committee shall ensure that each audit performed for the Bank contains a comprehensive scope, that the reviews cover all areas detailed in the scope, and that personnel conducting the reviews are trained and qualified to perform the assigned reviews. In addition, the Audit Committee shall meet at least monthly to provide oversight over the audit function and

to monitor compliance with this Order.

13. During the life of this Order, the Bank shall forward copies of any external audit reports, along with the engagement letter, management letter regarding internal control deficiencies and any Bank response, to the Regional Director and the Commissioner within 10 days from the Bank's receipt of such documents.

14. Within 30 days after the end of the quarter ending December 31, 2008, and within 30 days after the end of each first quarter thereafter following the effective date of this Order, and within thirty (30) days after the end of each quarter beginning March 31, 2009, thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this Order and the results thereof. Such reports shall include a copy of the Bank's Report of Condition and Income (Call Report). Such reports may be discontinued only after when the corrections required by this Order have been accomplished and the Regional Director and the Commissioner have released the Bank, in writing, from submitting further reports.

15. Following the effective date of this ORDER, the Bank shall send to its shareholder(s) or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, at least fifteen (15) days prior to dissemination to shareholders. Any changes requested to be made by

the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

16. This Order is effective immediately and shall remain effective and enforceable except to the extent that and until such time as the Regional Director and the Commissioner shall have amended, suspended or terminated this Order. Violation of any provision of this Order will be deemed to be conducting business in an unsafe or unsound manner and will subject the Bank to further regulatory enforcement action.

Dated: February 17, 2009.

Federal Deposit Insurance Corporation
Division of Supervision and Consumer Protection
San Francisco Regional Office

By:

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Stan Ivie
Regional Director

William S. Haraf
Commissioner
California Department of Financial Institutions

By:

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Craig A. Carlson
Senior Deputy Commissioner and
Chief Examiner