

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

In the Matter of: First Heritage Bank, N.A. Newport Beach, California)))	AA-WE-08-34
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CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over the First Heritage Bank, N.A., Newport Beach, California (“Bank”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated June 4, 2008, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby ORDERS that:

ARTICLE I

COMPLIANCE COMMITTEE AND MANAGEMENT

(1) Within five (5) days, the Board shall appoint a Compliance Committee of at least three (3) directors. Upon appointment, the names of the members of the Compliance Committee, and, in the event of a change in the membership, the name of any new member, shall be submitted in writing to the Deputy Comptroller. For purposes of this Order, “affiliate” shall have the meaning set forth in 12 C.F.R. § 223.2(a), as if the Bank were a member bank, provided that any subsidiary of the Bank shall be considered as affiliate of the Bank.

(2) The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order and shall meet at least monthly.

(3) Within ten (10) business days following each calendar month end beginning June 30, 2008, 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 Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall review the Compliance Committee's report, and forward a copy to the Deputy Comptroller with any additional comments by the Board, within ten (10) days of receiving such report.

(5) All documents which the Bank or Board is obligated to submit to the Deputy Comptroller pursuant to this Order shall be forwarded via overnight mail to:

Deputy Comptroller for the Western District
Office of the Comptroller of the Currency
1225 17th Street, Suite 300
Denver, Colorado 80202

Should the Supervisory Office for the Bank change, the OCC will formally inform the Bank of the successor to the Deputy Comptroller, as well as the location for the submission of all documents required by this Order thereafter.

(6) The Board shall ensure that all Bank officers with the rank of senior vice president or higher possess the knowledge and skills necessary to manage the daily affairs of the Bank in a safe and sound manner and in compliance with all applicable statutes and regulations.

(7) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the provisions of this Order.

ARTICLE II

CAPITAL MAINTENANCE

(1) By no later than June 30, 2008, the Bank shall achieve and thereafter shall maintain, at a minimum, the following capital level (as defined in 12 C.F.R. Part 3):

(a) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets, as defined in 12 C.F.R. § 3.2(a).

(2) The requirement in this Article to meet and maintain a specific capital level precludes the Bank from being “well-capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6, pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) The Bank shall immediately, and until further written notice by the Deputy Comptroller, refrain from declaring or paying any dividends, or making any redemption or repurchase of common or preferred shares, if any, or making any other capital distributions, and shall rescind any Board authorization for all declared but unpaid dividends.

(4) The Bank shall not, without the prior written determination of supervisory non-objection of the Deputy Comptroller, sell, divest, encumber or transfer any of its assets valued at more than \$1 million, individually or in the aggregate. The Bank may identify categories of recurring transactions for prior review and a blanket prior written determination of supervisory non-objection.

(5) The Bank shall immediately, and until further written notice by the Deputy Comptroller, refrain from the payment of any bonuses, commissions, severance benefits, golden parachutes, or similar remuneration, without the prior written determination of supervisory non-

objection of the Deputy Comptroller and compliance with all applicable laws and regulations, including, without limitation, 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359.

(6) Effective immediately, the Board shall ensure that any payment, transaction, obligation, agreement or contract (including renewals and extensions thereof), made or incurred or entered into by the Bank with (a) any third party, (b) any current or former officer or director, or (c) any of the Bank's affiliates, for the sale or purchase of products, or the performance of services, is: (a) pursuant to a written contract or agreement; (b) contained in the books and records of the Bank with documentation that demonstrates that the action is in the Bank's best interest; at arm's-length; on terms and conditions that are fair and reasonable to the Bank; and in compliance with all applicable laws, rules, regulations, and Comptroller's issuances, including, but not limited to 12 C.F.R. Part 223. Any new contract or agreement (including renewals or extensions thereof) made pursuant to this paragraph involving the sale or purchase of products valued at more than \$500,000 or the performance of services valued at more than \$500,000 per annum shall be subject to the prior written determination of supervisory non-objection of the Deputy Comptroller.

ARTICLE III

LIQUIDITY

(1) Effective immediately, the Board shall ensure that the Bank maintains liquidity at a level that is sufficient to sustain the Bank's current operations and to withstand any anticipated or extraordinary demand against its funding base.

(2) Effective immediately, unless the Bank receives a prior written supervisory non-objection from the Deputy Comptroller, the Bank shall limit aggregate sales to all affiliates of overnight Federal Funds to no more than \$75 million per night.

(3) The Board or a designated committee thereof shall review the Bank's liquidity on a weekly basis or more frequently as appropriate. Such reviews shall be written and include:

- (a) a maturity schedule of certificates of deposit, including large uninsured deposits;
- (b) the volatility of demand deposits including homeowners' association and escrow deposits;
- (c) the amount and type of loan commitments and standby letters of credit;
- (d) an analysis of the continuing availability and volatility of present funding sources;
- (e) an analysis of the impact of decreased cash flow from the Bank's loan portfolio resulting from delinquent and non-performing loans;
- (f) an analysis of the impact of decreased cash flow from the sale of loans or loan participations; and
- (g) geographic disbursement of and risk from brokered and concentrated deposits, including deposits from homeowners' associations.

(4) Within thirty (30) days, the Board shall develop, implement and thereafter ensure Bank adherence to a contingency funding plan that includes the following:

- (a) projections for capital and liquidity requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (b) the primary source(s), especially those that are not credit sensitive, from which the Bank will strengthen its liquidity and capital structure to meet the Bank's needs; and

(c) contingency plans that identify alternative methods should the primary source(s) under subparagraph (b) not be available.

(5) The Board shall take appropriate action to ensure the Bank at all times maintains sufficient sources of liquidity in relation to the Bank's needs. Weekly reports shall set forth liquidity requirements and sources and an analysis of the adequacy of the contingency funding plan. Copies of these reports shall be forwarded to the Deputy Comptroller upon completion.

(6) Until further notice from the Deputy Comptroller, the Bank shall provide the Deputy Comptroller with daily written reports of the Bank's liquidity position. The reports shall conform to the Deputy Comptroller's requirements for format and information content.

ARTICLE IV

CREDIT ADMINISTRATION AND UNDERWRITING

(1) The Board shall take immediate and continuing action to protect the Bank's interest in those assets criticized by the OCC in a Report of Examination or otherwise, by management, or in an internal or external loan review.

(2) Within ninety (90) days, the Board shall develop, implement and thereafter ensure adherence to procedures for the quarterly submission and review of reports of all criticized credit relationships totaling \$250,000 or more (including participations to affiliates or insiders). The procedures shall include, at a minimum, analysis and documentation of the following:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable as well as other necessary documentation to support the collateral valuation;

- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment; and
- (e) trigger dates for positive borrower actions or for loan officers to reassess the strategy and enact collection plans.

(3) The Bank shall not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized by the OCC in a Report of Examination or otherwise, or in any internal or external loan review, and whose aggregate loans or other extensions are \$250,000 or more, unless the Board certifies in writing that each of the following conditions is met:

- (a) the extension or renewal is necessary to promote the best interests of the Bank;
- (b) the Board has documented the reason(s) that the extension or renewal is necessary to promote the best interests of the Bank; and
- (c) the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(4) The Board shall ensure that the risk associated with the Bank's loans is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, provisions requiring that:

- (a) the Bank's loans and other assets are appropriately and timely risk rated and charged-off by the servicing loan officers using a loan grading system that is based upon current facts, existing repayment terms and that is

consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook; and

- (b) the Bank's loans and other assets are timely placed on nonaccrual by the servicing loan officers in accordance with the guidelines set forth in the Instructions for Preparation of Consolidated Reports of Condition and Income ("Call Report").

(5) Effective immediately, the Board shall ensure that the Bank maintains an appropriate Allowance for Loan and Lease Losses that complies with Generally Accepted Accounting Principles and all regulatory guidance.

ARTICLE V

NEW PRODUCTS AND SERVICES

(1) Prior to the Bank's involvement in any new product or service or significant expansion of any existing product or service, whether directly or through a vendor or other third party, the Board shall prepare a written analysis of the product or service. The analysis shall, at a minimum, include the following:

- (a) an assessment of the risks and benefits of the product or service to the Bank;
- (b) an explanation of how the product or service is consistent with the Bank's business plan;
- (c) an evaluation of the adequacy of the Bank's organizational structure, staffing, Management Information Systems ("MIS"), internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the product or service, including risks associated

with any vendor providing services in connection with the Bank's product or service; and

(d) a profitability analysis, including growth projections and interest rate risk.

(2) For purposes of this Article, "significant expansion" shall be defined as expected revenue growth in an existing product or service of ten percent (10%) or more, on an annualized basis, within three years of the proposed expansion of an existing product or service that is:

(a) supported by assets that account for at least five percent (5%) of the Bank's total assets; or

(b) already contributes at least five percent (5%) of the Bank's annual revenue.

(3) The Bank shall provide a copy of the analysis required by this Article to the Deputy Comptroller in advance of the Bank's launch or involvement in any new product or service, or the significant expansion of any existing product or service, for a prior written determination of no supervisory objection from the Deputy Comptroller.

ARTICLE VI

BOOKS AND RECORDS

(1) The Board shall ensure that no original (or non-identical copy of an original) Bank documents, books, or records are destroyed, altered or removed from the Bank's premises. For purposes of this paragraph, "documents, books and records" shall be construed broadly, and shall include, but not be limited to, paper and electronic records of all kinds, reports, notes, calendars, phone logs, e-mails, voice-mails, financial instruments and tapes. Identical copies of original documents may be removed and thereafter maintained offsite, especially for business continuity purposes.

(2) In the event that any of the Bank's original documents, books and records are not currently maintained on the Bank's premises or in the Iron Mountain offsite storage facility, the Board shall ensure that, within thirty (30) days, all such documents, books and records are returned to the Bank and thereafter maintained in accordance with paragraph (1) of this Article.

ARTICLE VII

DISPOSITION PLAN

(1) If the OCC determines, in its sole discretion, that the Bank has failed to comply with any provision of this Order and that the Bank should sell, merge, or liquidate, the Board shall, within thirty (30) days of receiving written notice from the Deputy Comptroller of such a determination, submit a written Disposition Plan to the Deputy Comptroller for a prior written determination of no supervisory objection. The Disposition Plan shall detail the Board's proposal to sell or merge the Bank, or liquidate the Bank under 12 U.S.C. § 181.

(2) If the Disposition Plan proposes a sale or merger of the Bank, the Disposition Plan, at a minimum, shall address the steps that will be taken and the associated timeline to ensure that a definitive agreement for the sale or merger is executed not later than ninety (90) days after receipt of the Deputy Comptroller's written determination of no supervisory objection to the Disposition Plan. If the Disposition Plan proposes a liquidation of the Bank, the Disposition Plan shall detail the appropriate actions to accomplish the liquidation in conformance with 12 U.S.C. §§ 181-82, and the dates by which each step of the liquidation shall be completed, including the date by which the Bank will terminate its national bank charter. In the event of a proposed liquidation, the Bank shall hold a shareholder vote pursuant to 12 U.S.C. § 181, and commence liquidation, within thirty (30) days of receiving the Deputy Comptroller's written determination of no supervisory objection to the Disposition Plan.

(3) Upon the Deputy Comptroller's notifying the Bank in writing of no supervisory objection to the Disposition Plan, the Board shall immediately implement, and thereafter ensure Bank adherence to, the terms of the Disposition Plan.

ARTICLE VIII

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) This Order becomes effective upon execution by the Deputy Comptroller. Unless otherwise specified, any time limitations set by this Order shall begin to run on the effective date of the Order.

(2) If the Bank contends that compliance with any provision of this Order would cause undue hardship to the Bank, or requires an extension of any timeframe within this Order, the Board shall submit a written request to the Deputy Comptroller asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with a provision, that require the Deputy Comptroller to exempt the Bank from a provision, or that require an extension of a timeframe within this Order.

(3) All such requests shall be accompanied by any supporting documentation, and, to the extent requested by the Deputy Comptroller, a sworn declaration or declarations setting forth any other facts upon which the Bank relies.

(4) The Deputy Comptroller's decision concerning a request made pursuant to this Article is subject to Article IX, paragraph (3) of this Order, and is final and not subject to further review.

ARTICLE IX

CLOSING

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(2) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) The provisions of this Order shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(4) In each instance in this Order in which the Bank or the Board is required to ensure implementation of or adherence to, or to undertake to perform, an obligation of the Bank, the Board shall:

- (a) Authorize and adopt such actions on behalf of the Bank as may be necessary or appropriate for the Bank to perform its obligations under this Order;
- (b) Require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (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 for any non-compliance with such actions.

(5) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States.

(6) The terms of this Order, 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 has set her hand this 4th day of June 2008.

/S/

Kay E. Kowitt, Deputy Comptroller
Western District
Office of the Comptroller of the Currency

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

In the Matter of:)	
First Heritage Bank, N.A.)	AA-WE-08-34
Newport Beach, California)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) may initiate cease and desist proceedings against the First Heritage Bank, N.A., Newport Beach, California (“Bank”), pursuant to 12 U.S.C. § 1818(b).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated June 4, 2008 (the “Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

Jurisdiction

- (1) The Bank is 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.*
- (2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).
- (3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).
- (4) This Order shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In

addition, this Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

ARTICLE II

Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). 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(i), 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.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller 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.

ARTICLE III

Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
 - (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19
 - (d) all rights to seek any type of administrative or judicial review of the Order; and
 - (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

Other Action

- (1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

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

/S/

Kay E. Kowitt, Deputy Comptroller
Western District
Office of the Comptroller of the Currency

6/4/2008

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.

/s/

James R. Claffee

6/4/08

Date

/s/

Gary A. Dorris

06-04-08

Date

/s/

Raymond A. Lamb

6/4/08

Date

/s/

Kenneth J. Musante

6/6/08

Date

/s/

Daniel F. Stewart

6-4-08

Date