

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
In the Matter of)	
INNOVATIVE BANK)	SUPERVISORY
OAKLAND, CALIFORNIA)	PROMPT CORRECTIVE ACTION
(INSURED STATE NONMEMBER BANK))	DIRECTIVE
_____)	FDIC-10-271PCAS

WHEREAS, Innovative Bank, Oakland, California (the “Bank”) is an “undercapitalized” depository institution as that term is defined in Section 38(b)(1) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. §1831o(b)(1), and Section 325.103 of the Federal Deposit Insurance Corporation (“FDIC”) Rules and Regulations, 12 C.F.R. §325.103;

WHEREAS, pursuant to a letter dated February 1, 2010, the FDIC notified the Bank of its undercapitalized capital category, as a result of the filing of the December 31, 2009 Call Report;

WHEREAS, pursuant to that February 1, 2010 letter, the FDIC notified the Bank that a Capital Restoration Plan compliant with Section 38(e)(2) of the Act, 12 U.S.C. § 1831o(e)(2), and Section 325.104 of the FDIC Rules and Regulations, 12 C.F.R. § 325.104 needed to be filed by March 16, 2010;

WHEREAS, on October 13, 2009 the FDIC conducted an on-site visit of the Bank;

WHEREAS, the October 13, 2009 visit revealed a rapid decline in asset quality, a drop in capitalization, and allegations of fraud in the SBA department;

WHEREAS, a joint FDIC/CDFI examination commenced on March 1, 2010;

WHEREAS, the preliminary findings of the March 1, 2010 examination show a continued deterioration in the Bank’s capital levels;

WHEREAS, the Bank submitted a Capital Restoration Plan on March 16, 2010, which the FDIC determined was unacceptable pursuant to Section 38(e)(2) of the Act, 12 U.S.C. § 1831o(e)(2), and Section 325.104 of the FDIC Rules and Regulations, 12 C.F.R. § 325.104;

WHEREAS, the Bank's condition continues to deteriorate;

WHEREAS, the Bank's management has not demonstrated the ability to return the Bank to a safe and sound condition;

WHEREAS, the Bank's capital levels and deteriorating condition and management's inability to return the Bank to a safe and sound condition require that prompt corrective action be taken immediately;

WHEREAS, the actions in this directive are necessary to carry out the purposes of Section 38 of the Act including Section 38(e)(5), 12 U.S.C. § 1831o(e)(5);

THEREFORE, the FDIC finds it necessary, in order to carry out the purposes of Section 38 of the Act, to issue this SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE without providing notice as set forth in Section 308.201(a)(1) of the FDIC's Rules of Practice and Procedure, 12 C.F.R. §308.201(a)(1), and hereby issues this SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE pursuant to Section 38 of the Act, 12 U.S.C. §1831o, and Section 308.201(a)(2) of the FDIC's Rules of Practice and Procedure, 12 C.F.R. §308.201(a)(2).

SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE

IT IS HEREBY DIRECTED, that within 5 days of the effective date of this Directive, the Bank shall take one or both of the following actions to recapitalize the Bank:

1. The Bank shall sell enough voting shares or obligations of the Bank so that the Bank will be adequately capitalized after the sale; and/or
2. The Bank shall accept an offer to be acquired by a depository institution holding

company or to combine with another insured depository institution;

FURTHER DIRECTED, that during the period this Directive is in effect, the Bank shall conform the interest rates paid on deposits to comply with the interest rate restrictions in Section 337.6 of the FDIC Rules and Regulations;

FURTHER DIRECTED, that during the period this Directive is in effect, the Bank shall employ and retain qualified senior executive officers, subject to approval by FDIC;

FURTHER DIRECTED, that during the period this Directive is in effect, the bank shall refrain from accepting, renewing or rolling over any brokered deposits as defined in Section 337.6(a)(2) of the FDIC Rules and Regulations, 12 C.F.R. § 337.6(a)(2);

FURTHER DIRECTED, that during the period this Directive is in effect, the Bank shall comply with Section 23A of the Federal Reserve Act as if subsection (d)(1) of that section (exempting transactions with certain affiliated institutions) did not apply;

FURTHER DIRECTED, that during the period this Directive is in effect, the Bank shall refrain from making capital distributions or dividend payments to its parent or any affiliate of the Bank or its parent, and paying any bonuses to, or increasing the compensation of, any director or officer of the Bank without prior written approval from the FDIC. The term “capital distribution” shall be defined as at Section 38(b)(2)(B) of the Act (12 U.S.C. § 1831o(b)(2)(B));

FURTHER DIRECTED, that during the period this Directive is in effect, the Bank shall request the FDIC’s prior written approval to relocate, sell or dispose of any existing branch;

FURTHER DIRECTED, that during the period this Directive is in effect, the Bank shall not make any pre-payments on Federal Home Loan Bank (“FHLB”) debt without the FDIC’s prior written approval;

FURTHER DIRECTED, that the provisions of this SUPERVISORY PROMPT

CORRECTIVE ACTION DIRECTIVE shall not affect the obligations of the Bank pursuant to any other action issued against the Bank by the FDIC; and

FURTHER DIRECTED, that this SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE shall become effective immediately upon its receipt by the Bank.

Each provision of this SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns, and other institution-affiliated parties of the Bank.

Each provision of this SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE shall remain effective and enforceable until the Bank has been adequately capitalized on average for four (4) consecutive calendar quarters, except to the extent that any provision shall be modified, terminated, suspended, or set aside by the FDIC.

//

//

//

//

//

//

//

//

//

//

//

//

The Bank may file a written appeal of this SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE within fourteen (14) calendar days from the date of the issuance of this Directive as provided in section 308.201(a)(2) of the FDIC's Rules of Practice and Procedure, 12 C.F.R. §308.201(a)(2). The appeal shall be filed with Stan Ivie, Regional Director, Federal Deposit Insurance Corporation, San Francisco Regional Office, 25 Jessie Street at Ecker Square, Suite 2300, San Francisco, California 94105, with a copy to Joseph J. Sano, Regional Counsel, Federal Deposit Insurance Corporation, San Francisco Regional Office, 25 Jessie Street at Ecker Square, Suite 1400, San Francisco, California 94105.

Pursuant to delegated authority.

Dated this 9th day of April, 2010.

/s/

J. George Doerr
Deputy Regional Director
Division of Supervision and Consumer Protection