

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

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)	
In the Matter of)	
)	CONSENT ORDER
PAN AMERICAN BANK)	
LOS ANGELES, CALIFORNIA)	FDIC-10-718b
)	
(INSURED STATE NONMEMBER BANK))	
)	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Pan American Bank, Los Angeles, California (“Bank”) under Section 3(q) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. § 1813(q)(3). The California Department of Financial Institutions (“CDFI”) is the appropriate State banking agency for the Bank under Division 1 of the California Financial Code.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation to the Issuance of a Consent Order (“Stipulation”), dated October 28, 2010, that is accepted by the FDIC and the CDFI. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to management, capital, and violations of law to the issuance of this Consent Order (“Order”) by the FDIC and the CDFI pursuant to Section 8(b)(1) of the FDI Act, and Section 1913 of the California Financial Code (“CFC”).

Having determined that the requirements for issuance of an order under Section 8(b) of the FDI Act, 12 U.S.C. § 1818(b), and CFC have been satisfied, the FDIC and the CDFI hereby order that:

1. (a) Within 60 days from the effective date of this Order, the Bank shall develop and adopt a written updated capital plan (“Capital Plan”) to meet and maintain the capital requirements of the August 20, 2008 Cease and Desist Order and to comply with 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 must be approved by the Regional Director and the Commissioner of Financial Institutions (the “Commissioner”).

(b) The Capital Plan shall include a contingency plan (“the Contingency Plan”) to merge the Bank with and into an insured depository institution acceptable to the Regional Director and the Commissioner, or to sell the Bank to an acquirer acceptable to the Regional Director and the Commissioner. The Bank’s Board of Directors shall implement the Contingency Plan if the Bank has not achieved capital levels in compliance with the August 20, 2008 Cease and Desist Order (the “Safety and Soundness Order”). The Bank’s Board of Directors shall provide the Regional Director and the Commissioner with a copy of any definitive agreement to merge or sell not later than 5 days after entering such an agreement.

(c) If the Bank’s Capital Plan includes recapitalization, the Capital Plan submitted to the Regional Director and the Commissioner shall also include a viable new Business Plan to ensure that any recapitalization of the Bank would return the Bank to viable condition. The submitted Business Plan shall be acceptable to the Regional Director and the Commissioner.

(d) The level of capital to be maintained during the life of this Order 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. Any increase in Tier 1 capital necessary to meet the requirements of this paragraph may not be accomplished through a deduction from the Bank's allowance for loan and lease losses.

(e) If all or part of the increase in capital required by this Order is accomplished by the sale of new securities, the Board shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with all applicable State and Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Registration, Disclosure and Securities Unit, 550 17th St. N.W., Washington, D.C. 20429, for review, and to the Commissioner to obtain any and all necessary securities permits or other approvals. Any changes requested by the FDIC or by the Commissioner shall be made prior to dissemination. If the increase in capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative

to interest rate and convertibility factor, shall be presented to the Regional Director and the Commissioner for prior approval.

(f) Subject to obtaining all required prior authorizations, permits or other approvals from the Regional Director and the Commissioner, the Bank shall promptly revise or supplement the offering materials it is using in connection with the offer and sale of its securities to fully and fairly disclose every material change or development regarding the Bank and its operation, including every planned change that would be material, that occurs during the offering of the securities. The Bank shall provide the revised offering materials or supplement, along with a notice that the subscriber may rescind its subscription, to each subscriber that has submitted a subscription for the Bank's securities before receiving the revised offering materials or supplement for at least ten (10) days before accepting the subscriber's subscription.

(g) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities, a written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

2. Beginning with the effective date of this Order, and on a bi-weekly basis thereafter, the Bank's Board of Directors shall provide the Commissioner and the Regional Director with a written update on the status of its efforts to recapitalize the Bank in accordance with Paragraph 1 of this Order.

3. (a) Within 30 days from the effective date of this Order, the Bank's Board shall contract with an independent consultant ("Independent Consultant") acceptable to the Regional Director and the Commissioner to conduct a review of the composition, structure, and effectiveness of Bank's current directors (the "Independent Review") and to prepare a written report (the "Independent Report") containing the findings, conclusions, and any recommendations for director or operational changes. The primary purpose of the Independent Review is to facilitate the establishment of a Board that is adequately staffed by qualified individuals and commensurate with the Bank's size and risk profile.

(b) The terms of the engagement for the Independent Consultant shall include the following:

(i) the Independent Review to be completed within 45 days of engagement of the Independent Consultant; and

(ii) the Independent Report to be submitted to the Bank's Board, the Regional Director, and the Commissioner with 10 days of completion of the Independent Review.

(c) At a minimum, the Independent Review shall include an evaluation and assessment of the following:

(i) each current director to determine whether the individual possesses the ability, experience, and qualifications to perform present and anticipated duties, including the ability to adhere to applicable banking laws and regulations and internal policies and procedures, maintain the Bank in an overall safe and sound condition, and implement the requirements of the Order;

(ii) the composition and effectiveness of the current Board, including committees thereof, and the ability to hire and retain qualified executive officers, as well as to provide direction and oversight of the overall performance and condition of the Bank;

(iii) management information reports and board packages to ensure they are prepared in an accurate, complete and timely manner as well as in a format to provide the Board, and committees thereof, sufficient information to allow for appropriate oversight of the Bank, consistent with the Bank's policies, strategies, goals, and plans, and in accordance with safe and sound banking practices and applicable laws and regulations; and

(iv) minutes maintained by the Board, and committees thereof, to determine if they are comprehensive, complete, accurate and relevant, and whether minutes fully document discussions, deliberations, and decisions.

(d) Within 30 days after receipt of the Independent Report, the Board shall submit to the Regional Director and the Commissioner a written Implementation Plan that takes into account the recommendations contained in the Independent Report to strengthen Board oversight of management and the operations of the Bank. The plan shall, at a minimum, address:

- (i) retention of qualified directors;
- (ii) training or review session(s) on director responsibilities and fiduciary duties;
- (iii) improving management reports used by the Board to identify key risks and emerging issues, and provide sufficient oversight and monitoring of management;
- (iv) improving oversight and monitoring of loan functions, credit underwriting and credit monitoring;

(v) improving oversight of the Bank's liquidity position, including the quality of liquidity monitoring and deposit concentration reports; and

(vi) hiring of qualified individuals to fill all vacant executive officer positions within 90 days of issuance of the Implementation Plan.

4. Within 60 days from the effective date of this Order, the Bank shall eliminate and/or correct all violations of law and regulation, as more fully set forth in the Joint FDIC and CDFI Report of Examination dated April 12, 2010. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

5. Following the effective date of this Order, the Bank shall provide a copy of the Order or otherwise furnish a description of the Order to its shareholder(s) in conjunction with:

(a) the Bank's next shareholder communication; and

(b) the 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 any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429, and to the Commissioner, at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or by the Commissioner shall be made prior to dissemination of the description, communication, notice, or statement.

6. During the life of this Order, the Bank shall not establish any new branches or other offices of the Bank without the prior written consent of the Regional Director and the Commissioner.

7. The Bank shall notify the Regional Director and the Commissioner no less than one business day in advance of making a planned public announcement or notification regarding changes in the Bank's financial condition, executive management or Board.

8. Within 30 days of the end of the first quarter following the effective date of this Order, and within 30 days of the end of each quarter 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 Reports of Condition and Income. Such reports may be discontinued when the corrections required by this Order have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making further reports.

This Order supplements, but does not replace, the Safety and Soundness Order. This Order supersedes the Safety and Soundness Order only where the subject matter is the same.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the CDFI, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties, as that term is defined in Section 3(u) of the FDI Act, 12 U.S.C. § 1813(u).

This Order will become effective upon its issuance by the FDIC and the CDFI.

The provisions of this Order shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this Order shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC and the CDFI.

Violation of any provisions 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.

Issued pursuant to delegated authority.

Dated at San Francisco, California, this 5th day of November, 2010.

/s/
J. George Doerr
Deputy Regional Director
Division of Supervision and Consumer Protection
San Francisco Region
Federal Deposit Insurance Corporation

/s/
Scott D. Cameron
Chief Examiner
California Department of Financial
Institutions