

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

<p>KATHLEEN MILLER, SONDRÉ BILET, MARK J. HOLLAND AND KATHERINE DOOLITTLE</p> <p style="text-align:center">Plaintiffs,</p> <p style="text-align:center">vs.</p> <p>PALM DESERT INVESTMENTS, PALM DESERT NATIONAL BANK, KEVIN MCGUIRE and DOES 1- 10,</p> <p style="text-align:center">Defendants.</p>	<p>Case No. CV-11-02454 CBM (RZx)</p>
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NOTICE OF CLASS ACTION SETTLEMENT

**Your legal rights might be affected
if you are a member of the following Class:**

All Persons who were participants in or beneficiaries of the Palm Desert Investments Employee Stock Ownership Plan (the "Plan") and whose individual Share Accounts held vested shares of stock of Palm Desert Investments from September 30, 2006 through September 1, 2011 (the "Settlement Class"); provided, however, that Defendants, former and present directors of Palm Desert Investments and/or Palm Desert National Bank and their heirs, Successors-in-Interest, or assigns, to the extent such Persons acquire an interest held by Defendants, are excluded from the Settlement Class.

A FEDERAL COURT AUTHORIZED THIS NOTICE.

THIS IS NOT A SOLICITATION.

YOU HAVE NOT BEEN SUED.

PLEASE READ THIS NOTICE CAREFULLY.

U.S. District Court Consuelo B. Marshall of the United States District Court for the Central District of California (the "Court") has preliminarily approved a proposed settlement of a class action ("Lawsuit") brought under the Employee Retirement Income Security Act ("ERISA") (the "Settlement"). The Settlement will provide for payments to the Palm Desert Investments Employees Stock Ownership Plan (the "Plan") and for allocation of those payments to the accounts of members of the Settlement Class. The Settlement is summarized below.

The Court has scheduled a hearing on final approval of the Settlement and award of attorneys' fees and expenses. The hearing before Judge Marshall has been scheduled for May 22, 2012 at 9:00 a.m. in Courtroom 2 of the United States District Court for the Central District of California, 312 N. Spring Street, Los Angeles, California 90012.

Any objections to the Settlement or the motion(s) for attorneys' fees and expenses must be filed with the Court, served in writing on Class Counsel for the Settlement Class identified on page 9

of this Notice, and served in writing on Defendants’ attorneys, who are identified on page 9 of this Notice. The procedure for objecting is described below.

This Notice contains summary information with respect to the Settlement. The terms and conditions of the Settlement are set forth in a Class Action Settlement Agreement (the “Settlement Agreement”). Capitalized terms used in this Notice but not defined in this Notice have the meanings assigned to them in the Settlement Agreement. The Settlement Agreement, and additional information with respect to this Lawsuit and the Settlement, are available from Class Counsel via www.smollp.com.

PLEASE READ THIS NOTICE CAREFULLY. IF YOU ARE A MEMBER OF THE SETTLEMENT CLASS TO WHOM THIS NOTICE IS ADDRESSED, THE SETTLEMENT WILL AFFECT YOUR RIGHTS. YOU ARE NOT BEING SUED. YOU DO NOT HAVE TO APPEAR IN COURT, AND YOU DO NOT HAVE TO HIRE AN ATTORNEY IN THIS CASE. IF YOU ARE IN FAVOR OF THE SETTLEMENT, YOU NEED NOT DO ANYTHING. IF YOU DISAPPROVE, YOU MAY OBJECT TO THE SETTLEMENT PURSUANT TO THE PROCEDURES DESCRIBED BELOW.

YOUR LEGAL RIGHTS AND OPTIONS UNDER THE SETTLEMENT:	
YOU CAN DO NOTHING. NO ACTION IS NECESSARY TO RECEIVE PAYMENT.	<p>If the Settlement is approved by the Court and you are a member of the Settlement Class, you will not need to do anything to receive a payment, if any. The portion of the Net Settlement Fund to be allocated to your Plan account, if any, will be calculated as part of the implementation of the Settlement.</p> <p>You will have an opportunity to elect whether to roll your individual recovery into a qualified retirement plan or individual retirement account OR to receive a check for your share of the settlement, which will be taxed according to the federal tax code.</p> <p>You will give up any rights you may have to sue any of the Released Parties for any Released Claims you may have against them.</p>
FILE AN OBJECTION. (POSTMARKED ON OR BEFORE FEBRUARY 27, 2012)	<p>If you wish to object to any part of the Settlement, you may write to the Court and counsel and explain why you object to the Settlement.</p>
FILE AN INTENTION TO APPEAR AT THE FAIRNESS HEARING. (POSTMARKED ON OR BEFORE FEBRUARY 27, 2012)	<p>If you submit a written objection to the Court and counsel before the Court-approved deadline, you may (but do not have to) attend and ask to speak in Court about the fairness of the Settlement and present your objection to the Court. If you wish to speak at the hearing, you must include in your objection your intention to speak at the hearing.</p>

- These rights and options — **and the deadlines to exercise them** - are explained in this Notice.
- The Court still has to decide whether to approve the Settlement. Payments will be made only if the Court approves the Settlement and that approval is upheld in the event that anybody appeals from the Court's approval.
- Further information regarding the lawsuit and this notice may be obtained by contacting Class Counsel:

Peter Meringolo
 Rebecca Kassekert
 Snyder Miller & Orton LLP
 180 Montgomery Street, Suite 700
 San Francisco, CA 94104
 (415) 962-4400
 www.smollp.com

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1. WHY YOU RECEIVED THIS NOTICE

You received this notice because Plan records indicate that you were a participant in or beneficiary of the Plan at any time from September 30, 2006 through September 1, 2011 whose individual Share Accounts held vested shares of stock of Palm Desert Investments. The Court caused this Notice to be sent to you because, if you fall within that group, you have a right to know about the Lawsuit, the Settlement, and all of your options before the Court decides whether to approve the Settlement. If the Court approves the Settlement, the net amount of the Settlement Fund will be allocated among eligible Settlement Class Members by the Settlement Administrator. This Notice describes the Lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

2. DESCRIPTION OF THE LAWSUIT

The Plaintiffs filed this lawsuit on March 23, 2011 (the "Lawsuit"). This case stems from the investment of assets of the Plan in stock of Palm Desert Investments ("PDI") the bank holding company for Palm Desert National Bank (the "Bank"). Plaintiffs assert that Defendants acted improperly in investing Plan assets in PDI stock while the Bank allegedly was engaged in unsafe and unsound banking practices.

Plaintiffs claim that Defendants PDI, Bank and Kevin McGuire were the fiduciaries of the Plan and breached their duties of loyalty and prudence under ERISA by continuing Plan investments in PDI stock when the stock was an imprudent investment, and by misrepresenting and failing to disclose to plan participants material information concerning the Plan's investment in PDI stock. Plaintiffs asked the Court to order the Defendants to restore the losses to the Plan that Plaintiffs allege resulted from Defendants' breaches of fiduciary duty.

Defendants deny any and all wrongdoing and maintain that the PDI stock was never "imprudent" and the decline in PDI stock was caused by the unforeseeable global economic collapse. The Defendants deny that they have liability to the Plan or its participants or beneficiaries. Defendants have raised numerous defenses to liability, including that there was no market on which to sell the PDI stock, even if it was "imprudent" to hold, that they fully discharged all fiduciary duties imposed on them by ERISA and that the Plan's investments were at all times prudent.

The parties have engaged in discovery and Class Counsel invested significant time and effort investigating and analyzing the allegations set forth in the Complaint. Through that investigation and through discovery of additional information in the Lawsuit, Class Counsel have obtained and reviewed many documents, including documents and materials governing the Plans, communications with Plan participants, internal Company documents regarding the Plans, press releases, public statements, and news articles..

On April 25, 2011, the Defendants moved to dismiss Plaintiffs' complaint. The Plaintiffs aggressively defended against the Motion and extensively briefed the issues before the Court. On July 19, 2011, the Court issued an order granting in part and denying in part Defendants' motion to dismiss. The Court dismissed claims that the fiduciaries failed to monitor one another, that the fiduciaries acted under a conflict of interest and dismissed all claims against previously named defendant Rhonda Swanson. The Court allowed all remaining claims to proceed, including Plaintiffs' claim that the Defendants failed to prudently manage the Plan's assets. A copy of that order is available at www.smollp.com.

In September 2011, the parties and their lawyers attended a full-day mediation with the assistance of professional mediator Jeffrey Lewis, a well-respected attorney who has

served as class counsel in similar ERISA cases. Mr. Lewis was instrumental in the parties' assessment of the risks involved in this case and the ultimate settlement of this matter. This Settlement is the product of arms-length negotiations between Class Counsel and defense counsel, with the assistance and participation of the professional mediator.

3. THIS CASE IS A CLASS ACTION

This is a class action lawsuit, where the Named Plaintiffs have sued on behalf of people who have similar claims. All of the individuals on whose behalf the Named Plaintiffs are suing are "Settlement Class Members." One court will resolve the issues for all Settlement Class Members. The lawsuit is pending in the District Court for the Central District of California before U.S. District Judge Consuelo B. Marshall. In an order dated December 28, 2011 the Court granted preliminary approval of the Settlement and certified a class on Plaintiffs' claims. Copies of the Complaint, Order Granting Preliminarily Approval of Settlement, Class Counsel's motion for attorneys' fees and expenses, and other documents filed in the Lawsuit are available at www.smollp.com.

4. POTENTIAL OUTCOME OF THE LAWSUIT

In reaching a settlement, the parties have avoided the cost, time and risk associated with a trial. As with any litigated case, Plaintiffs would face an uncertain outcome if the Lawsuit were to continue against the Defendants. Continued prosecution of the Lawsuit against these Defendants could result in a judgment or verdict greater or lesser than the recovery under the Settlement, or in no recovery at all. Defendants are covered by a fiduciary liability insurance policy with a coverage limit of \$5 million for all fiduciary claims – including potential claims by the FDIC. The policy is a "wasting policy," meaning that the legal costs of defending this lawsuit erode the amount of insurance funds available to satisfy a judgment and significant defense costs have already been incurred over the past year. Had this case not settled, there was a significant risk that defense costs would have eroded the insurance policy limit of \$5 million, and the Plaintiffs would have a difficult time collecting on a judgment if they were successful in winning at trial.

Throughout this Lawsuit, the Plaintiffs and the Defendants have disagreed on both liability and damages, and they do not agree on the amount that would be recoverable even if the Plaintiffs were to win the case.

The Defendants have denied and continue to deny the claims and contentions alleged by the Plaintiffs, that they are liable at all to the Class, and that the Class or the Plan has suffered any damages for which the Defendants could be legally responsible. Nevertheless, the Defendants have taken into account the uncertainty and risks inherent in any litigation, particularly in a complex case such as this, as well as the costs of litigation, and have concluded that it is desirable that the case be fully and finally settled as to them on the terms and conditions set forth in the Settlement.

The Plaintiffs and their attorneys believe that they have strong claims against the Defendants. However, they recognize that there is uncertainty and risk in any litigation. In addition, they understand that even if they win the case, they could recover for the Plan and its participants less than the Settlement amount, and that any recovery could be delayed for as much as several years or even voided by an appeal. As a result, the Plaintiffs and their attorneys have concluded that it is desirable to settle the case on the terms set forth in the Settlement.

5. **WHO IS AFFECTED BY THIS LAWSUIT**

On December 28, 2011 the Court certified the following class ("the Settlement Class"):

All Persons who were participants in or beneficiaries of the Palm Desert Investments Employee Stock Ownership Plan (the "Plan") and whose individual Share Accounts held vested shares of stock of Palm Desert Investments from September 30, 2006 through September 1, 2011; provided, however, that Defendants, former and present directors of Palm Desert Investments and/or Palm Desert National Bank and their heirs, Successors-in-Interest, or assigns, to the extent such Persons acquire an interest held by Defendants, are excluded from the Settlement Class.

Any individual who is a member of the Settlement Class will be affected by this Lawsuit.

6. **HOW YOU MAY BE AFFECTED BY THIS LAWSUIT**

You have been sent this notice because you may be a member of the class described above. If so, the outcome of the case will affect your rights with respect to your benefits under the Plan. As a member of the class, you are automatically included as a plaintiff in these claims and do not have the right to withdraw yourself from this litigation. You will be bound by any judgment made by the Court, whether favorable or unfavorable to you.

You do not need to do anything in order to be a class member in this lawsuit. You do not need to affirmatively state your intent to participate, nor can you exclude yourself from the litigation.

7. **SUMMARY OF SETTLEMENT**

The following is a summary of the terms of the settlement:

- A Settlement Fund consisting of \$950,000 in cash will be established.
- If the Court approves the Settlement and no appeals are taken, or if the Court's approval is affirmed on appeal, then any Court-approved attorneys' fees and costs (requested in the amount of approximately \$300,000), Settlement Administrator's fees and costs (not to exceed \$25,000), and any fees and taxes, will be paid out of this fund. The remaining amount, including interest ("Net Settlement Fund") will be paid to the Plan. The amount paid to the Plan will be allocated among members of the Settlement Class in accordance with the Plan of Allocation.
- Nicholas L. Saakvitne, an experienced pension attorney and professional Trustee with experience in administering terminated plans, will serve as the Settlement Administrator. He will provide notice to class members; prepare tax forms, as necessary; compute and distribute the Net Settlement Fund among Settlement Class Members; provide distribution election forms and tax information to each Settlement Class Member; respond to Settlement Class Member inquiries regarding distributions; and complete tax reports of distributions. The cost of the administration of the Settlement will come from the Settlement Fund. This cost will be paid from the Settlement, up to a maximum \$25,000. Costs of the Settlement Administrator exceeding \$25,000 will be paid by Defendants.
- In exchange for these things, the Named Plaintiffs and each of the Settlement Class Members are deemed to fully release the "Released Persons" from the "Released Claims." The Released Persons are the Defendants and certain persons and entities

affiliated with Defendants, as defined in the Settlement. The Released Claims generally include all claims that could have been asserted against the Defendants for their actions (or inaction) in relation to the Plan. By way of examples, the Released Claims include claims based on (a) imprudent investment of Plan assets, (b) improper investigation of Plan investments, (c) improper monitoring of Plan investments, (d) plan communications, and (e) the Defendants' actions in relation to administration of the Plan. This means that Settlement Class members will not have the right to sue the Releasees for any such claims if the settlement is approved.

The above description of the operation of the Settlement is only a summary. The full terms and conditions of the Settlement are contained in a Stipulation and Agreement of Compromise and Settlement of Class Action (the "Settlement"). Capitalized terms used in this Notice, but not defined in this Notice, have the meanings assigned to them in the Settlement. The governing provisions are set forth in the Settlement (including its exhibits), which may be obtained at www.smollp.com, by contacting Class Counsel, or by contacting the Settlement Administrator.

8. YOUR SHARE OF THE SETTLEMENT

On November 14, 2011 Class Counsel submitted a detailed Plan of Allocation to the Court for approval at or after the Fairness hearing. The Plan of Allocation, which may be obtained at www.smollp.com or by contacting Class Counsel, describes how the Settlement will be paid into the Plan and how the Net Settlement Amount will be distributed to Settlement Class Members.

Your share of the Net Settlement Fund paid into the Plan will depend on your proportionate share of the Plan's loss attributed to the Plan's investment in shares of stock in Palm Desert Investments from September 30, 2006 through September 1, 2011, excluding those assets allocated to the accounts of persons excluded from the allocation (such as Defendants). If your Plan Share Account did not have a vested balance of shares of stock in Palm Desert Investments from September 30, 2006 through September 1, 2011, or if your Share Account did not experience a loss based on the vested balance of shares of stock in Palm Desert Investments from September 30, 2006 through September 1, 2011, you will not receive an allocation from the Net Settlement Fund.

Because the Net Settlement Fund is less than the total investment losses alleged by the Settlement Class, each Settlement Class Member's proportionate recovery will be less than the amount of the Plan's loss attributable to his or her former employer stock fund account. Because Settlement Fund distributions represent additional benefits under the Plan, it is anticipated that they will be eligible for rollover to an individual retirement account or another employer's qualified plan that accepts rollovers.

You are not responsible for calculating the amount you may be entitled to receive under the Settlement. This calculation will be done as part of the implementation of the Settlement. In general, your proportionate share of the Net Settlement Fund will be calculated as follows:

- Using the Plan's records and other records as necessary, the Settlement Administrator will identify each member.
- The Settlement Administrator will use Plan records to determine the amount of loss of each Settlement Class Member's Share Account from September 30, 2006 through September 1, 2011.

- Each Settlement Class Member with a vested balance will be assigned a Loss Percentage, which shall be his or her Share Account loss as a percentage of the loss by the entire Settlement Class from September 30, 2006 through September 1, 2011.
- The Settlement Administrator will allocate to each Settlement Class Member a share by multiplying the Net Settlement Fund by the Settlement Class Member's Loss Percentage.

If you are entitled to a share of the Net Settlement Fund, you will receive a statement showing the amount of your share, together with paperwork to elect a form of distribution. If you have questions regarding the Settlement or the Plan of Allocation, please contact Class Counsel.

Payment is conditioned on several things, including the Court's approval of the settlement and that approval becoming a Final Order and no longer subject to appeal. Depending on Court process, distribution could take several months or more than a year; please be patient.

9. LEGAL REPRESENTATION

The Court has determined that the interests of the members of the Settlement Class will be represented by Plaintiffs Miller, Bilet, Holland and Doolittle through their attorneys, as counsel for the Settlement Class. Because the Court has approved these attorneys as Class Counsel, and because this is a mandatory class, you do not have the right to change counsel for the class.

Attorneys for Plaintiffs and the Settlement Class are:

Peter Meringolo
Rebecca Kassekert
Snyder Miller & Orton LLP
180 Montgomery Street, Suit 750
San Francisco, CA 94104
Telephone: (415) 962-4400
Facsimile: (415) 962-4401
Email: pmeringolo@smollp.com
rkassekert@smollp.com

Class members may enter appearances in this lawsuit. However, class members are responsible for compensating any attorney that they hire for this purpose and will not receive any reimbursement from Plaintiffs or the Settlement Class.

10. PAYMENT OF ATTORNEYS' FEES

Class Counsel are being paid for their time on a contingency basis, which means that if there is no recovery on the class claims, there will be no attorneys' fees awarded and the attorneys will not be paid for their time. If there is a recovery on one or more of the claims, Class Counsel will receive attorneys' fees as determined by the Court, which may be a part of any settlement obtained or money judgment in favor of the members of the Settlement Class.

Class Counsel will apply to the Court for an order awarding to Class Counsel, from the proceeds of the Settlement Fund, attorneys' fees of 26% of the amount recovered in the Settlement (\$247,000), plus reimbursement of the expenses they have incurred to litigate the case

(approximately \$55,000). The motion for attorneys' fees will be available on Class Counsel's website, www.smollp.com, as of February 1, 2012 (thirty-five days after the Preliminary Approval Order is issued).

You will not be charged directly by these attorneys. If you choose to be represented by your own lawyer, you may hire one at your own expense.

11. OBJECTING TO THE SETTLEMENT OR THE ATTORNEYS' FEES

You can tell the Court that you do not agree with the Settlement or some part of it, including the attorneys' fees and expenses the attorneys intend to seek. If you are a Settlement Class Member, you can object to the Settlement if you do not like any part of it. You can give reasons why you think the Court should not approve it.

To object, you must send a letter or other written statement saying that you object to the Settlement of *Miller v. Palm Desert Investments, et al.*, Case No. CV 11-2454. Be sure to include your name, address, telephone number, signature, and a full explanation of all reasons you object to the Settlement. Your written objection must be filed with the District Court, and sent to the lawyers listed below by February 27, 2012:

File with the Clerk of the Court:

Clerk of the Court
United States District Court for the Central District of California
312 N. Spring Street, Los Angeles, California 90012
Re: *Miller v. Palm Desert Investments, et al.*, Case No. CV 11-2454

And, by the same date, send copies of all such papers to each of the following:

Plaintiffs' Settlement Class Counsel:

Peter Meringolo
Rebecca Kassekert
Snyder Miller & Orton LLP
180 Montgomery Street, Suit 750
San Francisco, CA 94104
Re: *Miller v. Palm Desert Investments, et al.*, Case No. CV 11-2454

Defendants' Counsel:

Nicole Diller
Alison Willard
Morgan Lewis & Bockius, LLP
One Market, Spear Street Tower, San Francisco CA 94105
Re: *Miller v. Palm Desert Investments, et al.*, Case No. CV 11-2454

UNLESS OTHERWISE ORDERED BY THE COURT, ANY SETTLEMENT CLASS MEMBER WHO DOES NOT OBJECT IN THE MANNER DESCRIBED ABOVE WILL BE DEEMED TO HAVE WAIVED ANY OBJECTION AND SHALL BE FOREVER FORECLOSED FROM OBJECTING TO THE PROPOSED SETTLEMENT AND THE APPLICATION FOR ATTORNEYS' FEES AND EXPENSES.

12. THE COURT'S FAIRNESS HEARING

The Court will consider whether to approve the Settlement as fair, adequate, and reasonable (the "Fairness Hearing"). The Fairness Hearing, before United States District Judge Consuelo B. Marshall, has been scheduled for May 22, 2012 at 9:00 a.m. at the United States District Court for the Central District of California, 312 N. Spring Street, Los Angeles, California 90012. **YOU ARE NOT REQUIRED TO ATTEND THE FAIRNESS HEARING.**

You may attend the Fairness Hearing in person or through an attorney retained at your expense. If there are objections, the Court will consider them. After the Fairness Hearing, the Court will decide whether to approve the Settlement. The Court also will rule on the motions for attorneys' fees and expenses, as well as the proposed Plan of Allocation. We do not know how long after the Fairness Hearing the Court will issue its decisions.

You do not have to attend the fairness hearing. Class Counsel will answer any questions Judge Marshall may have. But you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mail your written objection on time, it will be before the Court when the Court considers whether to approve the Settlement as fair, adequate, and reasonable. You also may have your own lawyer attend the Fairness Hearing, but such attendance is not necessary. If you wish to speak at the Fairness Hearing, you must state in your objection your intention to do so, and must identify any witnesses you intend to call or evidence you intend to present.

13. FURTHER INFORMATION

Further information regarding the Lawsuit and this Notice may be obtained by contacting Class Counsel:

Peter Meringolo
Rebecca Kassekert
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rkassekert@smollp.com
www.smollp.com

THIS NOTICE AND ITS CONTENT HAS BEEN AUTHORIZED BY THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, THE HONORABLE CONSUELO B. MARSHALL, UNITED STATES DISTRICT COURT JUDGE. THE COURT HAS MADE NO DECISION ABOUT THE MERITS OF THE CLAIMS OR DEFENSES ASSERTED BY ANY PARTY IN THIS CASE.