FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

In the Matter of	)	
SECURITY PACIFIC BANK LOS ANGELES, CALIFORNIA	)	ORDER TO CEASE AND DESIST
	)	Docket FDIC-08-063b
(INSURED STATE NONMEMBER BANK)	)	

Security Pacific Bank, Los Angeles, 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 Section, 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 April 14, 2008, 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 September 4, 2007:

(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 ("Board") which has failed to provide 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) engaging in unsatisfactory lending and collection practices;

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

(h) operating with inadequate provisions for liquidity; and

(i) operating with inadequate internal routine and controls policies.

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 have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include the following: (i) a chief executive officer with proven ability in managing a bank of comparable size, and experience in upgrading a low quality loan portfolio, improving earnings, and other matters needing particular attention; (ii) a chief financial officer with demonstrated ability in all financial areas including, but not limited to, accounting, regulatory reporting, budgeting and planning, management of the investment function, liquidity management, and interest rate risk management; and (iii) a senior lending officer with significant appropriate lending, collection, and loan supervision experience and experience in improving a low quality loan portfolio. Each member of management shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER.

(b) The qualifications of management shall be assessed on its ability to:

(i) comply with the requirements of this ORDER;

(ii) operate the Bank in a safe and sound manner;

(iii) comply with applicable laws and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

The Commissioner of the CDFI (“Commissioner”) and the Regional Director of the FDIC’s San Francisco Regional Office (“Regional Director”) recognize that the current chief executive officer, the current chief financial officer and the current senior lending officer were employed by the Bank in May 2007, October 2007 and February 2008, respectively. However, the Commissioner and the Regional Director reserve the right during the life of the ORDER to determine whether current senior executive officers and directors of the Bank will be considered to be qualified for purposes of this Order.

(c) During the life of this ORDER, the Bank shall notify the Regional Director and the Commissioner in writing when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual or individuals to be added or employed. The Bank shall not add, elect or appoint any individual to the Bank's Board or employ any individual as a senior executive officer if the Commissioner or the Regional Director, in response to the Bank's notification as required in this paragraph, notifies the Bank of his or her disapproval.

2. (a) Within 60 days from the effective date of this ORDER, the Bank's Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; individual committee actions; and liquidity and interest rate risk/sensitivity reports. The Bank's Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Subject to Subparagraph 1(c) of this ORDER, within 120 days of the date of this ORDER, the Bank shall increase its Board by the addition of at least two independent directors; thereafter, independent directors shall comprise a majority of the Bank's Board, provided, however, so long as the majority of the Bank's Board is comprised of independent directors, instead of adding two new independent directors, the Bank may replace two of its current directors with independent directors. In either case, the two new independent directors shall be duly elected in accordance with state law and the Bank's Bylaws.

(c) For purposes of this ORDER, an independent director shall be any individual who is not an officer of the Bank, any subsidiary, or any of its affiliates; who does not own more than 10 percent of the outstanding shares of the Bank or its holding company; who is not related by blood or marriage to an officer or director of the Bank or to any shareholder owning more than 10 percent of the Bank's or holding company's outstanding shares; who has not received compensation from the Bank, any subsidiary of the Bank, or any of its affiliates during the current year or any of the previous three years other than customary fees for services rendered in the capacity as a director of the Bank, any subsidiary of the Bank, or any of its affiliates; who is not indebted to any of the directors, officers, or shareholders owning more than 10 percent of the Bank's or holding company's outstanding shares, directly or indirectly, including the indebtedness of any entity in which the individual has a substantial financial interest; or notwithstanding the foregoing relationships who is deemed to be an independent director for purposes of this ORDER by the Regional Director and the Commissioner.

(d) Within 60 days from the effective date of this Order, the Bank shall review and prepare a written report on the composition, structure, and effectiveness of the Bank's current Board. The review shall, at a minimum, include an evaluation and assessment of the performance and abilities of each director, as well as any recommended changes to the composition of the Board or any Board committee. Such written report shall include the findings, conclusions, and recommendations for director or operational changes resulting from such review. The written report shall be submitted to the Regional Director and the Commissioner within 15 days of its completion.

3. Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement an affiliate transaction policy that specifically addresses permissible transactions, procedures for determining appropriate terms and conditions, review and approval procedures, reporting requirements, and procedures warranted to obtain appropriate regulatory approvals. Such policy and its implementation shall be acceptable to the Regional Director and the Commissioner as determined at the subsequent examinations and/or visitations.

4. (a) Within 60 days from the effective date of this ORDER, the Bank shall maintain Tier 1 capital in such an amount as to equal or exceed 10.0 percent of the Bank's total assets.

(b) Within 60 days from the effective date of this Order, the Bank shall develop, adopt, and implement a capital maintenance and augmentation plan. Such plan shall include provisions for monitoring, controlling and addressing risks to the Bank's capital, as well as a capital contingency plan.

(c) Within 60 days from the effective date of this ORDER, the Bank shall develop and adopt a plan to 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 Plan shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(d) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to Subparagraph 4(a) shall be in addition to a fully funded allowance for loan and lease losses ("Allowance"), the adequacy of which shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(e) Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 4 of this ORDER may be accomplished by the following:

(i) the sale of common stock; or

(ii) the sale of noncumulative perpetual preferred stock; or

(iii) the direct contribution of cash by the Bank's Board, shareholders, and/or parent holding company;

(iv) an increase in the retained earnings of the Bank;

(v) any other means acceptable to the Regional Director and the Commissioner; or

(vi) any combination of the above means.

Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 4 of this ORDER may not be accomplished through a deduction from the Bank's Allowance.

(f) If all or part of the increase in Tier 1 capital required by Paragraph 4 of this ORDER is accomplished by the sale of new securities, the Bank's Board shall forthwith take all necessary steps to 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 the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 15 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 and Disclosure Unit, Washington, D.C. 20429, for review, and to the Commissioner to obtain any and all necessary securities permits or other approvals. Any changes requested to be made in the plan or materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 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.

(g) In complying with the provisions of Paragraph 4 of this ORDER, 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.

(h) 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).

5. (a) During the life of this Order, the Bank shall have and maintain an adequate Allowance commensurate to the overall risk in its portfolio.

(b) Additionally, within 30 days from the effective date of this ORDER, the Bank's Board shall develop or revise, adopt and implement a comprehensive policy for determining the adequacy of the Allowance . For the purpose of this determination, the adequacy of the Allowance shall be determined after the charge-off of all loans classified "Loss" in the Joint ROE dated September 4, 2007. The policy shall provide for a review of the Allowance at least once each calendar quarter. Said review should be completed at least 10 days prior to the end of each quarter, in order that the findings of the Bank's Board with respect to the Allowance may be properly reported in the quarterly Reports of Condition and Income. The review shall focus on the results of the Bank's internal loan review, loan loss experience, trends of delinquent and non-accrual loans, potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. A deficiency in the Allowance shall be remedied in the calendar quarter in which it is discovered, prior to submitting the quarterly Reports of Condition and Income, by a charge to current operating earnings. The minutes of the Bank's Board meeting at which such review is undertaken shall indicate the results of the review. Upon completion of the review, the Bank shall increase and maintain its Allowance consistent with the policy established. Such policy and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

6. (a) Within 30 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets classified "Loss" and one-half of the assets classified "Doubtful" in the Joint ROE dated September 4, 2007. Elimination of any of

these assets through proceeds of another loan made by the Bank is not considered collection for the purpose of this paragraph, except for a loan made to a person other than the borrower or an affiliate of the borrower that is approved by a majority of the Board of Directors and that either satisfies all of the standards for a performing loan secured by real estate with a loan to value ratio not to exceed 75% based on a valid, recent appraisal, or satisfies all of the standards for a conforming loan, including but not limited to, having a documented income source to demonstrate the capacity of the new borrower to make payments of the loan in accordance with its terms (a “Take-Out Loan”).

(b) (i) Within 90 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Doubtful" in the Joint ROE dated September 4, 2007, to not more than $5,000,000.

(ii) Within 180 days from the effective date of this ORDER, the Bank shall have reduced the assets classified “Doubtful” in the Joint ROE dated September 4, 2007, to not more than $2,500,000.

(iii) Within 270 days from the effective date of this ORDER, the Bank shall have reduced the assets classified “Doubtful” in the Joint ROE dated September 4, 2007, to not more than $1,250,000.

(iv) Within 365 days from the effective date of this ORDER, the Bank shall have totally reduced the assets classified “Doubtful” in the Joint ROE dated September 4, 2007 to zero.

(c) (i) Within 90 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the Joint ROE dated September 4, 2007, to not more than $40,000,000.

(ii) Within 180 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the Joint ROE dated September 4, 2007, to not more than $30,000,000.

(iii) Within 270 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the Joint ROE dated September 4, 2007, to not more than $25,000,000.

(iv) Within 365 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the Joint ROE dated September 4, 2007 to not more than $20,000,000.

(d) The requirements of Subparagraphs 6(a), 6(b), and 6(c) of this ORDER are not to be construed as standards for future operations and, in addition to the foregoing, the Bank shall eventually reduce the total of all adversely classified assets. Reduction of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph, except for Take-Out Loans. As used in Subparagraphs 6(b), 6(c), and 6(d) the word "reduce" means:

(i) to collect;

(ii) to charge-off; or

(iii) to sufficiently improve the quality of assets adversely classified to warrant removing any adverse classification, as determined by the FDIC and the CDFI.

(e) Within 60 days from the effective date of this ORDER, the Bank shall develop written asset disposition plans for each asset greater than $250,000 that was classified in the Joint ROE dated September 4, 2007. The plans shall be reviewed and approved by the

Bank's Board and shall be acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(f) Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a written plan for the reduction and collection of delinquent loans. The plan shall be acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

7. Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written plan requiring the prudent diversification in the Bank's loan portfolio. Such plan shall include, but not be limited to, specific goals and timeframes for a reduction in the Bank's current concentration in construction loans. Such plan and its implementation shall be acceptable to the Regional Director and the Commissioner, as determined at subsequent examinations and/or visitations.

8. (a) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, "Loss" and is uncollected. Subparagraph 6(a) of this ORDER shall not prohibit the Bank from renewing or extending the maturity of any credit in accordance with the Financial Accounting Standards Board Statement Number 15 ("FASB 15").

(b) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank in excess of $250,000 that has been classified, in whole or part, "Doubtful" without the prior approval of a majority of the Bank's Board or the loan committee of the Bank.

(c) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank in excess of $250,000 that has been classified, in whole or part, "Substandard" without the prior approval of a majority of the Bank's Board or the loan committee of the Bank.

(d) The loan committee or Bank's Board shall not approve any extension of credit, or additional credit to a borrower in Paragraphs (b) and (c) above without first collecting in cash all past due interest.

9. (a) Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function, which policies shall include specific guidelines for placing loans on a non-accrual basis. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policies and their implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(b) The initial revisions to the Bank's loan policy and practices, required by this paragraph, at a minimum, shall include the following:

(i) provisions, consistent with FDIC's instructions for the preparation of Reports of Condition and Income, under which the accrual of interest income is discontinued and previously accrued interest is reversed on delinquent loans;

(ii) provisions which prohibit the capitalization of interest or loan-related expense unless the Bank's Board supports in writing and records in the minutes of the corresponding Bank’s Board meeting why an exception thereto is in the best interests of the Bank;

(iii) provisions which require complete loan documentation, realistic repayment terms, and current credit information adequate to support the outstanding indebtedness of the borrower. Such documentation shall include current financial information, profit and loss statements or copies of tax returns and cash flow projections;

(iv) provisions which incorporate limitations on the amount that can be loaned in relation to established collateral values;

(v) provisions which specify the circumstances and conditions under which real estate appraisals must be conducted by an independent third party;

(vi) provisions which establish standards for unsecured credit;

(vii) provisions which establish officer lending limits;

(viii) provisions that require extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such persons, to be approved in advance by a majority of the entire Bank’s Board in accordance with section 215.4(b) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.4(b);

(ix) provisions which prohibit the issuance of standby letters of credit unless the letters of credit are fully secured by readily marketable collateral and/or are supported by current and complete financial information;

(x) provisions that directors first determine that the lending staff has the expertise necessary to properly supervise construction loans and that adequate procedures are in place to monitor any construction involved before funds are disbursed;

(xi) provisions which prohibit concentrations of credit in excess of 25 percent of the Bank's total equity capital and reserves to any borrower and that borrower's related interests;

(xii) provisions which require the preparation of a loan "watch list" which shall include relevant information on all loans in excess of $500,000 which are classified "Substandard" and "Doubtful" in the Joint ROE dated September 4, 2007, or by the FDIC or CDFI in subsequent Reports of Examination and all other loans in excess of $500,000, which warrant individual review and consideration by the Bank’s Board as determined by the loan committee or active management. The loan "watch list" shall be presented to the Bank’s Board for review at least monthly with such review noted in the minutes; and

(xiii) the Bank’s Board shall adopt procedures whereby officer compliance with the revised loan policy is monitored and responsibility for exceptions thereto assigned. The procedures adopted shall be reflected in minutes of a Bank’s Board meeting at which all members are present and the vote of each is noted.

10. Within 90 days of the effective date of this ORDER, the Bank shall implement an effective and appropriate internal loan grading system which accurately reflects the risk present in the Bank’s loan portfolio. Such loan grading system shall be in a form and in a manner acceptable to the Regional Director and the Commissioner, as determined at subsequent examinations and/or visitations. In addition, the Bank shall improve its credit administration practices to address the weaknesses as detailed in the Joint ROE dated September 4, 2007. The Bank shall also address and improve the loan documentation weaknesses as detailed in the Joint ROE dated September 4, 2007.

11. (a) Within 90 days of the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner a written three-year strategic plan. Such plan shall address ways to ensure that the Bank maintains adequate capital and liquidity, and shall specifically address the composition of the loan and deposit portfolios and provisions for increasing the Bank's core deposits. Such plan shall also include specific goals for the dollar volume of total loans, total investment securities, and total deposits as of December 31, 2008, December 31, 2009, and December 31, 2010. For each time frame, the plan shall also specify the anticipated average maturity and average yield on loans and securities; the 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. The plan shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(b) The Board shall also conduct a review of the qualifications and experience of the Bank's staff to determine whether the Bank is currently adequately staffed by qualified individuals with sufficient experience and expertise in order to properly implement the provisions of the Bank's strategic plan. Additionally, provisions should be made to ensure that the Board periodically reviews and evaluates the Bank's implementation and achievement of this strategic plan, with adjustments and refinements made as necessary and appropriate.

12. Within 90 days from the effective date of this ORDER, the Bank shall formulate and implement a written profit plan. This plan shall be forwarded to the Regional Director and the Commissioner for review and comment and shall address, at a minimum, the following:

(a) goals and strategies for improving and sustaining the earnings of the Bank, including:

(i) an identification of the major areas in, and means by which, the Bank's Board will seek to improve the Bank's operating performance;

(ii) realistic and comprehensive budgets;

(iii) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections; and

(iv) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) coordination of the Bank's loan, investment, and operating policies, and budget and profit planning, with the funds management policy.

13. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate and fully implement a written plan and a comprehensive budget for all categories of income and expense. The plan and budget required by this paragraph shall include formal goals and strategies, consistent with sound banking practices, to improve the Bank's net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings of the Bank. The plan shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components. Thereafter, the Bank shall formulate such a plan and budget by November 30, of each subsequent year.

(b) The plan and budget required by Subparagraph 13(a) of this ORDER, upon completion, shall be submitted to the Regional Director and the Commissioner for their review and opportunity for comment.

(c) Following the end of each calendar quarter, the Bank's Board shall evaluate the Bank's actual performance in relation to the plan and budget required by

Subparagraph 13(a) of this ORDER and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Bank’s Board meeting at which such evaluation is undertaken.

14. During the life of this Order, the Bank shall not engage in any new lines of business except with the prior written approval of the Regional Director and the Commissioner.

15. Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written liquidity and funds management policy. Such 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.

16. Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a policy for the operation of the Bank in such a manner as to provide adequate internal routine and control policies consistent with safe and sound banking practices. Such policy and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

17. During the life of this ORDER, the Bank shall file Consolidated Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the end of the period for which the Reports are filed, including any adjustment in the Bank's books made necessary or appropriate as a consequence of any CDFI or FDIC examination of the Bank during that reporting period.

18. The Bank shall not pay any cash dividends without the prior written consent of the Regional Director and the Commissioner.

19. Within 60 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a plan to reduce its reliance upon volatile funding sources. Such plan and

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

20. (a) Upon the effective date of this ORDER, the Bank shall not increase the amount of money desk and brokered deposits ("MDB Deposits") above

(i) the amount outstanding on that date; or

(ii) the amount representing the percentage MDB Deposits to total deposits as of the most recent quarter end prior to that date, whichever is greater.

(b) Within 60 days of the effective date of this ORDER, the Bank shall submit to the Regional Director and the Commissioner a written plan for eliminating its reliance on MDB Deposits. The plan should contain details as to the current composition of MDB Deposits by maturity and explain the means by which such deposits will be paid or rolled over. The Regional Director and the Commissioner shall have the right to reject the Bank's plan. Thereafter on the 10th and 25th days of each month, the Bank shall provide a written progress report to the Regional Director and the Commissioner detailing the level, source, and use of MDB Deposits with specific reference to progress under the Bank's plan. For purposes of this ORDER, brokered deposits are defined as described in section 337.6(a)(2) of the FDIC's Rules and Regulations to include any deposits funded by third party agents or nominees for depositors, including deposits managed by a trustee or custodian when each individual beneficial interest is entitled to or asserts a right to federal deposit insurance.

21. 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 Report of Condition and the Bank's Report of 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.

22. 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 any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, at least 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.

23. This ORDER will become effective upon its issuance by the FDIC and the CDFI. 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. 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 modified, terminated, suspended, or set aside by the FDIC and the CDFI.

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Pursuant to delegated authority.

Dated at San Francisco and San Francisco, California, respectively,

this 21st day of April, 2008, and this 22nd day of April, 2008.

Stan Ivie
Regional Director
Division of Supervision and
Consumer Protection
San Francisco Region
Federal Deposit Insurance Corporation

William S. Haraf
Commissioner
California Department of Financial
Institutions
By:

Craig A. Carlson
Senior Deputy Commissioner and
Chief Examiner