FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

In the Matter of FIRST STANDARD BANK LOS ANGELES, CALIFORNIA (INSURED STATE NONMEMBER BANK)	ORDER TO CEASE AND DESIST Docket No. FDIC-07-273b

First Standard 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, 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"), dated January 29, 2008, and with counsel for the California Department of Financial Institutions (the "Department") dated January 29, 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 Department.

The FDIC and the Department 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 Department, 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 Department Report of Examination ("Joint Report of Examination") as of June 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 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; and

(h) operating with inadequate provisions for liquidity.

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 upgrading a low quality loan portfolio. Each member of management shall be provided appropriate written authority from the Bank's Board of Directors (“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.

Without limiting the generality of the foregoing, the Interim Commissioner of the Department of Financial Institutions for the State of California ("Commissioner") and the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") reserve the right 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 45 days from the effective date of this ORDER, the Bank's Board shall contract an independent consultant (the "Independent Consultant") acceptable to the Regional Director and the Commissioner to conduct a review of the composition, structure, and effectiveness of the Bank's current directors and executive officers (the "Independent Review") and to prepare a written report (the "Independent Report") containing the findings, conclusions, and any recommendations for director, management, or operational changes. The primary purpose of the Independent Review is to facilitate the establishment of a Board and executive officer structure that is adequately staffed by qualified individuals and commensurate with the Bank's size and risk profile.

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

(i) the Independent Review to be completed within 60 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 within 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 and executive officer 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 executive officer team and management structure to implement the policies, strategies, goals and plans established by the Board;

(iii) 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;

(iv) 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

(v) 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 45 days after receipt of the Independent Report, the Board shall submit to the Regional Director and the Commissioner a written 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 management, as required by paragraph 1(a) of this ORDER;

(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 of the Bank's liquidity position, including the quality of liquidity monitoring reports, which should include comprehensive analyses and monitoring of actual results to internal policy limits or guidelines;

(v) improving oversight and monitoring of loan functions, credit underwriting and credit monitoring; and

(vi) enhancing board and committee minutes to document meaningful discussions and decisions on Bank matters, such as management and financial reports, identification and mitigation of risks, and development and monitoring of strategies.

3. (a) Within 30 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; and individual committee actions. The Bank's Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

4. (a) Within 45 days of the effective date of this ORDER, the Bank shall increase Tier 1 capital by an amount not less than $1,000,000.

(b) By no later than June 30, 2008, the Bank shall have and thereafter maintain Tier 1 capital in such an amount as to equal or exceed ten (10.00) percent of the Bank's total assets.

(c) During the life of this ORDER, the Bank shall have 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 as determined at subsequent examinations.

(d) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to Subparagraph 4 (b) 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.

(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 and/or shareholders of the Bank; or

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

(v) 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 for loan and lease losses.

(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 fifteen (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 or the Commissioner 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 ten (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. During the life of this ORDER, the Bank shall maintain an adequate allowance for loan and lease losses.

Additionally, within 60 days from the effective date of this ORDER, the Bank’s Board shall revise, adopt and implement a comprehensive policy for determining the adequacy of the allowance for loan and lease losses. For the purpose of this determination, the adequacy of the reserve shall be determined after the charge-off of all loans or other items classified "Loss."

The policy shall provide for a review of the allowance at least once each calendar quarter. Said review should be completed at least ten (10) days prior to the end of each quarter, in order that the findings of the Bank's Board with respect to the loan and lease loss allowance may be properly reported in the quarterly Reports of Condition and Income. The review should focus on the results of the Bank's internal loan review, external loan review, the results of regulatory reports, loan loss experience, trends of delinquent and non-accrual loans, an estimate of 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 it is discovered, prior to submitting the Report of Condition, 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 for loan and lease losses consistent with the allowance for loan and lease loss 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 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets classified "Loss" in the Joint Report of Examination as of June 4, 2007 that have not been previously collected or charged off. Elimination of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph.

(b) Within 60 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the Joint Report of Examination as of June 4, 2007, that have not previously been charged off to not more than $3,000,000.

(c) Within 120 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the Joint Report of Examination as of June 4, 2007, that have not previously been charged off to not more than $1,500,000.

(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. 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 Commissioner.

(e) Within 60 days from the effective date of this ORDER, the Bank shall develop written asset disposition plans for each classified asset greater than $300,000 classified in the Joint Report of Examination as of June 4, 2007. Within 60 days from the effective date of this ORDER, the Bank shall implement a policy that requires that within a reasonable period of time after an asset greater than $300,000 is classified by the Bank, the FDIC, the Department, or an external loan review, a written asset disposition plan shall be developed. The plans and their implementation shall be reviewed and approved by the Bank's Board and acceptable to the Regional Director and the Commissioner as determined at subsequent examinations.

7. (a) During the life 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 7(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) During the life 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 $300,000 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.

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

8. (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 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 that prohibit the capitalization of interest or loans 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 that 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 that incorporate limitations on the amount that can be loaned in relation to established collateral values;

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

(vi) provisions that establish standards for unsecured credit;

(vii) provisions that 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 that 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 that 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 that require the preparation of a loan "watch list" which shall include relevant information on all loans in excess of $300,000 which are classified "Substandard" in the Joint Report of Examination as of June 4, 2007, or by the FDIC or California Department of Financial Institutions 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.

9. Within 180 days of the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner a written comprehensive three-year

strategic plan. Such plan shall include specific goals for the dollar volume of total loans, total investment securities, and total deposits as of year end for the three-year period. For each time frame, the plan will 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.

10. Within 60 days from the effective date of this ORDER, the Bank shall formulate and implement a written profit plan. 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. The plan shall address, at a minimum, the following:

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

(i) identification of the major areas in which, and the 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.

11. (a) Within 60 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. 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) 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 11(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.

12. 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.

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

14. Within 30 days of the end of the first quarter following the effective date of this ORDER, and within thirty (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.

15. 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, and the Commissioner at least 15 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the Commissioner shall be made prior to dissemination of the description, communication, notice, or statement.

This ORDER will become effective upon its issuance by the FDIC and the Department. 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 Department.

Pursuant to delegated authority.

Dated at San Francisco, California, this 7th day of February 2008.

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

Dated at San Francisco, California, this 7th day of February 2008.

Craig Carlson
Chief State Examiner
California Department of Financial Institutions