FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

In the Matter of COMMUNITY BANK OF SAN JOAQUIN STOCKTON, CALIFORNIA (INSURED STATE NONMEMBER BANK)	)	ORDER TO CEASE AND DESIST Docket FDIC-08-302b

Community Bank of San Joaquin, Stockton, California ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and/or regulation 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"), and with counsel for the California Department of Financial Institutions (“CDFI”), dated November 17, 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 and violations of law and/or regulations. 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 ("ROE") dated May 12, 2008:

(a) operating with management whose policies and practices are detrimental to the Bank;

(b) operating with a board of directors which has failed to provide adequate supervision over and direction to the management of the Bank;

(c) operating with less than satisfactory 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) apparent violations of Section 323(a)(7) appraisals required and Section 323.4(b) minimum appraisal standards; and

(i) apparent contravention of Part 365 Real Estate Lending Standards Appendix A concentrations policies and practices.

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 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. Management shall also include 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 ("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 and maintain all aspects of the Bank in a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(c) Without limiting the generality of the foregoing, the Commissioner of the CDFI ("Commissioner") and the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") reserve the right to determine whether the current senior officers and directors of the Bank will be considered to be qualified for purposes of this ORDER.

(d) 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.

(e) The Bank shall not add any individual to the Bank's Board or employ any individual as a senior executive officer if the Regional Director or Commissioner, in response to the Bank's prior notification as required in Subparagraph 1(d), notifies the Bank of his or her disapproval.

(f) Within 90 days after the effective date of this ORDER, the Bank's Board shall obtain an independent study of the management and personnel structure of the Bank to determine whether additional personnel are needed for the safe and profitable operation of the Bank. Such a study shall include, at a minimum, a review of the duties, responsibilities, qualifications, and remuneration of the Bank's officers. The Bank shall formulate a plan to implement the recommendations of the study. The plan shall be acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

2. (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.

(b) Within 90 days of the effective date of this ORDER, the Bank's Board shall obtain an independent study of the qualifications and experience levels of the Bank's Board members to determine whether the composition of the Bank's Board is adequate for the safe and profitable operation of the Bank. The Bank shall formulate a plan to implement the recommendations of the study. The plan shall be acceptable to the Regional Director and Commissioner as determined at subsequent examinations and/or visitations.

(c) Subject to the provisions of Paragraph 1 of this Order, the addition of any new Bank directors required by this paragraph may be accomplished, to the extent permissible by California law and the Bank's articles of incorporation and by-laws, by means of appointment or election at a regular or special meeting of the Bank's shareholders. For purposes of this ORDER, an independent director shall be any individual who is not an employee of the Bank, any subsidiary, or any of its affiliated organizations; who does not own more than 10 percent of the outstanding shares of the Bank or any affiliate of the Bank; 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 outstanding shares and does not otherwise have a common financial interest with such officer, director or shareholder; who is not indebted to the Bank directly or indirectly, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding 10 percent of the Bank's total Tier 1 capital and allowance for loan and lease losses and is an independent director under California law and, when applicable, the Sarbanes-Oxley Act of 2002; or who is deemed to be an independent director for purposes of this ORDER by the Regional Director and the Commissioner.

3. (a) While this Order is outstanding, the Bank shall maintain:

(i) a Tier 1 capital to total assets leverage ratio ("Tier 1 Capital Ratio") at least equal to or greater than 8 percent in accordance with Part 325 of the FDIC's Rules and Regulations;

(ii) a Tier 1 capital to risk-weighted assets ratio ("Tier 1 Risk-Based Capital Ratio") at least equal to or greater than 10 percent in accordance with Appendix A of Part 325 of the FDIC's Rules and Regulations; and

(iii) a ratio of qualifying total capital to risk-weighted assets ("Total Risk-Based Capital Ratio") at least equal to or greater than 13 percent in accordance with Appendix A of Part 325 of the FDIC's Rules and Regulations.

(b) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to Subparagraph 3(a) 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.

(c) Any increase in Tier 1 capital necessary to meet the requirements of Subparagraph 3(a) 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; 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 Subparagraph 3(a) of this ORDER may not be accomplished through a deduction from the Bank's allowance for loan and lease losses.

(d) If all or part of the increase in Tier 1 capital required by Subparagraph 3(a) 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 all applicable State and Federal securities laws, including without limitation, Division 1, Chapter 5, Article 6 (commencing with section 690) of the California Financial Code. 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, and the CDFI for review and authorization. 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.

(e) In complying with the provisions of Subparagraph 3(a) 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.

(f) 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).

4. (a) Within 30 days from the effective date of this ORDER, the Bank shall maintain its allowance for loans and lease losses at a fully funded level that reflects the risk in the loan and lease portfolio, the adequacy of which shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(b) Additionally, within 60 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 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 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, 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.

5. (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 ROE dated May 12, 2008 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 90 days from the effective date of this Order, the Bank shall develop and implement written asset disposition plans for each asset classified "Substandard" or "Doubtful" in the ROE dated May 12, 2008. The plan shall address specific steps and time-frames for the reduction and collection of each "Substandard" and "Doubtful" asset. The plan shall be acceptable to the Regional Director and Commissioner as determined at subsequent examinations and/or visitations.

(c) Within 90 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.

6. (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 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 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 Subparagraphs 6(b) and 6(c) above without first collecting in cash all past due interest, principal, and late charges and all other amounts due and owing from the borrower to the Bank.

7. (a) Within 90 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 expenses 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, current credit information adequate to support the outstanding indebtedness of the borrower, and funding controls in the case of construction loans. Such documentation shall include current financial information, profit and loss statements or copies of tax returns and cash flow projections;

(iv) provisions implementing a tickler system for requesting financial statements, accounts receivable agings, accounts payable agings, rent rolls, and insurance verifications and ensuring timely receipt of the required documents;

(v) provisions requiring at least quarterly certification of loan covenant compliance;

(vi) provisions which limit the waiver of the 30 day out of debt period on revolving lines of credit without adequate support and documentation of the reasons for the waiver and approval by the Bank’s senior management or the Bank’s Board;

(vii) provisions which establish and implement underwriting requirements for loan participations purchased, and ensure that all participations purchased are underwritten in compliance with the Bank's lending policies;

(viii) provisions for performing impairment analyses in compliance with FASB 114 Generally Accepted Accounting Practices (GAAP), which require that the repossession and selling costs be considered in determining impairment;

(ix) provisions which establish and implement policies and procedures for obtaining appraisals and evaluations in compliance with Part 323 of the FDIC's Rules and Regulations, FDIC's Statement of Policy on Interagency Appraisal and Evaluation Guidelines, and Financial Institution Letter (FIL) 74-94 Interagency Guidelines on Real Estate Appraisals and Evaluations;

(x) provisions which require the Bank’s Board to adopt procedures to ensure that loan policy exceptions are documented in credit approval memoranda, the reasons for exceptions are adequately supported, any exceptions are properly approved, and loan exception tracking reports are provided to the Bank's Board on a monthly basis;

(xi) provisions which establish and implement policies and procedures to ensure proper accounting for Other Real Estate (ORE), including obtaining appraisals in a timely manner to determine property value, ensuring that the book values exclude estimated selling costs, requiring adequate documentation of capitalized improvements to properties, requiring periodic revaluation of property values, and accounting for sales of ORE in compliance with FASB 66. In addition, the Bank shall provide monthly status updates on ORE to the Bank's Board;

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

(xiii) provisions which establish standards for unsecured credit and require the reporting of total unsecured loans to total capital to the Bank's Board at least quarterly;

(xiv) provisions which establish officer lending limits;

(xv) provisions that require the Bank's Board to first determine that the Bank's 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;

(xvi) provisions which require the preparation of a loan "watch list" which shall include relevant information on all loans in excess of $250,000 which are classified "Substandard" and "Doubtful" in the ROE dated May 12, 2008, or by the FDIC or CDFI in subsequent Reports of Examination and all other loans in excess of $250,000, 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

(xvii) 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.

8. Within 60 days from the effective date of this ORDER, the Bank shall develop and implement concentrations policies and procedures in compliance with Part 365 Appendix A of the FDIC's Rules and Regulations and Financial Institution Letter (FIL) 104-2006 Commercial Real Estate Lending Joint Guidance, including implementation of portfolio wide stress testing. The plan shall be acceptable to the Regional Director and Commissioner as determined at subsequent examinations and/or visitations.

9. Within 60 days from the effective date of this ORDER, the Bank shall establish an internal loan review and grading system and practices that ensure timely and accurate credit grading that reflects the condition of each loan. The Bank shall reconcile internal loan grades to supervisory loan grades.

10. 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 include specific goals for the dollar volume of total loans, total investment securities, and total deposits as of December 31, 2009, December 31, 2010, and December 31, 2011. 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 Commissioner as determined at subsequent examinations and/or visitations.

11. 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.

12. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, as more fully set forth in the ROE dated May 12, 2008. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

13. Within 30 days after eliminating from its books any asset in compliance with Paragraph 5 of this ORDER, the Bank shall file with the FDIC amended Consolidated Reports of Condition and Income, which shall accurately reflect the financial condition of the Bank in the

ROE dated May 12, 2008. Thereafter, during the life of this ORDER, the Bank shall file with the FDIC 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.

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

15. Upon the effective date of this ORDER, the Bank shall not increase the amount of brokered deposits above the amount outstanding on that date. In addition, during the life of this ORDER, the Bank shall not solicit, retain, or rollover brokered deposits unless it has applied for and been granted a waiver of this prohibition by the FDIC in accordance with the provisions of Section 337.6 of the FDIC’s Rules and Regulations. 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.

16. 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.

17. 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 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 CDFI. Violations 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.

Pursuant to delegated authority.

Dated at San Francisco, California, this 19th day of _November, 2008.

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

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