FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

IN THE MATTER OF AFFINITY BANK VENTURA, CALIFORNIA (INSURED STATE NONMEMBER BANK)	ORDER TO CEASE AND DESIST Docket FDIC-09-086b

The Federal Deposit Insurance Corporation ("FDIC"), on March 5, 2009, issued to Affinity Bank, Ventura, California ("Bank"), a NOTICE OF CHARGES AND OF HEARING ("NOTICE"), pursuant to section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1). The NOTICE charges the Bank with having engaged in unsafe or unsound banking practices.

The insured institution, counsel for the FDIC and counsel for the California Department of Financial Institutions ("CDFI") thereafter executed a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT"), dated April 20, 2009, whereby, solely for the purpose of this proceeding and without admitting or denying the allegations in the NOTICE, 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 it 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, pursuant to Section 8(b)(1) of the Act and Section 1913 of the California Financial Code:

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 determined during the Joint FDIC and CDFI Examination ("Joint Examination") commenced on October 6, 2008:

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

(b) operating with inadequate capital in relation to the kind and quality of assets held by the Bank, and in noncompliance with the February 28, 2008 Board Resolution;

(c) operating with an inadequate loan valuation reserve;

(d) operating with a large volume of poor quality loans;

(e) operating with a large concentration in commercial real estate loans;

(f) operating in such a manner that resulted in operating losses; and

(g) operating with inadequate provisions for ongoing 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 chief credit officer with significant appropriate lending, collection, and loan supervision experience and experience in improving a low quality loan portfolio. The chief executive officer, the chief financial officer, and the chief credit officer are hereafter referred to collectively as “Senior Executive Officers.” Each Senior Executive Officer 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.

(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 current senior executive 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 thirty (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. Within thirty (30) days from the effective date of this ORDER, the Bank's Board shall increase its participation in the oversight of the Bank 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; concentrations of credit

and individual committee actions. The Bank's Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

3. (a) Within thirty (30) days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a revised comprehensive capital plan (the "Capital Plan") acceptable to the Regional Director and the Commissioner. Such Capital Plan shall identify the sources and timing of additional capital and shall, at a minimum, provide a plan for compliance with Paragraphs 3(b), 3(c), and 3(d) of this ORDER. The Capital Plan shall also discuss plans and a timeframe for seeking a merger or acquisition partner as an alternative should the Bank be unable to meet the requirements of Paragraphs 3(b), 3(c) and 3(d) of this ORDER.

(b) Within one hundred and twenty (120) days from the effective date of this ORDER, the Bank shall increase its Tier 1 capital to equal or exceed eight (8.0) percent of the Bank's total assets.

(c) Within one hundred fifty (150) days from the effective date of this ORDER, the Bank shall increase its Tier 1 capital to equal or exceed nine (9.0) percent of the Bank's total assets.

(d) Within one hundred eighty (180) days from the effective date of this ORDER, the Bank shall increase its Tier 1 capital to equal or exceed ten (10.0) percent of the Bank's total assets. The Bank shall thereafter maintain Tier 1 capital in such an amount as to equal or exceed ten (10.0) percent of the Bank's total assets during the life of this ORDER.

(e) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to this paragraph 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.

(f) Any increase in Tier 1 capital necessary to meet the requirements of Paragraph 3 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 Paragraph 3 of this ORDER may not be accomplished through a deduction from the Bank's Allowance.

(g) If all or part of the increase in Tier 1 capital required by Paragraph 3 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 and California

Financial Code Section 690 *et. seq*. 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 the CDFI for review. Any changes requested to be made in the plan or materials by the FDIC or the CDFI 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.

(h) In complying with the provisions of Paragraph 3 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.

(i) 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) 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 thirty (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. 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 Allowance may be properly reported in the quarterly Reports of Condition and Income. The review shall focus on the results of the Joint Examination, 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. In addition, the Bank should document the analysis that resulted in the impairment decision for each loan under Financial Accounting Standards Number 114 ("FAS 114") and the impairment measurement method used. 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.

5. Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt and implement a written plan for the reduction and collection of classified assets and delinquent loans. The plan 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.

6. Within sixty (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 of 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 commercial real estate and construction loans. Such plan 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.

7. Within sixty (60) 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 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 visits.

(a) The plan shall 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.

(b) The plan shall address goals and strategies for improving and sustaining the earnings of the Bank, including identification of the major areas in, and means by which, the Bank's Board will seek to improve the Bank's operating performance.

(c) As part of the plan the Bank shall formulate and fully implement a comprehensive budget for all categories of income and expense. This budget 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 the earnings of the Bank. The budget shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(d) 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 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.

(e) Thereafter, the Bank shall update the three year strategic plan and budget by November 30 of each subsequent year.

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

9. During the life of this ORDER, the Bank shall maintain sufficient on-balance sheet and off-balance sheet liquidity to meet all obligations as they come due.

10. Within sixty (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. At a minimum, the policy shall require a plan to reduce its reliance upon volatile funding sources, including money desk and brokered deposits (“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. 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.

11. During the life of this ORDER, the Bank shall file Consolidated Reports of Conditions 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 FDIC or CDFI examination of the Bank during that reporting period.

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

13. Within thirty (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.

14. 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 fifteen (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.

15. This ORDER will become effective upon its issuance by the FDIC and the CDFI. 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 22nd day of April, 2009.

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

/s/
William S. Haraf
Commissioner of Financial Institutions
California Department of Financial Institutions