FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

In the Matter of	)	
PROFESSIONAL BUSINESS BANK PASADENA, CALIFORNIA	)	ORDER TO CEASE AND DESIST FDIC-09-371b
(INSURED STATE NONMEMBER BANK)	)	

Professional Business Bank, Pasadena, 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 California Financial Code Section 1912, 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 August 19, 2009, 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:

(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 unsatisfactory loan valuation reserve policy;

(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 risk profile; (ii) a chief financial officer with proven ability in all aspects of financial 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.

The Commissioner of the CDFI ("Commissioner") and the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") acknowledge that certain members of senior management and the Board have changed since the Report of Examination dated as of December 8, 2008. Notwithstanding the foregoing, the Commissioner and the 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 compliance with 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 term "senior executive officer" shall have the same meaning ascribed to it in Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. § 303.102. 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, and a completed Interagency Biographical and Financial Report and Interagency Change in Director or Senior Executive Officer. The Bank shall not add, elect or appoint any individual to the Bank's

Board or employ any individual as a senior executive 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.

(d) The requirement to submit information and the prior disapproval provisions of this paragraph are based upon the authority of 12 U.S.C. § 1818(b) and California Financial Code Section 1912, and do not require the Regional Director or the Commissioner to complete their reviews and act on any such information or any such authority within 30 days, or any other timeframe. The Bank shall not add, employ or change the responsibilities of any proposed director or senior executive officer until such time as the Regional Director and the Commissioner have completed their reviews.

2. As of the effective date of this ORDER, the Board shall assume 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. Board oversight shall continue to include meetings of the Board 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; liquidity and funds managements activities; operating policies; and individual committee actions. The minutes of each meeting of the Board shall document these reviews and approvals, including the names of any dissenting directors.

3. (a) The Bank shall increase and maintain its Tier 1 capital in such an amount to ensure that the Bank's leverage ratio equals or exceeds 9 percent by no later than December 31, 2009.

(b) The Bank shall increase and thereafter maintain its total risk-based capital ratio in such an amount as to equal or exceed 12 percent by no later than December 31, 2009.

(c) Within 60 days from the effective date of this ORDER, the Bank shall develop and adopt a capital plan consistent with the Bank being controlled by a holding company to meet and thereafter maintain minimum Tier 1 and Risk-based capital levels to comply with the capital levels required in subparagraphs 3 (a) and 3 (b) above. The capital plan shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations.

(d) The level of Tier 1 capital to be maintained by the Bank during the life of this ORDER 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. Any increase in Tier 1 capital necessary to meet the requirements of this paragraph may not be accomplished through a deduction from the Bank's allowance for loan and lease losses.

(e) If all or part of the increase in Tier 1 capital required by this ORDER is accomplished by the sale of new securities, the Bank's Board shall 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. Prior to the implementation of the plan and, in any event, not less than 20 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, Disclosure and Securities Unit, 550 17th St. N.W., Washington, D.C. 20429, for review, and to the Commissioner to obtain any and all necessary securities permits or other approvals. Any changes requested by the FDIC or the Commissioner shall be made prior to 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.

(f) In complying with the provisions of this paragraph, 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. In addition, the Bank shall obtain all required prior authorizations, permits or other approvals from the Commissioner.

(g) For the purposes of this ORDER, the terms “leverage ratio”, "Tier 1 capital" and "total risk-based capital ratio" shall have the meanings ascribed to them in Part 325 of the FDIC’s Rules and Regulations, 12 C.F.R. §§ 325.2(m), 325.2(v), and 325.2(y).

4. (a) The Bank shall maintain an allowance for loan and lease losses (“ALLL”) at a level that is appropriate in relation to the overall risk in the Bank’s loan portfolio, satisfactory to the Regional Director and the Commissioner, as determined at subsequent examinations and/or visitations.

(b) Additionally, within 90 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 ALLL. 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 shall be completed in order that the findings of the Board with respect to the ALLL are 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 findings 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 meetings of the Board 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 ALLL consistent with the ALLL 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 60 days from the effective date of this ORDER, the Bank shall formulate and adopt an action plan to reduce (to "reduce" means to collect, to charge off or to place in such a condition as to not be listed for Special Mention, or subject to classification as Loss, Doubtful, or Substandard, as determined by the Commissioner or the Regional Director) the volume of adversely classified assets listed in the Bank's internal reports, "Classified/Extended Credits Conventional 4/30/09" and "Classified/Extended Credits SBA 4/30/09", with internal risk ratings of 8 (Substandard) and 9 (Doubtful). The action plan shall

include Other Real Estate Owned as of April 30, 2009. The action plan shall contain specific target levels and timetables for reduction, and shall detail specific plans for each adversely classified asset. Management shall submit to the Board a monthly progress report on all adversely classified assets, and the Board's review of this report shall be recorded in the meetings of the Board at which such review is undertaken.

6. 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.

7. Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written three-year strategic plan. The plan shall be submitted to the Regional Director and the Commissioner and shall include specific goals for the dollar volume of total loans, total investment securities, and total deposits as of year-end 2009, 2010, and 2011. For each time frame, the plan will also specify:

(a) the anticipated average maturity and average yield on loans and securities;

(b) the average maturity and average cost of deposits;

(c) the level of earning assets as a percentage of total assets; and

(d) the ratio of net interest income to average earning assets.

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

8. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written plan addressing retention of profits, reducing overhead expenses, and setting forth a comprehensive budget covering the period October 1, 2009 to December 31, 2010. The plan required by this paragraph shall contain formal goals, strategies and benchmarks which are 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. It shall also contain a thorough description of the operating assumptions that form the basis for, and adequately support, each major component of the plan. The plan policy and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(b) Promptly following the end of each calendar quarter that ends after the effective date of this ORDER, the Bank's Board shall evaluate the Bank's actual performance in relation to the plan 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.

9. 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 that adequately addresses liquidity needs and appropriately reduces the reliance on non-core funding sources. The policy and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

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

11. The Bank shall not open, relocate or discontinue any branch office or place of business/loan production office without the prior written consent of the Regional Director and the Commissioner.

12. 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. The reports shall include a copy of the Bank's Report of Condition and the Bank's Report of Income. The 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 furnishing further reports.

13. Following the effective date of this ORDER, the Bank shall provide a copy of the ORDER or otherwise furnish a description of the ORDER to its shareholder(s) in conjunction with:

(a) the Bank’s next shareholder communication; and

(b) the 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, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 and the Commissioner, at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or CDFI 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. Violation of any provision of this ORDER will be deemed to be conducting business in an unsafe and 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 24th day of August, 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
California Department of Financial Institutions