FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

In the Matter of	)	
	)	CONSENT ORDER
GATEWAY BUSINESS BANK CERRITOS, CALIFORNIA	)	FDIC-09-572b
(INSURED STATE NONMEMBER BANK)	)	

The Federal Deposit Insurance Corporation ("FDIC"), under 12 U.S.C. § 1813(q), is the appropriate Federal banking agency, and the California Department of Financial Institutions ("CDFI"), under Division 1 of the California Financial Code, is the appropriate state banking agency for Gateway Business Bank, Cerritos, California ("Bank").

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation to the Issuance of a Consent Order" ("Stipulation"), dated December 3, 2009, that is accepted by the FDIC and the CDFI. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices related to weaknesses in capital, asset quality, management, earnings and liquidity, or violations of law or regulation, to the issuance of this Consent Order ("Order") by the FDIC and the CDFI, pursuant to 12 U.S.C. § 1818(b)(1) and Section 1913 of the California Financial Code.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Section 1913 of the California Financial Code have been satisfied, the FDIC and the CDFI hereby order that:

Safety and Soundness

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; (iii) a senior lending officer with significant lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio; and (iv) a senior executive officer to head the Bank's mortgage division who has proven ability to manage a mortgage operation of comparable size and complexity. 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.

(c) During the life of this Order, the Bank shall notify the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Commissioner of the California Department of Financial Institutions ("Commissioner") in writing when it proposes to add or replace any individual on the Board, or employ any individual to serve as a senior executive officer, or change the responsibilities of any existing senior executive officer to include the responsibilities of another senior executive officer position. 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 shall include a completed Interagency Biographical and Financial Report and Interagency Change in Director or Senior Executive Officer and must be received at least 30 days before the addition, employment or change of responsibilities is intended to become effective. The Regional Director and the Commissioner shall have the power under the authority of this Order to disapprove the addition, employment or change of responsibilities of any proposed officer or director.

(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 do not require the Regional Director or the Commissioner to complete their reviews and act on any such information or authority within 30 days, or any other timeframe. The Bank shall not add, elect or appoint any individual to the Board or employ or change the responsibilities of any senior executive officer until such time as the Regional Director and the Commissioner have completed their reviews, or if the Regional Director or the Commissioner notifies the Bank of his or her disapproval.

2. Within 30 days from the effective date of this Order, the 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 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 Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

3. (a) The Bank shall maintain its Tier 1 capital in such an amount to ensure that the Bank's leverage ratio equals or exceeds 10 percent.

(b) Within 90 days from the effective date of this Order, the Bank shall develop and adopt a plan to meet and/or maintain the capital requirements of this Order and to comply with 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. 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.

(c) The level of capital to be maintained 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.

(d) If all or part of the increase in capital required by this Order is accomplished by the sale of new securities, the 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 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 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.

(f) 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), 325.2(y), and Appendix A.

4. The Bank shall not pay cash dividends or make any other payments to its shareholders without the prior written consent of the Regional Director and the Commissioner.

5. (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" and one-half of the assets classified "Doubtful" in the Joint FDIC and CDFI Report of Examination dated April 20, 2009 (“Safety and Soundness ROE”) 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 have eliminated from its books all assets classified "Doubtful" in the Safety and Soundness ROE that have not previously been charged off.

(c) Within 120 days from the effective date of this Order, the Bank shall have reduced the assets classified "Substandard" in the Safety and Soundness ROE, that have not previously been charged off to not more than $15 million.

(d) The requirements of this paragraph 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 this paragraph the word "reduce" means:

(i) to collect;

(ii) to charge-off; or

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

6. Within 60 days from the effective date of this Order, the Board shall review the appropriateness of the Bank's allowance for loan and lease losses ("ALLL") and establish a comprehensive policy for determining an appropriate level of the ALLL, including documenting its analysis according to the standards set forth in the July 25, 2001 Interagency Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Associations. For the purpose of this determination, an appropriate ALLL shall be determined after the charge-off of all loans or other items classified "Loss." The policy shall provide for a review of the ALLL 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 shall focus on the accounting standards set forth in FAS 5 and FAS 114, the results of the Bank's internal loan review, loan and lease 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 ALLL 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 Board meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the Bank's ALLL and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

7. (a) Within 90 days from the effective date of this Order, the Bank shall develop a written plan, approved by its Board for systematically reducing the level of nonperforming assets and/or assets listed on the Bank's "workout list" to an acceptable level. The plan and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(b) As used in this paragraph the word "reduce" means:

(i) to collect;

(ii) to charge-off; or

(iii) to sufficiently improve the quality of assets on the "workout list" to warrant their removal from the list, as determined by the FDIC and the CDFI.

8. (a) Within 60 days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function. Such policies and their implementation shall be satisfactory 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 shall, at a minimum, include the following:

(i) provisions, consistent with the 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 Board supports in writing and records in the minutes of the corresponding Board meeting why an exception thereto is in the best interests of the Bank;

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

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

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

(vi) provisions which establish standards for unsecured credit;

(vii) provisions which establish officer lending limits;

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

(ix) provisions which prohibit 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;

(x) provisions which require the preparation of a loan “workout list” which shall include relevant information on all loans in excess of $500,000 which are classified "Substandard" and "Doubtful" in the Safety and Soundness ROE, or by the FDIC or CDFI in subsequent Reports of Examination, and all other loans in excess of $500,000 that warrant individual review and consideration by the Board as determined by the loan committee or active management. The loan “workout list” shall be presented to the Board for review at least monthly with such review noted in the minutes;

(xi) provisions which require an accurate internal grading system;

(xii) provisions which require independent loan review; and

(xiii) the 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 Board meeting at which all members are present and the vote of each is noted.

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

10. (a) Within 90 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 2010 to 2012. 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. Such plan and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(b) Following the end of each calendar quarter, the 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 Board meeting at which such evaluation is undertaken.

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

12. Within 30 days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement a written policy governing transactions between the Bank and its affiliates. Such policy and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

13. Within 30 days from the effective date of this Order, the Board shall revise or develop, adopt and implement a written executive officer compensation and bonus program. The program shall incorporate qualitative as well as profitability performance standards for calculating executive officer bonuses and shall be in a form and manner acceptable to the Regional Director and Commissioner. All bonus arrangements for executive officers shall be documented in writing and included as part of, or as a supplement to, the employment contract. All bonuses paid to executive officers shall receive prior Board review and approval.

14. Within 10 days from the effective date of this Order, the Board shall establish policies and procedures to ensure that it reviews and approves all senior executive officer and

director expenses and affiliate transactions, including the lease of real property, prior to the reimbursement of any such expense or consummation of any such transaction.

15. Within 90 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 Safety and Soundness ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

Compliance

16. The Board shall immediately take steps to improve its oversight of the Bank's compliance management system, particularly with respect to the Bank's residential mortgage division, and assume full responsibility for reviewing and approving sound policies and procedures for overseeing the Bank's compliance-related activities, setting clear expectations for the compliance management system, and clarifying reporting lines for the Compliance Officer.

17. Within 10 days of the effective date of this Order, the Board shall establish policies and procedures to ensure that it reviews and approves, in advance, any changes or additions to the Bank's business plan, specifically changes impacting the Bank's compliance risk profile.

18. Within 90 days from the effective date of this Order, the Bank shall provide training to the Board and senior management that is sufficient to ensure their understanding of all applicable consumer and fair lending laws and regulations, and enable them to assess the Bank's potential compliance risk. The Bank shall also develop a comprehensive training program for all appropriate personnel. The training program should, at a minimum, outline the scope and frequency of training sessions and be appropriately tailored to the compliance risks, particularly with respect to fair lending and loan pricing, associated with the Bank's business plan.

19. Within 90 days from the effective date of this Order, the Bank shall retain a competent and qualified Compliance Officer who is vested with sufficient authority and independence to manage the substantial compliance risks posed by the Bank's business model. The Compliance Officer shall operate independently of senior management and report directly to the full Board of Directors. The Compliance Officer shall be provided with sufficient staff and other resources to manage such compliance risks.

20. Within 60 days from the effective date of this Order, the Bank shall develop a comprehensive written compliance program for the Bank's residential mortgage division to ensure that loan pricing policies and procedures comply with applicable consumer and fair lending laws and regulations. These policies and procedures should be detailed enough to enable the Board and senior management to manage, monitor and control any discretionary loan pricing and loan officer compensation to ensure compliance with applicable and fair lending laws and regulations.

21. The Board shall ensure the pricing of loans in the residential mortgage division, including the determination of branch fees and other fees, is fully documented in writing, reasonable in relation to costs associated with extending credit, and consistent with consumer and fair lending laws and regulations. The written documentation shall include a full accounting of branch and other fees.

22. Within 90 days from the effective date of this Order, the Bank shall develop compliance monitoring and quality control programs that are commensurate with the size and complexity of the Bank's residential mortgage division operations. These programs should be of sufficient detail to ensure early detection and correction of violations of consumer and fair lending laws and regulations, particularly with respect to discretionary loan pricing. The

programs shall ensure that exceptions noted during the monitoring process are reported directly to the Directors' Audit Committee and the full Board and addressed promptly by the Bank through corrective and other action. The Bank shall enhance training, as necessary, to respond to weaknesses and deficiencies discovered during the monitoring and quality control processes.

23. Within 60 days from the effective date of this Order, the Bank shall review its compensation program and develop and implement policies and procedures to ensure a consistent and fair compensation policy for lenders, loan originators and branch officers in the residential mortgage division. The compensation policy should carefully define accepted pricing practices to ensure compliance with consumer and fair lending laws and regulations.

24. Within 60 days from the effective date of this Order, the Directors' Audit Committee shall establish an audit program that ensures that compliance audits are sufficiently defined in scope to identify, prevent and/or correct any potential violations of consumer and fair lending laws and regulations, particularly with respect to the residential mortgage division.

25. Within 90 days of the effective date of this Order, the Bank will eliminate and/or correct all violations of consumer laws and/or regulations as set forth in the FDIC Compliance Report of Examination dated May 11, 2009. In addition, the Board shall ensure appropriate policies, procedures and controls are set in place to prevent such violations from recurring. Corrective action with respect to the Equal Credit Opportunity Act, the Fair Housing Act, and their implementing regulations will be addressed separately and outside this Order.

Closing

26. 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 Reports of Condition and 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.

27. 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, at least 20 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.

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the CDFI, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This Order will become effective upon its issuance by the FDIC and the CDFI.

The provisions of this Order shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

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 10th day of December, 2009.

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

/s/
Craig Carlson
Chief State Examiner
California Department of Financial Institutions