SR003_7: Failed Bank Report

Sonoma Valley Bank

202 West Napa Street

Sonoma, CA 95476

(6/3/1988 – 8/20/2010)

©Copyright 2011 Money Economics. All rights reserved.

Report Objective

This report has **two** objectives, using the bank's **data***:

1. To examine the bank finances in the quarters prior to its failure.
2. To analyze the bank finances using our Key Performance Indicator (KPI) scoring approach to determine if the bank's failure is something we could have predicted.

*Data source: FDIC and company filings.

©Copyright 2011 Money Economics. All rights reserved.

Bank Background

FDIC Certificate #	**27259**
Parent Holding Company	Sonoma Valley Bancorp
Bank Charter Class	Commercial Bank
Asset Concentration	Commercial Lending Specialization
Product Specialty	Personal and Business Banking Services
Number of Branches	3 (as of June 30, 2010)
Number of Employees	48 (as of June 30, 2010)

Executives	
President	Sean Cutting
Executive Vice President	Cathleen Gorham

©Copyright 2011 Money Economics. All rights reserved.

What took place?

Sonoma Valley Bank, Sonoma, CA was closed by the California Department of Financial Institutions, and the Federal Deposit Insurance Corporation (FDIC) was named Receiver. The estimated cost to the FDIC Deposit Insurance Fund is $10,100,000. San Rafael, Calif.-based Westamerica Bank purchased assets and assumed deposits from Sonoma Valley Bank.

©Copyright 2011 Money Economics. All rights reserved.

Key Performance Indicators

KPI Summary for 2010 Q2	
Normalized Income Rating	Good
Delinquent Asset Rating	Good
Asset: Liability Rating	Very Poor
Real Estate Asset Rating*	Poor
Bankability Composite Score	34.13** (Poor)

Possible ratings: *Excellent*, *Good*, *Moderate*, *Poor*, *Very Poor.*

*This rating is relevant to the current "financial crisis" fueled by mortgage security backed loans.
**This is out of 100.

©Copyright 2011 Money Economics. All rights reserved.

Bank Financial Snapshot

Financial Data Overlay (thousands)			
	2009 Q2	2010 Q2	Percentage Change
Assets	$342,041	$337,113	↓1.44%
Liabilities	$308,413	$318,527	↑3.28%
Net Income	-$556	-$339	↑39.03%

- The net income change for all FDIC banks was 1881.94% in the same period.
- The net income change for all the commercial lending specialization banks was 187.84% in the same period.
- Compared with the whole industry and other commercial lending specialization banks, Sonoma Valley Bank's change in Net Income was relatively small (39.03%) during the time period.

©Copyright 2011 Money Economics. All rights reserved.

Normalized Income Analysis

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2
Normalized Income	0.22%	-0.38%	-5.59%	0.01%	-0.74%	0.69%
SD's from Average*	0.41	-0.22	-6.20	-0.30	-1.54	1.21
Ranking	Moderate	Moderate	Very Poor	Moderate	Poor	Good

- Sonoma Valley Bank had a normalized income of 0.69% in the second quarter of 2010, the quarter before it failed.
- Banks of the same asset concentration hierarchy (commercial lending specialization) had an average normalized income of -0.01%. The standard deviation of the normalized incomes was 0.58%, which means Sonoma Valley Bank was 1.21 SD's above the average.
- Sonoma Valley Bank's normalized income in relation to banks of the same asset concentration hierarchy has shown some signs of stress in the last 3 quarters, earning ranks of poor and very poor in 2 of the 3 quarters, suffering loss total to over 7% of its assets.

*Average of banks of the same asset concentration hierarchy

Indicates sign of bank in financial distress

©Copyright 2011 Money Economics. All rights reserved.

Delinquent Asset Analysis

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2
Weighted Delinquent Asset	2.06%	0.48%	1.09%	1.58%	6.61%	0.96%
SD's from Average*	0.06	-0.61	0.31	-0.07	2.24	-0.27
Ranking	Moderate	Good	Good	Good	Very Poor	Good

- Sonoma Valley Bank had a weighted delinquent assets out of total assets ratio 0.96% in the second quarter of 2010, the quarter before it failed.
- Banks of the same asset concentration hierarchy (commercial lending specialization) had an average weighted delinquent asset of 1.50%. The standard deviation of the delinquent assets was 2.01%, which means that Sonoma Valley Bank was about 0.27 SD's below average.
- Sonoma Valley Bank's weighted delinquent assets ratio has been relatively mild in the last quarter compared to banks in the same specialization.

*Average of banks of the same asset concentration hierarchy

Indicates sign of bank in financial distress

©Copyright 2011 Money Economics. All rights reserved.

Real Estate Loan Asset Analysis

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2
Real Estate Loan Asset Ratio	77.36%	76.49%	73.73%	69.25%	66.51%	68.22%
SD from Average*	1.47	1.44	1.32	1.01	0.87	1.03
Ranking	Very Poor	Very Poor	Very Poor	Poor	Poor	Poor

- Sonoma Valley Bank had a R/A ratio of 68.22% in 2010 Q2, the quarter before it failed.
- In 2010 Q2, banks of the same asset concentration hierarchy (commercial lending specialization) had an average R/A ratio of 54.52%. The standard deviation of the R/A ratio was 13.34%, which means Sonoma Valley Bank was actually 1.03 SD's above the average, earning the rank of "Poor".

* Average of banks of the same asset concentration hierarchy

Indicates sign of bank in financial distress

©Copyright 2011 Money Economics. All rights reserved.

Asset: Liability Analysis

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2
Asset: Liability Ratio	110.30%	110.90%	105.93%	105.51%	104.63%	105.83%
Median A/L Ratio*	110.54%	110.54%	110.60%	110.41%	110.53%	110.66%
Ranking	Good	Good	Very Poor	Very Poor	Very Poor	Very Poor

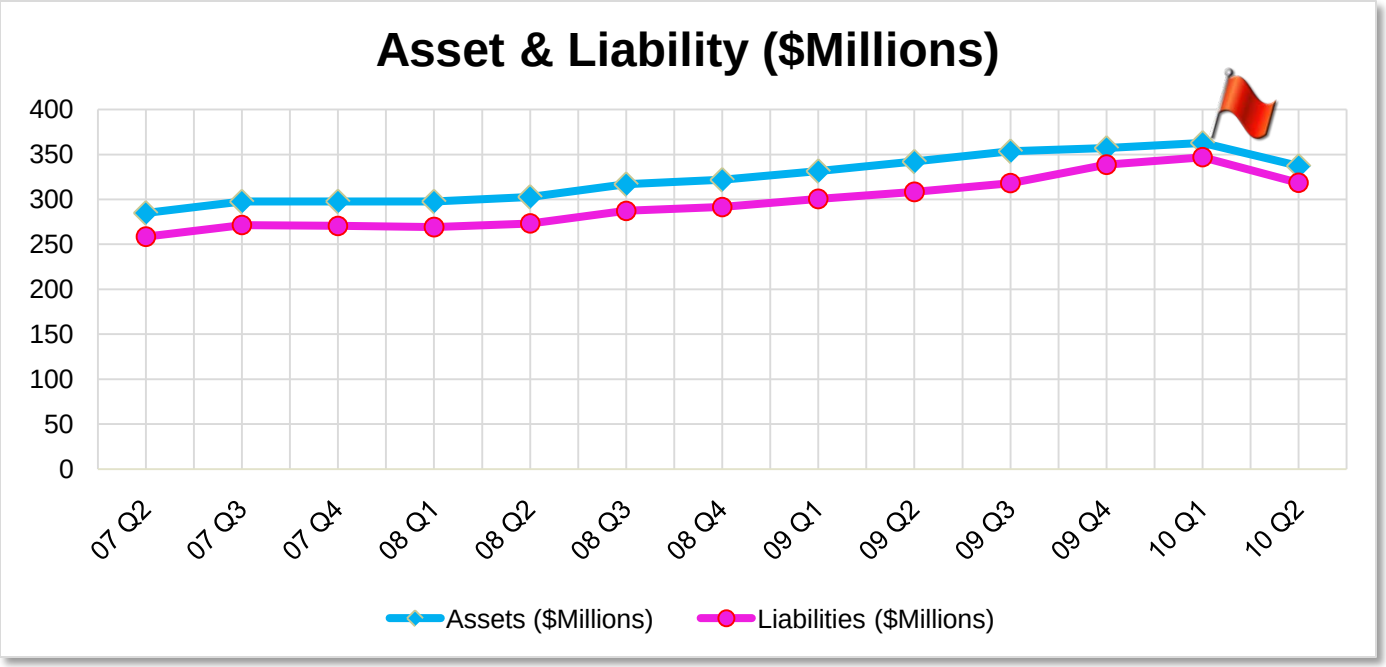
- Sonoma Valley Bank's A/L ratio has been fluctuating over the last 6 quarters and showed strong signs of stress in the last 3 quarters, at 105.83% before it failed.
- The median A/L ratio for all banks in the same asset concentration hierarchy (commercial lending specialization) was 110.66% in the same period, meaning that Sonoma Valley Bank was 4.73% under the median. The median A/L ratio for all banks in 2010 Q2 was 119.10%.
- Of the 41 banks failed in 2010 Q3, 100% of them had an A/L ratio under 107%.

* Average of banks of the same asset concentration hierarchy

Indicates sign of bank in financial distress

©Copyright 2011 Money Economics. All rights reserved.

Asset & Liability History

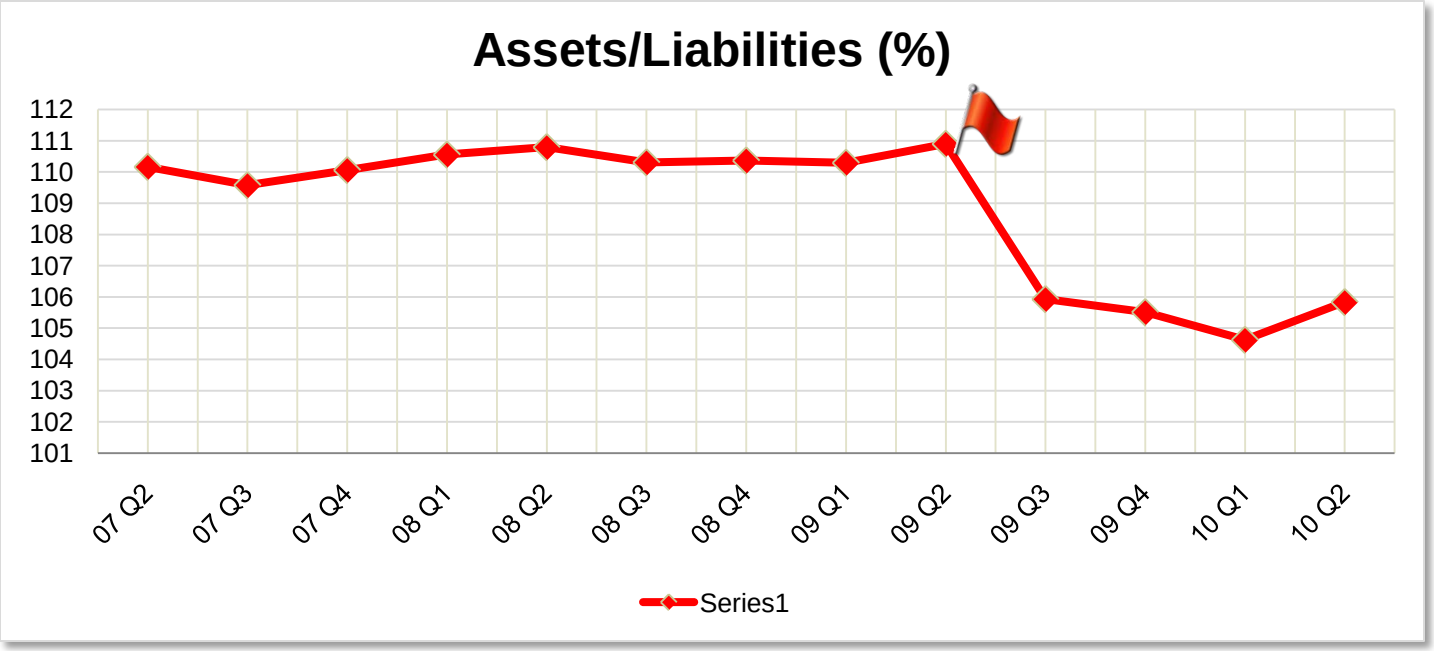


- The difference between asset and liability was getting closer in 09 Q4.

Indicates sign of bank in financial distress

©Copyright 2011 Money Economics. All rights reserved.

Asset/Liability History

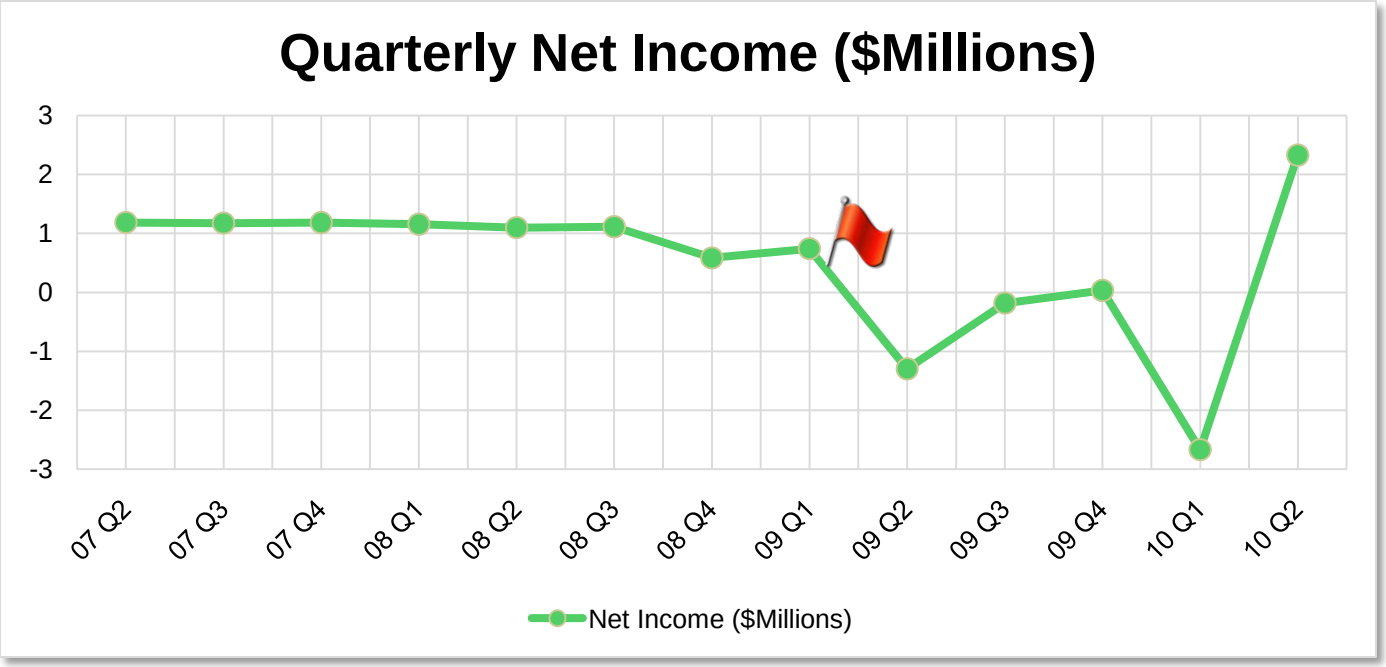


- Sonoma Valley Bank's 2010 Q2 asset/liability ratio experienced a decrease of 4.57% as compared to the same quarter in 2009.
- The asset/liability ratio for all FDIC banks experienced an increase of 0.80%.
- The asset/liability ratio for all banks in the Commercial Lending Specialization experienced an increase of 0.55%.

Indicates sign of bank in financial distress

©Copyright 2011 Money Economics. All rights reserved.

Net Income History

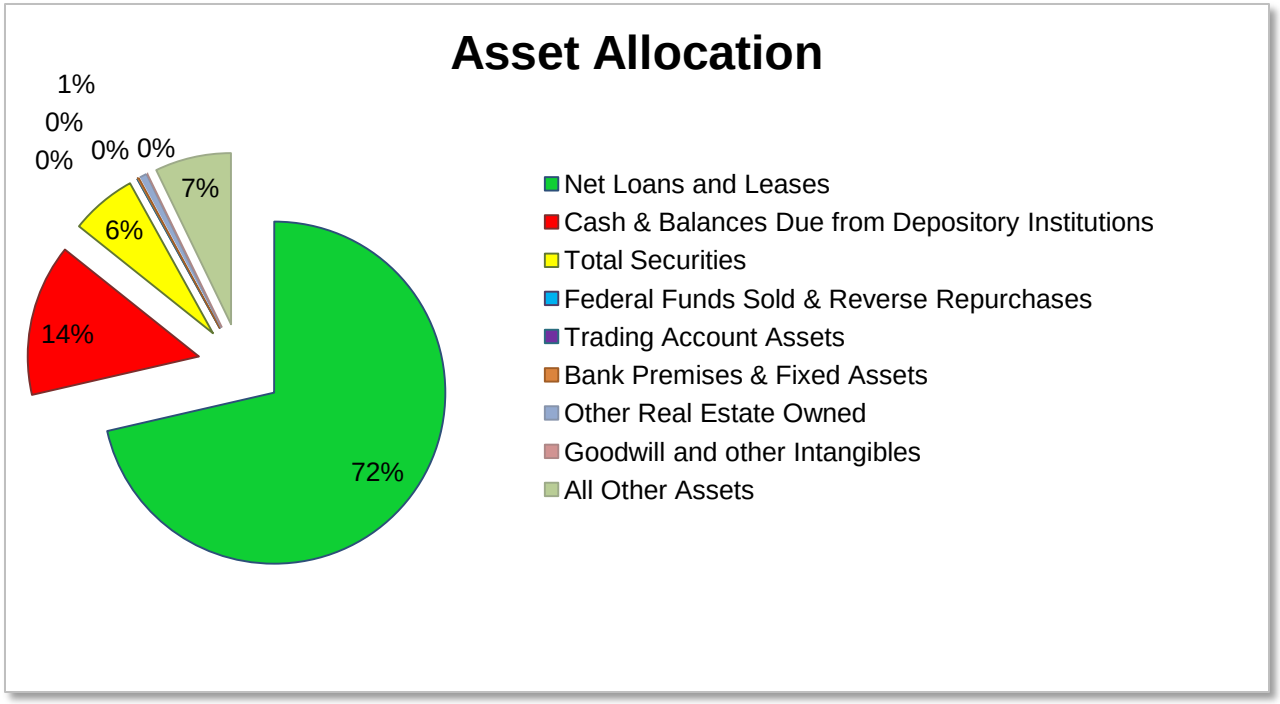


- The bank started reporting losses after 08 Q3.

Indicates sign of bank in financial distress

©Copyright 2011 Money Economics. All rights reserved.

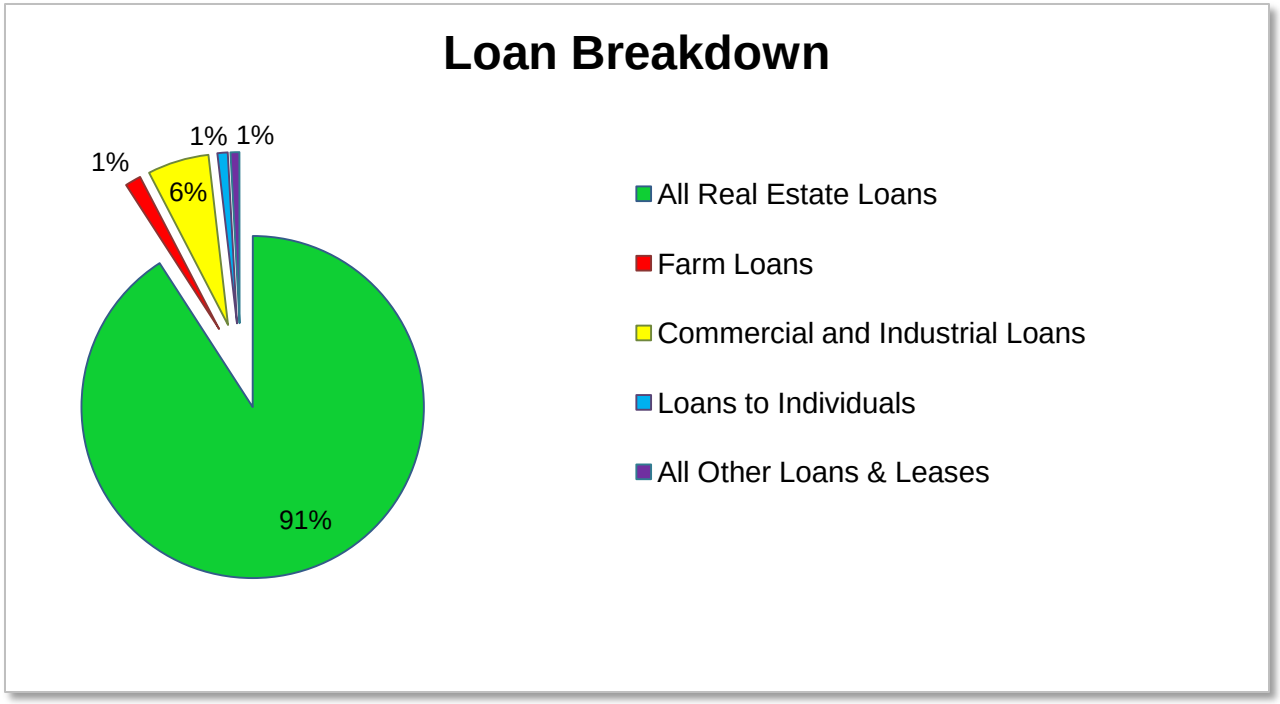
Asset Allocation



- The average percentage of Net Loans for banks of the same Asset Concentration Hierarchy in the second quarter of 2010 was 66.15%.
- The average Net Loan percentage of all banks in the second quarter of 2010 was 54.04%.

©Copyright 2011 Money Economics. All rights reserved.

Loan Breakdown



- The average percentage of Real Estate Loans for banks of the same Asset Concentration Hierarchy in the second quarter of 2010 was 68.87%. The average percentage for all banks in the second quarter of 2010 was 58.57%.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Jan 4, 10 - SEC Chairman Mary L. Schapiro announced that Carlo V. di Florio has been named Director of the agency's Office of Compliance Inspections and Examinations.

Jan 7, 10 - FDIC, in coordination with the other member agencies of FFIEC, released an advisory reminding institutions of supervisory expectations for sound practices to manage interest rate risk (IRR).

Jan 12, 10 - The Board of Directors of FDIC approved an Advance Notice of Proposed Rulemaking (ANPR) seeking input on whether certain employee compensation structures pose risks that should be captured in the deposit insurance assessment program.

Jan 13, 10 - The Enforcement Division of the SEC announced the appointment of the newest members of its national leadership team as the Division undertakes its most significant reorganization since its establishment in 1972.

Jan 13, 10 - The SEC announced a series of measures to further strengthen its enforcement program and encourage greater cooperation by individuals and companies in the agency's investigations and enforcement actions.

Jan 13, 10 - The SEC voted unanimously to propose a new rule that would effectively prohibit broker-dealers from providing customers with "unfiltered" or "naked" access to an exchange or alternative trading system (ATS).

* All internal news are written in blue color.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Jan 13, 10 - The SEC voted unanimously to propose a new rule that would effectively prohibit broker-dealers from providing customers with "unfiltered" or "naked" access to an exchange or alternative trading system (ATS).

Jan 13, 10 - The SEC moved forward with a broad review of the equity market structure, voting unanimously to issue a concept release seeking public comment on such issues as high frequency trading, co-locating trading terminals, and markets that do not publicly display price quotations.

Jan 20, 10 - The SEC announced that Fredric D. Firestone, an Associate Director of the Division of Enforcement, will leave the SEC next month to become a partner at McDermott, Will & Emery, resident in the firm's Washington, D.C., office.

Jan 21, 10 - The federal banking and thrift regulatory agencies announced the final risk-based capital rule related to the Financial Accounting Standards Board's adoption of Statements of Financial Accounting Standards Nos. 166 and 167. These new accounting standards make substantive changes to how banking organizations account for many items.

Jan 25, 10 - The SEC announced that Daniel M. Gallagher, Jr., a Deputy Director of the Division of Trading and Markets, will leave the agency at the end of this month to return to private practice as a partner in the Washington, D.C., office of WilmerHale.

Jan 27, 10 – The SEC adopted new rules designed to significantly strengthen the regulatory requirements governing money market funds and better protect investors.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Jan 27, 10 – The SEC voted to provide public companies with interpretive guidance on existing SEC disclosure requirements as they apply to business or legal developments relating to the issue of climate change.

Jan 29, 10 – The Reserve Primary Fund today completed distribution of $3.4 billion in assets to investors who held shares of the fund when its net asset value fell below $1 per share in September 2008. This distribution, which follows earlier distributions, represents the bulk of the fund's remaining assets.

Feb 1, 10 – SEC Chairman Mary Schapiro and UK Financial Services Authority (FSA) Chairman Adair Turner and Chief Executive Hector Sants met in London as part of the SEC-FSA Strategic Dialogue to engage at the senior levels of the two agencies on current matters affecting the U.S. and UK capital markets and areas of future collaboration.

Feb 1, 10 – Schapiro makes a statement regarding the President's FY 2011 budget request of $1.258 billion for the SEC: "If enacted, the President's request will do a great deal to help us keep pace with the continuing growth of the markets and provide necessary resources to support important regulatory initiatives in 2011."

Feb 3, 10 – The SEC announced that Rhea Kemble Dignam has been named Director of the SEC's Atlanta Regional Office.

Feb 3, 10 – The SEC announced that William P. Hicks has been named Associate Regional Director for Enforcement in the SEC's Atlanta Regional Office.

Feb 4, 10 – The SEC charged Boston-based State Street Bank and Trust Company with misleading its investors about their exposure to subprime investments while selectively disclosing more complete information to specific investors.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Feb 5, 10 – The federal financial regulatory agencies and the Conference of State Bank Supervisors (the regulators) issued a statement on prudent lending to creditworthy small business borrowers. The regulators recognize that small businesses play an important role in the economy.

Feb 15, 10 – At the request of the Federal Deposit Insurance Corp., the bank worked on preparing a capital-restoration plan and comply with certain restrictions on asset growth, acquisitions, dividends, management fees and any other capital distributions.

Feb 19, 10 – Sonoma Valley Bank revised its third quarter loss to 19 million.

Feb 22, 10 – The SEC announced a series of steps to educate investors about proxy voting and support greater investor participation in corporate elections.

Feb 23, 10 – SEC staff will conduct a public seminar to help companies and preparers comply with rules that require financial reports to be filed using Extensible Business Reporting Language, (XBRL), which can provide investors quicker access to the data they want in a format that's easily used, searched and analyzed.

Feb 23, 10 – Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate profit of $914 million in the fourth quarter of 2009, a $38.7 billion improvement from the $37.8 billion net loss the industry sustained in the fourth quarter of 2008, but still well below historical norms for quarterly profits.

Feb 24, 10 – The SEC adopted a new rule to place certain restrictions on short selling when a stock is experiencing significant downward price pressure. The measure is intended to promote market stability and preserve investor confidence.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Feb 24, 10 – The Securities and Exchange Commission voted to issue a statement that lays out its position regarding global accounting standards and makes clear that the Commission continues to believe that a single set of high-quality globally accepted accounting standards would benefit U.S investors.

Feb 25, 10 – The FDIC has issued the public list of institutions that it has scheduled for a CRA examination during the second quarter of 2010.

Feb 26, 10 – The Federal Deposit Insurance Corporation (FDIC) today released a list of orders of administrative enforcement actions taken against banks and individuals in January

Mar 1, 10 – Pursuant to Section 31 of the Securities Exchange Act of 1934, the Commission has determined that a mid-year adjustment to the Section 31 transaction fee rate is necessary. Effective on April 1, 2010, the Section 31 transaction fee rate will be set at $16.90 per million.

Mar 3, 10 – The SEC and the Internal Revenue Service today announced that the two agencies agreed to work more closely to monitor and regulate the municipal bond market and industry.

Mar 9, 10 – The SEC announced that Chief Economist James A. Overdahl will leave the Commission to rejoin the private sector after serving since July 2007 as principal economic advisor to the Commission on policy, rulemaking, and litigation support.

Mar 11, 10 – FDIC Board Approves An Extension Regarding the Safe Harbor Protection for Securitizations.

Mar 12, 10 – The Federal Deposit Insurance Corporation (FDIC) today closed on a sale of notes backed by residential mortgage backed securities (RMBS) from seven failed bank receiverships.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Mar 17, 10 – The federal banking agencies in conjunction with the Conference of State Bank Supervisors (CSBS), released a policy statement on their expectations for sound funding and liquidity risk management practices.

Mar 23, 10 – Senior officials of the FDIC held a roundtable discussion with a wide variety of interested groups to discuss the application of the FDIC Statement of Policy on the Acquisition of Failed Insured Institutions, published on September 2, 2009.

Mar 25, 10 – The SEC announced that Howard A. Scheck has been named Chief Accountant for the SEC's Division of Enforcement.

Mar 26, 10 – The SEC's Office of the Chief Accountant has selected eight professional accounting fellows for two-year terms beginning in 2010.

Apr 1, 10 - The SEC announced that Kathleen Griffin has been named the agency's first Chief Compliance Officer - the latest in a series of measures undertaken to strengthen the SEC's internal compliance program.

Apr 5, 10 - The SEC announced that Robert J. Keyes has been named Associate Regional Director and Chief of Regional Office Operations in the agency's New York Regional Office.

Apr 5, 10 - The U.S. Department of the Treasury and the Office of Management and Budget (OMB) announced the opening of a new office created to improve and streamline financial management across the U.S. government.

Apr 6, 10 - U.S. Secretary of the Treasury Tim Geithner and Indian Finance Minister Pranab Mukherjee launched the U.S.-India Economic and Financial Partnership to strengthen bilateral engagement and understanding on macroeconomic, financial sector and infrastructure-related issues.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Apr 7, 10 - The SEC proposed rules that would revise the disclosure, reporting and offering process for asset-backed securities (ABS) to better protect investors in the securitization market.

Apr 9, 10 - Beach First National Bank was closed by the Office of the Comptroller of the Currency, and the FDIC was named Receiver.

Apr 12, 10 - The Federal Reserve Board announced the appointment of William B. English as director of the Division of Monetary Affairs, effective July 23, 2010.

Apr 13, 10 - The Board of Directors of the FDIC approved an interim rule to extend the Transaction Account Guarantee (TAG) program to December 31, 2010.

Apr 13, 10 - The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) approved a Notice of Proposed Rulemaking (NPR) to revise the deposit insurance assessment system for large institutions, which pose unique and concentrated risks to the Deposit Insurance Fund.

Apr 14, 10 - The SEC voted to propose the creation of a large trader reporting system that would enhance its ability to identify large market participants, collect information on their trades, and analyze their trading activity.

Apr 14, 10 - The SEC proposed to put in place two investor protection measures in options markets that currently exist in stock markets.

Apr 14, 10 - The U.S. Department of the Treasury and the Department of Housing and Urban Development released March data for the Administration's Home Affordable Modification Program (HAMP).

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Apr 15, 10 - Eight federal regulators today released an Online Form Builder that financial institutions can download and use to develop and print customized versions of a model consumer privacy notice.

Apr 15, 10 - The U.S. Department of the Treasury released Treasury International Capital (TIC) data for February 2010.

Apr 20, 10 - Lael Brainard was confirmed by the United States Senate to serve as the U.S. Department of the Treasury's Under Secretary for International Affairs.

Apr 21, 10 - The Federal Reserve System released the 2009 annual comparative financial statements for the combined Federal Reserve Banks, the 12 individual Federal Reserve Banks, the limited liability companies that were creates to respond to strains in financial markets, and the Board of Governors.

Apr 23, 10 - The Federal Reserve Board on Friday announced that it will hold four public hearings, beginning in July, on potential revisions to Regulation C, which implements the Home Mortgage Disclosure Act. The act requires mortgage lenders to provide detailed annual reports of their mortgage lending activity to regulators and the public. Consumers, community and consumer organizations, mortgage lenders, and other interested parties will be invited to participate in the hearings.

Apr 28, 10 - The Federal Deposit Insurance Corporation (FDIC) will hold a day-long symposium on May 11, 2010, on combating the threats posed by cyber criminals targeting small and midsize businesses.

Apr 29, 10 - The Federal Financial Institutions Examination Council (FFIEC) released the revised Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Apr 30, 10 - The federal financial regulatory agencies issued final guidance to address the risks associated with funding and credit concentrations arising from correspondent relationships. A correspondent relationship occurs when a financial organization provides another financial organization with service related to deposits, lending, or other activities.

Apr 30, 10 - The Federal Deposit Insurance Corporation (FDIC) released a list of orders of administrative enforcement actions taken against banks and individuals in March.

May 3, 10 - The SEC announced that it recently completed its 20th Annual International Institute for Securities Market Development.

May 3, 10 - The SEC announced that Richard A. Levine has been named an Associate General Counsel for Legal Policy in the agency's Office of the General Counsel.

May 5, 10 - SEC staff would conduct a public seminar next month to help mutual funds comply with new rules that require them to file data in the risk/return summary section of the prospectus using Extensible Business Reporting Language (XBRL), which can provide investors with quicker access to the data they want in a format that is easily used, searched, and analyzed.

May 5, 10 - The Federal Deposit Insurance Corp. ordered the bank about to raise the money or accept an acquisition offer before May 13.

May 6, 10 - The U.S. Department of the Treasury released its monthly comprehensive update on Build America Bonds issuances, including state-by-state data, showing nearly $97 billion have been issued through April 30, 2010.

May 7, 10 - Home Valley Bank was singled out by regulators because of their prolonged troubles, which stem from borrower defaults.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

May 11, 10 - SEC Chairman Mary Schapiro and Commodity Futures Trading Commission Chairman Gary Gensler announced the formation of a joint committee that will address emerging regulatory issues. The establishment of the Joint CFTC-SEC Advisory Committee on Emerging Regulatory Issues was one of the 20 recommendations included in the agencies' harmonization report issued last year.

May 11, 10 - Thomas J. Dujenski, a 27-year FDIC veteran, has been appointed FDIC Regional Director for the Division of Supervision and Consumer Protection's (DSC) Atlanta Region.

May 11, 10 - The FDIC issued for public comment a proposed rule that would require certain identified insured depository institutions ("IDIs") that are subsidiaries of large and complex financial parent companies to submit to the FDIC analysis, information, and contingent resolution plans that address and demonstrate the IDI's ability to be separated from its parent structure, and to be wound down or resolved in an orderly fashion.

May 11, 10 - The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) approved a Notice of Proposed Rulemaking (NPR) to clarify the safe harbor protection in a conservatorship or receivership for financial assets transferred by an insured depository institution (IDI) in connection with a securitization or participation.

May 12, 10 - U.S. Treasury Secretary Tim Geithner appointed Richard L. Gregg to the position of Fiscal Assistant Secretary.

May 12, 10 - U.S. Treasury Secretary Timothy Geithner and European Commissioner Michel Barnier met today and reaffirmed their strong determination to cooperate closely in strengthening the global financial system and in putting in place the G-20 financial reform agenda.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

May 13, 10 - The SEC's Investor Advisory Committee today announced the agenda for its public meeting on May 17, 2010. The committee was formed by the SEC in 2009 to advise the Commission as to its regulatory priorities.

May 13, 10 - The SEC announced that Gerald Hodgkins has been appointed as an Associate Director of the Division of Enforcement, a senior position in which he will assist in planning and directing the agency's enforcement efforts.

May 17, 10 - The U.S. Department of the Treasury and the Department of Housing and Urban Development (HUD) released April data for the Administration's Home Affordable Modification Program (HAMP) showing permanent modifications for almost 300,000 homeowners - an increase of 68,000 or almost 13 percent over March.

May 18, 10 - The SEC announced that in response to the market disruption on May 6, the national securities exchanges and the Financial Industry Regulatory Authority (FINRA) are filing proposed rules under which they would pause trading in certain individual stocks if the price moves 10 percent or more in a five-minute period.

May 20, 10 - Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate profit of $18.0 billion in the first quarter of 2010, a $12.5 billion improvement from the $5.6 billion the industry earned in the first quarter of 2009, but still well below historical norms for quarterly profits.

May 21, 10 - SEC Chairman Mary L. Schapiro announced that Kenneth A. Johnson has been named Chief Financial Officer for the agency.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

May 21, 10 - The U.S. Department of the Treasury announced the guidelines for applying for the new Therapeutic Discovery Project Program created by the Affordable Care Act. The program will provide tax credits and grants to small firms that show significant potential to produce new and cost-saving therapies, support good jobs and increase U.S. competitiveness.

May 24, 10 - Consumer credit card agreements from more than 300 credit card issuers are now online in a searchable database created by the Federal Reserve Board.

May 26, 10 - The SEC voted unanimously to approve rule changes improving the quality and timeliness of municipal securities disclosure.

May 26, 10 - The SEC proposed a new rule that would require the self-regulatory organizations (SROs) to establish a consolidated audit trail system that would enable regulators to track information related to trading orders received and executed across the securities markets.

May 26, 10 - The Federal Deposit Insurance Corporation (FDIC) and the China Banking Regulatory Commission (CBRC) announced their agreement to enhance cooperation and coordination on cross border resolutions.

May 27, 10 - The SEC announced the appointment of Vrian Croteau as Deputy Chief Accountant for the Professional Practice Group in the agency's Office of the Chief Accountant (OCA). Mr. Croteau previously served in OCA as a Senior Associate Chief Accountant.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

May 27, 10 - The SEC announced that Jeff Heslop has been named the agency's first-ever Chief Operating Officer (COO) for information technology, financial reporting, and records management.

May 27, 10 - The Federal Deposit Insurance Corporation (FDIC) has issued the public list of institutions that it has scheduled for a Community Reinvestment Act (CRA) examination during the third quarter of 2010. This list is published pursuant to revised CRA regulations published in May 1995 that require each federal bank and thrift regulator to publish a quarterly CRA examination schedule at least 30 days before the beginning of each quarter.

May 27, 10 - The U.S. Department of the Treasury announced that Deputy Secretary of State Jacob J. Lew signed, on behalf of the United States, a Protocol to the Convention on Mutual Administrative Assistance on Tax Matters, as it was jointly opened for signature by the Organization for Economic Cooperation and Development (OECD) and the Council of Europe.

May 28, 10 - The Federal Deposit Insurance Corporation (FDIC) released a list of orders of administrative enforcement actions taken against banks and individuals in April.

May 28, 10 - The Federal Reserve Board announced final clarifications to aspects of its November 2009 final rule under Regulation E (Electronic Fund Transfers) and its December 2008 final rule under Regulation DD (Truth in Savings) pertaining to overdraft services.

Jun 3, 10 - The U.S. Department of the Treasury released its monthly comprehensive update on Build America Bonds issuances, including state-by-state data, showing $106 billion has been issued through May 31, 2010. Build America Bond issuers benefit from substantial savings in borrowing costs when compared to issuing tax-exempt debt.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Jun 10, 10 - The SEC approved rules that will require the exchanges and FINRA to pause trading in certain individual stocks if the price moves 10 percent or more in a five-minute period. The rules, which were proposed by the national securities exchanges and FINRA and published for public comment, come in response to the market disruption of May 6.

Jun 11, 10 - Vice Chairman Donald L. Kohn announced that, at the request of Federal Reserve Chairman Ben S. Bernanke, he plans to remain on the Board until a new Governor is appointed but to leave no later than September 1.

Jun 14, 10 - The U.S. SEC, Quebec Autorité des marchés financiers (AMF) and Ontario Securities Commission (OSC) announced a comprehensive arrangement to facilitate their supervision of regulated entities that operate across the U.S. - Canadian border.

Jun 15, 10 - The U.S. Department of the Treasury released Treasury International Capital (TIC) data for April 2010.

Jun 15, 10 - The SEC voted unanimously to propose rule amendments to help clarify the meaning of a date in a target date fund's name and enhance the information provided to investors in these funds as they invest for retirement.

Jun 15, 10 - The Federal Reserve Board approved a final rule to protect credit card users from unreasonable late payment and other penalty fees and to require credit card issuers to reconsider interest rate increases imposed since the beginning of last year.

Jun 17, 10 - The federal bank and thrift regulatory agencies announced a series of upcoming public hearings on modernizing the regulations that implement the Community Reinvestment Act (CRA). Interested parties are invited to provide testimony and written comments.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Jun 17, 10 - The federal bank and thrift regulatory agencies announced a proposed change to the Community Reinvestment Act (CRA) regulations to support stabilization of communities affected by high foreclosure levels.

Jun 17, 10 - The Federal Reserve Board announced the discussion topics for its upcoming public hearings on potential revisions to Regulation C, which implements the Home Mortgage Disclosure Act (HMDA).

Jun 18, 10 - Community Security Bank in New Prague lost $4.79 million during the first three months of 2010, according to revised financial statements filed with the Federal Deposit Insurance Corp. on June 7.

Jun 21, 10 - The Federal Reserve, the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), and the Federal Deposit Insurance Corporation (FDIC) issued a final guidance to ensure that incentive compensation arrangements at financial organizations take into account risk and are consistent with safe and sound practices. The guidance was originally proposed by the Federal Reserve last year.

Jun 22, 10 - The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) adopted a final rule extending the Transaction Account Guarantee (TAG) program for six months, from July 1, 2010 through December 21, 2010.

Jun 23, 10 - State Housing Finance Agencies (HFAs) in Arizona, California, Florida, Michigan, and Nevada can begin to use $1.5 billion in "Hardest Hit Fund" foreclosure-prevention funding under plans approved today by the Obama Administration.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Jun 24, 10 - The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency issued the host state loan-to-deposit ratios that the banking agencies will use to determine compliance with section 109 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994.

Jun 25, 10 - The Federal Deposit Insurance Corporation (FDIC) released a list of orders of administrative enforcement actions taken against banks and individuals in May.

Jun 28, 10 - The Federal Reserve Board announced that it will implement changes to its Payment System Risk (PSR) policy in early 2011. A specific implementation date will be announced at least 90 days in advance.

Jun 30, 10 - The SEC voted unanimously to approve new rules to significantly curtail the corrupting influence of "pay to play" practices by investment advisers.

Jun 30, 10 - The SEC published for public comment proposals by the national securities exchanges and FINRA to expand a recently adopted circuit breaker program to include all stocks in the Russell 1000 Index and certain exchange-traded funds.

Jun 30, 10 - The bank posted a $2.2 million profit, but federal regulators ordered it to raise about $20 million from investors by Aug. 15 to meet critical capital requirements.

Jul 2, 10 - SEC Chairman Mary Schapiro and Japan Financial Services Agency (JFSA) Commissioner Katsunori Mikuniya met in Washington, D.C.. The Dialogue is to provide a forum whereby the senior officials of the two agencies can meet to identify and discuss issues of common concern affecting the U.S. and Japanese capital markets and promote areas of future collaboration.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Jul 8, 10 - The U.S. Department of the Treasury released the concluding statement by the staff of the International Monetary Fund (IMF) following this year's Article IV Consultation with the United States. This statement represents the independent judgment and assessment by IMF staff of U.S. economic performance and policies.

Jul 8, 10 - The U.S. Department of the Treasury sent to Congress the Semi-Annual Report on International Economic and Exchange Rate Policies, consistent with Sections 3004 and 3005 of the Omnibus Trade and Competitiveness Act of 1988.

Jul 9, 10 - The Federal Reserve Board announced the agenda and panelists for the first of four public hearings this year on potential revisions to Regulation C, which implements the Home Mortgage Disclosure Act (HMDA). The event will be held July 15 at the Federal Reserve Bank of Atlanta.

Jul 10, 10 - The Board of Directors of the FDIC voted to revise its Memorandum of Understanding with the primary federal banking regulators to enhance the existing backup authorities over insured depository institutions that the FDIC does not directly supervise.

Jul 12, 10 - The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) voted to revise its Memorandum of Understanding with the primary federal banking regulators to enhance the FDIC's existing backup authorities over insured depository institutions that the FDIC does not directly supervise.

Jul 14, 10 - The federal financial regulatory agencies and the Conference of State Bank Supervisors issued a statement emphasizing that financial institutions are encouraged to work with their customers and consider measures to assist creditworthy borrowers affected by oil spill in the Gulf of Mexico and Deepwater Horizon Mobile Offshore Drilling Unite explosion.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Jul 14, 10 - The Securities and Exchange Commission voted to issue a concept release seeking public comment on the U.S. proxy system and asking whether rule revisions should be considered to promote greater efficiency and transparency.

Jul 15, 10 - The Securities and Exchange Commission announced that Goldman, Sachs & Co. will pay $550 million and reform its business practices to settle SEC charges that Goldman misled investors in a subprime mortgage CDO.

Jul 16, 10 - The Securities and Exchange Commission's Division of Corporation Finance that reviews public company filings created three specialized offices to enhance its disclosure review and policy operations, focusing on large financial institutions, asset-backed securities and other structured products, and securities offering trends.

Jul 17, 10 - The FDIC and the other federal banking regulators are updating their Community Reinvestment Act (CRA) rules to reflect recent changes in the financial industry. The CRA encourages institutions to meet the credit needs of their entire communities.

Jul 20, 10 - Federal Reserve announced an agreement with the Treasury Department regarding a reduction of credit protection provided for the Term Asset-Backed Securities Loan Facility (TALF).

Jul 21, 10 - President Barack Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which, in part, permanently raises the current standard maximum deposit insurance amount to $250,000. The standard maximum insurance amount of $100,000 had been temporarily raised to $250,000 until December 31, 2013.

Jul 21, 10 - The Securities and Exchange Commission proposed measures aimed to improve the regulation of mutual fund distribution fees and provide better disclosure for investors. It would replace rule 12b-1 with new rules.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Jul 21, 10 - The Securities and Exchange Commission adopted changes to the disclosure document that SEC-registered investment advisers must provide to their clients and prospective clients.

Jul 23, 10 - The U.S. Department of the Treasury announced its continued sale of its holdings of Citigroup common stock.

Jul 27, 10 - The Obama Administration announced expanded opportunities for public engagement on the future of our nation's housing finance system, including Fannie Mae and Freddie Mac.

Jul 28, 10 - Federal agencies issued final rules to implement the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (S.A.F.E. Act) requirements for registration of mortgage loan originators. The Act requires residential mortgage loan originators to be registered with the Nationwide Mortgage Licensing System and Registry.

Jul 30 10 - The U.S. Department of the Treasury announced that the United States, the International Financial Institutions (IFIs), and other donors have together reached the goal of eliminating the total debt stock that Haiti owed to the IFIs at the time of the January earthquake.

Jul 30, 10 - The FDIC closed on a sale of securities as part of a securitization backed by approximately $471.3 million of performing single-family mortgages from 16 failed banks.

Aug 2, 10 - The U.S. Department of the Treasury announced its estimates of net marketable borrowing for the July – September 2010 and the October - December 2010 quarters. Treasury expects to issue $350 billion in net marketable debt during the July – September 2010 quarter, while it expects to issue $380 billion from October - December 2010.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Aug 4, 10 - State Housing Finance Agencies (HFAs) in North Carolina, Ohio, Oregon, Rhode Island and South Carolina can start using $600 million in foreclosure-prevention assistance from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets under plans approved by the Obama Administration.

Aug 10, 10 - The FDIC Board of Directors today approved a pilot program to evaluate the feasibility of insured depository institutions offering safe, low-cost transactional and savings accounts. Under the pilot, participating institutions will offer electronic deposit accounts with product features identified in the FDIC Model Safe Accounts Template.

Aug 16, 10 - The Federal Reserve Board announced final rules to implement a statutory amendment to the Truth in Lending Act requiring that consumers receive notice when their mortgage loan has been sold or transferred.

Aug 16, 10 - The Federal Reserve Board issued an interim rule that revises the disclosure requirements for closed-end mortgage loans under Regulation Z (Truth in Lending).

Aug 16, 10 - The Federal Reserve Board proposed a rule to revise the escrow account requirements for higher-priced, first-lien "jumbo" mortgage loans.

Aug 18, 10 - The Securities and Exchange Commission charged the State of New Jersey with securities fraud for misrepresenting and failing to disclose to investors in billions of dollars worth of municipal bond offerings that it was underfunding the state's two largest pension plans.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Aug 20, 10 - The U.S. Department of Housing and Urban Development and the U.S. Department of the Treasury released the August edition of the Obama Administration's Housing Scorecard. In July, housing prices remained level after 30 straight months of decline, while some price predictions have improved.

Aug 22, 10 - New Federal Reserve Board rules restrict inactivity fees and generally prohibit expiration dates of less than five years on retail gift cards used to make purchases at stores and service providers.

Aug 23, 10 - Sonoma Valley Bank was closed by the California Department of Financial Institutions, which appointed the Federal Deposit Insurance Corporation as receiver. Westamerica Bank purchased all the deposits and most of its assets.

Aug 25, 10 - The Securities and Exchange Commission changed the federal proxy and other rules to facilitate the rights of shareholders to nominate directors to a company's board.

Aug 30, 10 - Commercial banks and savings institutions insured by the Federal Deposit Insurance Corporation (FDIC) reported an aggregate profit of $21.6 billion in the second quarter of 2010.

Sep 2, 10 - The Securities and Exchange Commission adopted a temporary rule requiring municipal advisors to register with the SEC by October 1, a deadline established by the newly-enacted *Dodd-Frank Wall Street Reform and Consumer Protection Act*.

Sep 2, 10 - The U.S. Department of the Treasury will launch a new pilot program to help capitalize on tax refund season as an opportunity to provide unbanked and underbanked Americans with access to safe, low-cost financial accounts.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Sep 7, 10 - The FDIC released a report on the use of alternative financial services (AFS) among U.S. households, including usage at a state level ranging from slightly more than one-quarter to almost one-half.

Sep 8, 10 - The Federal Reserve Board authorized ongoing small-value offerings of term deposits under the Term Deposit Facility (TDF).

Sep 12, 10 - The U.S. federal banking agencies supported the agreement reached at the September 12, 2010, meeting of the G-10 Governors and Heads of Supervision (GHOS).

Sep 13, 10 - The FDIC offers Smaller Dollar/Geographically Focused Loan Pools, aimed to provide notice to individuals or business entities that may be interested in structured transactions. In these transactions, the FDIC contributes loans to a newly formed entity, and then auctions off an equity interest in the LLC.

Sep 17, 10 - The Securities and Exchange Commission proposed measures that require public companies to disclose additional information to investors about their short-term borrowing arrangements.

Sep 17, 10 - The U.S. Department of the Treasury announced that it priced a secondary public offering of 13,049,451 warrants to purchase common stock of Lincoln National Corporation (the "Company") at $16.60 per warrant. The aggregate net proceeds to Treasury from the offering are expected to be $213,671,319.

Sep 21, 10 - Officials at the Federal Reserve signaled that they were worried that the slow-moving economic recovery could be undermined by very low rates of inflation, and hinted strongly that it might resume buying vast amounts of government debt to spur the recovery.

©Copyright 2011 Money Economics. All rights reserved.

Events Timeline

Sep 27, 10 - The FDIC increased its list of problem banks by 6% to 829 in the second quarter. The top executive at Keefe, Bruyette & Woods said that, between failures and consolidation, the total number of U.S. banks could fall to 5,000 in the next decade from the current 7,932.

Sep 28, 10 - The final rule implementing the federal registration provisions of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (the SAFE Act) takes effect on October 1, 2010

Sep 29, 10 - The Federal Reserve Board announced that it will implement changes to its Payment System Risk (PSR) policy on March 24, 2011.

Sep 30, 10 - Federal Reserve announced it will offer $5 billion in 28-day term deposits through its Term Deposit Facility on October 4, 2010.

Sep 30, 10 - Federal Reserve Chairman Ben S. Bernanke said the central bank has a duty to aid the economy as U.S. unemployment holds near 10 percent without offering new details on what the Fed may do about it.

Sep 30, 10 - Treasury Announces Further Sales of Citigroup Securities and Cumulative Return to Taxpayers of $41.6 Billion.

Sep 30, 10 - Treasury Announces Special Financial Stabilization Initiative Investments of $570 Million in 84 Community Development Financial Institutions in Underserved Areas.

©Copyright 2011 Money Economics. All rights reserved.

Report Summary – *Surprise?*

Based on the methods with which we analyzed Sonoma Valley Bank, its failure was ***not a surprise****.*

Here are the indications that Sonoma Valley Bank should fail:

1) **Sonoma Valley Bank had a Real Estate Loan Asset ratio of 68.22% in the quarter before it failed.**
2) **The bank's asset to liability ratio dropped to 105.83% the quarter before it failed.**
3) **Sonoma Valley Bank had a bankability composite score of 34.13 the quarter before it failed, indicating the bank's poor overall financial health and likelihood to fail.**

©Copyright 2011 Money Economics. All rights reserved.

References

CNN:

http://www.cnn.com

FDIC:

http://www.fdic.gov

Federal Reserve:

http://www.federalreserve.gov/

Google News:

http://news.google.com/

Money Economics:

http://www.moneyeconomics.com/1911

SEC:

http://www.sec.gov/

The Wall Street Journal:

http://online.wsj.com/public/resources/documents/info-Failed_Banks-sort.html

Treasury:

http://www.treas.gov/

Wikipedia:

http://www.wikipedia.org/

Yahoo Finance:

http://finance.yahoo.com/

©Copyright 2011 Money Economics. All rights reserved.

Contact Information

For additional information regarding this report series, you can contact us at:

By E-mail:

info@moneyeconomics.com

By Mail:

Money Economics
248 Third Street, #823
Oakland, CA 94607

By Phone:*

510.550.1694

**For media inquiry only please.*

©Copyright 2011 Money Economics. All rights reserved.