

NEWS RELEASE

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COTCHETT, PITRE & McCARTHY, LLP

TWO LOCAL SHAREHOLDERS FILE \$69 MILLION SUIT ON FIRST ANNIVERSARY OF SONOMA VALLEY BANK COLLAPSE

SONOMA - On the year anniversary of the Sonoma Valley Bank failure, two local Sonoma residents and shareholders in the bank have brought a massive securities action to recover the \$69 million in share value that vaporized, leaving hundreds of Sonoma residents with worthless stock.

The Complaint, which was filed today by Cotchett, Pitre & McCarthy, LLP, alleges pervasive violations of fiduciary duty by top executives, which harmed the bank and its shareholders. According to the Complaint, the bank was brought to its knees by risky lending activity that included over \$50 million lent to a Marin developer and his associates, even as he was defaulting on loans made by other banks.

Niall P. McCarthy, of Cotchett, Pitre & McCarthy, LLP, who represents the Plaintiffs commented that “This failure was entirely preventable if Sonoma Valley Bank had not played Russian Roulette with high risk loans to people outside Sonoma.” Anne Marie Murphy, also counsel for Plaintiffs notes “there were so many red flags that were ignored leading up to the collapse that the Bank could not recover from the tailspin by the time the FDIC took official action.”

The Complaint ultimately cites a number of factors that led to the Bank’s downfall including a cash incentive plan that encouraged dangerous risk-taking by loan officers and executives through incentive compensation and bonuses tied to the dollar amount of loans made. The Complaint alleges that “Greed led to a culture at the Bank, and at Bancorp, where violations of standard bank lending practices

were rampant and tolerated.” The Complaint cites internal company documents that concluded that the incentive plan "may encourage unnecessary and excessive risk taking."

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