

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WN-09-009
)	
UNIVERSAL BANK)	Effective Date: May 18, 2009
)	
West Covina, California.)	
OTS Docket No. 05801)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, Universal Bank, West Covina, California, OTS Docket No. 05801 (the Association), by and through its Board of Directors (Board) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 USC § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Western Region (Regional Director) is authorized to issue consent orders to cease and desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

I. CEASE AND DESIST

The Association and its directors, officers, and employees shall cease and desist from any action (alone or with others) for or toward, causing, bringing about, participating in or counseling

or aiding and abetting any unsafe or unsound practices that have resulted in deficient asset quality, credit administration practices, and ineffective Internal Asset Review (IAR) systems and processes.

II. CLASSIFIED ASSET REDUCTION PLAN

A. Within thirty (30) days, the Board shall review and approve a written comprehensive Classified Asset Reduction Plan (Reduction Plan). At a minimum, the Reduction Plan shall include:

1. Targets and time frames acceptable to OTS for returning classified assets to thirty-five (35) percent or less of Tier 1 Capital plus Allowance for Loan and Lease Losses (ALLL);

2. A description of the manner and methods for reducing the Association's level of classified assets to the targets set therein; and

3. Supporting documentation for all assumptions and projections.

B. Within five (5) days of the Board's approval of the Reduction Plan, the Board shall provide the Reduction Plan to the Regional Director¹ for review. Within thirty (30) days of receipt of any comments from the Regional Director, the Board shall amend the Reduction Plan to incorporate the comments of the Regional Director and adopt the Reduction Plan, as revised.

Thereafter, the Board shall cause the Association to implement and adhere to the adopted Reduction Plan. Any request to modify the Reduction Plan shall be submitted to OTS for review and written non-objection at least thirty (30) days prior to the proposed date to implement any such modification.

¹ References to "Regional Director" as used herein shall include authorized designees of the OTS Western Regional Director.

III. UPDATED STRATEGIC PLAN

A. Within thirty (30) days, the Board shall review and approve an updated comprehensive long-term Strategic Plan (Strategic Plan) covering at least three (3) calendar years beginning as of March 31, 2009. The Strategic Plan shall take into account the changes in the financial condition and management of the Association since the implementation of its current strategic plan, as well as current economic conditions in the markets in which the Association operates. The Strategic Plan shall include quarterly financial data, including, but not limited to, regulatory capital ratios that must support the risk profile of the Association. The Strategic Plan shall establish objectives for the Association's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, product line development and market segments that the Association intends to promote or develop, together with specific strategies to achieve those objectives.

B. Within five (5) days of the Board's approval of the Strategic Plan, the Board shall provide the Strategic Plan to the Regional Director for review. Within thirty (30) days of receipt of any comments from the Regional Director, the Board shall amend the Strategic Plan to incorporate the comments of the Regional Director and adopt the Strategic Plan, as revised. Thereafter, the Board shall cause the Association to implement and adhere to the adopted Strategic Plan. Any request to modify the Strategic Plan shall be submitted to OTS for review and written non-objection at least thirty (30) days prior to the proposed date to implement any such modification.

IV. VARIANCE REPORTS

A. Within forty-five (45) days after the close of each quarter starting with the quarter ending June 30, 2009, the Association shall prepare quarterly variance reports on the Association's compliance with the Reduction Plan and Strategic Plan. Such variance reports shall detail actual

operating results versus projected results and shall include detailed explanations of any deviations from either Plan with a description of the specific corrective actions or measures that have been implemented or are proposed to address each deviation. The Board shall promptly review each variance report and shall discuss the Association's compliance with the approved Plans. The Board's review of the variance reports and evaluation of the Association's compliance with the Plans shall be thoroughly documented in the Board meeting minutes.

V. LENDING

A. Effective immediately, the Association shall not make any new land or construction loans. Any renewal or modification of land or construction loans in existence as of the Effective Date shall be submitted for OTS review and written non-objection prior to funding.

B. Effective immediately, the Association shall not initiate any lending product lines that were not engaged in by the Association as of the Effective Date without the prior written non-objection of the Regional Director.

VI. LOAN REVIEW

A. Within thirty (30) days, the Association shall provide the Regional Director, for his review and written non-objection, with the name of a qualified individual or firm (Consultant) to conduct an independent review and grading of the Association's construction and land loan portfolio (the Loan Review). Within five (5) days of receiving such written non-objection, the Association shall execute a contract with the Consultant.

B. The qualifications of the Consultant shall be evaluated based on: training in loan review or examination procedures; knowledge of loan documentation requirements; loan review or examination experience; ability to evaluate compliance with the Association's written loan and loan review policies; and knowledge of applicable laws, regulations, and sound lending practices.

C. The Consultant engagement letter shall address and include:

1. The scope of the Loan Review;
2. Standards and criteria for assessing the credit quality of the loans;
3. Application of loan grading standards and criteria to the loan portfolio

consistent with Section 260 of the *OTS Examination Handbook*;

4. Grouping of loans based on the varying degrees of credit and other risk that may be presented under the applicable grading standards and criteria;

5. Assessment of the likelihood that each loan exhibiting credit and other risk will be repaid according to its terms and conditions; and

6. Identification of any loan that is in nonconformance with the Association's policies.

D. Further, the Consultant engagement letter shall provide that within forty-five (45) days after the execution of the Consultant engagement letter, the Consultant shall deliver to OTS and the Board a final, written report (Report) concerning the Association's construction and land loan portfolio, setting forth detailed findings and conclusions about the quality of the loans, the levels of classified and criticized assets, and the accuracy of internally assigned loan risk grades. The Report shall identify the loans reviewed and address any differences between the Association's and the Consultant's risk ratings, and the Association's compliance with legal and regulatory requirements and the Association's loan policies. Moreover, the Report shall include, at a minimum, findings and conclusions regarding the:

1. Type, rating, and amount of classified assets;
2. Amount of delinquent and nonaccrual loans;

3. Status of any loan that presents any unsafe or unsound banking practice or condition;

4. Compliance with guidelines and practices set forth in the *OTS Examination Handbook* including but not limited to Sections 213 (Construction Lending) and 260;

5. Credit underwriting and documentation exceptions;

6. Quality of credit analysis and documentation;

7. Accuracy of internal risk ratings;

8. Overall credit administration practices; and

9. Completeness and effectiveness of loan workout plans.

E. Upon receipt of the Report, the Board shall review the Report and ensure that immediate, adequate, and continuing remedial action is taken upon the findings and conclusions noted in the Report.

F. A copy of the Report submitted to the Board, as well as the documentation of the actions taken by the Association to implement the recommendations contained in the Report, shall be maintained in the books and records of the Association.

VII. OPERATING RESTRICTIONS

A. Growth Restriction. Effective immediately, the Association shall comply with the requirements of OTS Regulatory Bulletin 3b (RB 3b). Without the prior written approval of the Regional Director, the Association shall not increase its total assets during any quarter, beginning with the quarter ending June 30, 2009, in excess of an amount equal to the net interest credited on deposit liabilities during the quarter.

B. Transactions with Affiliates. Effective immediately, the Association shall not engage in any transaction with an affiliate unless, with respect to each such transaction, the

Association has complied with the notice requirements set forth in 12 CFR § 563.41(c)(4), which shall include the information set forth in 12 CFR § 563.41(c)(3). The Board shall ensure that any transaction with an affiliate for which notice is submitted pursuant to this Paragraph, complies with the requirements of 12 CFR § 563.41 and Regulation W, 12 CFR Part 223.

C. Management Changes. Effective immediately, the Association shall comply with the requirements set forth in 12 CFR Part 563, Subpart H.

D. Employment Contracts and Compensation Arrangements. Effective immediately, the Association shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides OTS with not less than thirty (30) days prior written notice of the proposed transaction. The notice to OTS shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to OTS fully complies with the requirements of 12 CFR Part 359, 12 CFR §§ 563.39 and 563.161(b), and 12 CFR Part 570 – Appendix A.

E. Severance and Indemnification Payments. Effective immediately, the Association shall not make any golden parachute payment² or any prohibited indemnification payment,³ unless, with respect to each such payment, the Association has complied with the requirements of 12 CFR Part 359 and, as to indemnification payments, 12 CFR § 545.121.

F. Capital Distributions. Effective immediately, the Association shall pay no dividends or make any other capital distributions, as that term is defined in 12 CFR § 563.141, without

² The term “golden parachute” is defined at 12 CFR § 359.1(f)

³ The term “prohibited indemnification payment” is defined at 12 CFR § 359.1(l)

receiving the prior written approval of the Regional Director. The Association's written request for written approval should be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

G. Contracts Outside of the Ordinary Course of Business. Effective immediately, the Association and its subsidiaries shall not enter into any third-party contracts outside of the normal course of business unless, with respect to each such contract, the Association has: (1) provided OTS with a minimum of thirty (30) days prior written notice of any such proposed contract; (2) determined that the contract complies with the standards and guidelines set forth in Thrift Bulletin 82a (TB 82a); and (3) received written notice of non objection from the Regional Director.

VIII. BOARD COMPLIANCE COMMITTEE

A. Within thirty (30) days, the Board shall appoint a committee (Regulatory Compliance Committee) comprised of three (3) or more non-employee directors to monitor and coordinate the Association's compliance with the provisions of this Order.

B. Within thirty (30) days, and after the end of each calendar quarter, starting with the quarter ending June 30, 2009, the Regulatory Compliance Committee shall provide a written progress report to the Board describing the actions taken by the Association to comply with each provision of this Order and the results of all such actions. The Board's consideration of the Regulatory Compliance Committee's progress report for the period, including comments and questions concerning the progress report and additional actions taken or directed by the Board, shall be reflected in the minutes of the Board's meetings.

C. Within forty-five (45) days after the end of each calendar quarter starting with the quarter ending on June 30, 2009, a copy of the progress report for the quarter with any revisions or comments by the Board, shall be provided to the Regional Director.

D. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the Order.

IX. EFFECTIVE DATE, INCORPORATION OF STIPULATION

This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

X. DURATION

This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

XI. TIME CALCULATIONS

A. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be calendar based, unless otherwise noted.

B. The Regional Director, or an OTS authorized representative, may extend or shorten any of the time frames set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

XII. SUBMISSIONS AND NOTICES

A. All submissions, including progress reports, to OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

B. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first-class U.S.

mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

1. To OTS:

C.K. Lee, Regional Director
Office of Thrift Supervision, Western Region
255 E. John Carpenter Freeway, Suite 500
Irving, TX 75062-2326

With a copy to:

Timothy J. Lane, Assistant Director
Office of Thrift Supervision, Western Region
1551 N. Tustin Avenue, Suite 1050
Santa Ana, CA 92705-8661

2. To the Association:

Frank Chang
President and Chief Executive Officer
Universal Bank
3455 Nogales Street, Second Floor
West Covina, CA 91792

XIII. NO VIOLATIONS AUTHORIZED

Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/
C.K. Lee, Regional Director
Western Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WN-09-009
)	
UNIVERSAL BANK)	Effective Date: May 18, 2009
)	
West Covina, California.)	
OTS Docket No. 05801)	
_____)	

STIPULATION AND CONSENT
TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Western Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Universal Bank, West Covina, California, OTS Docket No. 05801 (the Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 USC § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceedings by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or

denying that such grounds exist, but only admitting the statements and conclusions in ¶1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

A. The Association is a “savings association” within the meaning of 12 USC § 1813(b) and 12 USC § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 USC § 1813(c); and

B. Pursuant to 12 USC § 1813(q)(4), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease-and-desist proceeding against it pursuant to 12 USC §§ 1818(b)(1) and (b)(9).

2. OTS Findings of Fact.

Based on findings set forth in the Report of Examination of the Association issued on December 31, 2008, the OTS finds that the Association has engaged in unsafe and unsound practices that have resulted in deficient asset quality, credit administration practices and ineffective Internal Asset Review (IAR) systems and processes.

3. Consent.

The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

4. Finality.

The Order is issued by the OTS under 12 USC § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 USC § 1818(i).

5. Waivers.

The Association waives the following:

- A. The right to be served with a written notice of the OTS's charges against it as provided by 12 USC § 1818(b) and 12 CFR Part 509;
- B. The right to an administrative hearing of the OTS's charges as provided by 12 USC § 1818(b) and 12 CFR Part 509;
- C. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 USC § 1818(h), or otherwise to challenge the validity of the Order; and
- D. Any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

6. OTS Authority Not Affected.

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

7. Other Governmental Actions Not Affected.

The Association acknowledges and agrees that its consent to the issuance of the Order is

solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

8. Miscellaneous.

A. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;

B. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise;

C. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

D. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

E. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and

F. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

