

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: <u>WE-08-001</u>
UNIVERSAL BANK,)	
West Covina, California.)	Effective Date: <u>January 7, 2008</u>
OTS Docket No.: 05801)	
_____)	

CONSENT ORDER TO
CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, Universal Bank, West Covina, California, OTS Docket No. 05801 (Institution), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation); and

WHEREAS, the Institution, by executing the Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, the Director of the OTS has delegated to the Regional Directors of the OTS the authority to issue consent orders on behalf of the OTS pursuant to provisions of 12 U.S.C. § 1818.

NOW, THEREFORE, IT IS ORDERED THAT:

I. ORDER TO CEASE AND DESIST

A. The Institution, its institution-affiliated parties, as that term is defined in 12 U.S.C. § 1813(u), and its successors and assigns shall take the following affirmative actions.

II. CORRECTIVE PROVISIONS

A. Action Plan.

1. Within thirty (30) days of the Effective Date, the Board shall submit to the Assistant Director (AD) for review and non-objection a written Action Plan detailing the Board's assessment of actions necessary to strengthen executive management¹ of the Institution. This Action Plan may incorporate the Study of the Institution's organizational and management structure developed pursuant to Section IIA of the Supervisory Agreement dated November 1, 2006.

2. The goal of the Action Plan shall be to cause the Institution to be "well managed" and operated safely and soundly in compliance with 12 C.F.R. §§ 552.6-2 and 563.161 in view of: (a) the Operational and Managerial Standards set out in Appendix A to 12 C.F.R. Part 570; and (b) Section 330 of the OTS Thrift Activities Handbook.

3. The Action Plan shall specify the person(s) responsible for actionable items within the Action Plan, and establish appropriate procedures for the implementation of the Action Plan.

4. Immediately upon receipt of the AD's non-objection to the Action Plan, the Board shall cause the Institution and its officers to fully comply with the Action Plan.

5. The Action Plan shall be implemented pursuant to the time frames set forth within the plan unless events dictate modifications to the plan. Where the Board considers changes to the Action Plan appropriate, those changes shall be submitted to the AD for prior determination of non-objection.

¹ "Executive Management" means those individuals specified in 12 C.F.R. § 563.555

B. Independent Third-Party Review.

1. Within thirty (30) days after the Effective Date of this Order, the Board shall submit to the AD for review and non-objection the name and curriculum vitae of a qualified independent outside third party (Consultant) which the Institution proposes to engage for purposes set forth below. The Consultant must have extensive knowledge of the financial services industry and experience in assisting financial institutions with functions and policies governing internal accounting, financial reporting, and internal controls. The Consultant shall, within the time specified below, conduct a review of the Institution's accounting policies and procedures, systems, controls, and staffing.

2. The Review required by ¶B(1) shall be completed and the Consultant shall deliver a final, written report (Report) containing the findings and recommendations of the Consultant to the OTS and the Board within one hundred twenty (120) days after the date of the Institution's receipt of non-objection from the AD. At a minimum, the Consultant's Report shall contain an assessment of the Institution's accounting function (process), including, but not limited to:

- a. Whether the general ledger and related support and reconciliations for individual account balances are in agreement;
- b. Whether the information contained in Thrift Financial Reports prepared and filed during 2007 can be traced to related support and reconciliations for individual account balances;
- c. Policies and procedures;
- d. Systems and controls;
- e. The Institution's present and future management and staffing requirements;

- f. The qualifications and abilities of the executive officers and staff of the Institution's accounting department;
- g. The training needs to address identified weaknesses in the skills and abilities of the Institution's accounting staff; and
- h. The current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities within the Institution's accounting department.

4. Within thirty (30) days of receipt of the Consultant's Report, the Institution shall notify the OTS what, if any, specific recommendations contained in the Report will be adopted by the Board. The Institution's notification to OTS should include an explanatory statement regarding the reasoning for the adoption or rejection of any of the Consultant's recommendations or conclusions.

C. Strategic Plan.

1. Within thirty (30) days of the Effective Date, the Board shall approve and submit to the AD for review and non-objection, an updated comprehensive long-term Strategic Plan covering at least a three-year period commencing with calendar year 2008. The Strategic Plan shall establish objectives for the Institution'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 Institution intends to promote or develop, together with specific strategies to achieve those objectives. At a minimum, the Strategic Plan must include:

- a. A mission statement that forms the framework for the establishment of strategic goals and objectives;

- b. An assessment of the Institution's present and future operating environment;
- c. The development of strategic goals and objectives to be accomplished over the short and long term, and the resource needs (personnel, capital, fixed assets, etc.) required to implement the Strategic Plan;
- d. An identification of the Institution's present and future product lines (assets and liabilities) that will be utilized to accomplish the Institution's strategic goals and objectives, with consideration of the risks presented by each operation and line of business;
- e. An evaluation of the Institution's internal operations, staffing requirements, Board and management information systems, and policies and procedures, for their adequacy and contribution to the accomplishment of the goals and objectives developed under the Strategic Plan;
- f. A financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the Strategic Plan (including quarterly financial projections with the assumptions upon which the projections were based); and
- g. Systems to monitor the Institution's progress in meeting the strategic goals and objectives.

2. Within thirty (30) days of receipt of the AD's notice of objection, if any, to any aspect of the foregoing Strategic Plan, the Institution shall submit a revised Strategic Plan to the AD addressing any such objections or comments of the AD. Once the Strategic Plan is submitted pursuant to this Agreement and all objections from the AD, if any, have been satisfactorily resolved, the Institution may not amend, suspend, or revoke the Strategic Plan without the prior written non-objection from the AD. Immediately upon receipt of the

AD's non-objection to the Strategic Plan, the Institution shall implement the Strategic Plan and ensure that all directors, officers, and employees adhere to it.

III. COMPLIANCE WITH ORDER

A. The policies, procedures, corrective actions, plans, programs, reviews, and systems required by this Order to address the issues raised by this Order (collectively, Policies and Procedures) shall conform to all applicable statutes, regulations, and OTS policy and guidance.

B. The Board shall ensure that management fully and timely implements the corrective actions and amendments and revisions to Institution policies and procedures adopted by the Board in accordance with the terms and requirements of each of the provisions of this Order. The Board shall institute such procedures and steps, including documentation requirements, as are necessary to ensure management's full and timely completion of all Board adopted corrective actions and implementation and adherence to amendments or revisions to Institution policies by management and staff. Management shall prepare and submit to the Board each month a report regarding the completion status of all corrective actions adopted by the Board.

IV. DEFINITIONS

All technical words or terms used in this Order for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the HOLA, the FDIA, OTS Memoranda, or other published OTS guidance. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, the HOLA, the

FDIA, OTS Memoranda, or other published regulatory guidance shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

V. SUCCESSOR STATUTES, REGULATIONS, GUIDANCE, AMENDMENTS

Reference in this Order to provisions of statutes, regulations, OTS Memoranda, and other published regulatory guidance shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

VI. NO VIOLATIONS AUTHORIZED; OTS NOT RESTRICTED

Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject; or (b) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law including, without limitation, any type of supervisory, enforcement or other action that the OTS determines to be appropriate, arising out of matters described in Reports of Examination, or based on other matters.

VII. TIME LIMITS; EFFECT OF HEADINGS; SEPARABILITY CLAUSE; STIPULATION INCORPORATED

A. Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted.

B. The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

C. In case any provision in this 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.

D. The Stipulation is made a part hereof and is incorporated herein by this reference.

VIII. EFFECTIVE DATE; DURATION

This Order is and shall become effective on the date it is issued, *i.e.*, the Effective Date as shown on the first page hereof. This Order (including the related Stipulation) shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

IX. MISCELLANEOUS

A. The Supervisory Agreement dated November 1, 2006 by and between the Institution and the OTS is terminated upon issuance of this Order.

B. To the extent not already accomplished, the Institution remains obligated to take all corrective actions specified in the OTS Report of Examination for the examination started May 21, 2007. However, to the extent there are any conflicts between timeframes specified in the Report of Examination and timeframes specified in this Order, the timeframes in this Order shall prevail and be applicable.

OFFICE OF THRIFT SUPERVISION

By: _____/s/
Darrel W. Dochow
Regional Director
West Region

(Universal CD Order 12-19-07 j:\Universal)

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

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In the Matter of)	Order No.: <u>WE-08-001</u>
UNIVERSAL BANK,)	
West Covina, California.)	Effective Date: <u>January 7, 2008</u>
OTS Docket No.: 05801)	
_____)	

**STIPULATION AND CONSENT TO ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF**

WHEREAS, the Office of Thrift Supervision (OTS), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding for affirmative relief against Universal Bank, West Covina, California, OTS Docket No. 05801 (Institution), pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, the Institution desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding; and

WHEREAS, the Institution wishes to demonstrate its commitment to complete all necessary actions; and

WHEREAS, the Institution enters into this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation): (i) without any adjudication on the merits; (ii) without admitting or denying that grounds exist to initiate an administrative cease and desist proceeding; (iii) without admitting or denying the Findings of Fact, except as to jurisdiction (¶1 below), which jurisdiction is admitted; and (iv) solely for

the purpose of resolving this matter in accordance with Rule 408 of the Federal Rules of Evidence.

NOW, THEREFORE, the Institution hereby stipulates and agrees as follows:

1. Jurisdiction.

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

(b) Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative cease and desist proceeding against such a savings association. Therefore, the Institution is subject to the jurisdiction of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b). The Director of the OTS has delegated to the Regional Director of the West Region of the OTS (Regional Director) the authority to issue cease and desist orders where the savings association has consented to the issuance of the orders.

2. OTS Findings of Fact. The OTS has determined that the Institution has failed to comply fully with the requirements of the Supervisory Agreement between the OTS and the Institution dated November 1, 2006.

3. Consent. The Institution consents to the issuance by the OTS of the accompanying Consent Order to Cease and Desist for Affirmative Relief (Order). The Institution further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. **Finality.** The Order is issued under the provisions of 12 U.S.C. § 1818(b).

Upon its issuance by the Regional Director, the Order shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. **Waivers.** The Institution waives the following:

(a) The right to be served with any written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b);

(b) The right to an administrative hearing of the OTS's charges against it as provided by 12 U.S.C. § 1818(b);

(c) The right to seek judicial review of the Order including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order;

(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, the Order, or both, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and

(e) The right to assert this proceeding, its consent to issuance of the Order, the issuance of the Order, or any one or more of them, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. **Other Governmental Actions Not Affected.** The Institution acknowledges and agrees that its consent to the issuance of the accompanying Order is solely for the purpose of resolving certain potential OTS administrative enforcement charges as provided above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in

any way affect any actions, charges against, liability, or other administrative, civil, or criminal proceeding that arise pursuant to this action or otherwise, and that may be or have been brought by another governmental entity.

7. Miscellaneous.

(a) The laws of the United States of America shall govern the construction and validity of this Stipulation and the Order;

(b) If any provision of this Stipulation and 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) The terms and provisions of this Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or the Order, express or implied, shall give to any person or entity, other than the parties hereto, the Federal Deposit Insurance Corporation, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Stipulation or the Order;

(d) The section and paragraph headings in this Stipulation and the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Order;

(e) The terms of this Stipulation and the Order represent the final agreement of the parties with respect to the subject matters hereof and constitute the sole agreement of the parties with respect to such subject matters; and

(f) This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Senior Deputy Director, Regional Director, or other authorized representative.

8. Signature of Directors. Each Director signing this Stipulation attests that he or she voted in favor of a resolution authorizing the execution of the Stipulation.

WHEREFORE, the Institution, by a majority of its directors, executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief intending to be legally bound hereby.

Universal Bank
West Covina, California

Office of Thrift Supervision
West Region

Accepted by a majority of its directors:

By: _____/s/_____
Darrel W. Dochow
Regional Director, West

By:

Dated: January 7, 2008

_____/s/_____
Chun-Hsuing Chang

_____/s/_____
Frank Chang

_____/s/_____
Visman Chow

_____/s/_____
Percy Duran

_____/s/_____
Neil Cadman

_____/s/_____
Carol Graf

_____/s/_____
Thomas Hauptert

_____/s/_____
David Robinson

_____/s/_____
Sydney Schwartz

(Universal CD Stip 12-19-2007 j:\Universal)