

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

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In the Matter of)	
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GOLDEN COAST BANK)	ORDER TO
LONG BEACH, CALIFORNIA)	CEASE AND DESIST
)	
(INSURED STATE NONMEMBER BANK))	Docket FDIC-08-359b
)	
_____)	

Golden Coast Bank, Long Beach, California ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and Section 1912 of the California Financial Code, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), and with counsel for the California Department of Financial Institutions ("CDFI"), dated January 22, 2009, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the CDFI.

The FDIC and the CDFI considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices and violations of law and/or regulations. The FDIC and the CDFI, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe and unsound banking practices and violations of law and/or regulations, as more fully set forth in the joint FDIC and CDFI Report of Examination (“ROE”) dated May 5, 2008:

- (a) operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits;
- (b) operating with a Board of Directors (“Board”) which has failed to provide adequate supervision over and direction to the active management of the Bank;
- (c) operating with inadequate capital in relation to the kind and quality of assets held by the Bank;
- (d) operating with an inadequate loan valuation reserve;
- (e) operating with a large volume of poor quality loans;
- (f) engaging in unsatisfactory lending and collection practices;
- (g) operating in such a manner as to produce operating losses;
- (h) operating with inadequate provisions for liquidity;
- (i) operating with inadequate interest rate risk management;
- (j) operating with inadequate internal routine and control policies;

(k) operating in contravention of the FDIC's Deposit Insurance Order and DFI's Conditions of Approval; and

(l) operating in contravention of Appendix A to Part 364 and Appendix A to Part 365.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include the following: (i) a chief executive officer with proven ability in managing a bank of comparable size, and experience in upgrading a low quality loan portfolio, improving earnings, and other matters needing particular attention; (ii) a chief financial officer with demonstrated ability in all financial areas including but not limited to, accounting, regulatory reporting, budgeting and planning, management of the investment function, liquidity management, and interest rate risk management; and (iii) a chief credit officer with significant appropriate lending, collection, and loan supervision experience and experience in upgrading a low quality loan portfolio. The chief executive officer, the chief financial officer, and the chief credit officer are hereafter referred to collectively as "Senior Executive Officers." Each Senior Executive Officer shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER.

(b) The qualifications of management shall be assessed on its ability to:

(i) comply with the requirements of this ORDER;

(ii) operate the Bank in a safe and sound manner;

(iii) comply with applicable laws and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(c) Without limiting the generality of the foregoing, the Deputy Regional Director of the FDIC's San Francisco Regional Office ("Deputy Regional Director") and the Commissioner of the CDFI ("Commissioner") reserve the right to determine whether current Senior Executive Officers and directors of the Bank will be considered to be qualified for purpose of this ORDER.

(d) During the life of this ORDER, the Bank shall notify the Deputy Regional Director and Commissioner in writing when it proposes to add any individual to the Bank's Board or employ any individual as a Senior Executive Officer. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual or individuals to be added or employed. The Bank shall not add, elect or appoint any individual to the Bank's Board or employ any individual as a Senior Executive Officer if the Deputy Regional Director or Commissioner, in response to the Bank's notification as required in this paragraph, notifies the Bank of his or her disapproval.

(e) Within 30 days after the effective date of this ORDER, the Bank's Board shall contract an independent consultant to conduct a review of the composition, structure and effectiveness of the Bank's Board and Senior Executive Officers (the "Independent Review") and to prepare a written report (the "Independent Report") containing the findings, conclusions, and any recommendations for director, management, or operational changes for improvements and enhancements to the overall performance and operations of the Board and Senior Executive

Officers. The primary purpose of the Independent Review is to determine whether the Board and executive management team are currently adequately staffed by qualified individuals, whether any current members are not sufficiently qualified for their current respective position, and whether any additional members may be needed to improve the composition of the Board and executive management team. The independent consultant and the scope of the Independent Review shall be acceptable to the Deputy Regional Director and Commissioner. The Independent Review shall include, at a minimum, an evaluation and assessment of the following:

(i) the current composition and effectiveness of the Board, including committees thereof, and the ability to provide direction and oversight of the overall performance and condition of the Bank; and

(ii) each current director and Senior Executive Officer to determine whether the individual possesses the skills, ability, experience and qualifications to perform present and anticipated duties, including the ability to adhere to applicable banking laws and regulations and internal policies and procedures, maintain the Bank in an overall safe and sound condition, fully understand the risks facing the Bank, and implement the provisions of this ORDER.

(f) The Independent Review shall be completed within 60 days of engagement of the independent consultant.

(g) The Independent Report shall be submitted to the Board, the Deputy Regional Director, and Commissioner within 10 days of completion of the Independent Review.

(h) Within 30 days of the receipt of the Independent Report, the Bank shall submit to the Deputy Regional Director and Commissioner a written plan that specifically

addresses the actions that the Board will take in response to each of the deficiencies and recommendations contained in the Independent Report.

2. Within 30 days from the effective date of this ORDER, the Bank's Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size and condition. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; individual committee actions; and liquidity and interest rate risk/sensitivity reports. The Bank's Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

3. (a) During the life of this ORDER, the Bank shall maintain Tier 1 capital in such an amount as to equal or exceed 8.0 percent of the Bank's total assets.

(b) The level of Tier 1 capital to be maintained during the life of this ORDER shall be in addition to a fully funded allowance for loan and lease losses ("Allowance"), the adequacy of which shall be satisfactory to the Deputy Regional Director and Commissioner as determined at subsequent examinations and/or visitations.

(c) For purposes of this ORDER, the terms "Tier 1 capital" and "total assets" shall have the meanings ascribed to them in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 325.2(v) and 325.2(x).

4. During the life of this ORDER, the Bank shall have and maintain an adequate Allowance commensurate to the overall risk in its portfolio.

5. Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a written plan for the reduction and collection of classified assets and delinquent loans. The plan shall be acceptable to the Deputy Regional Director and Commissioner as determined at subsequent examinations and/or visitations.

6. (a) Within 60 days from the effective date of this ORDER, the Board shall adopt and implement new credit administration policies and procedures to address the staffing, underwriting and monitoring deficiencies noted in the ROE and ensure compliance with the lending guidance contained in Appendix A of 12 C.F.R. Part 365. The Board shall ensure that the lending area is adequately staffed with personnel which possess the expertise necessary to properly supervise loans, including loan participations purchased, and that adequate procedures are in place to analyze loans and loan participations prior to origination or purchase and thereafter. Such policies and procedures and their implementation shall be in a form and manner acceptable to the Deputy Regional Director and Commissioner as determined at subsequent examinations and/or visitations.

(b) The new credit administration procedures required by this paragraph, at a minimum, shall include the following:

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

(ii) provisions that require lending personnel to conduct a thorough credit underwriting analysis and prepare credit memorandums that accurately reflect the

information contained in the loan file and present a realistic assessment of the proposed credit prior to approval;

(iii) provisions that prohibit the purchase of any participation without an independent credit analysis by the Bank prior to approval;

(iv) provisions that require the preparation of a loan "watch list" which shall include relevant information on all loans classified in the ROE dated May 5, 2008, or by the FDIC or CDFI in subsequent Reports of Examination and all other loans in excess of \$250,000 which warrant individual review and consideration by the Bank's Board as determined by the loan committee or active management. The loan "watch list" shall be presented to the Bank's Board for review at least monthly with such review noted in the minutes;

(v) provisions whereby officer compliance with the Bank's loan policy is monitored and responsibility for exceptions is assigned. The provisions adopted shall be reflected in minutes of a Bank Board meeting at which all members are present and the vote of each is noted; and

(vi) provisions that require the Bank to monitor and analyze real estate market conditions on an on-going basis.

7. Within 30 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collections, one-half of the assets classified "Doubtful" in the ROE that have not been previously collected or charged off, unless the Bank can substantiate the value of the asset with a current appraisal in which case only the deficiency shall be charged off.

8. (a) Within 90 days from the effective date of this ORDER, the Bank shall prepare and submit to the Deputy Regional Director and Commissioner a written business plan

covering the overall operation of the Bank. The plan, upon completion, shall be submitted to the Deputy Regional Director and Commissioner for their review and comment.

(b) Within 90 days of the effective date of this ORDER, the Bank shall develop and submit to the Deputy Regional Director and Commissioner a written three-year strategic plan and include a comprehensive discussion of how the Bank's strategic plan will be implemented. Such plan shall address the composition of loans and deposits and provisions for increasing the Bank's organic loans and core deposits. For each year, the plan shall include specific goals for the dollar volume of total loans, total investment securities, and total deposits. For each year, the plan shall also specify the anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a percentage of total assets; and the ratio of net interest income to average earning assets. The plan shall be in a form and manner acceptable to the Deputy Regional Director and Commissioner as determined at subsequent examinations and/or visitations.

9. Within 120 days from the effective date of this ORDER, the Bank shall formulate and implement a written profit plan. The plan shall address, at a minimum, goals and strategies for improving and sustaining the earnings of the Bank, including an identification of the major areas in, and means by which, the Bank's Board will seek to improve the Bank's operating performance. The plan, upon completion, shall be forwarded to the Deputy Regional Director and Commissioner for review and comment.

10. (a) The Bank shall formulate and fully implement a written plan and a comprehensive budget for all categories of income and expense. The plan and budget required by this paragraph shall include formal goals and strategies, consistent with sound banking practices, to improve the Bank's net interest margin, increase interest income, reduce

discretionary expenses, and improve and sustain earnings of the Bank. The plan shall include a description of the operating assumptions that form the basis for and adequately support major projected income and expense components. The Bank shall formulate such plan and budget within 60 days from the effective date of this ORDER, and thereafter by November 30 of each subsequent year.

(b) The plan and budget required by subparagraph 10(a) of this ORDER, upon completion, shall be submitted to the Deputy Regional Director and Commissioner for their review and opportunity for comment.

(c) Following the end of each calendar quarter, the Bank's Board shall evaluate the Bank's actual performance in relation to the plan and budget required by subparagraph 10(a) of this ORDER and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Bank Board meeting at which such evaluation is undertaken.

11. Upon the effective date of this ORDER, the Bank shall not increase the amount of its brokered deposits. In addition, during the life of this ORDER, the Bank shall not solicit, retain, or rollover brokered deposits.

12. Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written liquidity and funds management policy. Such policy and its implementation shall address the deficiencies noted in the ROE and be in a form and manner acceptable to the Deputy Regional Director and Commissioner as determined at subsequent examinations and/or visitations.

13. Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt and implement policies governing interest rate risk exposure to the Bank. The policies

shall, at a minimum, establish appropriate risk parameters using the measurement indicators monitored by the Bank's simulation model and eliminate references to risk parameters not used to monitor the Bank's interest rate risk position. Such policies shall be in a form and manner acceptable to the Deputy Regional Director and Commissioner as determined at subsequent examinations and/or visitations. The Bank shall also ensure that the Economic Exposure Analysis Report required by the Bank's Investment Policy is prepared by the Chief Financial Officer on a quarterly basis.

14. Within 60 days from the effective date of this ORDER, the Board shall augment the IT audit program by contracting written audits of the internal IT system and the wire transfer area.

15. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct the contraventions of Policy Statements noted in the ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable Policy Statements.

16. Within 30 days of the end of the first quarter following the effective date of this ORDER, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Deputy Regional Director and Commissioner detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports shall include a copy of the Bank's Report of Condition and the Bank's Report of Income. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Deputy Regional Director and Commissioner have released the Bank in writing from making further reports.

17. Following the effective date of this ORDER, the Bank shall send to its shareholder(s) or otherwise furnish a description of this ORDER in conjunction with the Bank's

next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, and to the CDFI at least 15 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the CDFI shall be made prior to dissemination of the description, communication, notice, or statement.

This ORDER will become effective upon its issuance by the FDIC and the CDFI. Violation of any provision of this ORDER will be deemed to be conducting business in an unsafe or unsound manner, and will subject the Bank to further regulatory enforcement action. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC and the CDFI.

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Pursuant to delegated authority.

Dated at San Francisco, California, this 27TH day of January, 2009.

J. George Doerr
Deputy Regional Director
Division of Supervision and Consumer Protection
San Francisco Region
Federal Deposit Insurance Corporation

William S. Haraf
Commissioner
California Department of Financial Institutions