FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

In the Matter of	)	
	)	ORDER TO CEASE AND DESIST
WESTERN COMMERCIAL BANK WOODLAND HILLS, CALIFORNIA	)	FDIC-09-370b
(INSURED STATE NONMEMBER BANK)	)	

Western Commercial Bank, Woodland Hills, California ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices 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 September 10, 2009, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices, 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. 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, as more fully set forth in the joint FDIC and CDFI Report of Examination dated February 2, 2009 ("ROE"):

(a) operating with a board of directors that has failed to provide adequate supervision over and direction to the active management of the Bank;

(b) operating with inadequate capital in relation to the kind and quality of assets held by the Bank;

(c) operating with a large dollar amount of poor quality loans;

(d) operating in such a manner as to produce low earnings; and

(e) operating with inadequate provisions for liquidity.

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:

(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 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 written authority from the Bank's board of directors ("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.

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

(c) During the life of this ORDER, the Bank shall notify the Regional Director and the Commissioner of the CDFI in writing when it proposes to add or replace any individual on the Board, or employ any individual, or change the responsibilities of any individual, to act 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 shall 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 Board or employ any individual as a Senior Executive Officer without the prior written approval of the Regional Director and the Commissioner.

2. Within 45 days from the effective date of this ORDER, the 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; and individual committee actions. The Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

3. (a) Within 90 days from the effective date of this ORDER, the Bank shall increase its Tier 1 capital by no less than $1,000,000 and achieve and thereafter maintain Tier 1 capital in such an amount as to equal or exceed 9.5 percent of the Bank’s total assets.

(b) Within 60 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a plan (“Capital Plan”) to satisfy the requirements of Subparagraph 3(a) of this ORDER and to meet and thereafter exceed the minimum risk-based capital requirements as described in the FDIC’s Statement of Policy on Risk-Based Capital contained in the FDIC’s Rules and Regulations, 12 C.F.R. Part 325, Appendix A. The Capital Plan shall be in a form and implemented in a manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(c) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to Subparagraph 3(a) shall be in addition to a fully funded allowance for loan and lease losses ("Allowance"), the adequacy of which shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(d) If all or part of the increase in Tier 1 capital required by Paragraph 3 of this ORDER is accomplished by the sale of new securities, the Bank's Board shall forthwith take all necessary steps to adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the federal securities laws. Prior to the implementation of the plan and, in any event, not less than 15 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Registration and Disclosure Union, Washington, D.C. 20429, for review and to the Commissioner to obtain any and all necessary securities permits or other approvals. Any changes requested to be made in the plan or materials by the FDIC or the Commissioner shall be made prior to their dissemination. If the increase in Tier 1 capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Regional Director and the Commissioner for prior approval.

(e) For the 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. Within 60 days from the effective date of this ORDER, the Board shall review or revise or develop, adopt and implement a comprehensive policy for determining the adequacy of the Allowance. For the purpose of this determination, the adequacy of the Allowance shall be determined after the charge-off of all loans or other items classified "Loss." The policy shall provide for a review of the Allowance at least once each calendar quarter. Said review shall be completed prior to the filing of the Bank's quarterly Reports of Condition and Income ("Reports"), in order that the findings of the Board with respect to the Allowance may be properly reported in such quarterly Reports. The review shall focus on the accounting standards set forth in the Financial Accounting Standards Board's Statement Number ("FAS") 5 and FAS 114, the results of the Bank's internal loan review, loan loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. A deficiency in the Allowance shall be remedied in the calendar quarter it is discovered, prior to submitting the Reports of Condition and Income, by a charge to current operating earnings. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the Bank's Allowance, and the implementation of such policy, shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

5. (a) Within 30 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written plan for the reduction and collection of classified assets and delinquent loans. Such plan shall take into consideration the requirements of Subparagraphs 5(b), 5(c) and 5(d) of this ORDER. Such plan and its implementation shall be acceptable to the Regional Director and the Commissioner, as determined at subsequent examinations and/or visitations.

(b) Within 30 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets classified "Loss" in the ROE that have not been previously collected or charged off. Elimination of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph.

(c) Within 120 days from the effective date of this ORDER, the Bank shall have reduced the assets classified "Substandard" in the ROE, that have not been previously charged-off, to not more than 50 percent of the Bank's Tier 1 capital plus the Allowance.

(d) The requirements of Subparagraphs 5(b) and 5(c) of this ORDER are not to be construed as standards for future operations. Reduction of adversely classified assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph, except for a loan made to a person other than the borrower or an affiliate of the borrower that is approved by a majority of the Board of Directors and that either satisfies all of the standards for a performing loan secured by real estate with a loan-to-value ratio not to exceed 75% based on a valid, recent appraisal, or satisfies all of the standards for a conforming loan, including but not limited to, having a documented income source to demonstrate the capacity of the new borrower to make payments of the loan in accordance with its terms. The Bank shall provide notice to the Regional Director and the Commissioner of any loan used for the reduction of an adversely classified asset pursuant to the previous sentence. As used in Paragraph 5, the word "reduce" means:

(i) to collect;

(ii) to charge-off; or

(iii) to sufficiently improve the quality of assets adversely classified to warrant removing any adverse classification, as determined by the FDIC and the CDFI.

6. (a) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, “Loss” and is uncollected. Subparagraph 6(a) of this ORDER shall not prohibit the Bank from renewing or extending the maturity of any credit in accordance with FAS 15.

(b) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been classified, in whole or part, "Substandard" without the prior approval of a majority of the Board or the loan committee of the Bank.

(c) The loan committee or the Bank’s Board shall not approve any additional extension of credit to a borrower in Subparagraph 6(b) above, without first collecting in cash all past-due interest.

7. (a) Within 60 days from the effective date of this ORDER, the Bank shall review or revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function. Such policies and their implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

8. Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement a plan requiring the prudent diversification of the Bank’s loan portfolio. Such plan shall include specific goals, actions and time frames for improving the Bank’s monitoring and limitation of its concentrations of credit. Such plan and its implementation shall be acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations. Such plan shall include, but not be limited to:

(a) specific types of concentrations that the Bank will monitor with limits and guidelines for each concentration type;

(b) specific actions that the Bank will take, and tools that the Bank will use to monitor its concentrations of credit;

(c) the preparation of internal reports to facilitate the monitoring and control of the Bank's concentrations;

(d) the assignment of responsibility to review and monitor the Bank's concentrations reports;

(e) the types and frequency of concentrations reports that will be submitted to and reviewed by the Bank's Board;

(f) procedures to ensure that concentrations limits are not exceeded;

(g) required actions to be taken when concentrations limits are reached;

(h) procedures requiring the periodic review of the types of concentrations that the Bank is monitoring, as well as the applicable concentrations limits, to ensure that the Bank has a dynamic concentration monitoring system that is modified and adjusted in response to changes in market conditions;

(i) specific goals and timeframes for a reduction in the Bank's current concentrations in construction and land development loans and commercial real estate ("CRE") loans; and

(j) the establishment of formalized portfolio stress testing to better quantify, monitor, and address the risk to the Bank resulting from changing economic and market conditions.

9. Within 60 days of the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner a written three-year strategic plan. Such

plan shall include specific goals for the dollar volume of total loans, total investment securities, and total deposits. 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 Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

10. Within 60 days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a written profit plan. Such plan shall be in a form, and shall be implemented in a manner, acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations. Such plan shall address, at a minimum:

(a) goals and strategies for improving and sustaining the earnings of the Bank;

(b) an identification of the major areas in, and means by which, the Board will seek to improve the Bank's operating performance;

(c) the formulation of realistic and comprehensive budgets;

(d) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;

(e) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components; and

(f) a plan to control overhead and other expenses.

11. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and 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. Thereafter, the bank shall formulate such a plan and budget by November 30 of each subsequent year.

(b) The plan and budget required by Paragraph 11 of this ORDER, upon completion, shall be submitted to the Regional Director and the Commissioner for their review and opportunity for comment.

12. The Bank shall not pay cash dividends without the prior written consent of the Regional Director and the Commissioner.

13. During the life of this ORDER, the Bank shall not establish any new branches or other offices of the Bank without the prior written consent of the Regional Director and the Commissioner.

14. (a) During the life of this ORDER, the Bank shall not solicit, retain, or rollover brokered deposits unless it has applied for and been granted a waiver of this prohibition by the FDIC in accordance with the provisions of Section 337.6 of the FDIC's Rules and Regulations.

(b) Within 60 days of the effective date of this ORDER, the Bank shall submit to the Regional Director and the Commissioner a written plan for reducing its reliance on non-core funding sources, including brokered deposits and borrowings. The plan shall contain details as to the current composition of brokered deposits by maturity and explain the means by which such deposits will be paid or rolled over. The Regional Director and the Commissioner shall have the right to reject the Bank's plan. On the 15th day of each month, the Bank shall provide a written progress report to the Regional Director and the Commissioner detailing the level, source, and use of brokered deposits with specific reference to progress under the Bank's plan.

For purposes of this ORDER, brokered deposits are defined as described in section 337.6(a)(2) of the FDIC's Rules and Regulations.

15. 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 plan and its implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations. Such policy shall address, at a minimum:

(a) responsibilities of the Board related to the effective oversight of the Bank's liquidity risk;

(b) responsibilities of the Bank's management to actively monitor, plan and control the Bank's liquidity risk;

(c) strategies, procedures, and limits used to manage and mitigate the Bank's liquidity risk;

(d) goals and strategies for improving and sustaining the liquidity of the Bank;

(e) the development of target liquidity and dependency metrics based on the Bank's liquidity risk profile;

(f) comprehensive measurement and monitoring systems, including the assessment of current and prospective cash-flow needs, that are commensurate with the complexity and the business activities of the Bank;

(g) responsibilities and strategies for the active management of the Bank's intraday liquidity position;

(h) the need to diversify the Bank's funding sources in order to ensure that the Bank's current and future liquidity needs are adequately met;

(i) target levels for minimum on-balance-sheet and off-balance-sheet liquidity sources to sufficiently meet the Bank's liquidity needs during both anticipated and unanticipated liquidity situations;

(j) a comprehensive contingency-funding plan that addresses action plans in the event of potential adverse liquidity events and emergency liquidity needs;

(k) internal controls and audit processes sufficient to determine the adequacy of the Bank's liquidity risk management processes; and

(l) coordination of the Bank's loan, investment and operating policies, and budget and profit planning with the Bank's liquidity and funds management policy.

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 Regional Director and the 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 Reports of Condition and Income. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the 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 CDFI and also to the FDIC, Accounting and Securities Section, Washington, D.C. 20429, 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. Violations of any provisions 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.

Pursuant to delegated authority.

Dated at San Francisco, California, this 18th day of September, 2009.

/s/

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

/s/

William S. Haraf
Commissioner
California Department of Financial Institutions