

**#2013-090**

Also *Terminates* **#2009-136**

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY**

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**In the Matter of:** )  
EH National Bank ) AA-EC-2013-42  
Beverly Hills, California )

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**CONSENT ORDER**

**WHEREAS**, the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”), through his authorized representative, has supervisory authority over EH National Bank, Beverly Hills, California (“Bank”);

**WHEREAS**, the Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”), dated 2013 , that is accepted by the Comptroller through his duly authorized representative; and

**WHEREAS**, by this Stipulation, which is incorporated by reference, the Bank, has consented to the issuance of this Cease and Desist Order (“Consent Order”) by the Comptroller.

**NOW THEREFORE**, pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

## ARTICLE I

### COMPLIANCE COMMITTEE

(1) The Board shall maintain an active Compliance Committee of at least three (3) directors, of which at least two (2) shall not be employees, former employees, or controlling shareholders of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon the event of a change of the membership, the name of any new member shall be immediately submitted in writing to the Director of Special Supervision (“Director”). The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Consent Order.

(2) The Compliance Committee shall meet at least monthly and prepare a report as described in paragraph 3 below.

(3) Within thirty (30) days, and every thirty (30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the actions needed to achieve full compliance with each Article of this Consent Order, Bank personnel responsible for implementing the corrective actions, and the timeframes for completion;
- (b) actions taken to comply with each Article of this Consent Order; and
- (c) the results and status of those actions.

(4) At least quarterly, within 45 days after the end of each calendar quarter, the Board shall forward a copy of the Compliance Committee’s reports, with any additional comments by the Board, to the Director or within such other period as the Director requires in writing.

(5) The Board shall ensure that the Bank has sufficient processes, personnel, and control systems to effectively implement and adhere to all provisions of this Order, and that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Order.

## ARTICLE II

### STRATEGIC PLAN

(1) Within ninety (90) days, the Board shall prepare and forward to the Director for his review, a written Strategic Plan for the Bank that is acceptable to the Director, covering at least a two (2) year period. The Strategic Plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, together with strategies to achieve those objectives, and shall, at a minimum, include:

- (a) a mission statement that forms the framework for establishing strategic goals and objectives;
- (b) the Bank's strategic goals and objectives, including key financial indicators and risk tolerances;
- (c) an assessment of the Bank's strengths, weaknesses, opportunities, and threats that impact strategic goals and objectives;
- (d) an identification and prioritization of initiatives, including timeframes;
- (e) a description of the Bank's targeted markets, competitive factors in those markets, and a description of control systems to mitigate risks in those markets;
- (f) an assessment of the present and planned product lines (assets and liabilities) and the identification of appropriate risk management systems to identify, measure, monitor, and control risks within the product lines;

- (g) processes to ensure adherence to the Bank's Credit Diversification Policy and maintain compliance with the guidance set forth in *OCC Bulletin 2006-46: Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices: Interagency Guidance on CRE Concentration Management* (December 6, 2006) and the "Concentrations of Credit" booklet of the *Comptroller's Handbook* (December 13, 2011).
- (h) assigned responsibilities and accountability for strategic planning; and
- (i) a description of systems and metrics to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) Prior to adoption by the Board, a copy of the Strategic Plan, and any subsequent amendments or revisions, shall be submitted to the Director for review and prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Strategic Plan.

(3) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. The Board shall forward a copy of these quarterly reports to the Director within 45 days after the end of the calendar quarter.

(4) The Bank may not initiate any action that deviates significantly<sup>1</sup> from the Strategic Plan (that has received a no supervisory objection from the Director and that has been adopted by the Board) without a written determination of no supervisory objection from the Director. The Board must give the Director at least thirty (30) days advance written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan.

(5) The Board shall review and update the Strategic Plan at least annually, no later than March 31 and more frequently if necessary or if requested by the Director in writing.

(6) Until the Strategic Plan required under this Article has been submitted by the Bank for the Director's review, has received a written determination of no supervisory objection from the Director, and is being implemented by the Bank, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed before this Consent Order without first obtaining the Director's prior written determination of no supervisory objection to such significant deviation. Any request to the Director for prior written determination of no supervisory objection to a significant deviation must be submitted to the Director at least thirty (30) days in advance of the significant deviation, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information

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<sup>1</sup> For the purposes of this Consent Order, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's marketing strategies, products and services, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in the aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance).

systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change.

### ARTICLE III

#### CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall maintain at all times the following minimum capital ratios (as defined in 12 C.F.R. Parts 3 and 6):

- (a) Total risk-based capital at least equal to twelve percent (12%) of risk-weighted assets;  
and
- (b) Tier 1 capital at least equal to nine percent (9%) of adjusted total assets.

(2) Within sixty (60) days, the Board shall develop, document, and implement an effective internal capital planning process consistent with OCC Bulletin 2012-16 (Guidance for Evaluating Capital Planning and Adequacy) (June 7, 2012). The Board shall review the documented capital planning process at least annually or more frequently if requested by the Director in writing.

(3) Within ninety (90) days, the Board shall forward to the Director for his review, pursuant to paragraph five (5) of this Article, a written Capital Plan for the Bank, consistent with the Strategic Plan pursuant to Article II, covering at least a two (2) year period. The written Capital Plan shall, at a minimum:

- (a) include specific plans for the achievement and maintenance of adequate capital, which shall in no event be less than the requirements of paragraph one (1) of this Article;
- (b) identify and evaluate all material risks;
- (c) determine the Bank's capital needs in relation to material risks and strategic direction;

- (d) identify and establish a strategy to maintain capital adequacy and strengthen capital if necessary and establish a contingency capital plan commensurate with the Bank's overall risk and complexity;
- (e) include detailed quarterly financial projections; and
- (f) include specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Consent Order that will have an impact on the Bank's capital.

(4) The Bank may declare or pay a dividend or make a capital distribution only:

- (a) when the Bank is in compliance with its approved Capital Plan and would remain in compliance with its approved Capital Plan immediately following the declaration or payment of any dividend or capital distribution;
- (b) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and,
- (c) the Bank has received a prior written determination of no supervisory objection from the Director.

(5) Prior to adoption by the Board, a copy of the Bank's written Capital Plan shall be submitted to the Director for prior written determination of no supervisory objection. The Board shall review and update the Bank's written Capital Plan at least annually, no later than March 31, and more frequently if required by the Director in writing. Revisions to the Bank's written Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall thereafter adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the written Capital Plan and any amendments or revisions thereto.

(6) At least quarterly, the Board shall review financial reports and earnings analyses to evaluate the Bank's performance against the goals and objectives established in the written Capital Plan, as well as the

Bank's written evaluation of significant differences between the actual and projected balance sheet, income statement, and expense accounts, including descriptions of extraordinary and/or nonrecurring items. This review shall include a description of the actions the Board will require the Bank to take to address any deficiencies. The quarterly reviews and written evaluations shall be documented in the Board meeting minutes. The Board shall retain a copy of these reviews and Board meeting minutes and shall forward a copy of these written evaluations and Board meeting minutes to the Director within 45 days after the end of each calendar quarter.

(7) If the Bank fails to maintain capital ratios required by paragraph one (1) of this Article or fails to implement an acceptable written Capital Plan to which the Director has provided a written determination of no supervisory objection, then the Bank may, in the Director's sole discretion, be deemed undercapitalized for purposes of this Consent Order. The Bank shall take such corrective measures as the OCC may direct in writing from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 6. For purposes of this requirement, an action "necessary to carry out the purpose of this section" under 12 U.S.C. § 1831o(e)(5) shall include restoration of the Bank's capital to the minimum ratios required by paragraph one (1) of this Article, and any other action deemed necessary by the OCC to address the Bank's capital deficiency or the safety and soundness of its operations.

#### ARTICLE IV

##### PROBLEM ASSET MANAGEMENT

(1) Within ninety (90) days, the Board shall revise its Problem Asset Reduction Plan ("PARP"), and forward the revised PARP to the Director for a written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall



immediately implement and thereafter ensure adherence to the PARP. The Board shall design the PARP to reduce the level of those assets criticized as "doubtful," "substandard," or "special mention" ("criticized assets") in the most recent ROE, in any subsequent ROE or by any internal or external loan review, or in any list provided to management by the OCC Examiners during any examination, while maintaining capital levels consistent with the Bank's capital planning process and the levels specified in Article III of this Consent Order. The PARP shall contain a detailed plan to reduce the Bank's total level of criticized assets and include:

- (a) specific actions, including related time frames, that the Bank will take to reduce criticized assets;
- (b) quarterly projections for criticized assets for a two (2) year period;
- (c) details regarding how the capital minimums specified in Article III will be maintained as the Bank reduces classified assets, including information as to the source, amount and timing of any anticipated capital infusions; and,
- (d) detailed financial statements, including income and balance sheets, showing the impact on earnings and capital of plans to reduce criticized assets consistent with the written Strategic and Capital Plans pursuant to Articles II and III.

(2) The Bank shall maintain policies and procedures for the provision of accurate and timely reports to the Board regarding criticized assets, and for the preparation and content of individual Asset Workout Plans (AWPs) for all criticized credit relationships and other real estate owned totaling in the aggregate \$250,000 or above. The AWPs shall be submitted the Director at least quarterly within 45 days after the end of each calendar quarter.

(3) The Bank shall not extend credit, directly or indirectly, including renewals, modifications, or extensions, to borrowers whose loans or other extensions of credit are subject to an AWP, or are

criticized in any ROE, in any internal or external loan review, or in any list provided to management by the OCC Examiners during any examination, unless and until a majority of the Board, or a designated committee thereof, determines in writing that the extension of additional credit is necessary to promote the best interests of the Bank; a written credit and collateral analysis is performed; and the AWP for that borrower will not be compromised by the extension of additional credit.

(4) At least quarterly, the Board or a committee thereof, shall review and evaluate the effectiveness of the PARP and the AWPs. The Board's review shall include an assessment of the Bank's compliance with the PARP and the AWPs. Written documentation of the factors considered and conclusions reached by the Board in determining the Bank's compliance and progress reducing the level of criticized assets shall be maintained.

## ARTICLE V

### THIRD-PARTY CONTRACTS INVOLVING SALE,

### MERGER, OR RECAPITALIZATION OF THE BANK

(1) Effective immediately, the Bank shall not enter into any contract with a third party to assist in the sale, merger, or recapitalization of the Bank that requires the payment of anything other than expenses prior to such sale, merger, or recapitalization, or that requires the Bank to pay, directly or indirectly, the cost of performing due diligence, or other services related to the transaction, unless the Bank first receives the Director's written determination of no supervisory objection.

(2) Any request for the Director's written determination of no supervisory objection shall be in writing and shall include:

- (a) a description of the due diligence credit review, fairness opinion, or any other services to be performed by the third party, including a copy of the proposed contract or engagement;
- (b) a description of the Bank's due diligence process for agreeing to the services to be performed by a potential purchaser or merger partner; and
- (c) a determination by the Board that:
  - (i) the activities to be performed by the third party as part of the sale or merger requirements are fair and reasonable to the Bank;
  - (ii) the parties are able to perform under the contract or commitment;
  - (iii) the fees the Bank is required to pay to the third party are reasonable for the services provided; and
  - (iv) the contract is in the best interests of the Bank.

(3) Following any written determination of no supervisory objection by the Director, the Board shall regularly monitor the contractor or service provider's performance to ensure that the contractor or service provider is complying with the written contract or engagement. The Board shall immediately take appropriate action if the contractor or service provider is not complying with the written contract or engagement and shall maintain documentation of any such actions.

## ARTICLE VI

### OTHER PROVISIONS

(1) Although the Bank is by this Consent Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Director, the

Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon it by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from taking such action.

(3) The provisions of this Consent Order are effective upon issuance by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Consent Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller, through his authorized representative.

(4) Except as otherwise expressly provided herein, any time limitations imposed by this Consent Order shall begin to run from the effective date of this Consent Order.

(5) Each citation or referenced guidance included in this Order includes any subsequent guidance that replaces, supersedes, amends, or revises the cited law, regulation or guidance.

(6) If the Bank requires a waiver or suspension of any provision or an extension of any timeframe within this Consent Order, the Board shall submit a written request to the Director asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that support the waiver or suspension of any provision or an extension of a timeframe within this Consent Order.

(7) The Director's decision concerning a request submitted pursuant to paragraph six (6) of this Article is final and not subject to further review.

(8) In each instance in this Consent Order in which the Board or a Board committee is required to ensure adherence to and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Consent Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Consent Order;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(9) This Consent Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(10) The OCC issued a Consent Order to the Bank on June 26, 2009, AA-WE-09-53 (“AA-WE-09-53”). This Consent Order replaces AA-WE-09-53 in its entirety and, therefore, AA-WE-09-53 is hereby terminated. Provided however, no provision in this Consent Order shall bar or otherwise limit any enforcement action the OCC may choose to initiate, in its discretion, against the Bank or its institution-affiliated parties (“IAPs”) for any failure to comply with AA-WE-09-53 while it was effective.

(11) All reports or plans which the Bank or Board has agreed to submit to the Director pursuant to this Consent Order shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision  
Comptroller of the Currency  
400 7th Street, S.W. , Suite 3E-218  
Mail Stop 8E-12  
Washington, DC 20219

*with a copy to:*  
Los Angeles Field Office  
Comptroller of the Currency  
550 N. Branch Blvd., Suite 500  
Glendale, CA 91203

The terms of this Consent Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 9<sup>th</sup> day of July, 2013.

/s/ \_\_\_\_\_

Michael R. Brickman  
Director  
Special Supervision Division

**UNITED STATES OF AMERICA**  
**DEPARTMENT OF THE TREASURY**  
**COMPTROLLER OF THE CURRENCY**

In the Matter of: )  
EH National Bank )  
Beverly Hills, California )

AA-EC-2013-42

**STIPULATION AND CONSENT TO THE ISSUANCE**  
**OF A CONSENT ORDER**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against EH National Bank, Beverly Hills, California (“Bank”) pursuant to 12 U.S.C. § 1818(b), through the issuance of a Notice of Charges, for unsafe or unsound banking practices relating to asset quality and earnings, and for failure to comply with the September 15, 2009 Cease and Desist Order.

WHEREAS, the Bank, in the interest of compliance and cooperation, and without admitting or denying any wrongdoing, consents to the issuance of a Consent Order, dated July 9, 2013 (“Order”);

NOW THEREFORE, in consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

**ARTICLE II**

**Jurisdiction**

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

## ARTICLE II

### AGREEMENT

(1) The Bank agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(2) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

## ARTICLE III

### WAIVERS

(1) The Bank, by signing this Stipulation and Consent, hereby waives:



- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
- (b) any and all procedural rights available in connection with the issuance of the Order;
- (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19;
- (d) all rights to seek any type of administrative or judicial review of the Order; and
- (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

**Other Action**

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

/S/  
\_\_\_\_\_  
Michael R. Brickman  
Director for Special Supervision

July 9, 2013  
\_\_\_\_\_  
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/S/  
Peter Aharonyan

July 9, 2013  
Date

/S/  
Talal Beydoun

July 9, 2013  
Date

/S/  
Ara Fermanian

July 9, 2013  
Date

/S/  
John L. Sadd, Jr

July 9, 2013  
Date

/S/  
James C. Wall

July 9, 2013  
Date

/S/  
Yoshiki Yamakawa

July 9, 2013  
Date

/S/

July 9, 2013