

IN THE MATTER OF UNITED HERITAGE BANK)
EDISON, NEW JERSEY)

STATE OF NEW JERSEY
DEPARTMENT OF
BANKING AND INSURANCE

ORDER TO CEASE AND DESIST
UNSAFE AND UNSOUND
PRACTICES (ORDER)

TO: UNITED HERITAGE BANK
1876 Route 27
Edison, NJ 08817

JACK KUNG
Chairman of the Board
1876 Route 27
Edison, NJ 08817

BOARD OF DIRECTORS
UNITED HERITAGE BANK

JOSEPH CHU
81 NOTTINGHAM ROAD
MANHASSET HILLS, NY 11040

CHING-I HSU
30 QUAIL RUN
WARREN, NJ 07059

JACK KUNG
4 Dock Watch Hollow
Warren, NJ 07059

HUNG CHI LEE
909 Case Road
Hillsborough, NJ 08844

SHA-TING LIN
16 Pleasant Valley Way
West Windsor, NJ 08550

MIN S. TJIA
8 Manor Drive
Warren, NJ 07059

WHEREAS, the Commissioner of Banking and Insurance of the State of New Jersey (“Commissioner”) is charged with the responsibility of administering and enforcing the Banking Act of 1948, N.J.S.A. 17:9A-1 et seq.; and

WHEREAS, pursuant to N.J.S.A. 17:9A-267, the Commissioner may order a bank to cease unsafe and unsound practices if she finds that a bank is conducting its business in an unsafe and unsound manner; and

WHEREAS, United Heritage Bank (“The Bank”) has been and is presently operating in an unsafe and unsound manner as evidenced by the concurrent Report of Examination performed by the Department of Banking and Insurance (“Department”) and the Federal Deposit Insurance Corporation (FDIC) as of close of business February 24, 2003 (“Report of Examination”) which disclosed the following unsafe and unsound practices and violations at that time.

- (a) Operating with a Board of Directors (Board) whose board governance practices are detrimental to the bank and jeopardize the safety of the depositors:
- (b) Operating with a Board of Directors that has failed to provide adequate supervision and direction to the operating management of the Bank;
- (c) Failing to provide the bank with adequate management and staff who have the experience that is adequate to ensure safe and sound operation of the Bank and to ensure compliance with applicable laws and regulations;
- (d) Operating with inadequate Board and committee minutes;
- (e) Operating with a Board which has failed to adequately supervise and control the renewal of the lease for the Bank's principal office;
- (f) Failing to properly implement the bank's internal audit program;

- (g) Operating with an outdated Strategic Plan and budget;
- (h) Operating with an inadequate net interest margin which has resulted in unsatisfactory earnings;
- (i) Operating in violation of applicable Federal and State laws or regulations, as more fully set forth in the joint Report of Examination; and
- (j) Operating the Bank in such a manner as to fail to comply with the Department's October 11, 2001 Cease and Desist Order and the FDIC January 4, 2002 Section 39 Safety and Soundness Compliance Plan.

IT IS THEREFORE ORDERED, pursuant to N.J.S.A. 17:9A-267, that the Bank, its Board, officers and employees correct the foregoing unsafe and unsound practices and that it institute all measures necessary to correct said unsafe or unsound practices and conditions including, but not limited to, the following:

1. (a) The Bank shall have and retain qualified management. Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. 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 all applicable laws and regulations;
 - (iv) restore all aspects of the Bank to a safe and sound condition, with respect to management effectiveness, and earnings, and;
 - (v) properly manage the day to day affairs of the Bank with the appropriate level of authority granted by the Board.

(b) During the life of this ORDER, the Bank shall notify the Commissioner and the Regional Director in writing of any resignations and/or terminations of any members of its Board and/or any of its officers.

(c) The Bank shall comply with section 32 of the Federal Deposit Insurance Act, 12 U.S.C. §1831i, which includes a requirement that the Bank shall notify the Commissioner and the Regional Director in writing at least 30 days prior to any individual assuming a new position as a senior executive officer or any additions to its board of directors. Such changes will be effective upon the approval by the Commissioner and Regional Director.

(d) To facilitate having and retaining qualified management, the Board shall, within 60 days from the effective date of this ORDER, recruit, hire and/or retain a Senior Loan Officer, Chief Operations Officer, Commercial Loan Officer and Branch Manager/Retail Administrator as required by the Board's December 21, 2001 Organizational Review and Risk Management Assessment (Assessment).

2. (a) Notwithstanding the provisions of N.J.S.A. 17:9A-102C, the Bank must appoint a minimum of four additional directors, acceptable to the Commissioner and the Regional Director, to its Board in accordance with the steps outlined in this paragraph, on the basis of N.J.S.A. 17:9A-267A.

(b) Within 30 days from the effective date of this ORDER, the Board shall obtain the services of an outside consultant, acceptable to the Commissioner and the Regional Director, who is knowledgeable in the area of bank management, to recommend to the Board a list of prospective qualified director candidates.

(c) Within 60 days from the effective date of this ORDER, the consultant must present, to the Bank's Board, a panel of at least six qualified director candidates from whom to select the four new board members. The new directors must not include persons who are either related by blood or marriage to, or have a business or professional relationship with any existing directors or their attorneys or consultants, any bank officer or shareholder who owns directly or indirectly 5% or more of the bank's stock.

(d) Within 90 days from the effective date of this ORDER, the four members of the panel, compiled as set out in paragraphs 2(b) and 2(c) above, receiving the most votes from existing directors will be appointed to the Bank's Board. If the Bank has not added the requisite four new directors to the Board within the timeframe identified in the subparagraph, the Board shall submit a written recitation to the Commissioner and Regional Director identifying the reasons why a decision was not made. The Commissioner and Regional Director shall notify the Board if the reasons for not complying with paragraph 2(c) are acceptable.

(e) One of the four new directors appointed to the Board as required by this provision shall be appointed Chairman of the Board (Chairman) within 30 days of being appointed to the Board. If the Bank has not appointed a new Chairman within the timeframe identified in this subparagraph, the Board shall submit a written recitation to the Commissioner and Regional Director identifying the reasons why a new Chairman was not appointed. The Commissioner and Regional Director shall notify the Board if the reasons why a new Chairman was not appointed are acceptable.

(f) The addition of new Bank directors, and appointment of a new Chairman of the Board, required by this paragraph may be accomplished, to the extent permissible by state statute or the Bank's bylaws, by means of appointment or by election at a regular or special meeting of the Bank's shareholders.

3. (a) Within 60 days of the appointment of new directors in accordance with Paragraph 2 above, the Bank's Board shall develop and adopt an educational program for each member of the Board. The educational program shall include, at a minimum:

- (i) specific training in the areas of lending, operations, and compliance with laws, rules and regulations applicable to banks chartered in the State of New Jersey;
- (ii) specific training in the duties and responsibilities of the Board in connection with the safe and sound operation of the Bank; and
- (iii) provision for periodic training.

(b) The educational program shall be submitted within 10 days of its completion to the Commissioner and Regional Director for review. The Board shall document the training activities in the minutes of the next Board meeting following completion of the training.

4. (a) One year following the implementation of the Assessment in paragraph 1(d), the Board shall provide for a review of the Bank's management (Management Report). The Management Report shall, at a minimum: 1) identify both the type and number of officer and operational staff positions that are needed to properly manage and supervise the affairs of the Bank in a safe and sound manner; 2) establish a plan to recruit, hire and/or replace personnel based on ability and experience; and 3) provide for an assessment of management's effectiveness in improving the Bank's financial condition, operating the Bank in a safe and sound manner, and implementing regulatory corrective actions.

(b) The Board shall obtain the services of an outside consultant, acceptable to the Commissioner and the Regional Director, who is knowledgeable in the area of bank management, to assist the Board in preparing the Management Report. The Management Report shall contain the recommendations made by the consultant. In the event that recommendations made by the consultant are not included in the Management Report, the Board shall immediately advise the Commissioner and Regional Director, in writing, of the specific reasons for which the recommendations were excluded from the Management Report. The acceptability of the consultant shall be based on the consultant's ability to advise the Bank in each of the areas identified in paragraph 1(a). This consultant may be the same consultant employed to assist in the search for new directors as required by paragraph 2.

(c) A copy of the Management Report shall be promptly submitted to the Commissioner and Regional Director for review and comment. Within 30 days from receipt of any comment, and after consideration of such comment, the Board shall approve the Management Report, which approval shall be recorded in the minutes of the meeting of the Board. It shall remain the responsibility of the Board to fully implement the Management Report within the specified timeframes. In the event the Management Report, or

any portion thereof, is not implemented, the Board shall immediately advise the Commissioner and Regional Director, in writing, of the specific reasons for deviating from the Management Report.

(d) While this ORDER is in effect, it shall remain the responsibility of the Board to provide for additional annual reviews of the Bank's management. In the event the review of management is not performed, the Board shall immediately advise the Commissioner and Regional Director, in writing, of the specific reasons for not performing the review.

5. (a) Within 30 days from the effective date of this ORDER the Board shall develop a Board governance policy. The policy should include, but not be limited to: a written statement covering how the bank will be governed; Board members duties as they pertain to the Bank and its shareholders; director independence in its decision making process; how the Board will keep informed and monitor the Bank's activities and financial condition; Board supervision of qualified management; independent reviews for testing compliance with Board approved policies and procedures; insider transactions and the review and implementation of recommendations contained in regulatory reports and correspondence. The policy should also include a procedure for evaluation of Board governance effectiveness at least annually. At a minimum, this should include an evaluation of the Board as a whole and how it has performed relative to the governance policy.

(b) Beginning with the effective date of this ORDER the Board shall maintain a high level of participation in the affairs of the Bank and regular attendance at Board meetings. The Board shall assume full responsibility for the approval of sound policies and objectives for the Bank, 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. The Board's participation shall include attendance at regular Board meetings to be held at least once a month. The Board at a minimum shall discuss, review, and approve at each meeting the following: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; board and committee minutes from the previous month; individual

committee actions and any other business that may come before the Board.

(c) Board minutes shall be kept for each meeting which accurately reflect the discussions, review and approval of the above items along with any other business discussed by the Board. Board minutes shall also reflect the names of all directors agreeing or dissenting to any reviews, approvals or other actions taken by the Board.

(d) The Board shall designate, for its regular meetings, a competent individual, experienced in transcribing official minutes of board meetings, who shall be responsible for maintaining such records of its meetings. The individual so designated shall not be a member of the Board and shall be acceptable to the Department and FDIC. All minutes and accompanying documents of Board and committee meetings should be maintained at the Bank.

(e) Effective immediately, all committees of the Board shall meet as prescribed in the bank's by-laws. Complete and accurate minutes of each committee meeting shall be prepared and submitted to the Board at the next meeting of the Board.

6. (a) Within 60 days from the effective date of this ORDER, the Board shall have adopted an adequate three-year Strategic Plan. At a minimum, the Strategic Plan will establish objectives for the Bank's earnings performance, asset growth, balance sheet mix, liability structure, and capital adequacy, together with strategies for achieving those objectives. Specific content of the Strategic Plan should include, at a minimum, the following:

- (i) the types and kinds of loans and composition of the loan portfolio;
- (ii) realistic and comprehensive budgets and projected income and expense levels;
- (iii) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) Such written Strategic Plan developed pursuant to paragraph 6(a) shall be submitted promptly to the Commissioner and Regional Director for review and comment. Within 30 days after the receipt of any comment from the Commissioner and Regional Director, the Board shall approve the Strategic Plan, which approval shall be recorded in the minutes of the meeting of the Board.

7. (a) Within 60 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the Board shall develop a written profit plan consisting of goals and strategies for improving the earnings of the Bank for each calendar year. The written profit plan shall include, at a minimum:

- (i) identification of the major areas in, and means by, which the Board will seek to improve the Bank's operating performance;
- (ii) realistic and comprehensive budgets;
- (iii) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections and document reasons for any significant variances on not less than a quarterly basis; and
- (iv) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) Such written profit plan developed pursuant to paragraph 7(a) and any subsequent modification thereto shall be submitted to the Commissioner and Regional Director for review and comment. No more than 30 days after the receipt of any comment from the Commissioner and Regional Director, the Board shall approve the written profit plan which approval shall be recorded in the minutes of the Board. Thereafter, the Bank, its directors, officers, and employees shall follow the written profit plan and/or any subsequent modification.

(c) Copies of the quarterly reports required by paragraph 7(a)(iii) shall be submitted to the Commissioner and Regional Director by the 30th day after the end of the calendar quarter

following the effective date of this ORDER, and by the 25th day after the end of every calendar quarter, thereafter.

8. (a) Effective immediately, the Board shall have a plan of action to relocate the Bank's principal office. The Plan at a minimum should address: Vendors approved to construct and market new site, signed construction and marketing agreements, Board/committee oversight of relocation plans and timeframes for various stages of implementing construction and marketing plans.

(b) Effective immediately, the Board shall continue to submit to the Commissioner and Regional Director, weekly status reports of the Board's progress in relocating the principal office of the Bank.

9. Within 30 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law which are more fully set out on pages 37 through 41 of the Report of Examination. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws, regulations, and policies.

10. Effective immediately, the Board shall ensure that internal audits are fully implemented in accordance with the audit scope and frequency of the Board approved Internal Audit Program. The Board shall also ensure that the Audit Committee meets in accordance with the Bank's by-laws and records its review of audit findings in its minutes.

11. Effective immediately, the Bank shall initiate and implement a program to strengthen its credit administration processes and correct the technical exceptions detailed on pages 48 and 49 of the Report of Examination.

12. Within 30 days from the effective date of this ORDER, the Bank shall correct the Asset/Liability Management Policy deficiencies as detailed on pages 33 and 34 of the Report of Examination.

13. While this ORDER is in effect, the Bank shall not declare or pay either directly or indirectly any dividends, whether in cash, stock, or otherwise, on any class of its stock, without the prior written consent of the Commissioner. The Board shall also notify the Regional Director prior to the payment or accrual of any dividends.

14. During the life of this ORDER, the Bank shall continue to submit annual audited financial statements to the Commissioner and the Regional Director. Such statements shall be prepared by a qualified, independent, external auditor and filed within 60 days after each annual period end.

15. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER (i) in conjunction with the Bank's next shareholder communication, and also (ii) in conjunction with its notice or proxy statement preceding the Bank's shareholder meetings. 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 Department and the FDIC, Registration and Disclosure Section, Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the Department and FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

16. Within 30 days of the effective date of this ORDER, the Bank shall hire or appoint a qualified person or firm, to serve as its legal counsel. Any person or firm appointed shall have demonstrated experience in dealing with matters applicable to a financial institution. Any person or firm appointed shall be acceptable to the Commissioner and Regional Director.

17. Following the effective date of this ORDER, there shall be no payment or accrual of salary to the Chairman of the Board until a comprehensive job description supporting any compensation is submitted and approved by the Commissioner. The Board shall also notify the Regional Director prior to the payment or accrual of any salary to the Chairman of the Board.

18. Effective immediately, there shall be no payment or accrual of any director fees, whether in cash, stock, or otherwise, without the prior approval of the Commissioner. The Board shall also notify the Regional Director prior to the payment or accrual of any director fees.

19. Effective immediately, the Bank's Board shall appoint a committee composed of at least three directors who are not now and have never been involved in the daily operations of the Bank, and whose composition is acceptable to the Commissioner and the Regional Director (the "Compliance Committee"), to monitor the Bank's compliance with this ORDER. Within 30 days from the effective date of this ORDER, and at monthly intervals thereafter, such Compliance Committee shall prepare and present to the Bank's Board a written report of its findings, detailing the form, content, and manner of any action taken to secure compliance with this ORDER and the results thereof, and any recommendations with respect to such compliance. Such progress reports shall be included in the minutes of the meeting of the Board.

20. By the 30th day after the end of the month following the effective date of this ORDER, and by the 25th day after the end of every quarter thereafter, the Bank shall furnish written progress reports to the Commissioner and the Regional Director detailing the form, content, and manner of any actions taken to secure compliance with this ORDER, and the results thereof. Additionally, the Board shall submit copies of the minutes for its regular board meetings on a monthly basis.

21. The Bank shall notify the Commissioner and the Regional Director immediately of any material adverse development affecting its condition, performance, or outlook.

Each paragraph of this ORDER shall be binding upon the Bank and all its officers, directors, employees, and their successors and assigns.

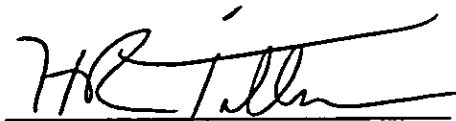
Each paragraph of this ORDER shall remain effective and enforceable until stayed, modified, terminated or suspended by the Commissioner.

In case any paragraph 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 paragraphs hereof shall not in any way be affected or impaired thereby.

Failure to comply with this ORDER may result in imposition of penalties upon the Bank as provided by law or other appropriate supervisory action.

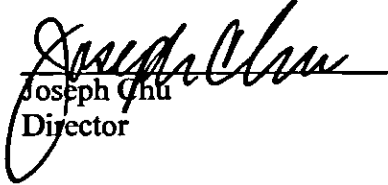
This ORDER is effective and enforceable 10 days from the date of its issuance by the Director on behalf of the Commissioner as set forth below.

IT IS SO ORDERED on this 14th day of *November*, 2003.

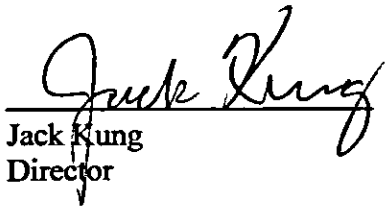


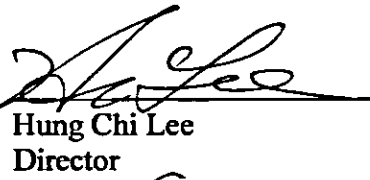
H. Robert Tillman, Director
Division of Banking

Consented to both as to form and substance:

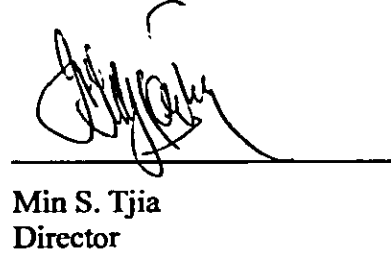

Joseph Chu
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