

BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
OF THE STATE OF CALIFORNIA

In the Matter of: )  
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)  
NANO BANC ) ORDER  
) (Fin. Code, § 580)  
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This order (“Order”) supersedes the orders issued by the Commissioner of the Department of Financial Protection and Innovation (“Commissioner”) on February 24, 2021 and December 15, 2021.

WHEREAS, Nano Banc (“Bank”) is a California chartered bank that is a member of the Federal Reserve System;

WHEREAS, by and through its acting board of directors (“Board”), the Bank has executed a Waiver and Consent to the issuance of an order (“Waiver and Consent”), dated May 2, 2022, that is accepted by the Commissioner. With the Waiver and Consent, the Bank has consented to the issuance of this Order pursuant to Financial Code section 580.

Pursuant to Financial Code section 580, the Commissioner hereby orders:

MANAGEMENT

1. The Bank shall have and retain executive management acceptable to the Commissioner. Such executive management shall have qualifications and experience commensurate with their duties and responsibilities and include a chief executive officer, a chief credit officer and a chief financial officer qualified to restore the Bank to a safe and sound condition, operate the Bank in a safe and sound manner, comply with applicable laws and regulations, and comply with the provisions of this Order. Each member of executive management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

1           2. The Bank shall appoint and retain a board of directors acceptable to the  
2 Commissioner and in compliance with Financial Code section 1171 and the Bank’s bylaws. At all  
3 times, a minimum of three board members should have prior bank board or banking experience.  
4 The majority of the board shall be composed of independent directors. All directors must be  
5 qualified to restore the Bank to a safe and sound condition, operate the Bank in a safe and sound  
6 manner, comply with applicable laws and regulations, and comply with the provisions of this  
7 Order. For purposes of this paragraph, the term “independent director” is defined as an individual,  
8 not an employee or executive officer of the Bank or its holding companies, who owns less than 10  
9 percent of the outstanding voting stock of the Bank or its parent company, who is not related in  
10 any manner to any shareholder who owns 10 percent or more of the outstanding voting stock of the  
11 Bank or its parent company or any related interest of such a shareholder, and who does not have a  
12 relationship that would interfere with the exercise of independent judgment in carrying out the  
13 responsibilities of a director.

14           3. The Bank shall notify the Commissioner in writing when it proposes to appoint,  
15 elect, add, or remove any individual to its Board or when it proposes to employ or remove any  
16 individual as an executive officer. The notification must be received at least 30 days before such  
17 appointment, election, addition, removal, or employment is intended to become effective. The  
18 notification shall also include a description of the background and experience of the individual or  
19 individuals to be appointed, elected, added, or employed. Such appointment, election, addition, or  
20 employment shall not be made unless and until the Bank is notified of the Commissioner’s non-  
21 objection. The Bank shall also notify the Commissioner in writing when it proposes to make any  
22 changes to the duties and responsibilities of any director or executive officer. Such changes shall  
23 not be made unless and until the Bank is notified of the Commissioner’s non-objection. The  
24 Commissioner also reserves the right to determine whether present executive management and  
25 directors of the Bank are acceptable.

26                           BOARD OVERSIGHT AND CORPORATE GOVERNANCE

27           4. Within 75 days of the date of this Order, the Board shall submit a written Board  
28 oversight and management plan acceptable to the Commissioner that fully addresses the findings







1 include all items addressed by this Order, any outstanding issues outlined in the Report of  
2 Examination, and any audits or investigations conducted by the Bank;

3 C. Implementation of a process to comply with the internal control elements of  
4 section 404 of the Sarbanes-Oxley Act, including identification and testing of all internal  
5 controls over financial reporting.

6 D. Improved oversight of all aspects of the audit program by the Board’s audit  
7 committee;

8 E. Timely resolution of audit findings and follow-up reviews to ensure completion  
9 of corrective measures;

10 F. Comprehensive tracking and reporting of the status and resolution of audit and  
11 examination findings to the audit committee; and

12 G. Engagement of an independent certified public accountant to conduct an audit  
13 of the Bank’s 2021 financial statements in accordance with generally accepted accounting  
14 principles and to comply with the requirements of Financial Code section 502.

15 CREDIT RISK MANAGEMENT AND REDUCTIONS OF CONCENTRATIONS  
16 OF CREDIT IN COMMERCIAL REAL ESTATE

17 10. Within 60 days of the date of this Order, the Bank shall submit a written plan  
18 acceptable to the Commissioner to strengthen credit risk management practices overall, including  
19 the Bank’s management of commercial real estate (“CRE”) concentrations. The Board’s written  
20 plan shall address:

21 A. The responsibility of the Board to establish appropriate credit risk tolerance  
22 guidelines and credit risk limits;

23 B. Policies, procedures, and strategies to identify, limit, and manage concentrations  
24 of credit;

25 C. Enhanced procedures to identify, manage and limit concentrations of CRE  
26 credit;

1 D. Specific steps the Bank will take to reduce the Bank’s current level of CRE  
2 concentrations including unsecured loans to finance real estate, and timeframes for achieving  
3 the reduced levels;

4 E. Procedures and controls that ensure that appraisals are obtained and reviewed  
5 prior to any final credit decisions;

6 F. Enhance procedures to improve the accuracy of loan grades, especially for those  
7 credits that have been identified by third-party consultants as classified or impaired credits;

8 G. A plan and schedule to reduce the level of classified assets;

9 H. Improvements to the Bank’s management information systems to ensure that the  
10 Board and senior management obtain timely and accurate information related to credit; and

11 I. Improvements to the Bank’s management information systems to ensure that the  
12 Board and senior management obtain timely and accurate information related to CRE  
13 concentrations.

14 ALLOWANCE FOR LOAN AND LEASE LOSSES

15 11. The Bank shall maintain an adequate ALLL. The Board shall review the adequacy  
16 of the Bank’s ALLL at least quarterly. The minutes of the Board meeting at which such review is  
17 undertaken shall indicate the results of the review, the amount of any change in the ALLL, and the  
18 basis for determination of the amount of the ALLL provided. In determining the appropriateness  
19 of the ALLL, the Board shall consider, among other things, the size and composition of the loan  
20 portfolio, the level of problem and past-due loans, an estimate of loss potential in problem and  
21 past-due loans, and the Bank’s history of loan losses and current economic conditions. Any  
22 deficiency in the ALLL shall be remedied in the calendar quarter in which it is discovered, before  
23 the Bank’s submission of the Call Report, by way of charge to current operating earnings. The  
24 Bank must maintain ALLL that is satisfactory to the Commissioner as determined at subsequent  
25 examinations and/or visitations.

26 CAPITAL

27 12. Within 75 days of the date of this Order, the Bank shall develop and adopt a capital  
28 plan to maintain a tangible shareholders’ equity to total tangible assets ratio equal to or greater

1 than nine and one-half (9 ½) percent. For purposes of this Order, the term “tangible shareholders’  
2 equity” means shareholders’ equity minus intangible assets.

3 13. The level of tangible shareholders’ equity to be maintained shall be in addition to a  
4 fully funded ALLL.

5 14. The capital plan shall also include a capital contingency plan that includes  
6 quantitative and qualitative factors and scenario modeling to determine triggers that would require  
7 additional capital to be raised and to determine the amounts that would need to be raised if various  
8 contingencies were to occur.

9 15. The capital plan shall be in a form and implemented in a manner acceptable to the  
10 Commissioner as determined at subsequent examinations and/or visitations.

11 LIQUIDITY

12 16. Within 30 days of the date of this Order, the Bank shall submit to the Commissioner  
13 a written plan to improve management of the Bank’s liquidity position and funds management  
14 practices. The plan shall include:

15 A. Measures to enhance the monitoring, measurement, and reporting of the Bank’s  
16 liquidity to its Board;

17 B. Measures to improve monitoring of deposit concentrations and specific actions  
18 to reduce deposit concentrations; and

19 C. Specific liquidity targets and parameters, and the maintenance of sufficient  
20 liquidity to meet contractual obligations and unanticipated demands.

21 The acceptability of such plan will be determined at subsequent examinations and/or visitations.

22 17. Within 60 days of the date of this Order, the Bank shall revise and submit to the  
23 Commissioner a written contingency funding plan that includes adverse scenario planning and  
24 identifies and quantifies available sources of liquidity for each scenario. The acceptability of such  
25 plan will be determined at subsequent examinations and/or visitations.

26 EARNINGS PLAN AND BUDGET



1           18. Within 75 days of the date of this Order, the Bank shall formulate a written business  
2 plan for 2022 and 2023 to improve the Bank’s earnings and overall condition. The plan shall  
3 provide for:

4           A. A realistic and comprehensive budget for calendar year 2022 and calendar year  
5 2023, including income statement and balance sheet projections; and

6           B. A description of the operating assumptions that form the basis for, and  
7 adequately support, major projected income, expense, and balance sheet components.

8           19. The Bank shall submit to the Commissioner a draft business plan and budget for  
9 each calendar year subsequent to 2023 at least 30 days before the beginning of that calendar year.

10                           DISTRIBUTIONS TO SHAREHOLDERS

11           20. The Bank shall not make any distribution to its shareholders except with the prior  
12 written approval of the Commissioner. All requests for prior approval shall be received by the  
13 Commissioner at least 30 days prior to the proposed distribution.

14                           BRANCHING, NEW LINES OF BUSINESS

15           21. The Bank shall not engage in any new lines of business or establish any new  
16 branches or other offices of the Bank without the prior written approval of the Commissioner.

17                           WRITTEN REPORTING

18           22. Within 30 days after the end of the first quarter following the effective date of this  
19 Order and within 30 days after the end of each quarter thereafter, the Bank shall furnish written  
20 progress reports to the Commissioner detailing the form and manner of any actions taken to  
21 comply with this Order and the results thereof. Such reports shall include a copy of progress  
22 reports submitted to the Federal Reserve Bank of San Francisco in connection with the Written  
23 Agreement among the Bank, Nano Financial Holdings, Inc., Allegiant United Holdings, LLC and  
24 the Federal Reserve Bank of San Francisco, and the Board of Governors of the Federal Reserve  
25 System’s Cease and Desist Order dated January 18, 2022.

26                           APPROVAL AND IMPLEMENTATION OF PLANS AND PROGRAMS

27           23. Within 10 days of approval by the Commissioner, the Bank shall adopt the plans,  
28 policies, procedures, and programs required by this Order. Upon adoption, the Bank shall

1 promptly implement the approved plans, policies, procedures, and programs, and thereafter fully  
2 comply with them.

3 24. The plans, policies, procedures, and programs adopted pursuant to this Order shall  
4 not be amended or rescinded without the prior written approval of the Commissioner.

5 MISCELLANEOUS

6 25. The Bank shall immediately take all necessary steps to correct all violations cited in  
7 the Report of Examination. In addition, the Board shall take the necessary steps to ensure the  
8 Bank’s future compliance with all applicable laws and regulations.

9 26. The Bank shall notify the Commissioner no less than three (3) business days before  
10 making any public announcement or notification regarding changes in the Bank’s financial  
11 condition, executive management, or Board.

12 27. The provisions of this Order shall not bar, estop, or otherwise prevent the  
13 Commissioner or any other federal or state agency or department from taking any other action  
14 against the Bank or any of the Bank’s current or former institution-affiliated parties, as that term is  
15 defined in Section 3(u) of the Federal Deposit Insurance Act, 12 U.S.C. § 1813(u). This Order is  
16 effective immediately. The provisions of this Order shall be binding upon the Bank, its institution-  
17 affiliated parties, and any successors and assigns thereof. Violation of any provision of this Order  
18 will be deemed to be conducting business in an unsafe or unsound manner and will subject Bank to  
19 further regulatory enforcement action.

20 Dated: May 2, 2022

21 \_\_\_\_\_ /s/  
22 AARON PROSPERI  
23 Deputy Commissioner, Banking Division  
24 Department of Financial Protection and Innovation  
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