#2011-158

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

IN THE MATTER OF:	)	AA-EC-11-78
	)	
WESTERN NATIONAL BANK	)	
PHOENIX, ARIZONA	)	

PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, Western National Bank in Phoenix, Arizona ("Bank") is a "significantly undercapitalized" bank pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 6; and

WHEREAS, the Office of the Comptroller of the Currency ("OCC") is authorized, pursuant to 12 U.S.C. §§ 1831o(e) and (f), to take certain supervisory actions against significantly undercapitalized banks; and

WHEREAS, on September 8, 2011, the OCC issued a Notice of Intent to Issue a Prompt Corrective Action Directive ("Notice") to the Bank to pursuant to 12 C.F.R. § 6.21(a)(1).;

WHEREAS, on September 21, 2011, the Bank submitted a written response to the Notice pursuant to 12 C.F.R. § 6.22; and

WHEREAS, the OCC has carefully considered the Bank's response to the Notice; and

WHEREAS, the Comptroller finds it necessary in order to carry out the purpose of 12 U.S.C. § 1831o to issue this Prompt Corrective Action Directive ("Directive"), requiring the Bank to immediately follow proscriptions and take actions; and

NOW THEREFORE, pursuant to the authority in 12 U.S.C. § 1831o, the Comptroller hereby issues this Directive.

ARTICLE I

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 Office of the Comptroller of the Currency is "the appropriate Federal banking agency" regarding the Bank, pursuant to 12 U.S.C. §§ 1813(q) and 1831o.

(3) The Bank is an "insured depository institution" within the meaning of 12 U.S.C. § 1831o.

(4) This Directive constitutes a final order under 12 U.S.C. § 1831o and is enforceable under 12 U.S.C. § 1818(i).

(5) A violation of this Directive constitutes a violation of a final order under § 1831o and is subject to the assessment of civil money penalties under 12 U.S.C. § 1818(i)(2)(A).

ARTICLE II

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) The Board shall ensure that the Bank has competent management in place on a full-time basis in all senior executive officer level positions to carry out the Board's policies; ensure compliance with this Directive; ensure compliance with applicable laws, rules, and regulations; and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) On or before October 26, 2011, the Board shall prepare a written assessment of the capabilities of the Bank's senior executive officers to perform present and anticipated duties, taking into account the findings contained in the Bank's most recent Report of Examination ("ROE"), and factoring in each officer's past performance, experience, and qualifications, compared to his or her position descriptions, duties, and responsibilities—with particular

emphasis on each officer's ability to comply with this Directive, the July 15, 2009 Formal Agreement ("Formal Agreement"), and the April 4, 2011 Capital Directive ("Capital Directive"), and address the concerns raised in the ROE. Upon completion, a copy of the written assessment should be submitted to the Director of Special Supervision ("Director").

(3) If the Board determines that an officer's skills or abilities need improvement and that the officer will continue in his/her position, the Board will, within fifteen (15) calendar days following its determination, require the Bank to develop and implement a written program, with specific time frames, to improve the officer's performance, skills, and abilities. Upon completion, a copy of the written program shall be submitted to the Director.

(4) If the Board determines that an officer will not continue in his/her position, the Board shall document the reasons for this decision in its assessment performed pursuant to paragraph (1) of this Article, and shall within fifteen (15) calendar days of such vacancy identify and provide notice to the Director of a qualified and capable candidate for the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Directive, the Formal Agreement, and the Capital Directive, as well as the safe and sound operation of the functions within the scope of that position's responsibility.

(5) Prior to the appointment of any individual to a senior executive officer position, the Board shall submit to the Director written notice, as required by 12 C.F.R. § 5.51 and in accordance with the Comptroller's Licensing Manual. The Director shall have the power to disapprove the appointment of the proposed executive officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer.

(6) The Board shall perform a written performance appraisal for each Bank officer that establishes objectives by which the officer's effectiveness will be measured, evaluates

performance according to the position's description and responsibilities, and assesses accountability for action plans to remedy issues raised in ROEs or audit reports. Upon completion, copies of the performance appraisals shall be submitted to the Director. The Board shall ensure that the Bank addresses any identified deficiencies in a manner consistent with paragraphs (2) and (3) of this Article.

(7) The Board shall ensure that the Bank develops and thereafter maintains processes, personnel, and control systems sufficient to ensure implementation of and adherence to this Directive.

ARTICLE III

APPOINTMENT OF A NEW PRESIDENT, CEO, AND DIRECTOR

(1) Within sixty (60) calendar days, the Bank shall employ a new and fully qualified senior executive officer to serve as the Bank's President/CEO. Prior to the appointment of any individual as President/CEO, the Board shall submit to the Director written notice as required by 12 C.F.R. § 5.51 and in accordance with the Comptroller's Licensing Manual.

ARTICLE IV

DIRECTOR COMPENSATION

(1) Effective immediately, the Bank shall obtain the Director's written, supervisory non-objection prior to the payment of any fees, expense reimbursements, bonuses, commissions, or other types of compensation to a Bank director or their related interests, as defined in 12 C.F.R. § 215 ("Bank Director"), other than salary payments to the Bank's officers that were previously approved by the Board or earned and accrued in any pay period.

(2) Any request for supervisory non-objection pursuant to this Article shall contain, at minimum and in writing, the Board's determination that such renumeration:

(a) is reasonable;

(b) has a direct relationship to, and is based solely upon, the fair value of goods and services received by the Bank; and

(c) compensates only for providing goods and services that meet the Bank's legitimate needs.

ARTICLE V

INDEMNIFICATION

(1) The Bank shall not cause any indemnification payments to be made to, or on behalf of, any institution-affiliated party without obtaining the Director's prior, written, supervisory non-objection. Any request for the Director's supervisory non-objection shall include a legal opinion from independent counsel setting forth the basis under which such indemnification payments fully satisfy the requirements of 12 U.S.C. § 1828(k)(5) and 12 C.F.R. Part 359.

ARTICLE VI

LIMITATIONS ON NEW CONTRACTS

(1) The Bank shall not enter into or renew any contracts over $25,000 without obtaining the Director's prior, written, supervisory non-objection.

(2) The Bank shall not enter into or renew contracts in any amount with any shareholders, insiders, or affiliated companies of insiders without obtaining the Director's prior, written, supervisory, non-objection.

(3) Any request for the Director's supervisory non-objection shall include:

(a) a description of the services to be performed, including a copy of the proposed contract or engagement;

(b) a description of the Bank's due diligence process for selecting the contractor or service provider and the results of the due diligence review, including a description of why the individual was selected;

(c) a cost/benefit analysis for engaging the shareholder, insider, or any insider-affiliated companies as a contractor or service provider;

(d) a determination by the Board that the contract or engagement is being entered into at arm's length on terms and conditions fair and reasonable to the Bank, including the ability of the parties to perform under the contract or commitment; and

(e) a determination by the Board that the contract is in the best interests of the Bank.

(4) Following any supervisory non-objection granted by the Director, the Board must routinely monitor the performance of the contractor or service provider to ensure that committed goods and services are received, and that they are in compliance with the written contract or engagement.

ARTICLE VII

PRESERVATION OF BOOKS AND RECORDS

(1) The Board shall immediately ensure that no Bank documents, books, or records are destroyed, altered, or removed from the Bank's premises until further written notice from the Director, except that such documents, books, and records may be altered and amended, in the course of ordinary Bank business, in order to record the taking and withdrawals of deposits, and the making of loans, the receiving of loan payments, along with the recording of other ordinary Bank business. For purposes of this paragraph, "documents, books, and records" shall have the

broadest possible meaning reasonably imaginable and shall include, without limitation, paper and electronic records of all kinds, reports, notes, calendars, phone logs, e-mails, voice-mails, financial instruments, and tapes.

(2) The Board shall also take action to ensure that it maintains in its possession accurate and complete information concerning the books and records of any Bank affiliates, and that such information is sufficient and adequate for the Bank to carry out its activities and monitor operations.

(3) The Bank shall provide OCC personnel with prompt and unrestricted access to the documents, books, records, Directors, officers, and staff of the Bank.

(4) The Bank shall provide full and complete details of the purpose of the transactions by and between the Bank and any of its customers and by and between the Bank and any of its Directors, officers, and staff, to OCC personnel upon inquiry.

ARTICLE VIII

CONTINUING OBLIGATION TO SUBMIT AN ACCEPTABLE CAPITAL RESTORATION PLAN

(1) The Bank first became undercapitalized as of July 30, 2010, and the OCC confirmed this status to the Bank by letter dated August 10, 2010. Since July 30, 2010, the Bank, has been under a continuing obligation to submit an acceptable Capital Restoration Plan ("CRP"), pursuant to 12 U.S.C. § 1831o(e)(2) and 12 C.F.R. § 6.6(a)(2)(iii), the OCC's letter dated August 10, 2010, and the Capital Directive.

(2) Any increase in capital necessary to meet the requirements of this Article and satisfy the CRP may be accomplished by the following:

(a) the sale of common stock; or

(b) the sale of noncumulative perpetual preferred stock; or

(c) the direct contribution of cash by the Board and/or shareholders of the Bank; or

(d) any other means acceptable to the Director.

ARTICLE IX

VIOLATIONS OF LAW

(1) The Board shall require and the Bank shall immediately take all necessary steps to correct each violation of law, rule, or regulation cited in any Report of Examination, or brought to the Board's or Bank's attention in writing by management, regulators, auditors, loan review, or other compliance efforts. Within fifteen (15) calendar days after the violation is cited or brought to the Board's attention, the Bank shall provide to the Board a list of any violations that have not been corrected. This list shall include an explanation of the actions taken to correct the violation, the reasons why the violation has not yet been corrected, and a plan to correct the violation by a specified date.

(2) Within fifteen (15) calendar days of the date of this Order, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to:

(a) specific procedures to prevent future violations as cited by the OCC in any correspondence to the Bank; and

(b) general procedures addressing compliance management that incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

(3) Upon adoption, the Board shall forward a copy of these policies and procedures to the Director.

ARTICLE X

OTHER ACTIONS REQUIRED

(1) Immediately upon issuance of this Directive, the Bank shall not do any of the following without the prior, written approval of the Bank's Board and the Director's prior, written, supervisory non-objection:

(a) enter into any material transaction other than in the usual course of business, including any investment, expansion, acquisition, or other similar action;

(b) engage in the sale or transfer of any Bank asset or pool of assets exceeding a fair market value of one hundred thousand dollars ($100,000). Any asset sale or transfer less than $100,000 should be reported to the OCC after the sale;

(c) transfer any asset to the holding company or other affiliated party or person;

(d) engage in any transaction for the transfer of funds, the extension of credit, the acceptance or transference of risk, and/or the conferring of another type of benefit, directly or indirectly, involving any Bank affiliates, as defined in 12 U.S.C. § 371(c), or current or former Bank directors, shareholders, senior executive officers, or their respective family members;

(e) amend the Bank's charter or bylaws, except to the extent necessary to carry out any other requirement of law, regulation, or order;

(f) make any change in accounting methods;

(g) increase compensation or other payments, including bonuses, to any employee, agent or independent contractor above the average rate of compensation currently paid to that employee, agent or independent contractor by the Bank; or

(h) enter into any new product or service, or undertake a significant expansion of any existing product or service.

ARTICLE XI

CLOSING

(1) This Directive is enforceable under 12 U.S.C. § 1818(i). Each provision of this Directive shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns, and other persons participating in the affairs of the Bank.

(2) Any time limitations imposed by this Directive shall begin to run from the effective date of this Directive. Such time limitations may be extended in writing by the Director for good cause upon written application by the Board.

(3) The provisions of this Directive are effective upon issuance of this Directive 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 Directive shall have been amended, suspended, waived, or terminated in writing by the Director.

(4) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, or any institution-affiliated party

of the Bank, nothing in this Directive shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

IT IS SO ORDERED, this _12th_ day of October, 2011.

/S/

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Henry Fleming
Director
Special Supervision Division
Office of the Comptroller of the Currency