#2017-020

Also*Terminates* **#2014-035 and OTS Order #CN 09-05**

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

In the Matter of:	**)**	
Guaranty Bank	**)**	**AA-EC-2017-13**
Milwaukee, WI	**)**	

PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, Guaranty Bank, Milwaukee, Wisconsin ("Bank"), is critically undercapitalized 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, to take certain supervisory actions against critically undercapitalized banks; and

WHEREAS, on May 30, 2012, the OCC notified the Bank that its Capital Restoration Plan had been disapproved and not accepted, and that the Bank was therefore subject to all provisions of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 applicable to significantly undercapitalized banks;

WHEREAS, on February 10, 2017, the OCC issued a Notice of Intent to Issue a Prompt Corrective Action Directive ("Notice") to the Bank pursuant to 12 C.F.R. § 6.21(a)(1);

WHEREAS, on February 17, 2017, the Bank submitted a written response to the Notice pursuant to 12 C.F.R. § 6.22;

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

WHEREAS, the Comptroller of the Currency ("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;

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 federal savings association as that term is defined in 12 U.S.C. § 1813(b) and is supervised and examined by the Comptroller pursuant to 12 U.S.C. § 5412(b).

(2) The Comptroller 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 12 U.S.C. § 1831o and is subject to the assessment of civil money penalties under 12 U.S.C. § 1818(i)(2).

ARTICLE II

CAPITAL RESTORATION PLAN

(1) The Bank remains under a continuing obligation to submit an acceptable capital restoration plan under 12 U.S.C. § 1831o(e)(2).

(2) The capital restoration plan must:

(a) Comply with all requirements of 12 U.S.C. § 1831o(e)(2);

(b) Show the immediate steps that the Board of Directors (“Board”) will take to cause the Bank to become adequately capitalized pursuant to 12 C.F.R. 6.4(b)(2);

(c) Be based on realistic assumptions; and

(d) Be likely to succeed in restoring the Bank’s capital.

ARTICLE III

ACCOUNTING

(1) Effective immediately, the Board shall ensure the Bank’s books and records are maintained in compliance with generally accepted accounting principles (“GAAP”) and are consistent with safe or sound banking practices including, but not limited to, ensuring all assets are accounted for in accordance with GAAP and appropriate adjustments are made as required by any written supervisory communication.

(2) Effective immediately, the Bank shall submit a copy of all accounting policies and procedures in effect at the Bank to the Director for Special Supervision (“Director”).

(3) Effective immediately, any new accounting policy or procedure or any revision to an existing policy or procedure shall be submitted to the Director for a prior written determination of no supervisory objection at least thirty (30) days prior to the effective date of such policy or procedure.

(4) Upon request by the Director, the Bank shall modify an accounting policy or procedure to address any Matters Requiring Attention concerning accounting matters, or citations of violations of law concerning accounting matters, which the OCC may issue to the Bank following the effective date of this Directive.

ARTICLE IV

ACCURATE BOOKS AND RECORDS

(1) The Board shall immediately ensure that all of the Bank's books and records are accurately maintained and preserved on the premises of the Bank and 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. Effective immediately, any previous exceptions to the maintenance and preservation of books and records is no longer effective.

(2) For purposes of this Article, "documents, books, or 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. Copies of "documents, books, or records" do not need to be retained.

(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) Effective immediately, the Board shall take the necessary steps to ensure that the Bank timely files complete and accurate Call Reports in accordance with the Federal Financial Institutions Examination Counsel's "Instructions for Preparation of Consolidated Reports of Condition and Income," to include at a minimum:

(a) the designation of an officer with the knowledge, skills, and abilities necessary to ensure the Bank timely and accurately files its Call Reports;

(b) training of appropriate Bank personnel in Call Report preparation;

(c) procedures to ensure the Bank retains documentation providing an appropriate audit trail for all Call Report schedules; and

(d) the performance of an independent review and verification of the accuracy of all Call Report schedules in advance of each Call Report filing.

(5) Effective immediately, all adjustments to Call Reports shall be submitted to the Director for a prior written determination of no supervisory objection.

ARTICLE V

CAPITAL PLAN AND HIGHER MINIMUMS

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

(a) total risk-based capital ratio at least equal to twelve percent (12%);

(b) tier 1 risk-based capital ratio at least equal to eight percent (8%).

(2) Within ninety (90) 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 review, pursuant to paragraph five (5) of this Article, a written Capital Plan for the Bank, consistent with the Strategic Plan pursuant to Article VI, covering at least a three (3) year period. The 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 Directive that will have an impact on the Bank's capital.

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

(a) when the Bank has achieved its minimum capital requirements and is in compliance with its approved Capital Plan immediately following the declaration or payment of any dividend or capital distribution; and

(b) subject to 12 C.F.R. §5.55 and a prior written determination of no supervisory objection by 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 a 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 October 31, and more frequently if necessary or required by the Director in writing, to cover the

next three-year period. Subsequent amendments or 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 adopt and the Bank, subject to Board review and ongoing monitoring, shall 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 that 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 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 thirty (30) days after the end of each calendar quarter.

ARTICLE VI

STRATEGIC PLAN

(1) The Board shall prepare and forward to the Director for review pursuant to paragraph (4) of this Article, an acceptable written Strategic Plan covering at least a three (3) year period. The Strategic Plan must 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, at a minimum, include:

(a) a mission statement that forms the framework for the establishment of strategic goals and objectives;

(b) the strategic goals and objectives to be accomplished, including key financial indicators and risk tolerances;

(c) an assessment of the Bank's strengths, weaknesses, opportunities, and threats that impact the strategic goals and objectives;

(d) identification of Bank personnel responsible for the strategic planning process and accomplishing each goal and objective of the Strategic Plan, including specific timeframes;

(e) a description of systems, metrics and tolerances designed to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives;

(f) a description of the assumptions used to determine financial projections and growth targets;

(g) a description of the Bank's targeted market(s) and competitive factors in its identified target market(s) and a description of control systems to mitigate risks in the Bank's markets;

(h) a description of the processes in place to ensure the Bank has sufficient and adequate processes, personnel, succession programs and control systems to effectively implement and adhere to the Strategic Plan and this Directive;

(i) an assessment of the present and planned product lines (assets and liabilities) and services on or off balance sheet;

(j) defined asset concentration limits expressed as a percentage of Core Capital plus allowance for loan and lease losses (ALLL);

(k) detailed strategies designed to achieve and sustain earnings;

(l) detailed strategies to stress-test and adjust earnings forecasts based on continuing operating results, economic conditions and credit quality of the loan portfolio;

(m) detailed pro forma balance sheets and income statements for a rolling three-year period on a quarterly basis beginning October 1, 2016; and

(n) the identification of appropriate risk management systems to identify, measure, monitor, and control risks (including but not limited to policies and procedures over the credit, investment, funding, pricing, operational and accounting functions that are consistent with safe and sound banking practices) within the Bank's products and services.

(2) If the Board's Strategic Plan under paragraph (1) of this Article includes a proposed sale or merger of the Bank, the Strategic Plan shall, at a minimum, address the steps that will be taken and the associated timeline to effectuate the implementation of that alternative.

(3) Prior to adoption by the Board, a copy of the Strategic Plan, and any subsequent amendments or revisions, must be submitted to the Director for review and 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 adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Strategic Plan.

(4) The Bank may not initiate any action that deviates significantly from the Strategic Plan (that has received a prior written determination of no supervisory objection from the Director and that has been adopted by the Board) without a prior 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. For the purposes of this Article, 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 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.

(5) Within thirty (30) days after each quarter end, 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. Within ten (10) days of completing its evaluation, the Board shall submit a copy to the Director.

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

(7) Until the Strategic Plan required under this Article has been submitted by the Bank for the Director's review, has received a prior 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 Directive without first obtaining the Director's prior written determination of no supervisory objection to such significant deviation. Any request to the Director for a prior written determination of no supervisory objections 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 systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change.

ARTICLE VII

COMPLIANCE COMMITTEE

(1) The Board shall maintain a Compliance Committee of at least three (3) directors of which none shall be Chairman of the Board, President, Chief Executive Officer, 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. In the event of a change of the membership, the name of any new member shall be submitted in writing to the Director. The Compliance Committee is responsible for monitoring and assessing compliance with this Directive.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days of the end of each calendar quarter, or within such other time-period as the Director requires in writing, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the actions to be taken to comply with each Article of this Directive;

(b) the actions taken to comply with this Directive; and

(c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's reports, with any additional comments by the Board, to the Director on a quarterly basis or within such other time period as the Director may require 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 Directive, and that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Directive.

ARTICLE VIII

COMPREHENSIVE BSA/AML ACTION PLAN

(1) Within thirty (30) days of the effective date of this Directive, the Bank shall submit to the Director for review and prior written determination of no supervisory objection a plan containing a complete description of the actions that are necessary and appropriate to achieve full compliance with Article IX involving Bank Secrecy Act / Anti-Money Laundering ("BSA/AML") of this Directive ("BSA/AML Action Plan"). The Bank shall implement the BSA/AML Action Plan upon the Director's issuance of a written determination of no

supervisory objection. In the event the Director requires the Bank to revise the plan, the Bank shall promptly make and the Board shall approve necessary and appropriate revisions and resubmit the BSA/AML Action Plan to the Director for review and a prior written determination of no supervisory objection. Following implementation, the Bank shall not take any action that will cause a significant deviation from, or material change to, the BSA/AML Action Plan unless and until the Bank has received a prior written determination of no supervisory objection from the Director. The Board shall ensure that the Bank achieves and thereafter maintains compliance with this Directive, including, without limitation, successful implementation of the BSA/AML Action Plan. The Board shall further ensure that, upon implementation of the BSA/AML Action Plan, the Bank maintains an effective BSA/AML compliance program, in accordance with the BSA and its implementing regulations.

(2) The BSA/AML Action Plan must specify timelines for completion of each of the requirements of Article IX of this Directive and specify in detail staffing plans necessary to achieve and maintain full compliance with Article IX of this Directive. The timelines in the BSA/AML Action Plan shall be consistent with any deadlines set forth in these Articles, unless modified by written agreement with the Director.

(3) Upon request by the Director, the Bank shall modify the BSA/AML Action Plan to address any Matters Requiring Attention concerning BSA/AML matters, or citations of violations of law concerning BSA/AML matters, which the OCC may issue to the Bank following the effective date of this Directive.

ARTICLE IX

BSA/AML PROGRAM INTERNAL CONTROLS

(1) The Board and management shall:

(a) Ensure that the Bank's policies and procedures are followed related to the collection of Customer Due Diligence ("CDD") and Enhanced Due Diligence ("EDD") information.

(b) Ensure that all CDD and EDD information is used in high-risk customer reviews.

(c) Establish a procedure to update CDD/EDD information on customers as needed for use in monitoring customer activity and comparing actual activity with expected activity to make a suspicious activity determination.

(2) The Board and management shall:

(a) Implement an effective risk rating methodology that incorporates the CDD/EDD information on the customer and provides for an effective means to ensure that the risk rating is appropriate for the customer's business type, geography, and other pertinent information.

(b) Ensure that the Bank's automated scoring system is validated and appropriately identifies the risk ratings of customers.

(c) Ensure that the probationary scores used within the Bank's automated system are added to the customer's scores increasing their risk score, as appropriate.

(d) Develop procedures for reviewing customers where risk scoring changes occur to ensure changes are appropriate.

(e) Develop procedures to ensure that joint accounts are scored to the highest-risk customer so the appropriate rules are applied to the account.

(f) Develop procedures to ensure that global relationships are considered in the risk scoring process.

(3) The Board and management shall:

(a) Establish a formal schedule for reviewing all high-risk customers that may include on-site visits. The review schedule may be based on risk but management must ensure all high-risk customers are reviewed at least annually, with most being reviewed more frequently depending on their risk. The reviews must include, at a minimum, a formal analysis of all account activity including all transactions, and a review of any CDD/EDD information available. Reviews must be fully documented and verify the customer's risk rating.

(b) Establish a formal schedule for reviewing medium-risk customers on at least an annual basis. These reviews will include a formal analysis of the entire relationship's activities, transactions, and CDD/EDD. Reviews must be fully documented to verify the customer's risk rating.

(c) Establish a procedure to monitor low-risk customers in the event they prompt an alert thorough the Bank's automated alert system. Those alert investigations will include, in addition to reviewing potentially suspicious activity, a determination whether the low-risk rating remains appropriate for those customers.

(d) Ensure that procedures for monitoring customers include a determination of when it is appropriate to move customers from one risk category to another and how that will be accomplished. Customers cannot change risk rating categories without a documented review confirming the change.

(4) The Board and management shall:

(a) Review current rule thresholds to ensure that they are set at the appropriate levels. Settings must be stressed through above- and below-line testing and results analyzed to ensure the settings remain appropriate.

(b) Ensure that there is sufficiently trained staff to conduct alert investigations in a timely manner. All alerts must be reviewed and thoroughly investigated.

(c) Ensure that CDD/EDD information is used in alert investigations.

(d) Ensure alert investigation reviews have appropriate analysis documentation to support conclusions.

(e) Ensure full implementation of quality control process and independent audit validation of alert investigations.

ARTICLE X

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 executive officer positions to carry out the Board's policies; correct the concerns raised in written supervisory communications; ensure compliance with this Directive; ensure compliance with all applicable laws, rules, and regulations; ensure the Bank maintains accurate books and records; and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) For purposes of this Article, "executive officer" shall mean the President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Credit Officer, Chief Compliance Officer, Risk Manager, Internal Auditor, or any other position subsequently identified in writing by the Director.

(3) The Board shall engage a qualified independent third party to assist the Board in preparing an annual written performance appraisal for any senior executive officer that is also a member of the Board. The Board shall ensure an annual written performance appraisal is performed and prepared for all other Bank senior executive officers. Each annual written performance appraisal for each Bank executive officer shall establish objectives by which the officer's effectiveness will be measured, evaluate performance according to the position's description and responsibilities, and assess accountability for action plans to remedy issues raised in written supervisory communications or audit reports. If necessary and as appropriate, the Board shall engage a qualified independent third party to assist the Board in preparing the written performance appraisals. 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 (4) and (5) of this Article.

(4) If the Board determines that an officer's performance, skills or abilities need improvement, the Board will, within thirty (30) 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.

(5) If the Board determines that an officer will not continue in his/her position, the Board shall document the reasons for this decision and shall within sixty (60) days of such vacancy

identify and provide notice to the Director, pursuant to 12 C.F.R. Part 163, Subpart H, 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 and the safe and sound operation of functions within the scope of that position's responsibility.

ARTICLE XI

RISK MANAGEMENT

(1) Within ninety (90) days of the effective date of this Directive, the Board and Management shall develop appropriate Board and management oversight to:

(a) ensure policies and procedures are kept up-to-date so internal controls are consistently applied and well understood by Bank staff and effectively implemented, including holding employees accountable for deviation from sound policies and procedures;

(b) establish appropriate dual controls/secondary review processes; and

(c) ensure compensation, including incentives, referrals, and bonuses, does not encourage deviation from sound policy and practices.

(2) Effective immediately, the Board shall establish an appropriate independent compliance audit function. Individuals performing audit activities must be independent of the functional area they review.

ARTICLE XII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall revise the Bank’s written ALLL policies and procedures, and maintain an adequate ALLL in accordance with GAAP. The Board shall adopt revised ALLL policies and procedure that are consistent with the guidelines set forth in OCC Bulletins 2001-37 (July 20, 2001), 2006-47 (December 13, 2006), and 2012-6 (January 31, 2012), and with the "Allowance for Loan and Lease Losses" booklet of the *Comptroller's Handbook*, and any subsequent regulatory releases, and shall incorporate the following:

(a) internal risk ratings of loans;

(b) results of the Bank's independent loan reviews;

(c) criteria for determining which loans will be reviewed under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 310 Receivables, how impairment will be determined, and procedures to ensure that the analysis of loans complies with ASC 310 requirements;

(d) criteria for determining loan pools under ASC 450 and an analysis of those loan pools;

(e) recognition of non-accrual loans in conformance with GAAP and regulatory guidance;

(f) loan loss experience;

(g) trends of delinquent and non-accrual loans;

(h) concentrations of credit in the Bank;

(i) narrative and analyses to appropriately support the allocation amount for each qualitative factor by loan pool; and

(j) present and projected economic and market conditions.

(2) The program shall provide for a review of the ALLL by the Board at least once each calendar quarter. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to filing the Consolidated Reports of Condition and Income ("Call Report"), by additional provisions from earnings. Written documentation shall be maintained of the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL and made available for review by Bank Examiners.

(3) The Bank shall correct all ALLL deficiencies identified in any written supervisory communication.

(4) A copy of the Board's ALLL program, and any subsequent revisions to the program, shall be submitted to the Director for a prior written determination of no supervisory objection.

ARTICLE XIII

RETAIL CREDIT LOAN REVIEW

(1) Within ninety (90) days of the effective date of this Directive, the Board and management shall develop a sound loan review framework consistent with the size and complexity of the Bank's retail credit portfolio. The framework at a minimum must include a written loan review policy, which addresses the elements described in Attachment 1 "Loan Review Systems" of OCC Bulletin 2006-47. Loan review procedures must also include:

(a) assessing the quality of risk management processes, including account management (specifically for open-end accounts) and collections;

(b) assisting as an early warning system for portfolios that show signs of deterioration;

(c) verifying the accuracy and timeliness of key management information system reports;

(d) identifying adverse issues that could significantly affect the condition of the portfolio;

(e) verifying conformance with laws, regulations, and guidance;

(f) verifying conformance with the Bank's loan policies and procedures and ensuring exceptions are appropriately noted;

(g) assessing the quality of the underwriting decision process;

(h) assessing the adequacy of loan documentation and valuation processes;

(i) ensuring the methodology for determining the ALLL is logical and comprehensive; and

(j) validating the adequacy of the ALLL.

ARTICLE XIV

CONSUMER COMPLIANCE

(1) Within ninety (90) days of the effective date of this Directive, the Board and management shall review and add, as necessary, staffing and/or training, to ensure that the Bank complies with all applicable consumer laws and regulations.

(2) Within ninety (90) days of the effective date of this Directive, the Board shall ensure that the Bank's consumer compliance program provides:

(a) adequate internal controls to ensure compliance with all relevant consumer protection laws, rules, and regulations;

(b) adequate policies and procedures to ensure they provide appropriate guidance regarding all relevant consumer protection laws, rules and regulations, including procedures;

(c) procedures for dissemination of changes in laws, rules, regulations, and OCC policies to affected Bank personnel; and

(d) the establishment of employee and management accountability for noncompliance with all relevant consumer protection laws, rules and regulations.

ARTICLE XV

THIRD-PARTY CONTRACTS INVOLVING SALE, MERGER, OR RECAPITALIZATION OF THE BANK

(1) 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 XVI

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 Board and the prior written determination of no supervisory objection of the Director:

(a) enter into any material transaction 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 two hundred thousand dollars ($250,000). Any asset sale or transfer less than $250,000 should be reported to the Director fifteen (15) days after the sale;

(c) transfer any asset to a current or former institution-affiliated party, as defined by 12 U.S.C. § 1813(u), a current or former institution-affiliated party's related interests, including any family member, or to an affiliate, as defined by 12 U.S.C. § 371c, or to its holding company or other affiliated party or person;

(d) engage in any transaction for the transfer of funds, the extension of credit, 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. § 371c as if section 371c(d)(1) did not apply, 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;

ARTICLE XII

OTHER PROVISIONS

(1) This Directive terminates and replaces the March 11, 2009 Cease and Desist Order and the April 1, 2014 Prompt Corrective Action Directive.

(2) 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.

(3) Although the Bank is 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.

(4) In each instance in this Directive in which the Board or a Board committee is required to ensure adherence to and undertake to perform certain obligations of the Bank, including the obligation to implement plans, policies or other actions, it is intended to mean that the Board or Board committee 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 Directive;

(b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Directive;

(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 on any non-compliance with such actions.

(5) 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 stayed, amended, suspended, waived, or terminated in writing by the Comptroller.

(6) 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. Such application shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with the Directive within the required timeframe, and be accompanied by relevant supporting documentation and any other facts upon which the Bank relies. The Director’s decision concerning a request is final and not subject to further review.

(7) 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 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.

(8) The Bank may submit a request for modification or recession of this Directive to the OCC, upon a change in circumstance pursuant to 12 C.F.R. § 6.24. During review of any such request, this Directive shall remain in effect.

IT IS SO ORDERED, this 28th day of February, 2017.

/s______________________________
Julie A. Thieman
Director for Special Supervision