

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and among

ALLEGIANT UNITED HOLDINGS, LLC
Irvine, California

NANO FINANCIAL HOLDINGS, INC.
Irvine, California

NANO BANC
Irvine, California

and

FEDERAL RESERVE BANK OF SAN FRANCISCO
San Francisco, California

Docket Nos. 20-023-WA/RB-HC
20-023-WA/RB-SM

WHEREAS, Allegiant United Holdings, LLC, Irvine, California (“Allegiant”) and Nano Financial Holdings, Inc., Irvine, California (“Nano Financial”) (collectively, the “Companies”), are registered bank holding companies, that own and control Nano Banc, Irvine, California (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System;

WHEREAS, in recognition of their common goal to maintain the financial soundness of the Companies and the Bank, the Companies, the Bank, and the Federal Reserve Bank of San Francisco (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, the boards of directors of the Companies and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing the undersigned to enter into this

Agreement on behalf of the Companies and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by the Companies and the Bank.

NOW, THEREFORE, the Companies, the Bank, and the Reserve Bank agree as follows:

Source of Strength

1. The board of directors of the Companies shall take appropriate steps to fully utilize the Companies' financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1830o-1) and section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with this Agreement and any other supervisory action taken by the Bank's federal or state regulator.

Board Oversight

2. Within 30 days of this Agreement, the board of directors of the Bank shall submit a written plan acceptable to the Reserve Bank to strengthen board oversight of the management and operations of the Bank. The plan shall include the following four items:

(a) the actions that the Bank's board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including capital, earnings, liquidity, commercial real estate ("CRE") concentrations, internal controls, and audit;

(b) steps to monitor management's adherence to approved policies and procedures, and applicable laws and regulations and to monitor exceptions to approved policies and procedures;

(c) the establishment of appropriate risk tolerance guidelines and risk limits including, but not limited to, the CRE lending strategy: and

(d) steps to improve the information and reports that will be regularly reviewed by the board of directors in its oversight of the operations and management of the Bank, including information on the Bank's internal controls, credit risk management, adversely classified assets, allowance for loan and lease losses ("ALLL"), capital, liquidity, earnings, and audit;

Corporate Governance and Management Review

3. (a) Within 30 days of this Agreement, the board of directors of the Bank shall retain an independent third party acceptable to the Reserve Bank to assess the effectiveness of the Bank's corporate governance, board and management structure, and staffing needs (the "Independent Review"), and to prepare a written report of findings and recommendations (the "Independent Report"). The Review shall include an assessment and recommendation for the following four items:

(i) an evaluation of the current structure, qualifications, and composition of the Bank's board of directors and its committees, the Bank's senior management and committees, and a determination of the structure and composition needed to adequately supervise the affairs of the Bank;

(ii) an assessment of whether the Bank's board of directors are receiving appropriate information of the operation of the Bank to enable them to fulfill their responsibilities; and

(iii) the identification of present and future needs, and succession planning, for senior executive management positions at the Bank.

(b) Within 10 days of the Reserve Bank's approval of the Bank's independent third party selection, the Bank shall submit an engagement letter acceptable to the Reserve Bank for approval. The engagement letter shall require the independent third party to submit the Independent Report within 90 days of regulatory approval of the engagement letter and a commitment that the Report and any drafts thereof will be provided to the Reserve Bank at the same time that it is provided to the Bank's board of directors.

4. Within 30 days of receipt of the Independent Report, the Bank's board of directors shall submit a written board oversight and management plan to the Reserve Bank that fully addresses the findings and recommendations in the Independent Report and describes the specific actions that the board of directors will take in order to strengthen the Bank's board of directors' and management committee's corporate governance structure, and to hire, as necessary, additional or replacement directors, officers or staff to properly oversee, manage and operate the Bank.

Internal Controls

5. Within 60 days of this Agreement, the Bank shall submit written policies and procedures acceptable to the Reserve Bank to strengthen the Bank's internal controls. The policies and procedures shall address, consider, and include the following five items:

- (a) segregation of duties and dual controls;
- (b) measures to ensure the timely and accurate preparation of the Bank's Consolidated Reports of Condition and Income ("Call Report"), including supporting schedules;
- (c) exception tracking reports for audit and examination findings;
- (d) reporting of internal controls reviews to the board of directors; and
- (e) improved due diligence processes for investment purchases.

Credit Risk Management

6. Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank to strengthen credit risk management practices. The plan shall address, consider, and include the following three items:

(a) the responsibility of the board of directors to establish appropriate risk tolerance guidelines and risk limits;

(b) policies, procedures, and strategies to identify, limit, and manage concentrations of credit; and

(c) improvements to the Bank's management information systems to ensure that the board of directors and senior management obtain timely and accurate credit-related information.

Concentrations of Credit

7. Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank to strengthen the Bank's management of CRE concentrations, including steps to reduce the risk of the Bank's CRE concentrations. The plan shall include the following three items:

(a) enhanced procedures to identify, limit, and manage concentrations of CRE credit;

(b) a schedule that identifies the steps the Bank will take to reduce the level of CRE concentrations, and timeframes for achieving the reduced levels; and

(c) improvements to the Bank's management information systems to ensure that the board of directors and senior management obtain timely and accurate information related to CRE concentrations.

Allowance for Loan and Lease Losses

8. (a) Within 30 days of this Agreement, the Bank shall review and revise its ALLL methodology and submit a description of the revised methodology to the Reserve Bank. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include: (i) the reliability of the Bank's loan grading system, (ii) the volume of criticized loans, (iii) concentrations of credit, (iv) the current level of past due and nonperforming loans, (v) past loan loss experience, (vi) evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and (vii) the impact of market conditions on loan and collateral valuations and collectability.

(b) Within 60 days of this Agreement, the Bank shall submit a written program for the maintenance of an adequate ALLL acceptable to the Reserve Bank. The program shall include policies and procedures to ensure adherence to the ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Call Report, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes in determining the amount of ALLL for that quarter.

Capital Plan

9. Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank to maintain sufficient capital. The plan shall include address, consider, and include the following three items:

(a) the Bank's current and future capital requirements, including compliance with the applicable requirement of Regulation Q of the Board of Governors (12 C.F.R. Part 217);

(b) the adequacy of the Bank's capital, taking into account the volume of adversely classified assets, the adequacy of the ALLL, current and projected asset growth, projected earnings, and anticipated and contingency funding needs; and

(c) the source and timing of additional funds to fulfill the Bank's future capital requirements.

10. (a) The Bank shall notify the Reserve Bank, in writing, no more than 30 days after the end of any calendar quarter in which any of the Bank's capital ratios (total risk-based, Tier 1 risk-based, common equity Tier 1 or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, the Bank shall submit a written plan acceptable to the Reserve Bank that details the steps the Bank will take to increase the Bank's capital ratios to or above the approved capital plan's minimums.

(b) During the term of this Agreement, the Bank shall not enter into any agreement to sell or purchase any loan or other asset that, in the aggregate, would exceed 5 percent of the Bank's total assets at the end of the prior quarter without the prior written approval of the Reserve Bank.

(c) All requests for prior written approval shall be received at least 30 days prior to the proposed sale or purchase. All requests shall contain, at a minimum, a description of

the terms of the proposed sale or purchase; the identity of the proposed purchaser or seller; current and projected information on the Bank's capital, asset quality, earnings, and ALLL needs; and the identification of the sources of funds for any proposed purchase or sale.

Liquidity and Funds Management

11. Within 30 days of this Agreement, the Bank shall submit an enhanced written funding plan acceptable to the Reserve Bank that includes the following three items:

- (a) liquidity and dependency reporting against board-approved limits;
- (b) sources and uses analyses; and
- (c) measures to ensure timely reporting of the Bank's liquidity position to

the board of directors.

Earnings Plan and Budget

12. (a) Within 30 days of this Agreement, the Bank shall submit a written strategic plan and a budget for 2021 acceptable to the Reserve Bank to improve the Bank's earnings and overall condition. The strategic plan and budget shall include the following five items:

(i) an assessment of the Bank's current financial condition, product lines, and market area, and a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components;

(ii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components.

(iii) a comprehensive budget for 2021, including income statement and balance sheet projections;

(iv) a budget review process that analyzes and reports budgeted versus actual income and expense performance; and

(v) goals and strategies for improving the Bank's core earnings and reducing overhead expenses.

(b) A business plan and budget for each calendar year subsequent to 2021 shall be submitted to the Reserve Bank at least 30 days prior to the beginning of that calendar year.

Internal Audit

13. Within 60 days of this Agreement, the Bank shall submit a written plan to enhance the Bank's internal audit program acceptable to the Reserve Bank that shall provide for the following three items:

(a) improved oversight of all aspects of the audit program by the Bank board of directors' audit committee;

(b) timely resolution of audit findings and follow-up reviews to ensure completion of corrective measures; and

(c) comprehensive tracking and reporting of the status and resolution of audit and examination findings to the audit committee.

Dividends and Distributions

14. (a) The Companies and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director").

(b) The Companies shall not directly or indirectly take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) The Companies shall not make any distribution of interest, principal, or other sums on subordinated debentures without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date or proposed distribution on subordinated debentures. All request shall contain, at a minimum, current and projected information, as appropriate, on the Companies' capital, earnings, and cash flow; the Bank's capital, asset quality, and loan loss reserve needs of the Bank; as well as, the source of funding for the proposed dividend or distribution.

Debt and Stock Redemption

15. (a) The Companies shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall be received at least 30 days prior to the proposed transaction date and shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) The Companies shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank. All requests for prior written approval shall be received at least 30 days prior to the proposed transaction date.

Compliance with Laws and Regulations

16. (a) The Bank shall take all necessary steps to comply with section 21 of Regulation H of the Board of Governors (12 C.F.R. § 208.21).

(b) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so the officer would assume a different senior executive officer position, the Companies and the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 et seq.).

(c) The Companies and the Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Progress Reports

17. Within 30 days after the end of each calendar quarter following the date of this Agreement, the boards of directors of the Companies and the Bank shall jointly submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

Approval and Implementation of Plan and Programs

18. (a) The Companies and the Bank, as applicable, shall submit the written plans, policies, procedures, and program to the Reserve Bank within the applicable time periods set forth in paragraphs 2, 5, 6, 7, 8(b), 9, 11, 12, and 13 of this Agreement. An independent third party acceptable to the Reserve Bank shall be retained by the Bank within the time period set forth in paragraph 3(a) of this Agreement. An engagement letter acceptable to the Reserve Bank shall be submitted within the time period set forth in paragraph 3(b) of this Agreement.

(b) Within 10 days of approval by the Reserve Bank, the Companies and the Bank, as applicable, shall adopt the approved plans, policies, procedures, and program. Upon

adoption, the Companies and the Bank, as applicable, shall promptly implement the approved plans, policies, procedures, and program, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans, policies, procedures, and program, shall not be amended or rescinded without the prior written approval of the Reserve Bank.

Communications

19. All communications regarding this Agreement shall be sent to:

- (a) Paul Dimapawi
Director, Supervision and Credit
Federal Reserve Bank of San Francisco
950 South Grand Avenue
Los Angeles, California, 90015

- (b) Mark Rebal
Chief Executive Officer
Allegiant United Holdings, LLC
Nano Financial Holdings, Inc.
Nano Banc
7755 Irvine Center Drive, 3rd Floor
Irvine, California, 92618

Miscellaneous

20. Notwithstanding any provision of this Agreement, the Reserve Bank may in its sole discretion, grant written extensions of time to the Companies and Bank to comply with any provision of this Agreement.

21. The provisions of this Agreement shall be binding upon the Companies and Bank and their institution-affiliated parties, as defined in section 3(u) of the FDI Act (12 U.S.C. § 1813(u)), in their capacities as such, and their successors and assigns.

22. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

23. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

24. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 24th day of February, 2021.

NANO BANC

FEDERAL RESERVE BANK
OF SAN FRANCISCO

By: /s/ Mark Rebal
Mark Rebal
Chief Executive Officer

By: /s/ Paul Dimapawi
Paul Dimapawi
Director, Supervision and Credit

By: s/ Randy Rector
Randy Rector
Chairman

NANO FINANCIAL HOLDINGS INC.

ALLEGIANT UNITED HOLDING, LLC

By: /s/ Mark Rebal
Mark Rebal
Chief Executive Officer

By: /s/ Mark Rebal
Mark Rebal
Member

By: s/ Randy Rector
Randy Rector
Chairman

By: /s/ Mark Troncale
Mark Troncale
Member

By: /s/ Anthony Gressak
Anthony Gressak
Member