

McCain's Son Sat on Troubled Bank's Board

**Silver State Bancorp
Is Facing Big Losses,
Regulatory Scrutiny**

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Sen. John McCain's son served until last month on the board audit committee of a Nevada bank that is struggling to survive amid mounting losses and regulatory scrutiny.

Andrew K. McCain, 46, was on the board of [Silver State Bancorp](#) for five months before he resigned on July 25 for unspecified "personal reasons," according to a news release issued by the bank at the time.

A week after Mr. McCain's departure, the Henderson, Nev., company reported a loss of \$62.7 million in the second quarter and said its capital -- the bank's cushion to absorb losses -- had eroded significantly. At the same time, Silver State announced the resignations of its chief executive and chairman.

On Thursday, the bank said in a securities filing that it actually lost \$73.2 million in the second quarter. Silver State also said in the filing that its worsening financial condition means there is "uncertainty about the company's ability to continue as a going concern."

There is no evidence that the younger Mr. McCain committed any wrongdoing, or that Sen. McCain, the Republican presidential candidate from Arizona, had any knowledge or involvement in the bank's woes, which partly stemmed from troubled construction and land-development loans.

But with banks across the country struggling amid the credit crunch and the economic slowdown, the Republican presidential candidate's family ties could emerge as an issue on the campaign trail. The younger Mr. McCain's associates had urged him to step down from the board of Silver State, saying it could become a liability in his father's White House bid, according to a person in the local banking industry familiar with the matter.

Mr. McCain's full-time job is chief financial officer of Hensley & Co., the Arizona beer distributor that is owned by Sen. McCain's wife, Cindy. The younger Mr. McCain is also chairman of the Greater Phoenix Chamber of Commerce. A person close to Mr. McCain said he worried about balancing his responsibilities to the bank, Hensley and the chamber. The bank has "got serious problems and they need directors that can devote tons of time," the person said.

Mr. McCain and Sen. McCain's campaign both declined to comment.

Silver State's three-person audit committee was responsible for monitoring the company's overall financial condition and the preparation of its quarterly financial statements.

In recent weeks, federal and state regulators have intensified their scrutiny of the bank's books, according to people familiar with the bank. The bank's customers have been pulling deposits at a rate of about \$4 million per day, one person said. A Federal Deposit Insurance Corp. spokesman declined to comment.

Senior bank executives didn't repond to requests for comment.

As of June 30, the bank said 14% of its \$1.96 billion in total assets were nonperforming, up from 0.75% six months earlier. A year ago, its shares were trading for more than \$18 on the Nasdaq Stock Market. They closed Thursday at 83 cents in Nasdaq 4 p.m. trading. The loss restatement was released after the market close.

Similar woes have dogged other lenders in the region.

Mr. McCain has rarely joined his father at campaign events, but he has attended several in recent days with other family members.

Mr. McCain joined Silver State's board and audit committee in February 2008. In April, Silver State's shareholders elected him to serve a three-year term. He had served since 2006 on the board of Scottsdale, Ariz.-based Choice Bank, which Silver State acquired this spring.

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