



**Comptroller of the Currency
Administrator of National Banks**

Southern District Licensing
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3342

**Conditional Approval #721
January 2006**

December 13, 2005

Charles F. Rivers, III
Spokesperson
Harbor National Bank, Proposed
Post Office Box 31239
Charleston, South Carolina 29417-1239

Re: De Novo Charter, Harbor National Bank, Proposed, Charleston, South Carolina
Application Control Number 2005-SO-01-0017

Dear Mr. Rivers:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national bank with the title of Harbor National Bank. On December 13, 2005, the OCC granted preliminary conditional approval of your charter application after a determination that your proposal met certain regulatory and policy requirements. Your request for a branch is also approved.

This preliminary conditional approval is granted based on a thorough evaluation of all information available to the OCC, including the representations and commitments made in the application and by the Bank's representatives. We also made our decision to grant preliminary conditional approval with the understanding that the proposed Bank will apply for Federal Reserve membership and will obtain deposit insurance from the Federal Deposit Insurance Corporation (FDIC).

The OCC has granted preliminary conditional approval only. Final approval and authorization for the Bank to open will not be granted until all preopening requirements are met. Until final approval is granted, the OCC has the right to alter, suspend, or revoke this preliminary conditional approval should the OCC deem any interim development to warrant such action. This preliminary conditional approval is subject to the following condition:

The Bank: (i) shall give the Carolina Field Office at least sixty (60) days prior written notice of the Bank's intent to significantly deviate or change from its business plan or operations¹ and (ii) shall obtain the OCC's written determination of no objection before the Bank engages in any significant deviation or change from its business plan or operations. The

¹ If such deviation is the subject of an application filed with the OCC, no separate notice to the supervisory office is required.

OCC may impose additional conditions it deems appropriate in a written determination of no objection to a bank's notice. For the first three years of operation, the Bank also must provide a copy of such written notice to the FDIC's Atlanta supervisory office.

The condition of this approval is a condition "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC § 1818. As such, the condition is enforceable under 12 USC § 1818.

The following requirements must be satisfied prior to the bank implementing a transactional Internet site:

1. The bank must submit to the Carolina Supervisory Office for review, and prior written determination of no supervisory objection, a complete description of the Bank's final information systems and operations architecture as well as the information systems risk assessment and management plan. This should include a schematic drawing and discussion of the following items:
 - Vendor due diligence and contracts; electronic banking security mechanisms and policies; information systems personnel; internal controls; audit plans; and operating policies and procedures, including, but not limited to, vendor management, weblinking, customer authentication and verification, and business resumption contingency plans.
2. The Bank must have performed an independent security review and test of its electronic banking platform. The Bank must have this review performed regardless of whether the platform is operated in-house or by one or more third-party service providers. If the Bank outsources the technology platform, it can rely on testing performed for the service provider to the extent that it satisfies the scope and requirements listed herein. The review must be conducted by an objective, qualified independent source (Reviewer). The scope should cover:
 - All access points, including the Internet, Intranet, or remote access.
 - The adequacy of physical and logical protection against unauthorized access including individual penetration attempts, computer viruses, denial of service, and other forms of electronic access.

By written report, the Reviewer must confirm that the security measures, including the firewall, have been satisfactorily implemented and tested. For additional guidance, refer to "The Internet and the National Bank Charter" booklet of the *Comptroller's Licensing Manual*, pages 37-38, Information System Security. The booklet is located at the Electronic Banking section of the OCC's Web site: <http://www.occ.treas.gov/corpbok/group4/public/pdf/internetnbc.pdf>.

3. The Bank must have a security program in place that complies with the "Interagency Guidelines Establishing Standards for Safeguarding Customer Information" specified at 12 CFR 30, Appendix B.

The Bank's initial paid-in capital, net of all organizational and preopening expenses, shall be no less than \$14,200,000 million. The manner in which capital is raised must not deviate from that described in the business plan without prior written OCC notification. If the capital for the Bank is not raised within 12 months or if the Bank is not opened for business within 18 months from the preliminary conditional approval date, this approval expires. The OCC is opposed to granting extensions, except under the most extenuating circumstances and when the OCC determines that the delay is beyond the applicant's control. The organizers are expected to proceed diligently, consistent with their application, for the Bank to open for business as soon as possible. You must furnish the OCC with a copy of all related filings to the Federal Reserve.

The OCC poses no objection to the following persons serving as executive officers, directors, and/or organizers as proposed in the application:

<u>Name</u>	<u>Proposed Position</u>
Charles Rivers	President/ CEO/ Organizer/ Director
Lester A. Butler, Jr.	Chairman/ Organizer/Director
Charles Werk	Executive Vice President/ Organizer/ Director
William Stanley Ashburne	SVP/ Chief Credit Officer
Joseph LaFerte	Chief Financial Officer/ Chief Operations Officer
Dr. John Boatwright	Organizer/ Director
Andrew K. Epting	Organizer/ Director
Robert D. Fairey	Organizer/ Director
Thomas F. Hartnett	Organizer/ Director
Charles M. Huff	Organizer/ Director
James J. Kerr	Organizer/ Director
Cynthia J. Lowrey	Organizer/ Director
James M. Stelling	Organizer/ Director
Crayton Walters	Organizer/ Director

Background checks requested by the OCC have not been received yet from one source for Mr. Fairey. Accordingly, the continued service of this individual will be dependent on satisfactory completion of the background investigation process.

Prior to the Bank's opening, the Bank must obtain the OCC's prior written determination of no objection for any additional organizers or executive officers, or directors appointed or elected before the person assumes the position. Any individual subscribing to the stock offering in an amount exceeding 10% of outstanding stock will need to undergo OCC review and approval including background checks, prior to the bank's opening. Also, for a two-year period after the Bank commences business, the Bank must file an Interagency Biographical and Financial Report with the OCC and receive a letter of no objection from the OCC prior to any new executive officer or director assuming such position.

The "Charters" booklet in the *Comptroller's Licensing Manual* provides guidance for organizing your bank. The booklet is located at the OCC's web site: <http://www.occ.treas.gov/corpbook/group4/public/pdf/charters.pdf>. The booklet contains all of the steps you must take to receive your charter.

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As detailed in the booklet, you may establish the corporate existence of and begin organizing the Bank as soon as you adopt and forward Articles of Association and the Organization Certificate to the Southern District Office for our review and acceptance. As a "body corporate" or legal entity, you may begin taking those steps necessary for obtaining final approval. The Bank may not begin the business of banking until it fulfills all requirements for a bank in organization and the OCC grants final approval.

Enclosed are standard requirements and minimum policies and procedures for new national banks. The Bank must meet the standard requirements before it is allowed to commence business and the Board of Directors must ensure that the applicable policies and procedures are established and adopted before the Bank begins operation.

Under separate cover, the OCC will send to you an appropriate set of OCC handbooks, manuals, issuances, and selected other publications. This information does not include the Comptroller's Licensing Manual, which is available only in electronic form at our web site:
<http://www.occ.treas.gov/corpapps/corpapplic.htm>.

This preliminary conditional approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States (U.S.), any agency or entity of the U.S., or any officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

Direct any questions concerning this preliminary conditional approval to Pansy G. Hale, NBE/Licensing Analyst at (214) 720-7052. The referenced application control number should be included in all correspondence.

Yours truly,

/s/ Brenda E. McNeese

Brenda E. McNeese
Acting District Director for Licensing

Enclosures: Minimum Policies and Procedures
Standard Requirements