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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

**Conditional Approval #272**  
**March 1998**

March 5, 1998

Mr. N. Thomas Suitt, Jr., Spokesperson  
997 E. Tahquitz Canyon Way  
Palm Springs, California 92262

Re: Application to charter a national bank in Palm Springs, California, with the title  
"Canyon National Bank"  
Application Control Number: 97-WE-01-0010

Dear Mr. Suitt:

The Office of the Comptroller of the Currency ("OCC") has reviewed your application to establish a new national bank in Palm Springs, California, with the title of Canyon National Bank ("Bank"). After a thorough evaluation of all data available to the OCC, we found that your proposal met the requirements for preliminary conditional approval.

We have based our decision to grant preliminary conditional approval on a thorough review of all information available, including representations and commitments made in the application and by the organizers' representatives.

This preliminary approval is conditioned on compliance by The Agua Caliente Band of Cahuilla Indians ("Tribe") with its Commitment Letter signed on February 6, 1998, which addresses federal banking agency jurisdiction over and the applicability of federal banking laws to the Tribe and activities and transactions between the Tribe and the Bank, and which includes an irrevocable waiver of sovereign immunity signed by the Tribe and its affiliates.

Please be advised that the above condition shall be deemed to be "a condition imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. § 1818 (b) (1).

We also made our decision to grant preliminary conditional approval with the understanding that the proposed national bank will be insured by the FDIC, and will obtain membership in the Federal Reserve System.

The operating plan, including any revisions, will provide the context for the supervisory review at the pre-opening examination. Major deviations from the operating plan or changes

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in the composition of the board of directors, ownership, or chief executive officers that the OCC has not approved may result in withdrawal of preliminary conditional approval.

You may now form a body corporate and begin organizing the Bank, as soon as you adopt and forward the Articles of Association and Organization Certificate to the Western District Office. As a body corporate or legal entity, you may begin to take those steps necessary for obtaining final approval, but you may not begin the business of banking until you fulfill all requirements for a bank in organization and final approval is granted (See Corporate Organization Booklet enclosed).

Enclosed are procedural requirements that must be met before the Bank will be allowed to commence business. It is the responsibility of management to ensure that the applicable policies and procedures are established and adopted by the Board of Directors before the Bank commences business.

It is specifically noted that the Bank has represented to the OCC that internal systems will be Year 2000 compliant within the time frames outlined in Advisory Letter 97-6 (enclosed) or other subsequent OCC Year 2000 guidance. In addition, the company will perform due diligence to ensure that any third-party data processing servicers or purchased applications or systems from software vendors will also be Year 2000 compliant. In the event that the company selects a servicer or vendor which is not Year 2000 compliant, the company will ensure that the servicer or vendor has a Year 2000 compliance plan, and the financial and managerial capacity to complete its Year 2000 conversion project within the time frames outlined in Advisory Letter 97-6 or other subsequent OCC Year 2000 guidance.

We require that, prior to opening, the Bank engage an independent, external auditor to perform an audit according to generally accepted auditing standards of sufficient scope to enable the auditor to render an opinion on the financial statements of the Bank. The audit period shall commence on the date that the organizing group forms a body corporate and may end on any calendar quarter-end no later than 12 months after the Bank opens. We expect that such audits will be performed on an annual basis for at least three years following commencement of operations. Engagement of an auditor will be verified during the pre-opening examination.

The OCC has no objection to the following persons serving as executive officers and directors of the proposed bank:

<u>Name</u>	<u>Proposed Position</u>
Stephen G. Hoffman	President/ CEO/Director

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Robert M. Fey	Director
Michael D. Harris, Sr.	Director
Marshall M. Gelfand	Director
Milton W. Jones	Director
Kipp I. Lyons	Director
Richard Shalhoub	Director
N. Thomas Suitt, Jr.	Director

Please be advised that the OCC has not yet completed all the standard background checks on one of the directors. While we have decided not to delay our decision, we retain the right to seek other enforcement remedies if any significant, negative information is revealed. In addition, we have not completed the standard background checks on proposed executive officers Mr. Robert M. Cross and Mr. Jonathan J. Wick. The Western District Office will advise you under separate cover when these investigations have been concluded.

Please note, additional executive officers are subject to the prior review and clearance of the OCC. Also, the OCC requires that you obtain prior approval of additions or changes in directors or executive officers for two years after the bank opens for business.

The OCC will send you an appropriate set of OCC handbooks, manuals, issuances, and selected other publications under separate cover.

You should direct any questions concerning this preliminary conditional approval to Maeve O'Meara, Senior Corporate Analyst or Jim Bundy, Licensing Manager in the Western District Office at (415) 545-5922, or me at (202) 874-5060.

Sincerely,

/s/

Troy L. Dixon  
Director for Corporate Activity  
Bank Organization and Structure

Enclosures

Corporate Organization Booklet  
Procedural Requirements  
Minimum Policies and Procedures

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OCC Advisory Letter 97-6