



Comptroller of the Currency
Administrator of National Banks

Western District Office
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(415) 545-5900; Fax (415) 545-5974

Conditional Approval #521 May 2002

April 29, 2002

J.P. Gough, Spokesperson
Orange County Business Bank, N.A. (proposed)
4650 Von Karman Avenue
Newport Beach, CA 92660

Re: **Charter Application:** Orange County Business Bank, N.A. (in-organization)
CAIS Control No: 2001-WE-01-0008 and 2001-WE-12-0196

Dear Mr. Gough:

The Comptroller of the Currency (OCC) has reviewed your application to establish a new national bank with the title of Orange County Business Bank, National Association. On April 29, 2002, after a thorough evaluation of all data available to the OCC, we found that your proposal met the requirements for preliminary conditional approval. The bank also may offer credit life, health, and accident insurance in accordance with 12 CFR 2.

This approval is granted based on a thorough review of all information available, including the representations and commitments made in the application and by the proposed bank's representatives. We also made our decision to grant preliminary conditional approval with the understanding that the proposed national bank will apply for membership in the Federal Reserve System and obtain FDIC insurance.

This approval is subject to the following conditions:

1. This approval is subject to the condition that the Bank: (i) shall give the OCC's Southern California - South Field Office at least sixty (60) days prior notice of the Bank's intent to significantly deviate from its business plan or operations, 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 Bank must also provide a copy of such notice to the FDIC's San Francisco Regional Office during the first three years of operation.

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2. If the bank implements a transactional web site within the first three years of operation, it is considered a significant change in the business plan. Prior to implementing such an operation, the bank must follow the requirements of Condition No. 1, as well as:

- The bank must submit to the OCC's Southern California - South Field Office for review and approval 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.

- 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 below. An objective, qualified independent source (Reviewer) must conduct the review. 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, see "The Internet and the National Bank Charter" booklet of the Comptroller's Corporate Manual, pages 37-38, 74-75. This booklet may be found on the OCC's web site at www.occ.treas.gov/netbank/letters.htm.

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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 C.F.R. 30, Appendix B.

Organizers should refer to OCC Advisory Letter 2000-12 dated November 28, 2000, and OCC Advisory Letter 2001-47 dated November 1, 2001, for guidance on risk management of outsourcing technology services. (Please refer to enclosures.)

The conditions of this approval are conditions "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. As such, the conditions are enforceable under 12 U.S.C. 1818.

The bank's initial paid-in capital, net of organizational and preopening expenses, shall be no less than \$13,800,000. The manner in which capital is raised must not deviate from that described in the operating plan without prior OCC notification. If the capital for the new bank is not raised within 12 months or if the new bank is not opened for business within 18 months from the preliminary conditional approval date, the OCC will withdraw approval. 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.

Until final approval is granted, the OCC has the right to alter, suspend, or revoke preliminary approval should any interim development be deemed by the OCC to warrant such action.

Please refer to the "Corporate Organization" booklet (enclosed) in the *Comptroller's Corporate Manual* for the instructions on organizing your bank. The booklet contains all of the steps you must take to receive your charter. As detailed in the booklet, you may establish the corporate existence of and begin organizing the bank as soon as you adopt and forward acceptable Articles of Association and the Organization Certificate to this office. As a "body corporate" or legal entity, you may begin taking 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 you are granted final approval by the OCC.

Enclosed are standard requirements that must be met before the bank will be allowed to commence business. Management must ensure that the applicable policies and procedures are established and adopted by the board of directors before the bank begins operation. Applicable standard requirements also must be satisfied before the bank will be allowed to commence business.

The OCC poses no objection to the following persons serving as executive officers as proposed

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in the application, subject to the completion of the background investigation. Additional executive officers are subject to the OCC's prior review and clearance.

President/Chief Executive Officer: James A. Boyce
Chairman of the Board: James P. Gough
Chief Operating Officer: Allan T. Gibson
Chief Credit Officer: Jeffrey D. Hamilton
Chief Financial Officer: Victor E. Guerrero

The OCC poses no objection to the individuals listed below serving as directors:

Steven H. Anderson;	James A. Boyce;
Roger D. Billingsley;	Brad L. Champlin;
Viola C. Chisholm;	Robert De Lanza;
Raymond J. De Riggi;	James J. Florance;
James P. Gough;	Ralph H. Haberfield;
Doug L. Heller;	Larry O. Hintz;
Charles I. Kosmont;	Roger A. Mohroff;
William T. Morris;	Christian A. Schmidt; and
Allan R. Uyesugi.	

All other directors are subject to the OCC's *prior* review and clearance.

Background checks requested by the OCC on some of the individuals have not been received yet. While we have decided not to delay action pending receipt of those responses, continued service of the affected individual will be dependent on satisfactory completion of the background investigation process. We have not completed our review on proposed director Clairmont Ruff. We also note that Ira Rosenstein has withdrawn from the organizing group.

You are reminded that for a period of two years after the bank has opened for business, the OCC must review and have no objection to any new executive officer or director *prior* to that person assuming such position. The board composition could be strengthened by the addition of outside directors with relevant banking experience.

This letter also responds to your request for the OCC to waive the United States citizenship requirement under 12 USC 72 for Christian A. Schmidt to be elected to the board of the bank. We understand that after his election, over 90% of the bank's board of directors will meet the citizenship requirements of 12 USC 72.

The OCC hereby grants a waiver of the citizenship requirements of 12 USC 72 for Christian A.

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Schmidt. This waiver is based upon a thorough review of all the information available, including the representations and commitments made in the application by you and your representatives.

Please understand that the OCC reserves the right to withdraw this waiver at any time and, at our discretion, to request additional biographical and/or financial information on Christian A. Schmidt.

This conditional approval, citizenship waiver 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, any agency or entity of the United States, or an officer or employee of the United States, 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 United States.

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

You should direct any questions concerning preliminary conditional approval to Senior Licensing Analyst Geryl N. Race at (415) 545-5923.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service.

Very truly yours,

-signed-

James A. Bundy
Licensing Manager

Enclosures: "Corporate Organization" Booklet
Minimum Policies and Procedures
Standard Requirements
AL 2000-12
AL 2001-47
Survey Letter