



Comptroller of the Currency
Administrator of National Banks

Licensing Operations

Western District Office
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**Conditional Approval #607
November 2003**

October 24, 2003

Mr. Richard S. Cupp
Spokesperson
1st Century Bank, N.A. (Proposed)
9911 West Pico Boulevard, 8th Floor
Los Angeles, CA 90035

RE: De novo Charter – 1st Century Bank, N.A. (Proposed)
Los Angeles, California
OCC Control Number: 2003-WE-01-0005

Dear Mr. Cupp:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national bank with the title of 1st Century Bank, N.A. (proposed) (hereinafter “Bank”). On October 24, 2003, the OCC granted preliminary conditional approval of your charter application after a determination that your proposal met certain regulatory and policy requirements.

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 proposed Bank to open will not be granted until all pre-opening 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 OCC's Southern California-South 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. For the first three years of operation, the Bank must also provide a copy of such notice to the FDIC's San Francisco Regional Office.

This condition 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 U.S.C. § 1818. As such, the condition is enforceable under 12 U.S.C. § 1818.

In addition to the procedural conditions for all new national banks, the following requirements must be satisfied prior to the Bank's request for a pre-opening examination and before the OCC will grant final charter approval:

1. The organizers must select an individual with satisfactory experience to serve as Chief Credit Officer of the proposed bank. This individual is subject to the prior review and clearance of the OCC.
2. The Bank's initial paid-in capital, net of all organizational and pre-opening expenses, shall be no less than \$17,475,000. The manner in which capital is raised must not deviate from that described in the business 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 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.
3. The Bank must submit to the OCC's Southern California-South Field Office for review and 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:

¹ If such deviation is the subject of an application filed with the OCC, the OCC does not require any further notice to the supervisory office.

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.

4. 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, see “The Internet and the National Bank Charter” booklet of the *Comptroller’s Licensing Manual*, pages 37-38, 74-75. This booklet may be found on the OCC’s web site at www.occ.treas.gov.

5. 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.

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 OCC poses no objection to the following persons serving as executive officers and/or directors as proposed in the application. However, background checks requested by the OCC have not been received yet from five sources. While we have decided not to delay action pending receipt of those responses, continued service of the affected individuals(s) will be dependent on satisfactory completion of the background investigation process. Also, additional executive officers and directors are subject to the OCC’s prior review and clearance.

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<u>Name</u>	<u>Proposed Position</u>
Richard S. Cupp	CEO/President/Director
Jeffrey M. Watson	EVP/Chief Operations Officer
Christian K. Bement	Director
Dave Brooks	Director
Joseph J. Digange	Director
Marshall S. Geller	Director
Alan D. Levy	Director
Peter W. Kelly	Director
Joanne C. Kozberg	Director
Barry D. Pressman	Director
Alan I. Rothenberg	Director
Lewis N. Wolff	Director

You are also 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 “Corporate Organization” booklet in the *Comptroller’s Licensing Manual* provides guidance for the instructions on organizing your Bank. You may find this booklet at the OCC’s web site: www.occ.treas.gov/corpbooks/group1/public/pdf/corpong.pdf. 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 Articles of Association and the Organization Certificate to this office for 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/corppaplic.htm>.

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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.

You should direct any questions concerning preliminary conditional approval to Licensing Analyst Sherry Gorospe at (720) 475-7653.

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.

Sincerely,

/s/ Ellen Tanner Shepherd

Ellen Tanner Shepherd
Licensing Manager

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