



Comptroller of the Currency
Administrator of National Banks

Western District Office
1225 17th Street, Suite 300
Denver, Colorado 80202

October 25, 2004

**Conditional Approval #661
November 2004**

Colin M. Forkner
Spokesperson
Pacific Coast National Bancorp, Inc.
1291 Puerta del Sol., Suite 200
San Clemente, California 92673-6310

Subject: Pacific Coast National Bank (proposed)
San Clemente, California
Charter - CAIS No. 2004-WE-01-010
Branch - CAIS No. 2004-WE-05-070
Citizenship Waiver – CAIS No. 2004-WE-12-206

Dear Mr. Forkner:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national bank with the title of Pacific Coast National Bank (proposed Bank). On October 25, 2004, the OCC granted preliminary conditional approval of your charter application after a determination that your proposal met certain regulatory and policy requirements. Your request(s) for a branch at 499 North El Camino Real, Suite C-100, Encinitas, California and to waive the United States' citizenship requirements under 12 USC 72 for Donald R. Mealing to serve on the Bank's board of directors are also conditionally 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(s):

The Bank: (i) shall give the OCC's Southern California-South (Orange County) supervisory 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 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 San Francisco Regional Office.

Also, should the bank propose to offer or develop any new electronically-based activities other than what is set forth in the charter application, it should provide the OCC's Southern California-South Supervisory Office with the above noted notice.

These conditions of 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 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

The Bank's initial paid-in capital, net of all organizational and preopening expenses, shall be no less than \$14.4 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.

Final approval will not be granted until and unless the Federal Reserve acts favorably on your application to acquire the Bank. You must furnish the OCC with a copy of all related filings to the Federal Reserve, including registration material. Send this information to Licensing Analyst Louis Gittleman in our Denver District Office. The OCC poses no objection to the following person(s) serving as executive officer(s), directors, and/or organizers as proposed in the application:

<u>Name</u>	<u>Title</u>
Colin Forkner	Chief Executive Officer/Vice Chairman
Michael Hahn	President/Chief Operating Officer
Richard Grinyer	Chief Credit Officer
Terry Stalk	Chief Financial Officer
Mike Cummings	Organizer/Director
David Davies	Organizer/Director
Fred DeBoom	Organizer/Director
David Johnson	Organizer/Director
Denny Lindeman	Organizer/Director/Chairman
Don Mealing	Organizer/Director
Dennis Morgan	Organizer/Director

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

Jim Shute	Organizer/Director
Jack Vuona	Organizer/Director
Niki Barbour	Organizer
Dominic Burtech	Organizer
Mike Crain	Organizer
Walt Grinyer	Organizer
Ben Hemeyer	Organizer
Richard Kay	Organizer
John Kennedy	Organizer
Rocky King	Organizer
Bill Lang	Organizer
John Najjar	Organizer
Steve Pezman	Organizer
Hans Schroeder	Organizer
Sean Speck	Organizer
Leonard Yamamoto	Organizer
Benjamin Yhap	Organizer
Jennifer Navaro-Yhap	Organizer

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. 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 OCC also granted your request to waive the citizenship requirements of 12 USC 72 for Donald R. Mealing to serve as a member of the board of directors of the Bank. This waiver is based upon a review of all available information, including the filing, subsequent correspondence and telephone conversations, and the Bank's representation that this waiver will not affect the board's responsibility to direct the Bank's operations in a safe and sound manner. The OCC reserves the right to withdraw or modify this waiver and, at its discretion, to request additional information at any time in the future.

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.

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 Ellen Tanner Shepherd, Licensing Manager in this 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.

In addition to the standard requirements for all new national banks, the following special requirements must be satisfied prior to the Bank's request for a preopening examination and before the OCC will grant final charter approval:

- 1) The Bank must submit for OCC review and approval, details of the split dollar life insurance policies to be offered to the Bank's executive officers. The Bank must demonstrate compliance with the provisions of OCC Bulletin 2000-23 (enclosed).
- 2) The Bank must submit to the Southern California-South 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.

- 3) 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>

- 4) 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.

Colin M. Forkner
October 25, 2004
Page 5

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 Licensing Analyst Louis Gittleman at 720-475-7650.

Sincerely,

/s/ Ellen Tanner Shepherd

Ellen Tanner Shepherd
Licensing Manager

Enclosures: Standard Requirements
Minimum Policies and Procedures