



Conditional Approval #1215
May 2019

April 30, 2019

James B. Jones
Executive Vice President
Carpenter & Company
2 Park Plaza, Suite 550
Irvine, CA 92614

Re: Final Approval of the De Novo Charter Application for the Proposed Grasshopper Bank, National Association, New York, New York
Charter No.: 25152
OCC Control No.: 2017-NE-Charter-300116

Dear Mr. Jones:

The Office of the Comptroller of the Currency (OCC) has found you have met all the requirements the OCC imposed and completed all steps necessary to commence the business of banking. Specifically, you have met all the preopening requirements connected with your Conditional Approval #1199, issued on July 3, 2018. The OCC also accepts the Contingency Plan you submitted on April 11, 2019.

You are authorized to open Grasshopper Bank, National Association (Bank) on May 13, 2019. We will forward you a Charter Certificate under separate cover.

This final approval is subject to the following conditions:

1. For one year following final approval, if the OCC determines, in its discretion, to impose additional conditions or issue an informal or formal enforcement action to address representations and commitments made to the OCC on which preliminary and final approval were granted, following a determination by the OCC that information relied upon in approving this application was materially different than represented, the Bank shall accept or consent to the imposition of such additional conditions or issuance of such an action;
2. The Bank shall enter into, and thereafter implement and adhere to, a written Operating Agreement with the OCC, in a form acceptable to the OCC, within three (3) business days after the Bank's opening;

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3. The Bank may not take on any credit risk with respect to any venture loan and must ensure that each venture loan: (i) is fully secured by cash collateral held on deposit at, and subject to the control of, the Bank in an amount equal to the sum of (A) the loan commitment and (B) at least three (3) to six (6) months of the borrower's cash burn; (ii) would receive a regulatory risk rating of pass at origination; (iii) is subject to a Net Remaining Months Liquidity (NRML) covenant; and (iv) includes an enforceable sweep clause in case of an event of default, which includes non-adherence to the NRML covenant;

For purposes of this condition:

“Venture loan” means any loan to a borrower that is pre-product, pre-revenue, pre-positive operating cash flow, pre-profit, or that has an incomplete management team or infrastructure.

“Borrower's cash burn” means a borrower's monthly earnings-before-depreciation-and-amortization (EBDA) loss based on the rolling average EBDA loss for the prior three months.

“EBDA” means earnings before depreciation and amortization, excluding any non-cash expenses related to stock compensation activities, as determined in accordance with Generally Accepted Accounting Principles.

4. The Bank shall: (i) give the OCC's New York Field Office at least sixty (60) days prior written notice of its intent to significantly deviate or change from its business plan or operations,¹ and (ii) 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. This condition shall remain in effect during the Bank's first three years of operation;
5. The Bank shall maintain minimum capital levels commensurate with the prospective risk of the Bank's business plan, with a tier 1 leverage ratio of no less than 10.0 percent throughout the first three years of operation;
6. 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. This condition shall remain in effect during the Bank's first two years of operation; and
7. Prior to implementing a transactional website:

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

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- a. The Bank must submit to the OCC's New York Field Office for review and approval a complete description of: (1) the Bank's information technology architecture; and (2) information systems risk assessment. This should include policies, technical diagrams, analyses, and concise summaries of the following items relied upon to deliver the transactional website:
 - 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 business resumption contingency plans.

- b. The Bank must have performed an objective, qualified, independent application penetration assessment (assessment) of source code supporting the electronic banking platform. The assessment should cover production code used in runtime, as well as source code, binaries, and libraries to identify design failure and unsafe coding practices, including but not limited to: authentication, authorization, session management, data validation, use of cryptography; error handling, information leakage and language-specific coding issues.

By written report, the assessment must confirm that security measures have been satisfactorily implemented and tested. For additional guidance, *OCC Bulletin 2008-16, "Application Security," OCC Bulletin 2011-26, "Authentication in an Internet Banking Environment", and FFIEC Retail Payment Systems Booklet, Appendix E, Mobile Financial Services (pg. E-1)*. The bulletins are located at the OCC's website, at <https://occ.gov/news-issuances/bulletins/index.html>. The booklet is located at the FFIEC's website: https://ithandbook.ffiec.gov/media/274860/ffiec_itbooklet_retailpaymentsystems.pdf

- c. The Bank must notify all potential technology-related third-party service providers in writing of the OCC's examination and regulatory authority under 12 USC 1867(c).² All final technology-related third-party service provider contracts must stipulate that the performance of services provided by third-party service providers to the Bank is subject to the OCC's examination and regulatory authority.

The conditions of this approval are conditions "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818. The conditions of this approval supersede and replace the conditions in Conditional Approval #1199.

² The OCC has the authority to assess the Bank for the cost of examining a service provider. See 12 CFR 8.6.

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You are reminded that this final approval is also subject to the following standard requirements:

1. The Bank is subject to the Change in Bank Control Act (12 USC 1817(j)) by virtue of its national bank charter.
2. The board of directors is responsible for regular review and update of policies and procedures and for assuring ongoing compliance with them. This includes maintaining an internal control system that ensures compliance with the currency reporting and recordkeeping requirements of the Bank Secrecy Act (BSA). The board must ensure that its personnel are trained in BSA procedures and designate one person or a group to monitor day-to-day compliance.

The board of directors and you should become familiar with the filing obligations of the Securities Exchange Act of 1934 (Exchange Act) and 12 CFR Part 11. The Bank may be required to file reports with the OCC under the Exchange Act and Part 11 if: (1) the Bank at the end of any fiscal year has 500 or more shareholders of record; or (2) the Bank made a public offering of securities subject to 12 CFR Part 16 during the Bank's organizational process. We encourage you to contact the OCC's Bank Advisory group at (202) 649-5510 if you have any questions about the Bank's securities disclosure obligations.

This final 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 any 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.

On behalf of the OCC, welcome to the national banking system. If you have any questions about the supervision of your Bank, please contact Thomas S. Angstadt, Assistant Deputy Comptroller at the New York Field Office, at (732) 650-3300. For questions about this decision letter or other licensing matters, please contact Licensing Analyst Laurie Powell at (917) 344-3432 or at PowellLA@occ.treas.gov. Please include the OCC control number on any correspondence related to this filing.

Sincerely,

/s/

Stephen A. Lybarger
Deputy Comptroller for Licensing