



Comptroller of the Currency
Administrator of National Banks

Western District Office
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Conditional Approval #854
June 2008

May 14, 2008

Fredrick J. Mandelbaum
President, CEO and Spokesperson
Manchester Financial Bank,
National Association, (proposed)
7825 Fay Avenue, Suite 100
La Jolla, California 92037

Re: Manchester Financial Bank, National Association (proposed)
San Diego (La Jolla), California
OCC Control No.: 2008-WE-01-0001

Dear Mr. Mandelbaum and Organizers:

I hereby grant preliminary conditional approval to the organizers' application to establish a new national bank with the title of Manchester Financial Bank, National Association (proposed) (hereinafter "Bank").

My decision is based on a thorough evaluation of all information available to the Office of the Comptroller of the Currency ("OCC"), including the representations and commitments made in the application and by the Bank's representatives, and a determination that the proposal met certain regulatory and policy requirements. I also made this decision to grant preliminary conditional approval with the understanding that the Bank will apply for Federal Reserve membership and will obtain deposit insurance from the Federal Deposit Insurance Corporation (FDIC).

I grant 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.

Manchester Financial Bank, National Association (proposed)
San Diego (La Jolla), California
OCC Control Number: 2008-WE-01-0001

This preliminary conditional approval is subject to the following condition:

1. 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. 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. 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.

The Bank's initial paid-in capital, net of all organizational and pre-opening expenses, shall be no less than \$19,100,000. 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 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, 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.

The OCC poses no objection to the following persons serving as executive officers, directors, and/or organizers as proposed in the application.

<u>Name</u>	<u>Proposed Position</u>
Robert M. Borgman	Director
Richard J. Freeman	Organizer and Director
Richard V. Gibbons	Organizer and Director
Douglas F. Manchester	Organizer, Director and Chairman, principal shareholder
Fredrick J. Mandelbaum	Organizer, President and CEO, and Director
Dean N. Renna	Chief Financial Officer

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.

Manchester Financial Bank, National Association (proposed)
San Diego (La Jolla), California
OCC Control Number: 2008-WE-01-0001

Scott A. Rogers	Organizer and Director
James E. Schultz, MD	Organizer and Director
Steven M. Strauss	Organizer and Director
Robert J. Williams	Director

Background checks requested by the OCC have not been received yet from one source for Mr. Freeman. Accordingly, the continued service of Mr. Freeman will be dependent on satisfactory completion of the background investigation process.

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 "Charters" booklet in the *Comptroller's Licensing Manual* provides guidance for the instructions on organizing your Bank. The booklet is located at the OCC's web site: 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 the Bank 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.

After reading the instructions for the organization of a new national bank, it is suggested that you or another designated representative consult with Senior Licensing Analyst Jim Bundy at 720-475-7650 to discuss the organizational process. The OCC believes that such a meeting can contribute to a more efficient and effective organization process and help avoid common mistakes that have delayed or prevented other banks from opening.

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.

Manchester Financial Bank, National Association (proposed)
San Diego (La Jolla), California
OCC Control Number: 2008-WE-01-0001

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 pre-opening examination and before the OCC will grant final charter approval:

1. 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.

2. 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 FFIEC IT Examination E-Banking Handbook, pages 26-30, Information Security Program. This booklet is located at the FFIEC's Web site: http://www.ffiec.gov/ffiecinfobase/booklets/e_banking.pdf.

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 CFR 30, Appendix B.

Manchester Financial Bank, National Association (proposed)
San Diego (La Jolla), California
OCC Control Number: 2008-WE-01-0001

4. Prior to the adoption of any stock option plans for organizers, directors, officers or employees, the Bank must submit details of the plan to the OCC and receive a written non-objection from the OCC.
5. Prior to opening, the organizers must hire a chief credit officer and a chief operations officer. The organizers should submit the usual information on the proposed new officers so that the OCC may conduct our standard background checks on that person, and the OCC must not object to that person's service.

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.

You should direct any questions concerning preliminary conditional approval to Senior Licensing Analyst Jim Bundy at (720) 475-7650.

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/

Louis T. Gittleman
Acting Director for District Licensing

Enclosures: Minimum Policies and Procedures
Standard Requirements
Survey Letter