
Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Conditional Approval #460
May 2001

April 3, 2001

Mr. Colin M. Forkner
Spokesperson
California First National Bank (In Organization)
5 Hutton Centre Drive, Suite 250
Santa Ana, California 92707

Re: Significant Change in Operating Plan for California First National Bank (In Organization),
Santa Ana, California (formerly known as Hutton National Bank)
Charter Number: 23925
Application Control Number: 1999-WE-01-0006

Dear Mr. Forkner:

This is in response to your letter dated December 29, 2000 in which you requested that the Office of the Comptroller of the Currency ("OCC") review and approve a significant change in operating plan for California First National Bank (In Organization), Santa Ana, California ("Bank"). The Bank will be wholly-owned by a new bank holding company that will be the successor to Amplicon, Inc., Santa Ana, California ("Amplicon" or "Bank Holding Company"), which has applied to the Federal Reserve System. The significant changes to the operating plan were detailed in the December 29, 2000 letter as well as through various written correspondences between October 4, 2000 and that time. The changes included:

- While Mr. Paddon will be the Chairman and CEO of the Bank Holding Company, he will not be an officer of the leasing subsidiaries and will not be involved in the daily operations of the Bank. Another experienced officer will be President of the leasing subsidiary or subsidiaries from which the Bank will purchase leases.
- Harris Ravine, an organizing director for the Bank and an outside director of Amplicon since 1994, will be the Chairperson of the Board of the Bank.
- Leslie Jewett, the CFO of Amplicon, will not be Chairperson of the Board of the Bank as originally proposed. She will be a director of the Bank.
- The new operating plan assumes that no more than 50 percent of the Bank's leases will be purchased from the Amplicon leasing subsidiary versus up to 100 percent from the original plan. In addition, the Bank will originate approximately 30 percent of its own lease assets

and purchase approximately 20 percent from independent, third-party leasing companies. Amplicon will donate an existing lease origination department to the Bank.

We have evaluated the revised operating plan and find it acceptable, subject to the additional and revised preopening requirements and ongoing conditions outlined below.

In addition to the procedural requirements for all new national banks and the special requirements stipulated in our April 13, 2000 preliminary conditional approval, the following requirements must be satisfied before the OCC will grant final charter approval:

1. The Bank must develop and maintain alternative business strategies to ensure that it can prudently, efficiently, and effectively manage potential scenarios where actual performance might differ significantly from the operating plan, including with respect to lease or deposit mixes, interest rates, projected initial losses, operating expenses, marketing costs, and growth rates. The alternative business strategies should also identify primary and secondary sources of additional capital in the future if necessary. These strategies must be integrated into the Bank's operating and strategic plans and funds management and capital policies. The Bank must submit the alternative business strategies and related documents to the OCC for review and approval prior to commencing business. The Bank should update the alternative business strategies periodically as the Bank's condition and marketplace conditions change. (This replaces preopening requirement #5 from our April 13, 2000 preliminary conditional approval).
2. As part of a comprehensive liquidity risk management program, the Bank should develop and maintain a contingency funding plan that addresses strategies for managing potential liquidity fluctuations. The degree and sophistication of the contingency funding plan should be commensurate with the Bank's complexity and risk exposure, activities, products, and organizational structure.
3. As proposed, the Bank must name an individual as the Chief Credit Officer. The OCC must review and have no objection to this individual, who will be deemed a Senior Executive Officer for purposes of 12 C.F.R. Part 5. We will evaluate the candidate relative to the specialty nature of the charter. In this regard, the Chief Credit Officer must have the necessary knowledge and technical skills to effectively manage and perform the duties related to business equipment lease financing and overall portfolio management.
4. The Bank must successfully complete an additional on-site review by the OCC as follow-up to our earlier preopening examination phases. The scope of the review will include an evaluation of the new Chief Credit Officer and any revised financial projections, policies, procedures, and controls, including those surrounding the credit policy, lease origination and purchase operations, operating plan, alternative business strategies, contingency funding plan, and capital maintenance and liquidity support agreement between Amplicon and Bank.

Final approval will be subject to the following conditions:

1. Prior to the Bank commencing business, the Bank's Board of Directors must execute a binding written agreement with the OCC setting forth certain actions that the Bank will take, including but not limited to obtaining additional capital infusions; developing and implementing a corrective action plan or new satisfactory operating plan to remedy plan shortfalls or failures; or developing and implementing a contingency plan for sale, merger, or liquidation of the Bank at no cost to the FDIC, if the Bank does not achieve original operating plan results. The Board shall implement and ensure continued adherence to the terms of the agreement. The agreement shall remain in existence for the Bank's first three years of operations, or until the Bank reports four (4) consecutive quarters of profitability, whichever is longer.
2. Prior to the Bank commencing business, the Bank and Amplicon must enter into a binding written agreement setting forth Amplicon's obligations to provide capital maintenance and liquidity support to the Bank, if and when necessary. The terms and provisions of this capital maintenance and liquidity support agreement and any amendments thereto must be acceptable to the OCC, and shall include a provision for collateral to support those obligations, if required by the OCC. The agreement may not be terminated without the prior approval of the OCC.
3. The Bank must notify all potential technology-related vendors in writing of the OCC's examination and regulatory authority under 12 U.S.C. § 1867(c). All final vendor contracts must stipulate that the performance of services provided by the vendors to the Bank is subject to the OCC's examination and regulatory authority.
4. During the first three years of operations, or until the Bank has reported four (4) consecutive quarters of profitability, whichever is longer, the Bank shall request and obtain prior approval from the District Deputy Comptroller for the Western District before implementing any significant deviation or change from the operating plan. The Bank must seek such approval sixty (60) days prior to any proposed significant deviation or change. The Bank also must provide a copy of such notice to the relevant FDIC regional office.

The above-listed conditions of this approval are "condition[s] 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(b)(1). As such, these conditions are enforceable under 12 U.S.C. 1818.

We would like to commence the additional on-site review as soon as the organizers believe that the above requirements are satisfied and the Bank is ready to open. Please contact me at (202) 874-5060 with any questions and to schedule the additional on-site review.

Sincerely,

-signed-

John W. Graetz
Senior Advisor for e-Banking