



Comptroller of the Currency
Administrator of National Banks

Western District Office
1225 17th Street, Suite 300
Denver, Colorado 80202
720-475-7650; Fax: 301-333-7010

**Conditional Approval #763
November 2006**

October 3, 2006

Mr. Thomas R. Timmons
President and CEO
Spectrum Bank
15615 Alton Parkway
Irvine, CA 92618

Re: Conversion to National Bank
CAIS No. 2006-WE-01-021

Dear Mr. Timmons:

The Comptroller of the Currency (OCC) has reviewed your application to convert Spectrum Bank, Irvine, California to a national bank and retain all its branches. After a thorough review of all information available, and reliance upon the representations and commitments made in the application and by the bank's representatives, including those contained in your letter dated September 14, 2006, we find that your conversion application meets the requirements for approval to convert to a national banking association pursuant to 12 USC 35 and 12 CFR 5.24 as follows:

Title: Spectrum Bank, National Association

Location: 15615 Alton Parkway
Irvine, California 92618

This conversion approval is subject to the following special condition:

The Bank: (i) shall give the OCC's Southern California-South 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.

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

Spectrum Bank
Irvine, CA
OCC Control No.: 2006-WE-01-021

This condition of approval is a 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 and, as such, are enforceable under 12 USC 1818.

This conditional approval is based in part upon the institution’s representation that, prior to conversion, the capital structure will be realigned to comply with the minimum capital requirements of 12 USC 35, 36, 52, and 371d to the extent applicable.

The OCC acknowledges Spectrum Bank’s plans to continue the activities conducted by Information Management Technology, the bank’s operating subsidiary. The activities conducted by this subsidiary qualify for after the fact notice by a national bank. This subsidiary holds and manages assets of the bank (12 CFR 5.34(e)(5)(v)(A)), as well as facilitating the delivery of data processing services (12 CFR 5.34(e)(5)(v)(H)) and acting as agent in leasing property (12 CFR 5.34(e)(5)(v)(M)). The bank is reminded that the operating subsidiary must be operated in a manner consistent with published OCC guidance.

Following consummation and for a period of two years, Spectrum Bank is permitted to retain the loans that currently exceed the bank’s legal lending limit set forth in 12 USC 84 and 12 CFR Part 32. These loans must be removed from the bank’s loan portfolio or brought into conformance with the noted statute and regulation as soon as possible within a two-year period, unless the OCC determines that such loans are permissible.

This letter constitutes official OCC authorization to operate the following branches:

OCC Branch No. 136879A
Whittier Boulevard Branch
2417 West Whittier Boulevard
Montebello, CA 90640

OCC Branch No. 136880A
Warner Avenue Branch
6094 Warner Avenue
Huntington Beach, CA 92647

You should retain this letter as the official branch authorization. If, at some time in the future, the bank desires to close a branch, the requirements of 12 USC 1831r-1 must be met, including the submission of a 90-day advance notice of the proposed branch closing to the OCC. Following the branch closing, a final closing notice should be submitted to the OCC and the branch authorization must be surrendered. In the event the branch is sold, the branch authorization should also be surrendered to the OCC.

You are reminded that the following items must be satisfactorily addressed on or before the effective date of the conversion:

1. The institution must purchase adequate fidelity bond coverage in accordance with 12 CFR 7.2013, which lists four factors the directors should consider to determine adequacy.
2. If a director, officer, employee, or principal shareholder of the bank (including an entity in which such person owns an interest of 10 percent or more) is involved in the sale of credit life insurance to loan customers, the bank should ensure compliance with 12 CFR 2, which among other things, prohibits a covered person from retaining commissions or other income from the sale of credit life insurance connected with any loan the bank makes.
3. The board of directors must adopt and have in place policies, practices, and procedures to ensure the safe and sound operation of the bank. The board also must review those policies, practices, and procedures continually and ensure the bank's compliance with them. We are enclosing the Minimum Policies and Procedures for national banks.
4. The converting institution must submit Articles of Association approved by the board of directors and shareholders owning a majority of the bank's stock.
5. The converting institution must ensure that all other required regulatory approvals have been obtained. Final authorization to operate as a national bank will not be given to an institution with a bank holding company until the Federal Reserve Board has approved the holding company.
6. The directors must own qualifying shares in conformance with 12 USC 72 and 12 CFR 7.2005.
7. The converting institution must notify the OCC if the facts described in the filing materially change at any time prior to consummation of the conversion. Any changes to the executive officers or directors must receive a "no objection" from the OCC.
8. The bank must ensure that its reporter identification number included in its Home Mortgage Disclosure Act transmittal sheet is changed to reflect the new OCC charter number.

Also, you should submit one original executed Articles of Association.

Upon completion of all steps required to convert to a national banking association, submit the "Conversion Completion Certification" (enclosed) certifying that you have done so.

When the institution has satisfactorily completed all of the above steps, the OCC will issue a Conversion Completion Acknowledgment officially authorizing the institution to commence

Spectrum Bank
Irvine, CA
OCC Control No.: 2006-WE-01-021

business as a national banking association. At that time you will receive the charter certificate. If the conversion is not consummated within six months from the date of the decision, the approval will automatically terminate unless the OCC grants an extension of the time period. The OCC is opposed to granting extensions, except under the most extenuating circumstances and expects the conversion to occur as soon as possible.

The OCC will send to you under separate cover 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 in electronic form on our Web site <http://www.occ.treas.gov/corpapps/corpapplic.htm>. The enclosures below can also be found on our Web site.

All correspondence regarding this application should reference the application control number. If you have any questions, contact me at (720) 475-7650.

Sincerely,

/s/

Louis T. Gittleman
Acting Director for District Licensing

Enclosures: Conversion Completion Certification
Minimum Policies and Procedures
Survey Letter

Cc: Michael A. Kelley, Acting Commissioner, California Department of Financial Institutions