



Comptroller of the Currency
Administrator of National Banks

Central District Office
One Financial Place, Suite 2700
440 South LaSalle Street
Chicago, Illinois 60605

December 6, 2006

**Conditional Approval #774
January 2007**

Michael F. Dunning
Executive Vice President
FBOP Corporation
111 West Madison Street
Oak Park, Illinois 60302

**Re: Proposed Conversion of California Savings Bank, San Francisco, California to a national banking association under the title Pacific National Bank.
CAIS Control Number: 2006-CE-01-010**

**Multiple Director Residency Waiver Request
CAIS Control Number: 2006-CE-12-386**

Dear Mr. Dunning:

The Comptroller of the Currency (OCC) has reviewed your application to convert California Savings Bank, San Francisco, 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, we find that your conversion application meets the requirements for conditional approval to convert to a national banking association pursuant 12 CFR 5.24 as follows:

Title: **Pacific National Bank**

Location: **300 Montgomery Street
San Francisco, California 94105**

The conditions of this approval are as follows:

1. Following conversion and for a period of two years, Pacific National Bank is permitted to retain its investment in General Motors Acceptance Corp. and Ford Motor Credit Corporation. This investment **must be terminated within the two-year period** unless, within that time period, the OCC determines that this investment is permissible.
2. Upon conversion, Pacific National Bank's total community development/public welfare investments of approximately 11-12% of capital and surplus will exceed the limit under 12 USC 24 (Eleventh). California Savings Bank **must immediately submit** an investment proposal to the Director, Community Development Division, Office of the

Comptroller of the Currency, Washington, D.C. 20219, requesting approval of each community development investment, pursuant to 12 CFR 24. The application must be on Form CD-1 (enclosed). The proposal must include:

- A description of the bank's investment;
- The amount of the investment;
- The percentage of the bank's capital and surplus represented by the proposed investment and by the bank's aggregate outstanding public welfare investments and commitments, including the proposed investment; and,
- A statement certifying that the investment complies with the requirements of 12 CFR 24.3 and 24.4

In addition, the OCC grants multiple waivers of the residency requirement of 12 USC 72 for the majority of the board of directors of Pacific National Bank. We understand that after their election, two of the bank's six board of directors will meet the residency requirement of 12 USC 72. The bank may continue to appoint directors who do not meet the residency requirements without applying for individual waivers, as long as the ratio of directors remains the same as in this approval.

This 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. Also, this waiver is granted based upon a review of all available information, including the filing and the bank's representations that this waiver will enable the bank to better meet the goals of its business plan without affecting the safety and soundness of the bank.

The OCC reserves the right to withdraw this waiver at any time and, at our discretion, to request additional biographical and/or financial information on any member of the board of directors. Approval of your request does not alter the citizenship and stock ownership requirements for such persons to serve as directors on the board.

As outlined in an email from FBOP Vice President Dan Mandarin dated November 16, 2006, the OCC has also approved the proposal to change the capital accounts of Pacific National Bank upon conversion as follows:

<u>From</u>		<u>To</u>	
Common Stock	\$0	Common Stock	\$85,716,000.00
Surplus	\$169,775,123.00	Surplus	\$84,059,123.00
Par Value	\$0	Par Value	\$ 100.00

This letter constitutes official OCC authorization to operate the branches listed on Attachment A.

You should retain this letter as the official branch authorization. OCC branch numbers have been assigned to each of the branches. 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. Pacific National Bank has represented that it intends to maintain its membership in the Federal Home Loan Bank (FHLB) system. If, at any time, Pacific National Bank ceases to be a member of the FHLB system, it must use its best efforts, including contacting the appropriate FHLB or the Federal Housing Finance Board, to dispose of any stock in the FHLB. The OCC will consider this stock a nonconforming asset for any period Pacific National Bank is not a member of the FHLB system.
5. The converting institution must apply to the Federal Reserve for membership.
6. The directors must own qualifying shares in conformance with 12 USC 72 and 12 CFR 7.2005.
7. The bank must maintain liquidation accounts established when the bank acquired institutions that converted from mutual to stock form.
8. If the converting institution is subject to the Home Mortgage Disclosure Act (HMDA), the bank must ensure that its reporter identification number included on its HMDA transmittal sheet is changed to reflect its new OCC charter number.
9. 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.

Michael F. Dunning
FBOP Corporation
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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 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>.

This 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 modified or waived by any employee or agent of the OCC or the United States.

All correspondence regarding this application should reference the application control number. If you have any questions, contact Licensing Specialist Robin J. Miller at (312) 360-8874 or by email at Robin.Miller@occ.treas.gov.

Very truly yours,

/s/

David J. Rogers
Director for District Licensing

Enclosures: Conversion Completion Certification
Minimum Policies and Procedures
Survey Letter
Form CD-1

Attachment A

Burlingame, 10 – South Bay Region
1423 Burlingame Avenue
Burlingame, California 94101
OCC Branch Number: 137090A

Centerville, 3 – East Bay Region
37325 Fremont Boulevard
Fremont, California 94536
OCC Branch Number: 137097A

Hayward, 21 – East Bay Region
22268 Foothill Boulevard
Hayward, California 94541
OCC Branch Number: 137099A

Lafayette, 11 – North Bay Region
3528 Mt. Diablo Boulevard
Lafayette, California 94549
OCC Branch Number: 137101A

Mill Valley, 20 – North Bay Region
71 Throckmorton Avenue
Mill Valley, California 94941
OCC Branch Number: 137104A

Montclair, 6 – East Bay Region
1998 Mountain Boulevard
Oakland, California 94611
OCC Branch Number: 137106A

Mt. View, 8 – South Bay Region
820 East El Camino Real
Mountain View, California 94040
OCC Branch Number: 137108A

Rossmoor, 22 – North Bay Region
1910 Tice Valley Boulevard
Walnut Creek, California 94595
OCC Branch Number: 137110A

San Ramon, 19 – North Bay Region
2475 #3 San Ramon Valley Boulevard
San Ramon, California 94583
OCC Branch Number: 137112A

Walnut Creek Loan Center
1676 N. California Boulevard, Suite 420
Walnut Creek, California 94596
OCC Branch Number: 137114A

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Campbell, 4 – South Bay Region
1998 South Bascom Avenue
Campbell, California 95008
OCC Branch Number: 137096A

Concord, 14 – North Bay Region
2401 Willow Pass Road
Concord, California 94519
OCC Branch Number: 137098A

Irvington, 15 – East Bay Region
40587 Fremont Boulevard
Fremont, California 94538
OCC Branch Number: 137100A

Menlo Park, 2 – South Bay Region
701 Santa Cruz Avenue
Menlo Park, California 94025
OCC Branch Number: 137103A

Mission, 5 – South Bay Region
3000 Sixteenth Street
San Francisco, California 94103
OCC Branch Number: 137105A

Moraga, 18 – North Bay Region
1470 Moraga Road
Moraga, California 94556
OCC Branch Number: 137107A

Napa, 12 – North Bay Region
1300 First Street
Napa, California 94559
OCC Branch Number: 137109A

San Leandro, 23 – East Bay Region
1585 East 14th Street
San Leandro, California 94577
OCC Branch Number: 137111A

Sacramento Loan Center
777 Campus Commons Road, Suite 200
Sacramento, California 95825
OCC Branch Number: 137113A