

OFFICE OF THRIFT SUPERVISION

Approval of Applications for Permission to Organize a Federal Savings Bank and Holding Company Acquisition

Order No.: 2008-48

Date: November 24, 2008

Docket Nos: H-4514, 18110

Golden Pacific Bancorp, Inc., Sacramento, California (Holding Company) has applied for approval of the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3, for permission to organize and acquire Golden Pacific Bank, Sacramento, California (Savings Bank) (collectively, the Applications).

The Proposed Transaction

In the proposed transaction, the Holding Company will form the Savings Bank as a wholly owned direct subsidiary. The Holding Company will sell its common stock in a private placement offering. The Savings Bank has applied to the Federal Deposit Insurance Corporation (FDIC) for insurance of the Savings Bank's deposits.

Permission to Organize Application

OTS may grant a federal savings association charter only: (1) to persons of good character and responsibility; (2) if, in OTS's judgment, a necessity exists for such association in the community to be served; (3) if there is a reasonable probability for the association's usefulness and success; and (4) if the association can be established without undue injury to properly conducted existing local thrift and home financing institutions. In addition, OTS must consider whether the association will promote credit for housing consistent with the safe and sound operation of a federal savings association.

Also, OTS's regulation regarding the establishment of *de novo* federal savings associations sets forth standards regarding: (i) initial capitalization of the federal savings association; and (ii) the residence and composition of the savings association's board of directors.

Further, 12 C.F.R. § 563e.29(b) provides that an applicant for a federal savings association charter must submit with its application a description of how it will meet its Community Reinvestment Act (CRA) objectives. OTS is required to take this description into account when considering the application and may deny or condition approval on CRA grounds.

With respect to character and responsibility, the Applications and OTS's background checks did not disclose any information that would be inconsistent with approval regarding the

organizers of the Holding Company and the Savings Bank (who will become the directors and officers of these two entities). The Applications and background checks indicate that the members of the Savings Bank's and the Holding Company's proposed boards of directors possess sufficient experience in the operations of financial institutions and various other business endeavors. We conclude that the character and responsibility of the organizers of the Savings Bank, and the directors and officers of the Savings Bank and the Holding Company are consistent with approval.

With respect to the necessity for the Savings Bank, the Savings Bank will engage in deposit and lending activities. The Savings Bank will market its deposit and lending business within the Sacramento-Arden-Arcade-Roseville California Metropolitan Statistical Area (MSA). Insured deposits in the MSA increased from \$28.728 billion to \$29.943 billion, or 4.23 percent, between June 2007 and June 2008. The population of the MSA increased from 1,796,857 to 2,091,120, or by 16.34 percent, between 2000 and 2007. Based on the foregoing, OTS concludes that there is a necessity in the community for the Savings Bank.

With respect to undue injury to local thrift and home financing institutions, the Savings Bank proposes to have deposits of approximately \$100 million in its third year of operations, which equals only 0.335 percent of deposits in the MSA, based on June 30, 2008, deposits. In addition, no one submitted comments objecting to the application. Therefore, OTS concludes that the Savings Bank will not have an undue adverse impact on local thrift and home financing institutions in the geographic area where its customers will be located.

With respect to the probability of the Savings Bank's usefulness and success, the Savings Bank will be well capitalized. The Savings Bank's business plan projects that it will remain well capitalized throughout the three-year duration of the plan and that it will operate profitably by its third year of operations. The Savings Bank's directors and management include experienced bankers and business owners. Conditions five through eight are designed to enhance OTS's ability to provide oversight of the Savings Bank, to help ensure adherence by the Savings Bank to generally accepted accounting principles and the business plan, and to help ensure that the Savings Bank has appropriate managerial resources. OTS concludes that the probability of the Savings Bank's usefulness and success standard is met, provided that the Savings Bank complies with the conditions set forth below.

With respect to promotion of credit for housing consistent with the safe and sound operation of a federal savings association, the Savings Bank will extend credit for housing within its market area. In addition, the Savings Bank is projected to meet its Qualified Thrift Lender requirements. As discussed above, the Savings Bank's management is competent and should be able to conduct lending appropriately. Accordingly, OTS concludes that this approval criterion has been satisfied.

With respect to the CRA and OTS's CRA regulations, OTS received no comments objecting to the Applications. The Savings Bank's proposed CRA assessment area is consistent

with OTS's CRA regulations. OTS concludes that the Savings Bank has satisfactorily demonstrated how it will meet its CRA objectives.

The Savings Bank's initial capitalization will exceed the minimum regulatory requirement. In addition, consistent with 12 C.F.R. § 543.3(d)(1), a majority of the Savings Bank's board of directors live or work in California. The Savings Bank's board of directors will include individuals with varied backgrounds in banking, and other financial endeavors. Section 543.3(d)(2) of the OTS regulations also requires that, except in the case of a *de novo* association that is wholly owned by a holding company, no more than one-third of the board of directors may be in closely related businesses. Where a *de novo* association is owned by a holding company that does not have substantial independent economic substance, as here, the above standard is applied to the board of the holding company. No more than one-third of the proposed directors on the boards of the Savings Bank and the Holding Company board are in closely related businesses. OTS concludes that the proposed composition of the boards of directors complies with 12 C.F.R. § 543.3(d).

Holding Company Application

Section 10(e)(1)(B) of the Home Owners' Loan Act and the OTS Acquisition of Control Regulations provide that OTS must approve a holding company application seeking permission to acquire one savings association by a company other than a savings and loan holding company unless OTS finds the financial and managerial resources and future prospects of the company and association involved to be such that the acquisition would be detrimental to the savings association or to the insurance risk of the Deposit Insurance Fund. Also, OTS must consider the impact of any acquisition on competition.¹ Further, 12 C.F.R. § 563e.29(a) requires that OTS take into account assessments under the CRA when approving savings and loan holding company acquisitions.

For the reasons set forth above, OTS concludes that the managerial resources of the Holding Company and the Savings Bank are satisfactory. Accordingly, OTS concludes that the managerial resources of the Savings Bank and the Holding Company are consistent with approval.

With regard to financial resources, OTS reviewed the financial resources of the Holding Company, and the Savings Bank's proposed capitalization and business plan. The Applications project that the Savings Bank will meet all of its capital requirements and should become profitable in its third year of operations, and that it will remain well capitalized throughout its first three years of operations. Based on the foregoing, OTS concludes that the financial resources of the Holding Company and the Savings Bank are consistent with approval.

¹ 12 U.S.C. § 1467a(e)(2) and 12 C.F.R. § 574.7(c)(2) (2008).

Based on the discussions above regarding the probability of the Savings Bank's usefulness and success, the character and responsibility of the organizers of the Savings Bank, and the financial and managerial resources of the Holding Company and the Savings Bank, and the inclusion of the conditions set forth below, which are intended to ensure that the future prospects of the Holding Company and the Savings Bank are consistent with approval, OTS concludes that this approval criterion has been satisfied.

The transaction will not result in any currently operating, unaffiliated depository institutions becoming affiliated. Accordingly, OTS finds no basis for objection to the transaction on anti-competitive grounds.

With respect to the Holding Company's performance under the CRA, the Holding Company has not been subject to the CRA, and the Savings Bank is a newly formed entity. Accordingly, OTS concludes that there is not any basis for objection to the holding company application based on CRA grounds.

Conclusion

Based on the foregoing analysis, pursuant to delegated authority, OTS concludes that the Applications meet the applicable approval criteria, and hereby approves the Applications, provided that the following conditions are complied with in a manner satisfactory to the West Regional Director, or his designee (Regional Director):

1. The Savings Bank must receive all required regulatory approvals and submit copies of all such approvals to the Regional Director prior to consummation of the proposed transaction;
2. The proposed transaction must be consummated within 120 calendar days from the date of this letter;
3. On the business day prior to the consummation of the proposed transaction, the chief financial officers of the Savings Bank and the Holding Company must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Savings Bank or the Holding Company as disclosed in the Applications. If additional information having a material adverse bearing on any feature of the Applications is brought to the attention of the Savings Bank, the Holding Company or OTS since the date of the financial statements submitted with the Applications, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
4. The Savings Bank must within 5 calendar days after the effective date of the proposed transaction: (a) advise the Regional Director in writing of the effective date of the transaction and of the Savings Bank's insurance of accounts; (b) advise the Regional Director

in writing that the transaction was consummated in accordance with all applicable laws and regulations, the Applications, and this Order; and (c) provide a reconciliation of the Savings Bank's capital to the Regional Director;

5. The Savings Bank must submit independent audit reports to the Regional Director for its first three years of operations. These reports must be in compliance with the audit rules set forth at 12 C.F.R. § 562.4;
6. The Savings Bank must operate within the parameters of its three-year business plan. The Savings Bank must submit any proposed major deviations or material changes from the plan for the prior, written non-objection of the Regional Director. The request for change must be submitted no later than 60 calendar days prior to the desired implementation date with a copy sent to the FDIC Regional Office;
7. For three years following commencement of operations, the Savings Bank must submit to the Regional Director within 45 calendar days after the end of each calendar quarter, a business plan variance report detailing the Savings Bank's compliance with the business plan and an explanation of any deviations; and
8. Before commencement of the Savings Bank's operations, and for the three years after commencement of the Savings Bank's operations, the Savings Bank must receive the prior written non-objection of the Regional Director for any proposed new directors or executive officers or any significant changes in responsibilities of any executive officer.

The Regional Director may, for good cause, extend any time period set forth herein for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective

November 24, 2008.



Grovetta N. Gardineer
Managing Director
Corporate & International Activities