



Comptroller of the Currency
Administrator of National Banks

Western District Office
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August 19, 2010

**Conditional Approval #968
September 2010**

Ronald Blok
Chief Executive Officer
Rabobank, N.A.
915 Highland Pointe Dr., Suite 350
Roseville, CA 95678

Re: Rabobank, N.A., El Centro, CA
Purchase of Certain Assets and Assumption of Certain Liabilities
2010-WE-02-0020

Dear Mr. Blok:

The Office of the Comptroller of the Currency (“OCC”) hereby conditionally approves the application of Rabobank, N.A., El Centro, CA (“Acquirer”) to purchase certain assets and assume certain liabilities of Pacific State Bank, Stockton, CA and Butte Community Bank, Chico, CA (collectively the “Failed Banks”) from the Federal Deposit Insurance Corporation (“FDIC”) as Receiver for the Failed Banks for the reasons and subject to the conditions set below.

Failed Banks, state-chartered banks, were each in danger of default. Each bank had deposits insured by the FDIC. In contemplation that the California Department of Financial Institutions may close each bank and appoint the FDIC as receiver, the FDIC sought bids from potential acquirers to acquire each of the Failed Banks. Acquirer was the winning bidder. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Acquirer by which the latter would purchase certain assets and assume certain liabilities of Failed Banks.

This conditional approval is granted based upon the information contained in the Acquirer’s application and other information and representations made to the OCC during its processing of the application.

The Purchase and Assumption

Acquirer applied to the OCC for approval to purchase certain assets of and assume certain liabilities of Failed Banks under 12 U.S.C. §§ 24 (Seventh) and 1828(c) (the “Transaction”). The proposed Transaction, in which both banks have their main offices in the same state, is legally permissible under 12 U.S.C. § 24 (Seventh). Thus, the Transaction is legally authorized and the OCC approves the Transaction. In addition, the Acquirer may retain as branches the main offices and branches of the Failed Banks under 12 U.S.C. § 36(c), and California intrastate branching law.

Bank Merger Act

The OCC reviewed the proposed Transaction under the criteria of the Bank Merger Act, 12 U.S.C § 1828(c), and applicable OCC regulations and policies. The OCC considered the financial and managerial resources of the banks, their future prospects, and the convenience and needs of the communities to be served. In addition, the Bank Merger Act requires the OCC to consider “the effectiveness of any insured depository institution involved in the proposed merger transaction in combatting money laundering activities, including overseas branches.” 12 U.S.C. § 1828(c)(11). We considered these factors and found them consistent with approval under the statutory provisions.

In addition, the OCC also finds, under the standards set forth in the Bank Merger Act, that it must act on the application immediately. 12 U.S.C. § 1828(c)(3), (4)(C)(i), and (6). Consequently, there is no requirement for publication of notice of the Transaction, for a request by the OCC of a competitive factors report from the Attorney General, or for a post-approval waiting period prior to consummation of the Transaction.

Community Reinvestment Act

The Community Reinvestment Act (“CRA”) requires the OCC to take into account the applicants’ record of helping to meet the credit needs of the community, including low-and-moderate-income (“LMI”) neighborhoods, when evaluating certain applications, including transactions that are subject to the Bank Merger Act. 12 U.S.C. § 2903; 12 C.F.R. § 25.29. The OCC considered the CRA performance evaluation of each institution involved in the Transaction. A review of the record of these applicants and other information available to the OCC as a result of its regulatory responsibilities revealed no evidence that the applicants’ record of helping to meet the credit needs of their communities, including LMI neighborhoods, is less than satisfactory.

Conditions

This approval is subject to the following condition(s):

Within 30 days of consummation of this transaction, the bank shall submit a plan to the Southern California-South Field Office for its review and supervisory non-objection to strengthen its Special Assets Management group. The plan shall specify the bank's proposed course of action to hire and train loan workout specialists with appropriate experience and to determine the necessary staffing levels given the volume and type of problem loans currently held or serviced by the bank and acquired in this transaction. The plan should also include the bank's commitment for implementation of, and adherence to, the plan immediately following receipt of the written OCC supervisory non-objection.

The condition of this approval is a condition "imposed in writing by a Federal banking agency in connection with any action, on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818. As such, the condition is enforceable under 12 U.S.C. § 1818.

Consummation Guidance

This approval is granted based on our understanding that other applicable regulatory approvals, non-objections or waivers with respect to the proposed Transaction will have been received prior to the consummation of the Transaction.

Within seven days of consummation of the Transaction, please provide the district office with copies of the following documents:

- An executed purchase and assumption agreement.
- Documentation that all other conditions that the OCC imposed have been met.

This 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, 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. Our approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have questions regarding this letter, please contact Senior Licensing Analyst Louis Gittleman at (720) 475-7650. Please reference the application control number in any correspondence.

Sincerely,

Ellen Tanner Shepherd

Ellen Tanner Shepherd
Director for District Licensing