

QUALIFICATION PARAMETERS FOR FAILED

TRUST COMPANY ACQUISITIONS

INFORMATION AND INSTRUCTIONS

The Texas Department of Banking (the "Department") welcomes any interest in acquiring a failed or failing institution or trust company via a trust company charter, either existing or de novo. Following is a synopsis of qualifications which must be satisfied in order to qualify to acquire a failing institution by or through a Texas trust company.

PROCEDURE / APPLICATION. If the resulting institution will be a Texas trust company, the approval of the Department must be obtained prior to the submission of your bid. All applicants must supply the Department sufficient information to review the proposed transaction in a timely manner. The Department's "APPLICATION TO PURCHASE ASSETS AND ASSUME LIABILITIES" form (the "P&A form") solicits most of the information required to review a proposal. Additional information may be required.

EXISTING TRUST COMPANY OR BANK - BRANCH

If you represent an existing trust company or state bank and determine to establish one or more branches as a result of the proposed transaction, the P&A form will be considered your application to establish such branch(es).

TRUST COMPANY CHARTER - DE NOVO

If you are a member of a group that wishes to obtain a trust company charter as a result of the subject transaction it is essential that you contact the representatives of the Department (See "CONTACTS") immediately after the information meeting and submit the requisite biographical and financial information on all members of the proposed control group **AS SOON AS POSSIBLE**. The Department must conduct background investigations on each proposed principal. An application to charter a trust company must be submitted **in addition** to the P&A form.

DUE DILIGENCE

Those who intend to conduct a due diligence review of the institution must contact the Department regarding their intent and verify that clearance has been granted.

FORMS-INTERAGENCY. The Department will accept the completed Interagency Bank Merger Act (if a bank) form and the Interagency Biographical and Financial Report (bank or trust company) in lieu of the State forms provided that the forms are accompanied by the executed and notarized signature pages on the State forms.

OUT-OF-STATE TRUST COMPANY/BANK

An out-of-state trust company or bank which seeks to establish a trust office or a branch(es) in Texas through the acquisition of a failed trust company must provide the notice required by Article 342a-9.101 et seq. of the Texas Trust Company Act or by Section 203.001(a) of the Texas Finance Code, respectively.

BID PROPOSALS

Summary of Requirements:

All applicants must submit the following information to the **Corporate Activities Division** of the Department. The Department's P&A form solicits the information noted. A "*" indicates the information requested is related to the acquisition of a failed thrift.

- A. Capital Plan
 - 1. Pro forma Balance Sheet and Income Statements demonstrating at least \$1,000,000 in equity capital.
 - 2. Premium paid **is not** considered a component of the RESULTING TRUST COMPANY'S TANGIBLE CAPITAL.
- B. Financing. Indicate the type and terms of any financing. Written documentation or phone verification of any proposed financing is required.
- C. Due Diligence. Summary of the Review Performed.
- D. Bids.
 - 1. Must be broken down by the applicable asset/liability categories.
- E. Management Plan and Staff Considerations.
- F. Investment in Fixed Assets. A state trust company's investment in fixed assets is limited to 60% of the trust company's restricted capital accounts (Section 184.002 of the Texas Finance Code). Requests to exceed such limitation must be submitted in writing.
- G. Fidelity Insurance. Evidence of Coverage of the Resulting Trust Company.
- H. Tax Considerations. Summary of any special or unusual Tax Considerations.
- I. Nonbank Assets / Unauthorized Investments. Plan for the disposition of any assets / investments not authorized for a trust company or any nonconforming assets.

Provide the Department with copies of the information provided to other regulators (FDIC and FRB) regarding your bid.

FORMS. De novo trust company charter and P&A application forms will be supplied upon request. See "Corporate Activities Contacts" below. Should you be the successful bidder the fee for a de novo charter is \$5,000. The fee for a P&A is \$4,000.

HOLDING COMPANY. If your institution is or will be held by a holding company, you must demonstrate that the acquisition will not result in a violation of any state or federal law.

OVERRIDE OR PREEMPTION OF STATE LAW. If an override or preemption of a state banking law will be required, notify the Department.

CONTACTS. A representative of the Department will be available to discuss your proposal or you may discuss your proposal directly with the **Corporate Activities Division** of the Department. The regulatory contact, as indicated in the "List of Regulators" provided in the information packet, should be contacted as soon as a decision is reached

regarding the intent to bid on the institution or if you have any questions in preparing your bid proposal.

Corporate Activities Contacts:

Loren E. Svor
Analyst

e-mail: loren.svor@banking.state.tx.us

TELEPHONE #: 512/475-1300 FAX #: 512/475-1313 or 512/475-1707

NOTE: Bid proposals must be received by the Austin Headquarters Office of the Department located at 2601 North Lamar Boulevard, Austin, Texas 78705.

APPLICATION TO PURCHASE AND ASSUME LIABILITIES

Application is hereby made for approval of this proposal to purchase certain assets and assume certain liabilities of a failed financial institution as required by the Texas Finance Code.

Legal Title of Charter/Acquiring Trust Company

Charter No.

Legal Address

City

State

Zip Code

County

Legal Title of Target Institution

Charter No.

Legal Address

City

State

Zip Code

County

Legal Title of Holding Company for Charter /Acquiring Trust Company

Charter No.

Legal Address

City

State

Zip Code

County

Requests for additional information or other communications concerning this application and the underlying proposal should be directed to:

Name

Title

Mailing Address

Telephone Number

It is hereby certified that all statements in this application and in any other documents or paper submitted in connection with this application and the underlying bid proposal contain no misrepresentations or omissions of material facts.

Charter Trust Company	By	Signature of Authorized Officer
		Typed Name
		Title

SEAL OF THE BANK

THE FOLLOWING SCHEDULES AND EXHIBITS MUST BE FILED IN CONJUNCTION WITH THIS APPLICATION.

SCHEDULE I: Transaction - Description / Management / Agreement

SCHEDULE II: Pro Forma Combined Balance Sheet

SCHEDULE III: Capital Ratio Computation

SCHEDULE IV: Trust Offices/Branches

SCHEDULE V: Non-conforming Assets
[fixed assets, overlines, non-conforming assets, etc.]

Note: Complete each section. If the information requested is not applicable, so indicate. Round all dollar amounts to the nearest thousand, unless otherwise noted.

SCHEDULE I: TRANSACTION - DESCRIPTION / MANAGEMENT / AGREEMENT

Attach a brief description of the terms of the proposed transaction and how such conforms to your trust company's/bank's long term strategic plan. Also provide information regarding senior management and staffing requirements for any trust offices/branches or other facilities to be established in connection with the proposed transaction. Winning bidders are required to file a copy of the completed Purchase and Assumption Agreement with the Department.

SCHEDULE II: PRO FORMA COMBINED BALANCE SHEET

Attached schedule reflects the pro forma combined balance sheet of the RESULTING TRUST COMPANY/BANK including adjustments. Provide information in separate columns for each institution participating in the transaction. All adjustments must be footnoted and explained in detail. Also provide a brief pro forma income statement for the RESULTING TRUST COMPANY/BANK as of year-end, after the proposed transaction. Provide a pro forma statement for fiduciary assets.

SCHEDULE III: CAPITAL RATIO COMPUTATION

COMPUTATION OF TANGIBLE CAPITAL RATIO

Equity Capital	_____
Plus: Minority interest in consolidated subsidiaries	_____
Less: Disallowed intangible assets	_____
Less: Loss not charged off	_____
Less: Premium for this transaction *	_____
TANGIBLE EQUITY CAPITAL	_____
TANGIBLE PRIMARY CAPITAL	_____

If Bank, provide your capital ratios (pre and post transaction), pursuant to Part 325 of the FDI Act.

* Includes, but is not limited to intangibles purchased or premiums paid.

SCHEDULE IV: TRUST OFFICES/BRANCHES

List all trust offices of the target institution and denote which ones you plan to retain (this normally will include the Home Office and opened trust offices of the target). Also list separately approved but unopened trust company additional trust offices. Authorizations for trust offices/branches of the acquiring trust company/bank will not be issued until they are to be opened. Also list separately the current trust offices/branches, if any, of the acquiring trust company/bank.

Trust Office/Branch Street Address <u>City, County, State</u>	Date <u>Opened</u>	Existing Trust Office/Branch of Target <u>of Target</u>	Dept. Branch Certificate Needed <u>Needed</u>
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SCHEDULE V: NON-CONFORMING ASSETS / INVESTMENTS

Attach a schedule/description of any assets or investments which do not conform to the requirements of the Texas Finance Code, or Regulations (i.e. excess investment in fixed assets, liquidity, assets/investments not authorized for trust company). Applicants must provide a plan, acceptable to the Banking Commissioner, describing how and when the trust company will bring any non-conforming asset/investment into compliance.

Name or Type of Asset/Investment	Amount \$ _____	Collateral \$ _____	Discount \$ _____
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