

**OFFICIAL ORDER OF  
THE BANKING COMMISSIONER  
ORDER NO. 2012-036**

<b>IN THE MATTER OF:</b>	§	<b>BEFORE THE BANKING</b>
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<b>TRINITY LAND AND TRUST COMPANY</b>	§	<b>COMMISSIONER OF TEXAS</b>
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<b>CONROE, TEXAS</b>	§	<b>AUSTIN, TRAVIS COUNTY, TEXAS</b>

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**ORDER APPROVING WAIVER OF BONDING REQUIREMENT**

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**I. Factual Background**

Trinity Land and Trust Company (“Trinity”), a Texas state trust association, filed a request on June 28, 2012 with the Texas Department of Banking (“Department”) seeking the approval of the Banking Commissioner of Texas (“Commissioner”) to operate without obtaining the bond coverage otherwise required by Texas Finance Code (“Code”) §183.112 for each of Trinity’s eight directors and officers and the trust company’s sole employee. Trinity offered to increase its capital by \$250,000 through a contribution by Trinity’s shareholders in lieu of obtaining such bond coverage.

**II. Commissioner’s Findings**

After review and consideration of Trinity’s request, as supplemented by additional information provided by Trinity’s President (the “application”), information from the Department’s files and records, and the Department’s investigation, the Commissioner finds that:

- A. Trinity does not transact business with the public but confines its trust business to the administration of trust accounts for the benefit of the individual Trinity shareholders and their children. Eight of nine shareholders are siblings whose mother, now deceased, established trusts for their benefit. The ninth shareholder is the trustee of a later trust created

by the wife of one shareholder for the benefit of him and their children. The eight siblings serve as Trinity's directors and six of them serve as its officers. The trust company has a single paid employee who is not a family member. Trinity has represented that this employee does not have check signing authority on any trust company accounts or any other banking authority for the trust company.

- B. Trinity had \$16,400 in total capital at the end of 2011, as reported in its last annual Report of Condition and Income.
- C. Trinity has represented the following to be the facts regarding the source of the capital contribution of \$250,000: One shareholder has obtained \$250,000 for the proposed capital contribution to Trinity from a loan (the "Loan"), for which he is the obligor under a promissory note, but which is secured by a pledge by all the Trinity shareholders of all of their trust company stock. This shareholder has contributed the \$250,000 to the capital of Trinity on behalf of all of the shareholders each in proportion to their current share ownership. Trinity has invested the \$250,000 in certificates of deposit ("CDs") at two banks where Trinity maintains corporate checking accounts. No additional stock is to be issued by Trinity in return for the new capital contribution and no shareholder's ownership or control of stock of Trinity will increase or decrease as a consequence of the Loan or capital contribution. There are no other agreements, written or unwritten, among the shareholders to grant future stock to any shareholder, or otherwise alter the current ownership or control of Trinity in the future, because of this Loan and capital contribution. Trinity is neither a borrower nor a guarantor of the Loan.

### **III. Commissioner's Order and Conditions**

I, Charles G. Cooper, Commissioner, pursuant to and as authorized by Code §§ 182.008(e), 182.103 and 183.112(c), hereby approve Trinity's request to operate without obtaining the bond otherwise required by Code §183.112 because of the \$250,000 capital contribution and the limited scope of business conducted by Trinity. However, this waiver of the bonding requirements is subject to the following conditions:

- A. The \$250,000 contributed will be restricted capital of Trinity and the trust company will hereafter maintain no less than \$250,000 in restricted capital.
- B. The Board shall agree to take action to restore restricted capital to at least \$250,000 within 30 days after the end of any quarter in which restricted capital falls below \$250,000.
- C. Trinity will not declare or pay any dividend without the prior written approval of the Commissioner if the dividend would cause Trinity's restricted capital to decline below \$250,000.
- D. Trinity shall maintain no less than \$250,000 in unencumbered liquid assets, with liquid assets defined as cash and readily marketable assets convertible to cash within four business days. In the event that total liquid assets falls below \$250,000, the Board shall take action to restore the liquid assets to at least \$250,000 within 30 days following the deficiency.
- E. Trinity may not make a loan to any shareholder to repay the Loan or otherwise reimburse any shareholder for the cost of the Loan. However, this section does not prohibit Trinity from declaring or paying dividends permissible under Section III, paragraph C above, even if such dividends will be used by any shareholder to service the Loan.

- F. The \$250,000 in restricted capital shall be subject to all provisions of the Texas Trust Company Act, Code §§181.001 *et seq.*, concerning a trust company's restricted capital, including Code §§182.008 and 182.103.
- G. The directors shall notify the Commissioner within ten days if they or the trust company receives notice that there is a default in payment of the Loan or the lender plans to foreclose on the trust company shares pledged as security for the Loan.
- H. This waiver of the bonding requirements under Code §183.112 may be revoked if any of the following occur:
1. Trinity fails to maintain the conditions and limitations of its current exempt status under Code §§182.011(a) and 182.019;
  2. Trinity begins transacting business with the public as defined under Code §182.011(a);
  3. Significant changes are made to either the composition of the Board of Directors or the officers of Trinity;
  4. The nature of Trinity's trust business undergoes significant change; or
  5. There is a change of control of the trust company or any foreclosure on the shareholders' shares of stock in the trust company pledged as security for the Loan discussed in Section II, paragraph C above.

Signed in triplicate original this 9<sup>th</sup> day of November, 2012.

/s/ Charles G. Cooper  
Charles G. Cooper  
Commissioner, Department of Banking