

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATIONS FOR PERMISSION TO ORGANIZE A FEDERAL SAVINGS BANK, PURCHASE OF ASSETS AND ASSUME LIABILITIES, TRUST POWERS AND HOLDING COMPANY ACQUISITION

Order No.: 99- 83

Date: December 17, 1999

Morgan Keegan, Inc., Memphis, Tennessee (the "Holding Company") has applied to 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, to organize and acquire Morgan Trust Company, F.S.B., Memphis, Tennessee (the "Savings Bank"). The Savings Bank has applied to purchase all of the assets and assume all of the liabilities of the Morgan Trust Company, Chattanooga, Tennessee, a wholly owned subsidiary of the Holding Company, pursuant to 12 C.F.R. Sections 552.13 and 563.22. In addition, the Savings Bank has applied, pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. Part 550, to exercise trust powers as described in the application. (The foregoing are collectively referred to herein as "the Applications.") The Savings Bank will be a member of the Savings Association Insurance Fund.

The OTS has considered the Applications under the standards set forth in 12 U.S.C. §§ 1464(e), 1464(n), and 1467a(e), and 12 C.F.R. §§ 543.3, 552.2-1(b), 552.13, 563.22 and 574.7 and Part 550, and under the Community Reinvestment Act, 12 U.S.C. § 2901 *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, the OTS has also considered the digest by the OTS Central Regional Office ("Regional Office"), a memorandum from the OTS Fiduciary Unit, a legal opinion by the Business Transactions Division, and an analysis by the Office of Examination and Supervision (collectively the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS has determined that the Applications satisfy all applicable statutory and regulatory criteria, provided that the conditions set forth below are satisfied. Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The Holding Company and the Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Office;
2. The proposed transaction must be consummated within one hundred and twenty (120) calendar days from the date of this Order;

3. On the business day prior to the date of consummation of the proposed transaction, the Chief Financial Officers of the Holding Company and the Savings Bank must certify in writing to the Central Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Holding Company and the Savings Bank, respectively, as disclosed in the Applications, including but not limited to directors, shareholders, or the business plan. In addition, should additional information having an adverse bearing on any feature of the Applications be brought to the attention of the Holding Company, the Savings Bank or the OTS since the date of the financial statements submitted with the Applications, the transaction shall not be consummated unless the information is presented to the Central Regional Director, and the Central Regional Director provides written non-objection to consummation of the transaction;
4. The Holding Company and the Savings Bank must advise the Central Regional Office in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction and of the Savings Bank's insurance of accounts and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications, and this Order;
5. The Savings Bank must submit independent audit reports to the Central Regional Office for its first three fiscal years. 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 business plan. The Holding Company and the Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Holding Company), and in particular, those pertaining to cross-marketing, for the prior, written non-objection of the Regional Director. The request for change must be submitted a minimum of 60 calendar days before the proposed change is implemented;
7. The Savings Bank must submit to the Central Regional Office quarterly activity reports on the number and type of trust accounts serviced, the total asset values of these accounts, and the minutes of the meetings of the Savings Bank's Trust Committee;
8. Prior to commencing operations, the Savings Bank must divest its investments in affiliated mutual funds;
9. Prior to engaging in any business activity other than that authorized pursuant

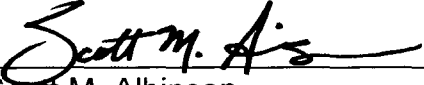
to Section 5(n) of the HOLA, the Savings Bank must apply to the OTS and receive approval of its application to engage in such business activity. The OTS will consider any such application under the standards required of a new federal thrift charter which are set forth at Section 5(e) of the HOLA and OTS regulations thereunder, and under the Community Reinvestment Act and OTS regulations thereunder at 12 C.F.R. § 563e.29. Any such application may be subject to the public notice and comment procedures set forth at 12 C.F.R. Part 516, Subparts B and C;

10. At least 40 percent of the Savings Bank's board of directors must be individuals who are not officers or employees of and are otherwise independent of, the Holding Company or affiliates thereof. At least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Holding Company, is not an officer or employee of the Savings Bank and is otherwise independent of the Holding Company, any affiliate and the Savings Bank. At least 50 percent of any audit and investment committees of the Savings Bank must be directors who are not officers or employees of, and are otherwise independent of, the Savings Bank, the Holding Company or any affiliates;
11. A written trade agreement between the Savings Bank and Morgan Keegan & Company must be provided to the Regional Director at least 30 calendar days prior to execution, and must receive his written non-objection prior to implementation;
12. The Holding Company, its affiliates and the Savings Bank must comply with the anti-tying restrictions of 12 U.S.C. §§ 1464(q) and 1467a(n) and must develop written procedures to effect such compliance. The procedures must disclose any proposed bundling arrangements and must be submitted for the review and non-objection of the Central Regional Director prior to the opening of the Savings Bank for business;
13. For the first eighteen months of the Savings Bank's operation, any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, must be provided to the Central Regional Director, or his designee, at least 30 days prior to execution and must receive his written non-objection prior to implementation;
14. The Savings Bank must comply with all applicable state and federal requirements pertaining to registration as an investment adviser and submit evidence of such compliance acceptable to the Central Regional Director, or his designee;

15. Any affiliate of the Holding Company that engages in securities brokerage activities ("Broker Dealer affiliate") must be operated as a separate legal entity from the Savings Bank so that: (a) their respective accounts and records are not intermingled; (b) each observes the procedural formalities of separate legal titles; (c) each is held out to the public as a separate enterprise; and (d) none dominates another to the extent that one is treated as a mere department of the other;
16. A majority of the Savings Bank's board of directors must not be individuals who are directors or employees of any Broker Dealer affiliate;
17. The Savings Bank and any Broker Dealer affiliate are prohibited from sharing common officers unless prior approval is obtained from the Central Regional Director, which shall be based on criteria such as regulatory compliance, experience, character, integrity and the ability to perform both duties;
18. The Savings Bank and the Broker Dealer affiliate must take measures necessary to ensure that their officers and directors adhere to the principles set forth in OTS regulations on conflicts of interest, 12 C.F.R. § 563.200; corporate opportunity, 12 C.F.R. § 563.201; trust fiduciary duties, 12 C.F.R. § 550.140; and any other additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the Savings Bank and the Broker Dealer affiliate are prohibited from using their influence to: (a) take advantage of a business opportunity for the Broker Dealer affiliate's benefit when the opportunity is of present or potential advantage to the Savings Bank; or (b) place the Broker Dealer affiliate in a position that leads to, or could create the appearance of a potential conflict of interest;
19. The Savings Bank, the Holding Company and the Broker Dealer affiliate are subject to the provisions of 12 C.F.R. § 563.76, *Offers and Sales of Securities at an Office of Savings Association*, and related policy established in OTS Thrift Bulletins 23-2, *InterAgency Statement on Retail Sales of Nondeposit Investment Products* (the "InterAgency Statement"), and 23a, *Limited Exceptions to Prohibitions on Sales of Savings Institution's Securities*, and any additional or successor statements of policy or regulations addressing these subjects. The Savings Bank must submit, prior to opening for business, procedures acceptable to the Regional Office, setting forth how the Savings Bank will avoid confusion regarding the status of deposit insurance with respect to trust accounts;

20. The appointment of any permanent executive officers or directors to the Savings Bank within the first year of its operations must receive the prior approval of the Regional Director;
21. Prior to the consummation date, the Savings Bank must submit to OTS for review and nonobjection by the Regional Director or his designee, a copy of an amended customer disclosure statement that states that referral fees may be paid by the Savings Bank to a referring broker employee of Morgan Keegan & Company in connection with the opening of a trust account; and
22. At least 30 days prior to opening for business, the Savings Bank must submit written evidence, acceptable to the Central Regional Director, that its data systems, programs, software and business applications will operate properly on and after January 1, 2000. The submission must include a copy of the business resumption contingency plan and evidence of successful Year 2000 testing.

By order of the Director of the Office of Thrift Supervision, or her designee, effective December 17, 1999.



Scott M. Albinson
Managing Director
Office of Supervision