

OFFICE OF THRIFT SUPERVISION

APPROVAL OF ACQUISITION THROUGH ORGANIZATION OF A NEW FEDERAL ASSOCIATION AND A PURCHASE AND ASSUMPTION

Order No. 97-50

Date: May 20, 1997

The Office of Thrift Supervision ("OTS") has received applications ("APPLICATIONS") from Merrill Lynch & Co., Inc. and Merrill Lynch Group, Inc., New York, New York ("ACQUIROR") to approve: (1) the organization of a new federal stock savings bank to be chartered as Merrill Lynch Trust Company, FSB, Somerset, New Jersey ("BANK"), pursuant to section 5(a) of the Home Owners' Loan Act ("HOLA"), (2) the issuance of a charter for the BANK; (3) the acquisition of control of the BANK pursuant to section 10(e) of the HOLA; (4) the purchase of certain assets or assumption of certain liabilities, or both, of Metro Savings Bank, Federal Savings Bank, Orlando, Florida ("OLD THRIFT"), pursuant to section 18(c) of the Federal Deposit Insurance Act ("FDIA"), by the BANK.

The OTS has considered: (i) the factors set forth in section 5(e) of the HOLA and 12 C.F.R. § 552.2-1(b) with regard to granting a new federal charter and has determined that the charter should be issued and that the BANK is authorized to transact business as a savings association and that the charter and bylaws to be issued for the BANK are in a form consistent with applicable regulations, (ii) the factors in section 10(e) of the HOLA and 12 C.F.R. § 574.7 with respect to the acquisition of control of the BANK by the ACQUIROR, (iii) the factors set forth in section 18(c) of the FDIA and 12 C.F.R. §§ 552.13 and 563.22 with respect to the acquisition of certain assets and liabilities of OLD THRIFT by the BANK. The OTS has also considered memoranda from the Northeast and Southeast Regional Offices, Corporate Activities Division, and the Business Transactions Division of the Chief Counsel's Office, with respect to the APPLICATIONS.

The facts of record are consistent with approval of the APPLICATIONS under the respective standards of the foregoing statutes and regulations. Accordingly, based on the foregoing, the OTS has determined that the APPLICATIONS should be and hereby are approved, subject to the following conditions:

1. The ACQUIROR and the BANK must receive all required regulatory approvals prior to the establishment of the BANK, with copies of all such approvals supplied to the Northeast Regional Office;

2. The ACQUIROR or the BANK has paid all required application fees to the OTS before consummation of the proposed transaction;

3. No later than 30 calendar days from the date of the consummation of the acquisition of the BANK and certain assets and liabilities of OLD THRIFT, the ACQUIROR will furnish an opinion from its independent auditor, satisfactory to the Northeast Regional Director, that indicates that the transaction was consummated in accordance with generally accepted accounting principles;

4. The initial capitalization of the BANK shall not be less than \$5,000,000;

5. Any material change in, or deviation from, the business plan of the BANK, as set forth in the Applications, must receive prior approval by the Northeast Regional Director or his designee;

6. Satisfaction of all the conditions set forth at 12 C.F.R. § 550.2(c) prior to commencing the exercise of any trust powers by the BANK;

7. The BANK and any affiliate of the BANK that acts as a securities broker or securities dealer ("Securities Affiliate") must be operated as separate legal entities so that: (a) their respective accounts and records are not intermingled; (b) each observes the procedural formalities of separate legal entities; (c) each is held out to the public as a separate enterprise; and (d) neither dominates the other to the extent that one is treated as a department of the other;

8. The BANK and any Securities 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, usurpation of corporate opportunity, 12 C.F.R. § 563.201, and self-dealing, 12 C.F.R. § 550.10, and any additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the BANK and any Securities Affiliate are prohibited from using their influence to take advantage of a business opportunity for the Securities Affiliate's benefit when the opportunity is of present or potential advantage to the BANK;

9. The BANK, ACQUIROR and any Securities Affiliate are subject to the provisions of 12 C.F.R. § 563.76 and related policy established in Thrift Bulletins 23-2 and 23a and any additional or successor statements of policy or regulations addressing these subjects;

10. The BANK will not be subject to the provisions of the Community Reinvestment Act or 12 C.F.R. Part 563e for so long as the BANK continues to operate as a special purpose trust

institution that does not perform commercial or retail banking services by granting credit to the public in the ordinary course of business, other than as incident to its specialized operations;

11. Submission of a full business plan by the BANK to the OTS Northeast Regional Office within 90 days following the consummation of the transaction;

12. Nonobjection by the Northeast Regional Director, or his designee, to any agreement or lease between the BANK and any affiliate prior to the implementation thereof; and

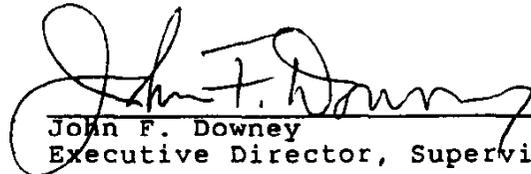
13. The proposed management structure of the BANK shall be subject to review by the OTS Northeast Regional Office within one year following consummation of the transaction.

OLD THRIFT has been "critically undercapitalized", as defined in section 12 C.F.R. § 565.4, since February 27, 1997. Pursuant to the Prompt Corrective Action provisions of section 38 of the FDIA, the OTS is required to take action no later than 90 days after an institution under its jurisdiction becomes critically undercapitalized. Accordingly, expeditious action on the ACQUIROR's APPLICATIONS is necessary in order to permit the ACQUIROR to acquire certain assets and liabilities of OLD THRIFT and for OLD THRIFT's capital deficiency to be resolved in a manner that allows OLD THRIFT to continue to serve its community and customers. Further, based on the facts presented in a memorandum from the Southeast Regional Office, the OTS hereby determines that OLD THRIFT is an institution "in danger of default", as defined in section 3(x)(2) of the FDIA, in that OLD THRIFT has incurred or is likely to incur losses that will deplete substantially all of its capital, and there is no reasonable prospect of OLD THRIFT replenishing its capital without Federal assistance. In light of these and all the facts of record in this case, the OTS has determined that it must act immediately in order to prevent the probable default of OLD THRIFT, and that expeditious action on the APPLICATIONS is necessary.

For the foregoing reasons, the OTS has determined that, pursuant to 12 C.F.R. §§ 552.2-3, 563.22(e) and 574.6(g), public notice of the APPLICATIONS shall not be required. Therefore, the publication of notice required by section 18(c)(3) of the FDIA, the reports on the competitive factors of the acquisition required by section 18(c)(4) of the FDIA, and the 30 day delay of consummation required by section 18(c)(6) of the FDIA, shall be dispensed with. Accordingly, the ACQUIROR and the BANK may acquire the assets and liabilities of OLD THRIFT specified, provided that the transactions specified in the APPLICATIONS are consummated within 30 days of the effective date of this Order. Pursuant to 12 C.F.R. § 552.15, notwithstanding 12 C.F.R. § 552.13(j) and (k), the effective date of the BANK's purchase of assets and assumption of liabilities from OLD THRIFT shall be the date of the closing of that transaction.

This action is limited to approval of the transaction according to the terms and conditions of the ACQUIROR's APPLICATIONS as presented to the OTS. This approval is also subject to the BANK obtaining insurance of accounts by the Savings Association Insurance Fund from the Federal Deposit Insurance Corporation. Any significant change in the terms or conditions of the ACQUIROR's APPLICATIONS as filed with the OTS may require further review by the Director of the OTS. In addition to such other persons with appropriate delegated authority, the Deputy Chief Counsel for Business Transactions, or his or her successors or designees, are authorized to make any required technical changes to this Order or to any documents issued under the authority of this Order. Any time period specified in this Order may be extended by the Regional Director for good cause shown by the ACQUIROR.

By Order of the Director of the OTS, or his or her designee,
effective May 20, 1997 .


John F. Downey
Executive Director, Supervision