



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Conditional Approval #244
June 1997

May 9, 1997

Mr. James Kemp
Spokesperson
The Trust Company, National Association (Proposed)
Westin Centre
112 East Pecan, 26th Floor
San Antonio, Texas 78205

Re: Application by TTC Holdings, Inc. to charter a national trust bank with the title
"The Trust Company, National Association," San Antonio, Texas
Application Control Number: 96-SW-01-0021

Dear Mr. Kemp:

The Office of the Comptroller of the Currency ("OCC") has reviewed your application to establish a new national trust bank with the title of The Trust Company, National Association, San Antonio, Texas ("Bank"). The Bank will engage solely in fiduciary activities. After a thorough evaluation of all data available to the OCC, we found that your proposal met the requirements for preliminary conditional approval.

We have based our decision to grant preliminary conditional approval on the information provided in your application, other correspondence between the applicant and the OCC, and other information available to the OCC.

We also made our decision to grant preliminary conditional approval with the understanding that the proposed national trust bank will not be insured by the FDIC and the expectation that the proposed Bank will apply for membership in the Federal Reserve System.

Major deviations from the operating plan or changes in the composition of the board of directors, ownership, or chief executive officers that the OCC has not approved may result in withdrawal of preliminary conditional approval.

The charter approval is subject to the following conditions:

1. The Bank's initial Tier 1 capital, net of all organizational and pre-opening expenses, shall be no less than \$3 million.

2. The maximum amount of bank-related organizational and pre-opening expenses shall be limited to \$200 thousand and must be booked in accordance with Generally Accepted Accounting Principles.
3. The Bank shall maintain a minimum of \$2 million in Tier 1 capital at all times.
4. Warrants issued to Bank organizers must include the following legend:

If The Trust Company, N.A.'s Tier 1 capital falls below the minimum requirement of \$2 million or falls below a higher requirement as determined by the OCC, the OCC may direct The Trust Company, N.A. to require warrant holders to exercise or forfeit their warrants. The Trust Company, N.A. or TTC Holdings, Inc. will notify warrant holders within 45 days from the date the OCC notifies the bank in writing that warrant holders must exercise or forfeit their warrants. The Trust Company, N.A. or TTC Holdings, Inc. will cancel warrants not exercised within 21 days of The Trust Company, N.A.'s notification. The Trust Company, N.A. has agreed to comply with the OCC's request that The Trust Company, N.A. or TTC Holdings, Inc. invoke its right to require warrant holders to exercise or forfeit their warrants under the circumstances stated above.

The Bank agrees to invoke the "exercise or forfeit" feature at the OCC's request under the above-described circumstances.

5. Based on representation made by TTC Holdings, Inc., the Bank shall not make any major acquisitions of trust assets or trust services from another bank or institution during its first three years of operations without the prior written approval of the OCC's Southwestern District Office. The Bank shall provide the Deputy Comptroller for the Southwestern District with a prior written request of any such acquisitions. The request shall include:
 - a general description of the transaction;
 - the number and type(s) of accounts or services to be acquired;
 - the effect the acquisition will have on the bank's income statement and capital;
 - the impact the acquisition will have on staffing, operating expenses, and the resulting impact on earnings; and
 - a revised strategic plan that includes the proposed acquisition.

If the OCC does not disapprove the transaction within 30 days of receipt of the written request, the transaction shall be deemed to be approved, unless the OCC, in its sole discretion, extends the disapproval deadline.

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6. Bank shall ensure that its operations are limited to that of a trust bank and that deposits other than trust funds are not accepted.
7. The limitations of the Bank's activities must be fully enumerated in the Bank's Articles of Association. Specifically, the articles must state clearly that:
 - The business of the association will be limited to that of a national trust bank.
 - The Bank must obtain the prior written OCC approval before amending its Articles of Association to expand the scope of its activities and services.
8. The Bank must maintain on file on its premises current financial information on TTC Holdings Inc. and TTC Holdings of Delaware, Inc., (e.g. audited financial reports, quarterly financial statements, 10-K and 10-Q reports, 8-K reports as appropriate), and any other publicly available financial data required to be prepared by the companies to keep investors apprised of their financial condition. The financial information must be provided to the Bank's supervisory office once it becomes available.

Please be advised that the above listed conditions of this approval shall be deemed to be conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. §1818(b)(1). The conditions are enforceable under 12 U.S.C. §1818 as specifically applied to uninsured national banking associations under section 1818(b)(5).

You may now form a body corporate and begin organizing the Bank, as soon as you adopt and forward the Articles of Association and Organization Certificate to the Southwestern District Office. As a body corporate, you may begin operating as a business; but you may not begin the business of banking or accept any appointment as a fiduciary until you fulfill all requirements for a bank in organization and final approval is granted. (See Corporate Organization Booklet enclosed.)

Enclosed are procedural requirements that must be met before the Bank will be allowed to commence business. Please note that some of the requirements referenced in the enclosed package may not be applicable since the Bank's activities will be limited to those of a national trust bank. It is the responsibility of management to ensure that the applicable policies and procedures are established and adopted by the Board of Directors before the Bank commences business.

We require that, prior to opening, the Bank engage an independent, external auditor to perform an audit according to generally accepted auditing standards of sufficient scope to

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enable the auditor to render an opinion on the financial statements of the Bank (or consolidated holding company), taken as a whole. The audit period shall commence on the date that the organizing group forms a body corporate and may end on any calendar quarter-end no later than 12 months after the Bank opens. We expect that such audits will be performed on an annual basis for at least five years following commencement of operations. The Bank will also need to have an annual independent fiduciary audit as required in 12 CFR 9. Engagement of an auditor will be verified during the pre-opening examination.

The OCC has no objection to the following persons serving as executive officers and directors of the proposed bank:

<u>Name</u>	<u>Proposed Position</u>
James D. Kemp	Director/ President/ CEO/ Executive Trust Officer
Ronald K. Caalgard	Director
Paul C. Pearson, III	Director
Phillip M. Plant	Director
Charles D. Wade	Director/ Vice Chairman/ Secretary/ Treasurer

Additional executive officers are subject to the prior review and clearance of the OCC. Also please note that OCC requires that you obtain prior approval of additions or changes in directors or executive officers for two years after the bank opens for business.

Your check for \$3,100 payable to the Comptroller of the Currency, along with The Articles of Association and Organization Certificate should be forwarded to the OCC within thirty days.

The OCC will send you an appropriate set of OCC handbooks, manuals, issuances, and selected other publications under separate cover.

You should direct any questions concerning this preliminary conditional approval to Pansy G. Hale, Senior Corporate Analyst or Michael K. Hughes, Licensing Manager, in the Southwestern District Office, at (214) 720-7052.

Sincerely,

/s/

Troy L. Dixon
Director for Corporate Activity
Bank Organization and Structure

Enclosures

Corporate Organization Booklet

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Procedural Requirements
Minimum Policies and Procedures