



**Federal Deposit Insurance Corporation**  
550 17th St. NW Washington DC, 20429

Division of Supervision and Consumer Protection

November 20, 2007

**VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED**

Board of Directors  
TrustTexas Bank, SSB  
121 East Courthouse  
Cuero, Texas 77954

Dear Members of the Board:

The notice of intent to convert TrustTexas Bank, SSB (TrustTexas), to a stock ownership form that was accepted by the FDIC's Dallas Regional Office on April 4, 2007, as well as the associated merger application that was accepted on the same date, have been reviewed by the FDIC pursuant to 12 C.F.R. Sections 303.160 – 303.163 and other pertinent FDIC regulations. Based on the information provided and representations made, the FDIC poses no objection to the proposed conversion transaction.

Enclosed is our Order and Basis for Corporation Approval (Order) for the merger application filed on behalf of TrustTexas in conjunction with the conversion transaction. Our approval is subject to the outstanding conditions stated in the Order, some of which must be met on an ongoing basis.

Please notify our Dallas Regional Office in writing when the proposed transaction has been consummated.

Sincerely

**/S/**

Christopher J. Spoth  
Senior Deputy Director

Enclosures

cc: Mr. James L. Pledger  
Jackson Walker L.L.P.  
100 Congress Avenue  
Suite 1100  
Austin, Texas 78701

## **FEDERAL DEPOSIT INSURANCE CORPORATION**

TrustTexas Bank, SSB  
Cuero, De Witt County, Texas

Application for Consent to Merge

### **ORDER AND BASIS FOR CORPORATION APPROVAL**

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act (FDI Act), an application has been filed on behalf of TrustTexas Bank, SSB, Cuero, De Witt County, Texas (Mutual Institution), currently a state-chartered mutually-owned Deposit Insurance Fund member with total resources of \$154,474,000 and total deposits of \$129,480,000 as of March 31, 2007, for the FDIC's consent to merge with TrustTexas Interim Bank, Cuero, Texas (Stock Bank), a proposed new state-chartered stock bank, the Resultant Bank.

The transaction is to effect the Mutual Institution's plan of reorganization which, solely to facilitate such undertaking, provides for:

- Mutual Institution will organize an interim stock savings bank as a wholly-owned subsidiary (Interim One);
- Interim One will organize an interim stock savings bank as a wholly-owned subsidiary (Interim Two);
- Interim One will organize the Stock Holding Company (TrustTexas Financial Group, Inc.) as a separate wholly-owned subsidiary;
- Mutual Institution will exchange its charter for that of a Texas stock savings bank charter, becoming Stock Bank;
- Interim One will cancel its outstanding shares and exchange its charter for a mutual holding company charter to become the Mutual Holding Company (TrustTexas MHC);
- Interim Two will merge with and into Stock Bank, with Stock Bank surviving as a subsidiary of TrustTexas MHC; and
- The Mutual Holding Company will transfer all of the outstanding shares of Stock Bank to the Stock Holding Company, and Stock Bank will become a wholly-owned subsidiary of the Stock Holding Company.

At the conclusion of the reorganization, the deposits of the Mutual Institution will continue to be insured under the Deposit Insurance Fund. Applications for the establishment of a Mutual Holding Company and a Stock Holding Company are being approved by the Federal Reserve

Bank of Dallas. In addition, the application for Mutual Institution to reorganize into a multi-tiered holding company structure and the notice of conversion have been approved by the Texas Department of Savings and Mortgage Lending. Following the consummation of the merger, the Resultant Bank will operate the same business, with the same management, at the same locations now being served by the Mutual Institution. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Institution. The Resultant Bank's principal office will continue to be located at 121 East Courthouse, Cuero, De Witt County, Texas.

Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act. A review of available information, including the Community Reinvestment Act (CRA) Statement of the proponent, disclosed no inconsistencies with the purposes of the CRA. The Resultant Bank is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

In connection with the merger application, the FDIC has taken into consideration the financial and managerial resources and prospects of the proponent banks and the Resultant Bank, the convenience and needs of the community to be served, and the competitive nature of the proposed transaction. The FDIC has also taken into consideration the effectiveness of the insured depository institutions involved in the proposed merger transaction in combating money-laundering activities.

Having found favorably on all statutory factors, it is the FDIC's judgment that the application should be and is hereby approved, subject to the following conditions, some of which are continuing in nature:

1. That the proposed conversion shall be approved by a vote of at least a majority of TrustTexas Bank, SSB's depositors and, as reasonably determined by TrustTexas Bank SSB's directors, other stakeholders of the bank who are entitled to vote on the conversion, unless Texas state law requires a higher percentage, in which case the higher percentage shall be used;
2. That unless prior notice is provided to and non-objection is received from the FDIC, no shares of the stock of TrustTexas Bank, SSB, shall be sold, transferred or otherwise disposed of, to any persons (including any Employee Stock Ownership Plan) other than TrustTexas MHC, and thereafter, TrustTexas Financial Group, Inc., as contributed by TrustTexas MHC;
3. That prior to a sale, transfer or other disposition of any shares of TrustTexas Financial Group, Inc., by TrustTexas MHC to any person (including any Employee Stock Ownership Plan), or a conversion of TrustTexas MHC to stock form, TrustTexas Bank, SSB, will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with state and federal banking and/or securities regulators in connection with any such sale, transfer, disposition or conversion;

4. That should any shares of stock of TrustTexas Bank, SSB, or TrustTexas Financial Group, Inc., be issued to persons other than the TrustTexas MHC, any dividends waived by TrustTexas MHC must be retained by TrustTexas Financial Group, Inc., or TrustTexas Bank, SSB, and segregated, earmarked, or otherwise identified on its books and records; such amounts must be taken into account in any valuation of the institution and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of TrustTexas MHC to stock form; such amounts shall not be available for payment to or the value thereof transferred to minority shareholders, by any means including through dividend payments or at liquidation;
5. That in conjunction with the proposed conversion, TrustTexas Bank, SSB, shall provide written evidence to the FDIC that the Federal Reserve Bank of Dallas has approved the formation of TrustTexas Financial Group, Inc., and TrustTexas MHC. In addition, TrustTexas Bank, SSB, shall provide written evidence to the FDIC that the Texas Department of Savings and Mortgage Lending has approved the notice of conversion from a mutual- to a stock-form of ownership;
6. That any changes in proposed management, including the board of directors or proposed ownership (ten percent or more of the stock, and new acquisitions of or subscriptions to ten percent or more of the stock), will render the approval of these proposed conversion transactions null and void unless such proposal is approved by the Regional Director of the FDIC's Dallas Regional Office prior to consummation of these proposed conversion transactions;
7. That the transaction shall not be consummated later than six months after the date of this Order, unless such period is extended for good cause by the FDIC; and,
8. That until the proposed transaction is consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

By Order of the Senior Deputy Director of the Division of Supervision and Consumer Protection pursuant to the delegated authority of the Board of Directors.

Dated at Washington, D.C., this 20<sup>th</sup> day of November 2007.

/s/

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Christopher J. Spoth  
Senior Deputy Director