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THE FORMATION PHASE

GETTING STARTED BY FORMING THE CORRECT GROUP OF BANK ORGANIZERS

During the initial meeting with the proponents for a de novo bank, Bankmark provides for The Profiles of and Criteria for a Successful Organization of a de novo Bank Group. This brief discussion guide serves to assist the initial proponents in describing how to identify the type of businessman – professionals or entrepreneurs who comprise a group. The criteria are based on successful characteristics for groups of organizers Bankmark has worked with in the past. This guide serves as a reference for building the organizing group.

Bankmark then develops a brief overview discussion guide for each specific market entitled “A Discussion of the Viability of Establishing a Bank in Anywhere USA.” This brief overview looks at the economic trends and financial condition of the marketplace under consideration. Along with providing an outline for the economic study and application process are legal steps to assure success. Again, the characteristics for developing an organizing group are reviewed. Key industry trends are presented along with a traditional project timeline and professional synopsis of members that comprise the Community Bank Development Team.

At this juncture, Bankmark then works with the initial group proponents to develop a potential organizer/bank director roster. This list of potential candidates must best match the criteria as outlined by Bankmark and established by the group as it sees its marketplace for building the optimum organizing group representative of the community.

To assist the proponents in developing the best group possible, Bankmark, along with the initial proponents will meet one-on-one or in small groups to explain and discuss; a) the scope of starting a de novo bank, b) the rewards and obligations to becoming a Bank Director, c) why would anyone want to be a Bank Director, d) how much time will be required of me if I elect to become involved, e) the financial requirements of being a Bank Director and f) the experts who will guide us.

With Bankmark’s assistance, the proponents are able to professionally present their concept for a NUBANK as this forum allows the proponents to experience first-hand how a potential new organizer handles and reacts to the opportunity as it is discussed. Essentially with professional assistance, the candidate can be fairly evaluated by what resources, community depth, business acumen, personality traits for working in a team environment, that regulatory agencies will be measuring. In subsequent reviews, Bankmark is able to assist the group by helping its members quantitatively analyze all aspects and traits of potential members while building the best group.

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Once the core group of 4 – 7 individuals has pledged their support and participation, a meeting is called to develop the plan for expanding the organizing group through business and professional contacts of this core group. Bankmark again assists the group in identifying the most ideal individuals to present the opportunity based on the Profiles of and Criteria for a Successful Organization of a de novo Bank Group so to “Round Out the Group.” It is very important to make sure each additional organizer increases the group’s sphere of influence within its marketplace and any other necessary business or professional group representation is procured. Once the group has reached a number of 7 – 10 members, the formation process for chartering the NUBANK begins.

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THE APPLICATION, THE PROCESS AND THE ECONOMIST ROLE IN FORMING A NEW BANK

THE APPLICATION

* **Major Factors in Success**

1. Diversified, Strong Organizing Group

- A. Diversified and Successful Business Experience
- B. High Credibility and Integrity in Community
- C. Meaningful vested financial interest in new bank (cumulative 25-30%)
- D. Experience working with and on Boards (financial institution experience a plus)
- E. Knowledge of and diverse contacts in the community

2. Strong, Experienced Management

- A. Extensive independent banking experience
- B. Experience working with Boards
- C. Experience in initiating and implementing policies
- D. Good banking track record
- E. Experience in and Knowledge of market a plus

3. Realistic Business Plan with Potential for Success

- A. Adequate capital
- B. Plan to obtain capital
- C. Pro-Forma projections and assumptions
- D. How bank will compete
- E. Target niches
- F. Need/support in market for new bank

4. Market Analysis

- A. Ability of market to support proposed bank
 - 1. Population Growth
 - a. Business environment
 - b. Competitive analysis
 - c. Specific market opportunities

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THE PROCESS

1. PRE-FILING PHASE

- A. Organize Group
- B. Preparation of Pre-Filing Materials for Pre-Filing Meeting with Regulators
- C. Pre-Filing Meeting with Regulators

2. APPLICATION PHASE

- A. Preparation of Application (State or National)
- B. Review of/Filing of Application
- C. Preparation of FDIC Application
- D. Review of/Filing of FDIC Application
 - 1. (Can be filed “simultaneously” with State/National Application)
 - 2. Must have specific location (tentative purchase or lease agreement)
 - 3. Includes a listing of potential shareholders

3. REGULATOR REVIEW PHASE

- A. Regulator Field Market Analysis/Organizer Interviews
- B. Regulator Analysis and Recommendations
- C. Response to Regulator Questions, Requests for Additional Information
- D. Regulator Approvals

4. ORGANIZATION PHASE

- A. Stock Sale!!!
- B. Management finalizes premises, equipment, policies and procedures, forms, supplies, promotional material, staffing, etc.
- C. Receive Regulatory Inspection/Permission to Open

5. BANK OPENS

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THE ECONOMIST'S ROLE

- 1. Advise Regarding Finalization of Organizing Group**
- 2. "Strategy" Consulting**
- 3. Arrange and Prepare for Pre-Filing Meeting(s) with Regulators**
 - A. Preparation of Summary of Proposed Bank "Success" Factors
 - B. Prepare Organizing Group for Meeting
 1. Analysis of Pre-Filing Meeting
- 4. Prepare Application**
 - A. Assist Organizers in Preparing Personal Biographical and Financial Forms
 - B. Prepare Market/Economic Analysis
 - C. Prepare Competitor Analysis
 - D. Prepare Business Plan
 1. Assess Market Opportunities
 2. Assess Management/Board Market Experience/Contacts
 3. Prepare Pro-Forma Financial Projections and Assumptions
 - E. Present Management Qualifications
 - F. Present Board Qualifications
 - G. Board Committees/Duties
 - H. Prepare CRA Statement
 - I. Obtain State Historical Determination of Site
 1. Revisions/Changes following Organizer Review
 - J. "Package" and Submission of Applications
 - K. Assist with Required Newspaper Legal Notices
 - L. Interface/Follow-up with Regulators
 - M. Keep Organizers Informed Re Application Review Progress

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LEGAL PERSPECTIVE OF ORGANIZING A NEW BANK

1. Why you need an attorney, NOW

- A. Highly Regulated Industry
- B. Regulators have their own subtle language and many *unwritten* rules and policies
- C. Relationship with regulatory agencies and provides an informal channel of communication
- D. Lead you through the process and the organizational phase
- E. Ongoing relationship between bank and attorney after the bank opens for business

2. Filing the New Bank Application

- A. Preparation and education of the organizing group before the pre-filing meeting with bank regulators
 - 1. Review required resumes and financial statements of proposed directors and President
 - 2. Spot and suggest ways to correct potential issues with individual organizers and to “shape the group” to meet *unwritten* regulatory requirements, i.e., overall financial strength, civic leaders, diversification of occupation, aggregate stock ownership
 - 3. Choice of type of charter and bank holding company

3. The Organizational Phase

- A. Begins with preliminary approval by regulatory agency
- B. Organizational meeting of Board of Directors
- C. Prepare Articles, By Laws, Employment Contracts, Stock Option Plan
- D. Prepare Offering Circular for stock sale
- E. Discussion of stock sale “don’ts”
- F. Escrow for stock sale
- G. Lease on premises
- H. Pre-opening exam and procedures
- I. Prepare stock certificates
- J. Bank policy manuals