

OFFICE OF THRIFT SUPERVISION

Approval of Applications for Permission to Organize a Federal Savings Bank, Transfer of Assets, Fiduciary Powers, and Holding Company Acquisition

Order No.: 2007-55

Date: October 26, 2007

OTS Nos. 18054 and H-4420

TCV Financial Corporation (Holding Company) has applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. § 552.2-1, to organize a federal savings bank (Savings Bank). The Holding Company has applied to OTS, pursuant to 12 U.S.C. § 1467a(e) and 12 C.F.R. § 574.3, to acquire the Savings Bank. The Savings Bank has applied, pursuant to 12 C.F.R. § 563.22(c), to acquire The Trust Company of Virginia, Richmond, Virginia (Trust Company), in a merger transaction. The Savings Bank has applied, pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. Part 550, to exercise fiduciary powers as described in the application. (The foregoing are collectively referred to herein as the Applications.)

The Proposed Transaction

In the proposed transaction, the Holding Company will form the Savings Bank as a wholly owned subsidiary. The Trust Company, a wholly owned, state-chartered trust company subsidiary of the Holding Company, will be merged into the Savings Bank, with the Savings Bank as the surviving entity. The Savings Bank intends to continue the Trust Company's trust operations, and to operate as a trust-only federal savings bank. The Savings Bank has filed an application for insurance of accounts by the Deposit Insurance Fund (DIF) with the Federal Deposit Insurance Corporation (FDIC).

Permission to Organize Application

OTS may grant a federal savings association charter only: (1) to persons of good character and responsibility; (2) if, in OTS's judgment, a necessity exists for such association in the community to be served; (3) if there is a reasonable probability of the association's usefulness and success; and (4) if the association can be established without undue injury to properly conducted existing local thrift and home financing institutions. In addition, OTS regulations require that OTS consider whether the association will promote credit for housing consistent with the safe and sound operation of a federal savings association. OTS also takes into account an applicant's description of how it will meet Community Reinvestment Act (CRA) objectives when considering the application.

With respect to character and responsibility, a review of the backgrounds of the officers and directors of the Holding Company and the Trust Company conducted by OTS revealed no adverse information. The management of the Trust Company will become the management of the Savings Bank. OTS considered the backgrounds and experience of management, and concludes that the proposed officers and directors of the Savings Bank have the experience to operate a trust-only savings association. Thus, OTS concludes that this approval criterion is satisfied.

As for the necessity for the Savings Bank in the community, the Savings Bank will continue and expand the Trust Company's existing trust business. Given that these operations are currently being conducted, and numerous customers avail themselves of these services, OTS concludes that this approval criterion is satisfied.

As for undue injury to properly conducted existing local thrift and home financing institutions, the Savings Bank will continue and expand the Trust Company's existing trust business. The Savings Bank will not accept deposits from the general public and it will not directly provide home financing. Accordingly, the Savings Bank will not have an undue adverse impact on home financing institutions in any geographic area where the Savings Bank's customers are located. OTS concludes that this approval criterion is satisfied.

With respect to the reasonable probability of usefulness and success, OTS reviewed the Trust Company's financial condition, the Savings Bank's business plan, proposed capital levels, and the competence of management. The Savings Bank projects being well capitalized for the duration of the business plan submitted with the application. OTS has concluded that the Savings Bank's business plan is acceptable. OTS's review revealed no negative information on the Trust Company's directors and proposed officers. Based on its review, OTS concludes that the probability of the Savings Bank's usefulness and success is consistent with approval, provided that the Savings Bank complies with conditions 5 through 9 below, which are intended to help ensure that the Savings Bank has appropriate managerial resources and operates in a safe and sound manner.

With respect to the provision of credit for housing, the Savings Bank will not directly extend credit for housing, but will indirectly extend credit for housing by purchasing mortgage-backed securities. The purchase of such mortgage-backed securities will enable the Savings Bank to satisfy the qualified thrift lender test. It is not required that an application for a federal charter be denied if the proposed association does not intend to engage in home lending to a significant extent, but OTS must consider, among other things, whether the association will perform a role of providing credit for housing in a safe and sound manner. OTS concludes that, when an applicant for a federal charter satisfies the other approval criteria, the lack of direct home lending does not compel OTS to deny the application.

With respect to compliance with the CRA, OTS's CRA regulations establish an exception from the CRA for special purpose savings associations. The Savings Bank will satisfy the requirements for the exception because the Savings Bank will not perform retail banking services, will not offer any non-trust deposit accounts, and will provide only trust services. Thus, OTS

concludes that the Savings Bank will be exempt from the CRA and the approval standard in OTS's CRA regulations is not applicable to the proposed transaction.

Accordingly, OTS concludes that the proposed chartering of the Savings Bank conforms to the requirements of section 5(e) of the Home Owners' Loan Act (HOLA) and section 552.2-1 of OTS's regulations.

Holding Company Application

Section 10(e)(1)(B) of the HOLA and the Acquisition of Control Regulations thereunder provide that OTS must approve a proposed acquisition of a savings association by a company, other than a savings and loan holding company, unless OTS finds that the financial and managerial resources and future prospects of the company and association involved would be detrimental to the association or the insurance risk of the DIF. OTS must also consider the impact of the acquisition on competition. Finally, OTS must take into account assessments under the CRA when considering holding company applications.

For the reasons set forth above, OTS concludes that the managerial resources of the Holding Company and the Savings Bank are adequate.

With regard to financial resources, OTS reviewed the Holding Company's financial position and the Savings Bank's proposed capitalization and business plan. The Savings Bank's financial statement projections indicate that the Savings Bank will meet all of its capital requirements and will be well capitalized under the OTS prompt corrective action regulation throughout the first three years following consummation of the transaction. Based on the foregoing, OTS concludes that the financial resources of the Holding Company and the Savings Bank are consistent with approval of the holding company application.

Based on the factors discussed above regarding the managerial and financial resources of the Savings Bank and the Holding Company, the character and responsibility of the officers and directors, the probability of the Savings Bank's usefulness and success, and the composition of the Holding Company's and the Savings Bank's board of directors, OTS concludes that the future prospects of the Holding Company and the Savings Bank, and the risks to the DIF, are consistent with approval, subject to the imposition of the recommended conditions.

The transaction will not result in any currently operating, unaffiliated depository institutions becoming affiliated. Accordingly, OTS finds no basis for objection to the transaction on anti-competitive grounds. With respect to the Holding Company's performance under the CRA, the Holding Company has not been subject to the CRA. Accordingly, OTS concludes that there is not any basis for objection to the holding company application based on CRA grounds.

Transfer Application

Section 563.22(c) of OTS's regulations prohibit an acquisition of an uninsured institution by an insured institution without OTS approval. Section 563.22(d) of OTS's regulations provides

that in considering an application for approval of such an acquisition OTS will consider: (i) the capital levels of the resulting association; (ii) the financial and managerial resources of the constituent institutions; (iii) their future prospects; (iv) the convenience and needs of the communities to be served; (v) the conformity of the transaction to applicable laws, regulations and OTS policies; and (vi) whether the transaction is fair and equitable and fully disclosed.

The Savings Bank will be the resulting institution, with the Trust Company's existing management, and it will meet all capital requirements after the transaction is consummated. The Trust Company will cease to exist. For the reasons set forth above, OTS concludes that the managerial and financial resources of the Savings Bank are consistent with approval. Based on the managerial and financial resources, the proposed capital levels, and the proposed business plan, OTS concludes that the future prospects of the Savings Bank are consistent with approval. With respect to convenience and needs of the community to be served, the Savings Bank will provide the services previously provided by the Trust Company within the communities presently served by the Trust Company. Accordingly, OTS concludes that convenience and needs considerations are consistent with approval. The proposed transaction requires the approval of the FDIC and such approval must be obtained before the transaction is consummated. Provided the necessary approvals are obtained, OTS concludes that the transaction will comply with applicable laws, regulations and regulatory policies.¹ OTS concludes that the transaction is fair and equitable because the transaction is an internal reorganization involving only entities controlled by the Holding Company. Shareholders of the Trust Company will be provided materials disclosing the relevant information concerning the proposed transaction. Accordingly, OTS concludes that the transaction will be conducted in a safe and sound manner and that there is not any basis for objection to the transfer application.

Trust Application

Section 5(n) of the HOLA authorizes OTS to grant federal savings associations the power to act as trustee, executor, administrator, guardian or in any other fiduciary capacity permitted for State banks, trust companies, or other corporations which compete with such associations in the state where the federal association is located.

OTS regulations set forth the factors that OTS considers in reviewing trust powers applications: (1) the association's financial condition; (2) the association's capital and whether that capital is sufficient under the circumstances; (3) the association's overall performance; (4) the fiduciary powers the association proposes to exercise; (5) the association's proposed supervision of those powers; (6) the availability of legal counsel; (7) the needs of the community to be served; and (8) any other facts or circumstances that OTS considers proper.

With respect to the financial condition, capital sufficiency and performance of the Savings Bank, OTS concludes that the Savings Bank will meet all regulatory capital requirements, will be well capitalized, and that the Savings Bank's proposed capital levels are acceptable. The HOLA

¹ The Savings Bank has the legal authority to engage in the merger. Under 12 C.F.R. § 552.13(c), a stock federal savings association has the authority to merge with another depository institution. The Trust Company is a state-chartered trust company. Section 552.13(b)(4) defines "depository institution" to include a trust company.

requires that the Savings Bank meet the capital requirements applicable to Virginia-chartered trust companies. Virginia does not have any formal capital requirements for Virginia-chartered trust companies, but OTS observes that Virginia has not objected to the Trust Company's capitalization. Based on the Trust Company's financial performance to date and OTS's review of the business plan, OTS concludes that the Savings Bank's financial condition and capital will be sufficient, and that the Savings Bank's overall financial condition is consistent with approval. As to the fiduciary services to be offered, which includes investment management services and fiduciary and custody services to individuals, families, endowments and foundations, OTS concludes that the Savings Bank's proposed trust activities are authorized by Virginia law for Virginia-chartered trust companies.

The Savings Bank will supervise its trust activities using methods currently used to supervise the Trust Company's operations. Upon consummation of the transaction, the Savings Bank's management will be identical to that of the Trust Company. Accordingly, OTS concludes that the Savings Bank's management's supervision of trust powers is consistent with approval. The Savings Bank will retain experienced trust counsel to advise it with respect to fiduciary matters.

For the reasons discussed in connection with our review of the application for a federal charter, OTS concludes that there is need in the community for the Savings Bank's trust services. OTS has not identified any other facts and circumstances relevant to the trust application that should be considered in approving the application.

Transactions with Affiliates

The Savings Bank proposes to acquire all of the assets and assume all of the liabilities of the Trust Company in connection with the proposed formation of the Savings Bank. Section 223.42(i) of the Federal Reserve Board's Regulation W exempts asset purchases by a newly formed member bank² from an affiliate from the restrictions of section 23A of the Federal Reserve Act, 12 U.S.C. § 371c, and the implementing regulations thereunder, except for the safety and soundness requirements of section 223.13, if OTS approves the asset purchase in writing in connection with its review of the formation of the member bank. The Holding Company and Savings Bank have requested such approval. OTS concludes that the Savings Bank has proposed adequate policies and procedures that should help ensure the safe and sound operations of the Savings Bank. OTS also believes that the Savings Bank's plan to acquire all of the assets and assume all of the liabilities of the Trust Company is a reasonable strategy to begin operations. Therefore, OTS approves the proposed bulk asset purchases in connection with the formation of the Savings Bank.

Conclusion

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. §§ 552.2-1, 563.22(d), and 574.7 and Part 550, and under the

² For OTS purposes, the reference in Regulation W to "member bank" applies to savings association. See 12 C.F.R. § 563.41(b) (2007).

CRA, 12 U.S.C. §§ 2901, *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. OTS finds that the Applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Southeast Regional Director, or his designee (Regional Director). Accordingly, the Applications are hereby approved, subject to the following conditions:

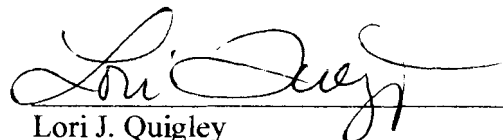
1. The Holding Company and the Savings Bank must receive all required regulatory approvals and submit copies of all such approvals to the Regional Director prior to consummation of the proposed transaction;
2. The proposed transaction must be consummated within 120 calendar days from the date of this 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 Trust Company must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Holding Company or the Trust Company as disclosed in the Applications. If additional information having a material adverse bearing on any feature of the Applications is brought to the attention of the Holding Company, the Trust Company, or 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 Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
4. The Holding Company and the Savings Bank must, within 5 calendar days after the effective date of the proposed transaction: (a) advise the Regional Director in writing of the effective date of the proposed transaction and of the Savings Bank's insurance of accounts; (b) advise the Regional Director in writing that the transaction was consummated in accordance with all applicable laws and regulations, the Applications and all materials submitted during the application process, and this Order; and (c) provide a reconciliation of the Savings Bank's capital to the Regional Director;
5. The Savings Bank must submit independent audit reports to the Regional Office for the first three fiscal years following consummation of the transaction. 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 three-year business plan. The Savings Bank must submit any proposed major deviations or material changes from the plan 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 desired implementation date with a copy sent to the FDIC Regional Office;

7. For three years following consummation of the charter conversion, the Savings Bank must submit to the Regional Director, within 45 calendar days after the end of each calendar quarter, a business plan variance report detailing the Savings Bank's compliance with the business plan and an explanation of any material deviations;
8. For one year following the consummation of the transaction, the Savings Bank must receive the prior written non-objection of the Regional Director for any proposed new directors or senior executive officers or any significant changes in responsibilities of any senior executive officer of the Savings Bank; and
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 OTS and receive approval of its application to engage in such activity. 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 CRA and OTS regulations thereunder at 12 C.F.R. § 563e.29. Any such application will be subject to the public notice and comment procedures set forth at 12 C.F.R. Part 516, Subparts B and C.

The Regional Director may, for good causes, extend any time period set forth herein for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective

October 26, 2007.



Lori J. Quigley
Managing Director
Examinations and Supervision - Operations