

OFFICE OF THRIFT SUPERVISION

Approval Of Application For Permission To Organize A Federal Savings Bank

Order No.: 2005-37
Date: September 27, 2005
Re: OTS No. 17998

Ten persons (Organizers) (see Appendix A) have 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 Team Capital Bank, Flemington, New Jersey (Savings Bank), as a federal savings bank (the Application). The Savings Bank will be a member of the Savings Association Insurance Fund.

The Proposed Transaction

The Organizers propose to establish and to operate a *de novo* federal savings association, the Savings Bank. The Savings Bank intends to conduct traditional thrift operations. The Organizers intend to initiate operations from an office in Flemington, New Jersey, and, within the first year, expand to a contiguous market in Pennsylvania, the Allentown-Bethlehem-Easton PA-NJ Metropolitan Statistical Area (MSA). The Organizers have conducted a private placement offering of the Savings Bank's common stock. After expenses of the offering and pre-opening and organizational expenses, the Savings Bank will be capitalized with approximately \$29.4 million.

Permission to Organize Application

The Home Owners' Loan Act (HOLA) provides that OTS may grant a federal savings bank charter only: (i) to persons of good character and responsibility; (ii) if, in OTS' judgment, a necessity exists for such association in the community to be served; (iii) if there is a reasonable probability of the association's usefulness and success; and (iv) if the association can be established without undue injury to properly conducted existing local thrift and home financing institutions. OTS regulations implementing the HOLA include the same standards, with the additional requirement that OTS consider whether the association will promote credit for housing consistent with the safe and sound operation of a federal savings association.

In addition, OTS' regulation regarding the establishment of *de novo* federal savings associations (Regulation) sets forth standards OTS considers in determining whether to grant a *de novo* federal charter. The Regulation provides standards for: (i) initial capitalization of the federal savings bank; and (ii) the residence and composition of the savings bank's board of directors.

Further, 12 C.F.R. § 563e.29(b) provides that an applicant for a federal thrift charter must submit with its application a description of how it will meet its Community Reinvestment Act (CRA) objectives. OTS is required to take this description into account when considering the application and may deny or condition approval on CRA grounds.

With respect to character and responsibility, the review of the backgrounds of the identified officers and directors of the Savings Bank revealed no adverse information and also indicated that the proposed officers and directors of the Savings Bank have adequate managerial resources to operate a federal savings association. OTS is imposing condition 9 below because the background check of a proposed director is not yet completed. Thus, OTS concludes that this approval criterion is satisfied, subject to the imposition of condition 9, which is intended to help ensure the officers and directors of the Savings Bank have the requisite character and responsibility.

As for the necessity for the Savings Bank in the community, the Savings Bank will commence operations from its Flemington office, and expand into the MSA. The Savings Bank's proposed market area within Hunterdon County, New Jersey, and the MSA have experienced steady population and deposit growth in recent years and are expected to continue to grow. Therefore, OTS concludes that this criterion is satisfied.

With respect to undue injury to properly conducted existing local thrift and home financing institutions, the Savings Bank will provide new competition in the local market. The Savings Bank's projected level of deposits in its first three years of operations will constitute less than one percent of the deposits in Hunterdon County and the MSA initially, and less than two percent of the deposits after three years. Accordingly, OTS concludes that the Savings Bank will not cause undue injury to properly conducted existing local thrift and home financing institutions.

With respect to the reasonable probability of the Savings Bank's usefulness and success, OTS reviewed the Savings Bank's business plan, proposed capital levels, and the competence and experience of proposed management. OTS concludes that the business plan is reasonable, that the Savings Bank will have adequate capital, and that the Savings Bank's managerial and financial resources are consistent with a reasonable probability of success. Conditions 5 through 7 below are designed to help ensure compliance with the business plan included in the Application, that changes to or from that plan would not be detrimental to the Savings Bank, and that the Savings Bank operates pursuant to appropriate policies and procedures. OTS is imposing condition 8 below to ensure compliance with regulatory provisions and policies concerning affiliated persons or related entities and to ensure that the Savings Bank is operated in a safe and sound manner. OTS is imposing condition 15 below to help ensure that the Savings Bank has appropriate arrangements with third parties for the safe and sound operation of outsourced functions. Also, OTS is imposing conditions 10, 13 and 14 below to enable OTS to help ensure that the Savings Bank will be operated properly and by qualified personnel pursuant to employment contracts and stock benefit plans that conform to OTS' policies. Further, OTS is imposing conditions 11 and 12 to ensure that the Savings Bank has appropriate compliance

policies, procedures, and internal controls for fair lending, and to ensure that the Savings Bank has an appropriate person to oversee the compliance area.

Based on the foregoing analysis, OTS concludes that the probability of the Savings Bank's usefulness and success is consistent with approval, subject to the imposition of the conditions, which are intended to help ensure the probability of the Savings Bank's usefulness and success.

With respect to the provision of credit for housing, the Savings Bank will directly and indirectly extend credit for housing. The origination of mortgage loans and the purchase of such loans and mortgage-backed securities will enable the Savings Bank to satisfy the qualified thrift lender test. OTS has determined that the Savings Bank will have adequate management, policies, procedures and controls. Based on the above, OTS concludes that the Savings Bank will provide credit for housing in a safe and sound manner.

With respect to capital, the Savings Bank will have capital in excess of that required by 12 C.F.R. § 543.3(b) and plans to be well capitalized under OTS' prompt corrective action (PCA) regulations throughout the first three years of operations. Accordingly, OTS concludes that the Savings Bank's proposed capital levels are consistent with approval.

OTS' regulations require that a majority of a *de novo* federal association's board of directors be "representative" of the state in which the association is located. The proposed directors of the Savings Bank work or reside in Pennsylvania or New Jersey. Because the Savings Bank will have its initial office in New Jersey and plans to have a second office in Pennsylvania within its first year of operations, we conclude that this requirement is satisfied. OTS regulations also require that a *de novo* federal association's board of directors be diversified and composed of individuals with varied business and professional experience. Based on the experience of the Savings Bank's proposed directors, OTS concludes that the Savings Bank's proposed board of directors meets this criterion. OTS' regulations also require that no more than one-third of the board of directors of a *de novo* savings association be in closely related businesses. No more than one third of the Savings Bank's board members are currently in closely related businesses, and thus, this criterion is satisfied.

With respect to the CRA and OTS' CRA regulations, the Savings Bank's initial CRA assessment area will consist of Hunterdon County, New Jersey, and complies with CRA regulations. The Savings Bank will adjust its assessment area when it opens its Pennsylvania branch office. The Savings Bank intends to meet the borrowing needs of its assessment area through origination of residential mortgages and other lending. OTS concludes that the Savings Bank has satisfactorily demonstrated that it will meet its CRA objectives.

Conclusion

OTS has considered the Application under the standards set forth in 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.3 and 552.2-1(b), and under the CRA, 12 U.S.C. §§ 2901, *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. OTS finds that the Application satisfies the

applicable approval standards, provided the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee (Regional Director).

Accordingly, the Application is hereby approved, subject to the following conditions:

1. The Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Director;
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 officer of the Savings Bank 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 Savings Bank, as disclosed in the Application. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of the Organizers, the Savings Bank, or OTS since the date of the financial statements submitted with the Application, the transaction must 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 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 Application, 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 Director for its first three fiscal years of operations. 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 an OTS approved business plan for the first five years of operations. Accordingly, prior to the end of the first three years of operations, the Savings Bank must submit a new or updated business plan for an additional period of at least two years for the prior written non-objection of the Regional Director. The Savings Bank must submit to the Regional Director for prior approval, requests for any proposed major deviations or material changes to the three year plan and the final two year business plan, no later than 60 calendar days prior to the desired implementation date with a copy sent to the FDIC Regional Office;

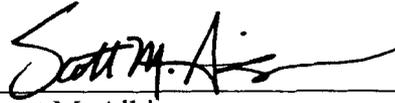
7. For five years following the Savings Bank's commencement of operations, the Savings Bank must submit to the Regional Director within 45 calendar days after the end of each calendar quarter, a business plan variance report detailing the Savings Bank's compliance with the business plan, and an explanation of any material deviations;
8. For eighteen months following the Savings Bank's commencement of operations, any contracts or agreements pertaining to transactions with affiliated persons or related interests, as defined in 12 C.F.R. § 561.5(d), not yet submitted to the OTS for review, or any material changes to previously submitted contracts or agreements, must be provided to the Regional Director for his written non-objection at least 30 calendar days prior to their execution and implementation;
9. With respect to the proposed director for whom the background check is in process, if the Regional Director objects to his service based on material adverse information developed in the background check, that person will promptly resign from the board of directors of the Savings Bank;
10. For two years following the Savings Bank's commencement of operations, the Savings Bank must receive the prior written non-objection of the Regional Director for any proposed new directors or senior executive officers not already reviewed by OTS, or any significant change in responsibilities of any senior executive officer;
11. At least 30 calendar days prior to commencing operations, the Savings Bank must develop and submit to the Regional Director for his review and written non-objection the final board approved Compliance Policy and policies, procedures and internal controls for Fair Lending and Privacy of Consumer Financial Information;
12. At least 30 calendar days prior to commencing operations, the Savings Bank must identify the proposed Compliance/BSA officer, and identify any independent third party that will provide services to the Savings Bank related to the Savings Bank's compliance function;
13. For two years following the Savings Bank's commencement of operations, the Savings Bank must receive the prior written non-objection of the Regional Director for any presently anticipated or proposed new employment agreements;
14. For three years following the Savings Bank's commencement of operations, the Savings Bank must receive the prior written non-objection of the Regional Director for any presently anticipated or proposed new stock benefit plans; and
15. At least 30 calendar days prior to commencing operations, the Savings Bank must submit to the Regional Director a report identifying each function it is outsourcing

to a third party vendor, including the name of the service provider. During the first three years of operation, the Savings Bank must inform the Regional Director of any significant changes in outsourcing as represented in this report at least 30 calendar days prior to such change.

The Regional Director may, for good cause, 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

September 27, 2005.



Scott M. Albinson
Managing Director
Office of Examinations, Supervision,
and Consumer Protection

Appendix A

The Organizers

Mr. James F. Deutsch
Mr. Martin D. Cohen
Mr. Patrick J Toomey
Ms. Holly C. Bakke
Mr. John J. Cuts, Jr.
Mr. Timothy S. Fallon
Mr. Michael D. Moss
Mr. Michael J Perrucci
Mr. James G. Petrucci
Mr. Edward Rubin