CAPITAL ADEQUACY AND MAINTENANCE POLICY

The following sets forth the Department of Banking and Financial Institutions Policy and Guidelines on Capital Adequacy and Maintenance. Such Guidelines and desired standards shall be used in the evaluation of capital adequacy in the charter application process, as well as in ongoing determinations whether a trust company is operating at a safe and sound capital level.

The standards set forth in this Policy will apply to fundamentally sound and well-managed trust companies. Higher standards may be imposed on trust companies which are not fundamentally sound or well-managed.

The following definitions shall apply in the use of guidelines and desired minimum levels set forth in this policy:

1. "Discretionary assets" are those assets in which a trust company, directly or indirectly, is authorized to determine which securities or other properties shall be purchased by or for an account, or makes recommendations as to what securities or other properties shall be purchased or sold by or for an account even though some other person may have responsibility for investment decisions.

2. "Non-discretionary assets" are those assets in which the trust company does not exercise investment discretion, including any such accounts that are being serviced by any investment advisor.

3. "Capital plan" means a comprehensive plan of mandatory capital infusion and/or restoration, the object of which is to bring a trust company up to the minimum standards required by this Policy and to maintain the trust company at a level which is equal to or better than the minimum standards required by this policy.

MINIMUM RATIOS

Trust companies must maintain total capital equal to or greater than .25 percent of discretionary trust assets and .125 percent of non-discretionary trust assets. In no event shall a trust company's total capital be less than $250,000.

TRANSITION RATIOS

Trust companies chartered as of June 30, 1994, must have total capital equal to or greater than .12 percent of discretionary trust assets and .06 percent of non-discretionary trust assets by December 31, 1994, and must comply with the requirement of .25 percent of discretionary trust assets and .125 percent of non-discretionary trust assets as of December 31, 1997.

Generally a trust company which exhibits any one or more of the following conditions may not be permitted to operate with a minimum capital ratio less than the standard set forth in this policy:

1. A newly chartered trust company.
2. A trust company receiving special supervisory attention.
3. An institution which has or is expected to have losses resulting in capital inadequacy.
4. Mismanagement of the trust company.
5. Insider transactions resulting in loss.
6. Fraudulent actions resulting in loss.
7. Excessive officer salaries, bonuses, or fees to affiliated associations.
8. Excessive declaration and payment of dividends.
9. Any other activities or transactions deemed by the State Banking Board to be unsafe and unsound procedures.