

## FEDERAL DEPOSIT INSURANCE CORPORATION

**In Re:** First Associations Bank (In Organization)  
Dallas, Dallas County, Texas  
Application for Federal Deposit Insurance  
(Deposit Insurance Fund)

### ORDER

The Board of Directors of the Federal Deposit Insurance Corporation has fully considered all available facts and information relevant to the factors of Section 6 of the Federal Deposit Insurance Act relating to the application for Federal deposit insurance for First Associations Bank (the Bank), a proposed new state non-member bank to be located at 12001 North Central Expressway, Suite 11, Dallas, Dallas County, Texas, and has concluded that the application should be approved.

Accordingly, it is hereby **ORDERED**, for the reasons set forth in the attached Statement, that the application submitted by the Bank for Federal deposit insurance be and the same hereby is approved subject to the following conditions:

1. That beginning paid-in capital funds of not less than \$15,000,000 be provided.
2. That the Tier 1 capital to assets leverage ratio (as defined in the appropriate capital regulation and guidance of the institution's primary federal regulator) will be maintained at not less than eight percent throughout the first three years of operation and that an adequate allowance for loan and lease losses will be provided.
3. That any changes in proposed management or proposed ownership to the extent of 10 percent or more of stock, including new acquisitions of or subscriptions to 10 percent or more of stock shall be approved by the FDIC prior to the opening of the depository institution for business.
4. That the bank will adopt an accrual accounting system for maintaining the books of the depository institution.
5. That deposit insurance will not become effective until the applicant has been granted a charter as a depository institution, has authority to conduct a depository institution business, and its establishment and operation as a depository institution have been fully approved by the appropriate state supervisory authority.
6. That full disclosure has been made to all proposed directors and stockholders of the facts concerning the interest of any insider in any transactions being effected or then contemplated, including the identity of the parties to the transaction and the terms and costs involved. An insider is one who is or is proposed to be a director, officer, or incorporator of an applicant; a shareholder who directly or indirectly controls 10 or more percent of any class of the applicant's outstanding voting stock; or the associates or interests of any such person.

7. That the institution shall operate within the parameters of the business plan submitted as part of the institution's application for deposit insurance. During the first three years of operation, the bank shall notify the regional director of the FDIC of any proposed major deviation or material change from the submitted plan 60 days before consummating the change.
8. That the bank will complete and maintain on an ongoing basis, an independent risk assessment of its relationship with and dependence on Associa, Inc. ("Associa"), focusing on the identification, measurement, monitoring, and management of any risk factors that could potentially and negatively impact the bank; at a minimum, the independent assessment will consider Associa's financial condition and performance, the quality of Associa's management and corporate governance, and an appropriate variety of negative scenarios. Based on this assessment, the bank will take actions to ensure that appropriate corporate separateness will be maintained between the bank and Associa, that appropriate contingency plans are maintained and encompass deposit activities and any other services or support provided by the relationship, and that any potential deterioration of Associa will not negatively impact the bank.
9. That the bank shall obtain the written approval of the Regional Director and the Commissioner prior to entering into any transactions or relationships directly or indirectly with Associa or any affiliate of Associa that involve asset or liability transfers, or series of substantially similar transactions, including loan originations, deposit relationships, or support relationships. Any such transactions or relationships will be reduced to a written agreement or contract, and will be subject to the following:
  - (a) In the case of Associa or any single affiliate of Associa, the aggregate amount of transactions (excluding deposit balances) will not exceed 10 percent of the capital stock and surplus of the bank;
  - (b) In the case of Associa and all Associa affiliates, the aggregate amount of transactions (excluding deposit balances) will not exceed 20 percent of the capital stock and surplus of the bank;
  - (c) Any transaction shall be deemed to be a transaction with Associa or its affiliates to the extent that the proceeds of the transaction are used for the benefit of, or transferred to, Associa or any of its affiliates;
  - (d) The bank will not purchase a low-quality asset from Associa or any of its affiliates;
  - (e) Any transaction between the bank and Associa or any affiliate of Associa shall be on terms and conditions that are consistent with safe and sound banking practices;
  - (f) All transactions will be on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to such bank or its subsidiary, as those prevailing at the time for comparable transactions with or involving other independent companies;
  - (g) In the absence of comparable transactions, on terms and under circumstances, including credit standards, that in good faith would be offered to, or would apply to, other independent companies.

In complying with this condition, the bank need not obtain written approval of the Regional Director or the Commissioner prior to opening HOA operating and reserve deposit accounts or originating loans directly to HOAs in the normal course of business.

10. That the bank shall not finance, directly or indirectly, any purchase of bank securities by any investor; further, the bank shall not refinance any prior purchase of bank securities or accept securities of the bank or Associa as security for any loan except that such securities may be taken as security only in a demonstrable abundance of caution.
11. That the bank shall not extend credit to Associa or to any insider of the bank or Associa or their related interests unless the extension of credit:
  - (a) Is made on substantially the same terms (including interest rates and collateral) as, and following credit underwriting procedures that are not less stringent than, those prevailing at the time for comparable transactions by the bank with other persons that are not covered by this part and who are not employed by the bank, Associa, or their related interests; and
  - (b) Does not involve more than the normal risk of repayment or present other unfavorable features.

In complying with this condition, "insider" shall be defined as an executive officer, director, or principal shareholder, and includes any related interest of such a person.

12. That the bank will have and maintain adequate fidelity coverage.
13. That the bank will obtain an audit of its financial statements by an independent public accountant annually for at least the first three years after deposit insurance is effective and submit to the appropriate FDIC office (i) a copy of the audited annual financial statements and the independent public auditor's report thereon within 90 days after the end of the depository institution's fiscal year, (ii) a copy of any other reports by the independent auditor (including any management letters) within 15 days after their receipt by the depository institution, and (iii) written notification within 15 days when a change in the depository institution's independent auditor occurs.
14. That prior to the effective date of Federal deposit insurance, the Bank shall obtain surety bond coverage in a sufficient amount to conform to generally accepted banking practices.
15. That until the conditional commitment herein granted becomes effective, the FDIC shall have the right to alter, suspend, or withdraw the said commitment should any interim development warrant such action.
16. That the consent granted herein shall expire if Federal deposit insurance has not become effective within twelve months from the date of this ORDER, unless the FDIC approves a request for an extension of the deadline prior to expiration.

Dated at Washington, D.C. this 20th day of April, 2007.

**FEDERAL DEPOSIT INSURANCE CORPORATION**

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**BY:**

Gale Simons-Poole  
Acting Associate Director

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**In Re:** First Associations Bank (In Organization)  
Dallas, Dallas County, Texas  
Application for Federal Deposit Insurance  
(Deposit Insurance Fund)

**STATEMENT**

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act (12 U.S.C. §1815), an application for Federal deposit insurance has been filed for First Associations Bank (the Bank), a proposed new Texas state non-member bank, to be located at 12001 North Central Expressway, Suite 11, Dallas, Dallas County, Texas.

The bank will operate as a Subchapter S corporation and is not anticipated to be a subsidiary of a bank holding company. Dividends are expected to commence in the second year to pay shareholders' Subchapter S tax liability.

The bank will focus on providing cash management and other specialized services to management companies throughout the United States that provide services to homeowners associations ("HOA"). Because the bank will pay marketing fees to HOA management firms in connection with the placement of deposits at the bank, the deposits will be brokered. The bank will invest the funds in U.S. Treasury and Government Agency securities, including collateralized mortgage obligations and mortgage-backed securities, corporate securities, and municipal bonds. The bank will also originate a moderate volume of loans to HOAs; these loans are generally expected to fund improvements to common areas and are typically secured by an assignment of homeowners fees and assessments and, in some cases, by common area real estate.

The FDIC has granted the bank a special purpose designation for purposes of the Community Reinvestment Act. The designation was granted on the basis that the bank will not perform any commercial or retail banking services, and that loans will only be granted in a limited amount incident to its specialized services.

For the purposes of this proposal, capital and management are considered satisfactory, projections for future earnings prospects are favorable, and the investment in fixed assets is reasonable. Corporate powers to be exercised are consistent with the purpose of the Federal Deposit Insurance Act. No undue risk to the insurance fund is apparent.

Accordingly, based upon careful evaluation of all available facts and information, the Board of Directors of the Federal Deposit Insurance Corporation has concluded that approval of the application is warranted, subject to certain prudential conditions.

**BOARD OF DIRECTORS  
FEDERAL DEPOSIT INSURANCE CORPORATION**