

## APPLICATION TO ESTABLISH AN UNINSURED OR MERCHANT BANK

The provisions of 9-B M.R.S.A. governing the application to establish an uninsured bank or a merchant bank are listed below:

Section 252, Decision-making;  
Section 253, Criteria for decision-making;  
Section 312, Permission to organize;  
Section 1222, Organization of merchant banks; and  
Section 1232, Organization of uninsured banks.

Your attention is directed to Section 253, which requires that the Superintendent determines that "public convenience and advantage" exist. The factors considered in determining public convenience and advantage include (1) character and ability of management; (2) capital and financial strength; (3) competitive abilities and future prospects; (4) convenience and needs of the proposed market; (5) competitive effect on price, availability and quality of services in the proposed market; and (6) likely impact on other financial institutions in the proposed market. The burden of proving that public convenience and advantage exist rests with the applicant.

Please submit two signed copies of the application. You may provide any information in addition to that specifically requested by the Bureau which, in your opinion, might aid in the disposition of the application. Any such information will be accepted for consideration with the understanding that it may be made public, unless it is otherwise designated confidential.

Name of Proposed bank:

\_\_\_\_\_ (First Choice) \_\_\_\_\_ (Date Filed)

\_\_\_\_\_ (Alternative Choice)

\_\_\_\_\_ (Street address or location - be as specific as possible)

\_\_\_\_\_ (City, County, State) \_\_\_\_\_ (Zip Code)

\_\_\_\_\_ (Initial Capital)

## **UNINSURED or MERCHANT BANK APPLICATION (Cont)**

APPLICANT'S REPRESENTATIVE RESPONSIBLE FOR RESPONDING TO QUESTIONS RELATING TO THIS APPLICATION:

Name:

Title:

Address:

Telephone Number:

Fax Number:

E-Mail Address:

The organizers of the proposed bank should be active participants in the application process. Each organizer is responsible for being thoroughly familiar with the facts presented in the application and the reasoning process followed in preparing it.

### **Representations**

Any agreement, oral or written, of an organizer to do the following must be fully disclosed:

- Sell or otherwise transfer any of his/her equity interest in the proposed bank;
- Act as representative of or on behalf of any person or association; or
- Pay or receive any money or thing of value as compensation for any service rendered or property transferred in connection with the organization of the proposed bank

A copy of any such agreements, which state the complete terms of the agreements, are attached to and made part of this representation.

Copies of all agreements between the organizers and any organizer, director, officer, principal investor, or their interests to purchase, lease or obtain banking premises, furniture, equipment, fixtures or any other property or service are attached to and made part of this representation. At least one independent appraisal of the property to be purchased or of the lease terms, if leasing, is also attached. The proposed transaction is fair, reasonable, and comparable to similar arrangements that could have been arranged with unrelated parties. These documents will also be maintained and made available to investors on request.

**UNINSURED or MERCHANT BANK APPLICATION (Cont)**

Copies of all agreements with any individual or firm providing professional assistance in obtaining a certificate for the proposed bank, including any terms pertaining to compensation for services performed and to be performed are to be submitted with this application and maintained and made available to investors on request.

The organizers certify that they are not, and will not be, party to any agreement involving the proposed bank other than those disclosed here, or to the Bureau before entering into any such agreement, prior to the opening of the bank.

The organizers further certify that any misrepresentations or omissions of material facts with respect to this application, any attachments to it, and any other documents or information provided in connection with the application for, and organization of, the proposed bank may be grounds for denial or revocation of the bank certificate, or grounds for objection to the undersigned as proposed director(s) or officer(s) of the proposed bank, and may subject the undersigned to other legal sanctions.

**Attested to by all organizers**

Signature	Typed Name	Date
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

## **UNINSURED or MERCHANT BANK APPLICATION (Cont)**

### **PART A: ORGANIZING GROUP**

1. Please provide each organizer's full name, business address, and proposed role in the organization and/or management of the bank. In addition, provide a biographical sketch for each organizer. Information provided should include:

- (a) Occupation
- (b) Number of years and type of banking and/or business experience
- (c) Extent and type of civic involvement
- (d) Educational background, professional licenses or certifications
- (e) Special skills or knowledge about the community, and
- (f) Any other information the organizing group considers appropriate.

(These biographical sketches will be part of the application's public file; therefore, do not include any information for which confidential treatment is being requested.)

2. Discuss how the organizing group formed.

### **PART B: OPERATING PLAN**

Submit a comprehensive operating plan which should address, at a minimum, an analysis of market conditions; financial services needed, desired and to be provided; plans relating to management and staff qualifications and training; operating facilities; data processing systems; pro forma financial statements; initial capitalization; and written policies. The operating plan should contain sufficient information to demonstrate that the proposed bank has a reasonable likelihood of success. In this regard, a detailed listing of all assumptions used in preparing the operating plan should be attached. The organizers must ensure that the operating plan projections are well supported and goals and objectives are specific and properly defined. Several of these items are addressed in greater detail below.

1. Identify, describe and analyze the area in which the proposed bank will market its services and products. This analysis should cover the economy, the competitive environment, and any negative factors that will need to be addressed by the proposed bank. Address any anticipated changes in the market and the effect they will have on the proposed bank. Discuss the benefits to Maine citizens and businesses from the presence of the proposed bank.

## **UNINSURED or MERCHANT BANK APPLICATION (Cont)**

2. Analyze the competitive environment provided by other financial institutions and nonbank financial service companies within the market area, including unmet needs or proposed services that are not currently being provided. Also, identify other competitors located outside the market area and discuss future competitive factors. (Include a list of all in-market, out-of-market and potential competitors.)
3. List and describe the services and products to be provided and discuss the group's plans for operations, including the applicant's strategies for achieving the projected market share for each major product. Describe the strategies for implementing these plans in the economic and competitive context of the proposed bank's market and for achieving the pro forma projections.
4. Prepare and attach pro forma statements for each year of operation until profitability is projected and for one year beyond the period of profitability. Projections should cover at least three years. The projections should be based on average balances, not year-end balances, computed by averaging monthly or quarterly balances. Review major assumptions used in the market analysis and in setting the plans and objectives of the proposed bank.

### **PART C: LEADERSHIP AND MANAGEMENT**

1. Identify organizers, directors, the chief executive officer, other managers, and principal investors of the proposed bank.
2. Describe the proposed organization and responsibilities of the directors and senior officers. Provide a list of board committees and members.
3. Discuss the qualifications of the proposed directors, chief executive officer, and other management and those qualities to be sought in managers to be hired. Indicate the nature and extent of experience they have in providing the proposed services or serving the proposed market area. Discuss the proposed terms of employment, including compensation and benefits. Include a copy of all employment contracts entered into, or anticipated to be entered into, by the bank.
4. Describe all stock benefit plans, including stock options, stock warrants and other similar stock-based compensation plans, for senior executive officers, organizers, directors and other insiders.
5. Describe any potential conflicts of interest and any transaction, contract or other business relationship involving the proposed bank and its affiliates (if any) and any senior executive officer, organizer, director or other insider.
6. Describe any agreements the proposed bank intends to make to obtain services from others. Provide the names of the proposed agencies and services to be provided.
7. Provide copies of draft operating policies of the proposed bank.

## **UNINSURED or MERCHANT BANK APPLICATION (Cont)**

### **PART D: CAPITALIZATION**

1. Discuss the adequacy of the proposed capital structure relative to internal and external risks and planned operational and financial assumptions, including technology and projected organization and operating expenses. Present a thorough justification to support the proposed capital.
2. List all proposed investors of the proposed bank known at this time, stating:
  - (a) Full name and dollar amount and percentage of equity interest;
  - (b) Position to be held with proposed bank, if any;
  - (c) Whether the proposed investor is a family member of, or has a business interest with, any organizer, proposed director, or executive officer.
3. Discuss plans for raising capital initially and to support growth within the first five years. If stock will be issued, discuss the number of shares to be authorized, number of shares to be issued, par value per share, and sale price per share.
4. Discuss any noncash contributions to capital and provide supporting documents for assigned values, including an independent evaluation or appraisal.
5. Discuss the organizational structure of the proposed bank, and provide draft organizational documents.
6. List all expenses related to the organization of the proposed bank. Include all expenses paid, additional costs anticipated prior to the opening date, and include any expenses for work performed during the organization phases for which disbursement has been deferred beyond the opening date. Identify the source of pre-opening income.

### **PART E: FIXED ASSET INVESTMENT**

1. Describe the plans for the proposed bank's premises. Summarize the terms of any purchase option or lease or other contract, and submit a copy of any such document.

## **UNINSURED or MERCHANT BANK APPLICATION (Cont)**

### **PART F: INFORMATION SYSTEMS**

1. Outline the proposed or existing information systems architecture and any proposed changes or upgrades. Provide lists or descriptions of the primary systems and flowcharts of the general processes related to the products and services.
2. Describe the security systems and discuss the technologies used and key elements for the security controls, internal controls and audit procedures. Discuss the types of testing the proposed bank will conduct to ensure the integrity of the system and its controls.
3. Estimate the start-up budget for the information systems related to the products and services and the expected annual operating and maintenance costs.
4. State whether the proposed bank plans to market its products and services via electronic means. If yes, specifically state the products and services that will be offered via electronic banking or the internet.

### **PART G: OTHER INFORMATION**

1. Describe any issues about the permissibility of the proposal with regard to applicable State laws or regulations. Identify any statutory or regulatory waiver requests and provide adequate justification.
2. List all activities and functions, including data processing, that will be outsourced to third parties, identifying the parties and noting any affiliations. Describe the due diligence conducted and the planned oversight and management program of the vendors' or service providers' relationship.
3. List all planned expenses related to the organization of the proposed bank and include the name of the recipient, type of professional service or goods, and amount. Describe how organizational expenses will be paid.

**CONFIDENTIAL SECTION**

Title 9-B M.R.S.A. §252(3) provides that applications accepted by the Superintendent be placed in a public file at the office of the Bureau, and be made available for public inspection or copying. State law further requires that the Superintendent delete from the public file copy of an application all confidential information, materials and statements regarding the applicant.

It is incumbent upon the applicant to clearly identify confidential information and to justify the reasons why such information included in the application should be designated as confidential. The Superintendent shall make a determination whether such confidential treatment will be accorded and, in making this determination, the Superintendent shall be guided by the Maine Freedom of Access Law, 1 M.R.S.A. §401 et seq. Generally, confidential treatment will be accorded to information meeting any of the following exemption categories:

1. Trade secrets and commercial or financial information obtained from a person and privileged or confidential.
2. Personnel and medical files and similar files, which the disclosure of would constitute a clearly unwarranted invasion of personal privacy.
3. Information contained in the application which is derived from, or contains, examination report findings.

The determination of the designation of information submitted in an application as confidential is within the sole discretion of the Superintendent. However, the applicant shall be notified if the Superintendent determines that information for which confidential treatment has been requested by the applicant will not be designated as confidential.

**In order to properly identify those submissions for which the applicant is seeking confidential treatment, the Bureau asks that each page be so identified by writing, typing or stamping the word “confidential” in the top right hand corner, bind those pages together, and separate them from the public portion of the application.**

**UNINSURED or MERCHANT BANK APPLICATION (Cont)**

**PRO FORMA LOAN  
DIVERSIFICATION**

	<u>Year 1</u>		<u>Year 2</u>		<u>Year 3</u>	
	\$	Yield	\$	Yield	\$	Yield
Commercial						
Individual						
Residential Real Estate						
Commercial Real Estate						
<b>TOTAL</b>						

**ESTIMATED SALARIES**

	<u>Year 1</u>	-	<u>Year 2</u>	<u>Year 3</u>
Chairman of the Board				
President				
Chief Financial Officer				
Senior Loan Officer				
Senior Operations Officer				
Other Senior Officers (detail individually)				
All Others				
<b>TOTAL</b>				

## UNINSURED or MERCHANT BANK APPLICATION (Cont)

### INCOME STATEMENT

INCOME	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Interest Income			
Interest and fee income on loans			
Income from lease financing receivables			
Interest income on balances due from banks			
Interest and dividend income on securities			
Interest income on federal funds sold			
Total Interest Income			
Interest Expense			
Interest on deposits			
Expense of federal funds purchased			
Interest on other borrowed money			
Interest on subordinated debt			
Total Interest Expense			
Net Interest Income			
Provision for Loan and Lease Losses			
Noninterest Income			
Noninterest Expense			
Salaries and employee benefits (attached)			
Expenses of premises and fixed assets			
Other noninterest expense			
Total noninterest expense			
Realized gains (losses) on securities			
Income (loss) before income taxes			
Applicable Income Taxes			
Net Income			

**UNINSURED or MERCHANT BANK APPLICATION (Cont)**

**PRO FORMA BALANCE SHEET**

<b>ASSETS</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
Cash			
Due from Banks			
Federal Funds Sold			
Investments			
Loans (See attached schedule)			
Allowance for Loan Losses			
Fixed Assets			
Intangible Assets			
Other Assets			
Total Assets			
<b>LIABILITIES</b>			
Noninterest-bearing Deposits			
Interest-bearing Deposits			
Federal Funds Purchased			
Borrowings less than 1 year			
Borrowings greater than 1 year			
Other Liabilities			
Subordinated Debt			
Equity Capital			
Total Liabilities and Equity Capital			