



Office of the Comptroller of the Currency

Interpretations - Corporate Decision #96-55

Published in Interpretations and Actions September 1996

September 27, 1996

Mr. Ronald Wiley
President and CEO
Douglass Bank
1314 North 5th Street
Kansas City, Kansas 66101

Re: The applications from Douglass Bank, Kansas City, Kansas, and Douglass National Bank, Kansas City, Missouri

Application Control Numbers: 96-MW-01-0019, 96-MW-12-0146, 96-MW-07-0033, 96-MW-05-0060, 96-MW-06-0149 and 96-MW-12-0147

Dear Mr. Wiley:

The Office of the Comptroller of the Currency (OCC) has reviewed the July 30, 1996 request of Douglass Bank to convert to a national bank. After a thorough review of all information available, the conversion of Douglass Bank into Douglass National Bank, with its main office at 1314 North 5th Street, Kansas City, Kansas, is authorized pursuant to 12 U.S.C. 35.

Pursuant to 12 U.S.C. 92a, the bank's request to exercise fiduciary powers after its conversion is also approved as proposed in your letter of intent. In accordance with 12 U.S.C. 92a, Douglass National Bank may exercise Missouri fiduciary powers (in the same manner as other national banks located in Missouri) at its main office in Missouri, and it may exercise Kansas fiduciary powers (in the same manner as other national banks located in Kansas) at its branches in Kansas.

Approval of your request to exercise fiduciary powers is based upon your representation that Douglass National Bank will enter into an agreement with Boatmen's Trust Company, St Louis, Missouri, or another institution acceptable to the OCC, to provide all technical and administrative trust services. Douglass National Bank has committed to the OCC that if for any reason Boatmen's Trust Company or another approved institution is unable to provide technical and administrative services to the bank's trust operations, it will not continue its trust operations without the prior approval of the OCC. National banks are governed in the exercise of fiduciary powers by 12 CFR 9, a copy of which is enclosed. The officers and staff of your trust department should become thoroughly familiar with the regulation.

Douglass National Bank's request to relocate its main office from 1314 North 5th Street, Kansas City, Kansas, to 1670 East 63rd Street, Kansas City, Missouri, is authorized under 12 U.S.C. 30. Douglass National Bank may continue to operate its existing branch in Kansas under section 30 and the transition provisions of the Riegle-Neal Act. Douglass National Bank may also establish a branch at the site of the former main office, 1314 North 5th Street, Kansas City, Kansas, as authorized under 12 U.S.C. 36(c).

The legal analysis of these applications follows the OCC's analysis of prior conversion, main office relocation and branch decisions. The OCC has previously determined that it is legally permissible for a national bank to relocate its main office from Kansas to Missouri and to retain its existing branches in the state of Kansas under 12 U.S.C. 30. Also, the OCC has determined that the relocated bank may establish a branch at the site of the former main office in Kansas as authorized under 12 U.S.C. 36. Applications involving relocations from Kansas to Missouri have previously been approved. See, e.g., the OCC's Decision on the Applications of Bank Midwest of Kansas, N.A., Lenexa, Kansas, and Bank Midwest, N.A., Kansas City, Missouri (OCC Corporate Decision No. 95-05, February 16, 1995); Approval of the Applications by Boatmen's Bank of Kansas, Overland Park, Kansas, (OCC Corporate Decision No. 95-26, June 23, 1995); and Approval of the Applications by Commerce Bank, N.A., Kansas City, Kansas (OCC Corporate Decision No. 95-27, June 29, 1995).

These approvals are granted based on a review of all information available, including representations made by you and your representatives in the applications, subsequent correspondence and telephone conversations. Based on these representations, it is the OCC's understanding that the proposed transactions will be effected contemporaneously with the conversion occurring first, the relocation of the main office to Kansas City, Missouri, and establishment of the Kansas City, Kansas, branch occurring second, the establishment of the CBCT, third, and completion of the quasi-reorganization occurring last.

Prior to, or as of the date of the conversion:

1. Directors must purchase qualifying shares in conformance with 12 U.S.C. 72 and 12 CFR 7.2005.
2. The bank must purchase the required amount of stock in the Federal Reserve in accordance with 12 CFR 209.
3. The bank must have a full-time cashier or otherwise provide for the cashier's duties to be assigned (see 12 CFR 7.2015).
4. The bank shall have adequate excess fidelity insurance covering all officers and employees (see 12 CFR 7.2013).
5. The institution's directors must engage an independent, external auditor to perform an audit according to generally accepted auditing standards. The audit must be of sufficient scope to enable the auditor to render an opinion on the institution's financial statements. The engagement must provide that the audit period beginning on the date that the institution converts to a national bank and may end on any calendar quarter-end no later than 12 months after conversion.
6. If the bank sells credit life insurance to loan customers, all income from that activity must be credited to the bank for the benefit of all shareholders. The institution's directors must select a means of marketing the insurance to accomplish that objective and comply with federal and state banking and insurance laws.
7. The converting institution must obtain any other required regulatory approvals.
8. If the conversion, change in location, and branch and CBCT establishment are not consummated within six months from the date of the decision, preliminary approvals will automatically terminate unless the OCC grants an extension of the time period.
9. The board of directors must adopt and have in place written policies and procedures to ensure the safe and sound operation of the bank. A description of the minimum policies and procedures applicable to national banks is enclosed.

10. Our Midwestern District Office should be advised, in advance, of the desired effective date for the transactions so that the OCC may issue the necessary certification and authorization letters.

Upon completion of the above procedures, please submit to the Midwestern District Office a letter certifying that you have completed all steps required to convert to a national banking association. Your notification should include, as attachments, the following documents: A Secretary's Certificate certifying shareholder approval of the proposed conversion and main office relocation; Articles of Association; Bylaws; Organization Certificate properly signed and executed; Oath(s) of directors; List of directors; and Certification that you have purchased the required amount of stock in the Federal Reserve System in accordance with 12 CFR 209.

When the institution has satisfactorily completed all of the above steps, the OCC will issue a letter officially authorizing the institution to commence business as a national banking association. At that time, you will receive the charter certificate and trust permit.

OCC Handbooks and Manuals and a set of current OCC issuances will be sent to you under separate cover.

In conjunction with the above approvals the OCC has granted permission for Douglass National Bank to perform a quasi-reorganization as outlined in your letter of July 31, 1996. This letter constitutes OCC recognition of the proposed quasi-reorganization to compute the formulas established in 12 U.S.C. 56 and 60 for the payment of dividends. This letter also serves as approval of the reduction in surplus. Approval of the quasi-reorganization is granted subject to the following requirements:

1. The transaction must be accounted for in accordance with Chapter 7A of Accounting Research Bulletin No. 43, issued by the AICPA. Assets and liabilities must be revalued to their current market value and any net write-off as a result of the revaluation charged against undivided profits. The revaluation cannot increase total capital. Once the revaluation is completed, the deficit in the undivided profits account may be eliminated against the surplus account.
2. Shareholder approval must be obtained for the quasi-reorganization. Shareholders must be provided with a full disclosure of all material aspects of the proposal, including the appraisal process, prior to the shareholders meeting.

Once shareholder approval has been obtained, please notify the OCC when the change has been completed. (Note: The effective date will be the date the bank receives OCC authorization, however, the first day of the quarter in which authorization is obtained may be used as the effective date.) Along with the notification, please provide:

1. A copy of the final proxy materials or information statement distributed to shareholders.
2. Certification of shareholder approval.
3. A statement that the transaction complied with all laws, regulations, and requirements imposed by the OCC.

Upon receipt of your notification, the OCC will authorize the change in capital.

The quasi-reorganization should be completed within one year of the date of this letter. A copy of OCC Bulletin 95-27 (Quasi-Reorganization) is enclosed for your reference.

If you have any questions, please contact me or NBE/Senior Bank Structure Analyst Stephen A. Lybarger at (202) 874-5060 or National Bank Examiner Jill K. Kennard, in our Midwestern District

Office at (816) 556-1860.

Sincerely,

/s/

Troy L. Dixon

Director for Corporate Activity

Bank Organization & Structure