



**Comptroller of the Currency
Administrator of National Banks**

Licensing Operations
Southwestern District Office
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3342

**Conditional Approval #491
October 2001**

September 25, 2001

William R. Glass
President
National Bank of Daingerfield
P. O. Box W
Daingerfield, Texas 75638

Re: Purchase and Assumption Application of the Daingerfield, Texas Branch of Jefferson Heritage Bank, FSB, Denton, Texas. Application Control No. 2001-SW-02-0030

Dear Mr. Glass:

This is to inform you that today the Office of the Comptroller of the Currency (OCC) conditionally approved the application to purchase the assets and assume the liabilities of the Daingerfield, Texas branch of Jefferson Heritage Bank, FSB, Denton, Texas by National Bank of Daingerfield, Daingerfield, Texas. A copy of the OCC's decision is enclosed.

This conditional approval is granted based on a thorough review of all information available, including commitments and representations made in the application and the purchase and assumption agreement and those of your representatives.

This approval is subject to the following conditions:

- Prior to consummation of the purchase and assumption, the bank must achieve a minimum leverage capital ratio of 7%.
- Subsequent to the consummation of the purchase and assumption, the bank must maintain a minimum leverage capital ratio of 7% and all other capital ratios at the "well capitalized" category level, as defined under 12 USC 1831 and 12 CFR 6.4, unless permitted otherwise by the Longview Field Office. This condition is considered to be a condition imposed in writing by the agency in connection with the granting of any application or other request within the meaning of 12 USC 1818. As such, this condition is enforceable under 12 USC 1818.

Mr. William R. Glass
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This conditional approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or an officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

As a reminder, the district office must be advised in writing in advance of the desired effective date for the purchase and assumption so that the OCC may issue the necessary certification letter. The effective date must be 15 days from the date of this letter. If the purchase and assumption is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service. If you have questions, please contact Senior Licensing Analyst Brenda E. McNeese or me at (214) 720-7052.

Yours truly,

-signed-

Pansy G. Hale
Acting Licensing Manager

Enclosure



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DECISION OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION TO
PURCHASE CERTAIN ASSETS AND ASSUME CERTAIN LIABILITIES OF THE
DAINGERFIELD, TEXAS BRANCH OF JEFFERSON HERITAGE BANK, FSB DENTON,
TEXAS BY NATIONAL BANK OF DAINGERFIELD, DAINGERFIELD, TEXAS
APPLICATION CONTROL NUMBER 2001-SW-02-0030

Introduction

On August 3, 2001, application was made to the Office of the Comptroller of the Currency (hereafter "OCC") for approval of the purchase of certain assets and assumption of certain liabilities of the Daingerfield, Texas Branch of Jefferson Heritage Bank, FSB, Denton, Texas (hereafter "Jefferson") by National Bank of Daingerfield, Daingerfield, Texas (hereafter "NB of Daingerfield"). The application was based on a purchase and assumption agreement entered into between the proponents on July 10, 2001.

Participating Financial Institutions

As of June 30, 2001, Jefferson had deposits of \$15 million and operated the one office. On the same date, NB of Daingerfield had total deposits of \$43 million and operated two offices. NB of Daingerfield is not owned by a bank holding company.

Competitive Analysis

The relevant geographic market for analyzing the competitive effects of this proposal is the Morris County/Cass County, Texas banking market. This market consists of the southern half of Morris County, Texas and the southwestern portion of Cass County, Texas including Daingerfield, Hughes Springs, Lone Star and Avinger, Texas. The Morris/Cass County banking market is the area where competition between NB of Daingerfield and JHB's Daingerfield branch is direct and immediate.

As of June 30, 2000, NB of Daingerfield ranked second in the market with \$34 million in deposits, or 24 percent of the market share of total deposits. The Daingerfield branch of JHB ranked fourth with \$15 million in deposits, or 10 percent of the market share of total deposits.

After the transaction, NB of Daingerfield will have a 35 percent market share of total deposits and continue to rank second in the market. Following the elimination of JHB from the market, NB of Daingerfield will compete with four other banking alternatives. The four banks are small, locally owned banks, one of which has a 37 percent market share of deposits. The purchase and assumption will eliminate one competitor in the market; any adverse effect would be mitigated by the presence of four other banking alternatives. Therefore, consummation of this proposal will not have a significant adverse effect on competition in this relevant geographic market.

Banking Factors

The Bank Merger Act requires the OCC to consider "...the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and managerial resources of Jefferson and NB of Daingerfield do not raise concerns that would cause the application to be disapproved. Customers of both banks will continue to have access to the resulting bank. NB of Daingerfield currently offers a full line of banking services and there will be no changes in its products or services as a result of this transaction. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

Community Reinvestment Act

A review of the record of this application and other information available to the OCC as a result of its regulatory responsibilities has revealed Jefferson and NB of Daingerfield's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, is satisfactory. Therefore, there is no reasonable basis for objecting to this application due to concerns with the Act.

Conclusion

We have analyzed this proposal pursuant to the Bank Merger Act (12 U.S.C. 1828(c)) and find that it will not lessen significantly competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

-signed-

Pansy G. Hale
Acting Licensing Manager

Date: September 25, 2001