



Comptroller of the Currency
Administrator of National Banks

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

October 5, 2001

**Conditional Approval #496
November 2001**

Peter G. Weinstock
Attorney
Jenkins & Gilchrist, PC
1445 Ross Avenue, Suite 3200
Dallas, Texas 75202-2799

Re: Purchase and Assumption by First National Bank of Bridgeport, Bridgeport, Texas of the Decatur, Texas branch of Jefferson Heritage Bank, FSB, Denton, Texas. Application Control No. 2001-SW-02-0031

Dear Mr. Weinstock:

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

This approval is subject to the condition that FNB must achieve a 7% leverage ratio by March 31, 2002. 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.

You are also reminded that the supervisory office will monitor the bank's compliance with its capital plan on an ongoing basis.

Mr. Peter Weinstock

As a reminder, the district office must be advised in writing in advance of the desired effective dates for the purchase and assumption so that the OCC may issue the necessary certification letter. The effective date must be at least 15 days after 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.

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.

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
DECATUR, TEXAS BRANCH OF JEFFERSON HERITAGE BANK, FSB, DENTON, TEXAS
BY FIRST NATIONAL BANK OF BRIDGEPORT, BRIDGEPORT, TEXAS
APPLICATION CONTROL NUMBER 2001-SW-02-0031

Introduction

On August 7, 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 Decatur, Texas Branch of Jefferson Heritage Bank, FSB, Denton, Texas (hereafter "Jefferson") by First National Bank of Bridgeport, Bridgeport, Texas (hereafter "FNB"). The application was based on a purchase and assumption agreement entered into between the proponents on July 19, 2001.

Participating Financial Institutions

As of June 30, 2001, Jefferson had deposits of \$19 million and operated the one office. On the same date, FNB had total deposits of \$98 million and operated two offices. FNB is owned by a one bank holding company.

Competitive Analysis

The relevant geographic market for analyzing the competitive effect of this proposal is the Wise County, Texas banking market. This market consists of all of Wise County except the area around Boyd, Newark, and Rhome in the southeast corner of the county, which is in the Fort Worth market. The Wise County banking market is the area where competition between FNB and JHB's Decatur branch is direct and immediate.

As of June 30, 2000, FNB ranked second in the relevant geographic market with \$58 million in deposits, or 18 percent of the market share of total deposits. The Decatur branch of Jefferson ranks sixth with \$23 million in deposits, or 7 percent of the market share of total deposits. After the transaction, FNB will have a 26 percent market share of total deposits and continue to rank second in the market. Following the elimination of Jefferson from the market, FNB will compete with five other banking alternatives. These alternatives include The First National Bank of Texas, a subsidiary of a \$2 billion bank holding company with 34 percent of the market share, First American Bank, a \$2 billion thrift with 15 percent of the market and three small locally owned banks.

The purchase and assumption will eliminate one competitor in the market; any adverse effect would be mitigated by the presence of six other banking alternatives. Therefore, consummation of this proposal will not have a significantly 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 FNB do not raise concerns that would cause the application to be disapproved. However, the capital ratios of the resulting bank will decline as a result of this transaction. Therefore, a condition to increase FNB's leverage ratio to 7% by March 31, 2002 was imposed.

Customers of both banks will continue to have access to the resulting bank. FNB 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 FNB'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 than the decline in FNB's capital ratios all other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is conditionally approved.

/s/

Pansy G. Hale
Acting Licensing Manager

Date: October 5, 2001