



Robert Bentley
Governor

STATE OF ALABAMA
STATE BANKING DEPARTMENT

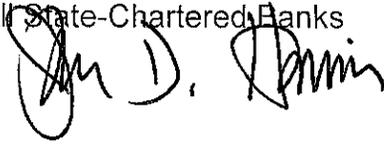
March 16, 2011



John D. Harrison
Superintendent of Banks

MEMORANDUM:

TO: Chief Executives of All State-Chartered Banks

FROM: John D. Harrison 

SUBJECT: Trust Preferred Securities and Unsecured Debt Investment Securities

We wish to remind all Alabama, state-chartered banks of the long-held position of the Alabama State Banking Department regarding the issuance and purchase of Trust Preferred Securities and Unsecured Debt Investment Securities. Our policy is as follows:

It is permissible for an Alabama, state-chartered bank to purchase trust preferred securities issued by a bank or a bank holding company and unsecured debt investment securities (debt securities), including subordinated debt, issued by a bank, bank holding company, or private company under the following conditions:

- The purchaser must conduct appropriate underwriting and credit analysis prior to purchasing the trust preferred securities or debt securities.
- At least annually, the purchaser must obtain and evaluate current financial statements and other pertinent credit information to determine whether the issuer is able to perform all that it undertook to perform in issuing the trust preferred securities or debt securities.
- The purchaser must, at purchase and thereafter, comply with the lending limits for unsecured credit as established by Alabama Banking Code Section 5-5A-22 and Alabama State Banking Board Regulation No. 14. (This is considered to be an unsecured extension of credit, and consequently, the amount held from any one obligor or group of related obligors would be 10% of the purchasing bank's capital as defined in Alabama Banking Code Section 5-5A-22 and Alabama Banking Board Regulation No. 14.)

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- If the issuer of the trust preferred securities or debt securities is an Alabama, state-chartered bank, the purchaser should maintain documentation in its files showing that the issuer received the prior written approval of the Superintendent of Banks as required by Alabama Banking Code Section 5-5A-16. This requirement would not apply to trust preferred securities or debt securities issued by the parent holding company of an Alabama, state-chartered bank.

Provided the above conditions are met, examiners will generally conduct the evaluation of the Bank's holdings of trust preferred securities and debt securities as they would any other unsecured credit having similar terms.

If you have any questions, please free to contact Deputy Superintendent Trabo Reed in our office at 334/242-3452.