

FEDERAL DEPOSIT INSURANCE CORPORATION

RE: Charter Bank
(In Organization)
Albuquerque, New Mexico

Application for Federal Deposit Insurance

ORDER

The undersigned, acting on behalf of the Board of Directors pursuant to delegated authority, has fully considered all available facts and information relevant to the factors of Section 6 of the Federal Deposit Insurance Act and related to the application for Federal deposit insurance with membership in the Deposit Insurance Fund for Charter Bank (the "Thrift"), to be located at 2130 Eubank Boulevard NE, Albuquerque, New Mexico, 87112, and has concluded that the application should be approved.

Accordingly, it is hereby ORDERED that the application submitted by the Thrift for Federal deposit insurance be, and the same hereby is, approved subject to the following conditions:

1. That beginning paid-in-capital funds of not less than \$97,500,000 be provided;
2. That the Tier 1 capital to assets leverage ratio, as defined in the Office of Thrift Supervision (OTS) capital regulations, be maintained at not less than ten percent throughout the first three years of operation and that an adequate allowance for loan and lease losses be provided from the date insurance is effective;
3. That any changes in the proposed management or proposed ownership of ten percent or more of stock, including new acquisitions of or subscriptions to ten percent or more of the stock, be approved by the FDIC prior to opening;
4. That prior to the effective date of deposit insurance, adequate fidelity coverage be obtained;
5. That deposit insurance shall not become effective until the applicant has been granted a charter, has authority to conduct banking business, and its establishment and operation as a depository institution has been fully approved by the OTS;
6. That deposit insurance shall not become effective until the thrift holding company has obtained all requisite approvals from the OTS to acquire control of the Thrift prior to its opening for business;
7. That deposit insurance shall not become effective unless and until the proposed acquisition of certain assets and liabilities of Charter Bank, Santa Fe, New Mexico, is consummated;

8. That until the conditional commitment of the FDIC becomes effective, the FDIC retains the right to alter, suspend, or withdraw its commitment should any interim development be deemed to warrant such action;
9. That if Federal deposit insurance has not become effective within six months, or unless, in the meantime, a request for an extension of time has been approved by the FDIC, the consent granted shall expire at the end of the said time period;
10. That the applicant will adopt an accrual accounting system for maintaining the books of the depository institution;
11. That full disclosure has been made to all proposed directors and stockholders of the facts concerning the interest of any insider in any transactions being effected or then contemplated, including the identity of the parties to the transaction and the terms and costs involved;
12. That the Thrift will obtain an audit of its financial statements by an independent public accountant annually for at least the first three years after deposit insurance is effective and submit to the appropriate FDIC office (i) a copy of the audited annual financial statements and the independent public auditor's report thereon within 90 days after the end of the depository institution's fiscal year, (ii) a copy of any other reports by the independent auditor (including any management letters) within 15 days after their receipt by the depository institution, and (iii) written notification within 15 days when a change in the depository institution's independent auditor occurs;
13. That the Thrift shall also submit the detailed, revised Business Plan (required within 60 days of consummation by the OTS) to the FDIC's Dallas Regional Director ("Regional Director"). For three years following the commencement of operations, the Thrift shall provide the Regional Director with quarterly variance reports detailing compliance with the material aspects of the Business Plan, including adherence to established risk tolerance limits, and any material deviations;
14. That for three years following the commencement of operations the Thrift shall provide at least 60 days prior notice to the Regional Director of any material proposed changes to the Business Plan;
15. That the Thrift shall provide the Regional Director with copies of the monthly reports provided to the FDIC, as receiver for Charter Bank, pursuant to the Shared-Loss Agreement by and between the FDIC, as receiver for Charter Bank, and the Thrift;
16. That within 60 days of commencing operations, the Thrift will form an independent management team, acceptable to the Regional Director, who will devote 100 percent of its time to the operation of the Thrift. For purposes of this Order, such senior executive officers shall include the Chief Executive Officer and President, Chief Credit Officer.

Chief Financial Officer, and Chief Operations Officer (or those officers that have duties and responsibilities typical for persons with the foregoing titles);

17. That within 60 days of commencing operations, the Thrift will add additional directors, acceptable to the Regional Director, so that a majority of the Board of Directors will be independent from other entities within the Beal organization;

18. That with respect to any proposed director and senior executive officer for whom background checks have not been completed, the Thrift must take such action as required by the Regional Director and the OTS, if either objects to any such person based on information obtained during the background check; and

19. That the Thrift shall provide to the Regional Director, with a copy sent to the OTS, the final employment agreements and compensation arrangements (including bonus plans) for the Thrift's senior executive officers, and obtain the prior written non-objection of the Regional Director for those agreements and compensation arrangements prior to execution.

Dated at Washington, D.C., on January, 22, 2010

FEDERAL DEPOSIT INSURANCE CORPORATION

By: *Lisa D. Arquette*
Lisa D. Arquette
Associate Director
Division of Supervision and Consumer Protection

FEDERAL DEPOSIT INSURANCE CORPORATION
In Re: Charter Bank (proposed)
Albuquerque, New Mexico
Application for Federal Deposit Insurance

STATEMENT

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act (FDI Act)(12 U.S.C. §1815), the Federal Deposit Insurance Corporation (FDIC) received a Federal deposit insurance application on behalf of Charter Bank, a proposed new institution that will be located at 2130 Eubank Boulevard NE, Albuquerque, New Mexico. The application is intended to establish a newly chartered Federal savings association for the purpose of acquiring certain assets and liabilities of Charter Bank, Santa Fe, New Mexico, an insured Federal thrift which the FDIC became receiver for on January 22, 2010. The organizers have concurrently applied for a thrift charter and filed a Bank Merger Act application with the Office of Thrift Supervision (OTS) to facilitate the proposed acquisition.

In accordance with FDIC regulations, the deposit insurance application will not be subject to public notice, as the application is in furtherance of the resolution of the failed predecessor institution. (12 C.F.R. section 303.23 (b)) We are advised that the OTS intends to waive its public notice requirements pursuant to its regulations, which permit a waiver in supervisory cases. (12 C.F.R. section 574.6(g))

Beal Financial Corporation (BFC), an existing Texas corporation organized as a regulated thrift holding company, will serve as a holding company for Third Community. Capital will be provided by BFC's sole shareholder, D. Andrew Beal, with an initial capitalization amount of \$97,500,000.

FDIC staff has analyzed the deposit insurance application based upon BFC and the proposed Charter Bank as the successful bidder and capital of \$97,500,000 being required. BFC intends to provide the proposed institution with sufficient capital, funding, and managerial resources to accomplish several strategic priorities. These priorities are to stabilize the proposed institution's financial and operating performance, manage the acquired mortgage assets, restore credit to the markets served, and acquire additional bank franchises after operations stabilize and as opportunities arise. The proposed institution plans to develop loan modification programs intended to enable borrowers to keep their homes while maintaining the value of the underlying loans.

The financial projections indicate that the proposed institution will remain "well capitalized" and will be funded through a combination of its initial capitalization, retail deposits, and various external funding sources. Future earnings prospects appear attainable and based on reasonable projections, and management is considered satisfactory. Corporate powers to be exercised are consistent with the purpose of the FDI Act, and no undue risk to the Deposit Insurance Fund is apparent.

Accordingly, based upon a careful evaluation of all available facts and information and in consideration of the factors of Section 6 of the FDI Act, the Associate Director, pursuant to delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions.

**ASSOCIATE DIRECTOR
DIVISION OF SUPERVISION AND CONSUMER PROTECTION
FEDERAL DEPOSIT INSURANCE CORPORATION**