

FEDERAL RESERVE BANK OF ATLANTA

Lois C. Berthaume
VICE PRESIDENT

November 6, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Keith Parsons, Esq.
Watkins Ludlam & Stennis, P.A.
633 North State Street
Post Office Box 427
Jackson, Mississippi 39205-0427

Dear Mr. Parsons:

This is in response to your letter dated October 4, 1996, requesting a determination whether an application under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act"), is required by Deposit Guaranty Corporation, Jackson, Mississippi ("Deposit"), for its proposed acquisition by merger of Jefferson Guaranty Bancorp, Inc. ("Jefferson"), and thereby indirectly of Jefferson's wholly owned bank subsidiary, Jefferson Guaranty Bank ("Target"), both of Metairie, Louisiana.

The purpose of the proposed transaction is to facilitate the merger of Target into Deposit Guaranty National Bank of Louisiana, Hammond, Louisiana ("Bank"), a subsidiary bank of one of Deposit's wholly-owned intermediate bank holding companies, Deposit Guaranty Louisiana Corporation, Shreveport, Louisiana ("Deposit-Louisiana"). The transaction would proceed in two steps. First, Jefferson would merge into Deposit-Louisiana, with Deposit-Louisiana as the survivor. All outstanding shares of the common stock of Jefferson would be canceled and converted into the right to receive shares of common stock of Deposit or cash. Second, Target would be merged into Bank, with Bank as the survivor. These steps would occur in immediate succession. Deposit would not operate Target as a separate bank at any time. In addition, on October 23, 1996, Bank received approval from the Office of the Comptroller of the Currency ("OCC") under the Bank Merger Act to merge Target into Bank.

Section 3(a)(3) of the BHC Act requires Board approval before a bank holding company may acquire direct or indirect ownership or control of more than 5 percent of the voting shares of a bank. An application is required under this section even where the

transaction is subject to review under the Bank Merger Act if, as a result of the transaction, the bank holding company will directly or indirectly acquire shares of a bank that it previously did not control. See Girard Bank v. Board of Governors of the Federal Reserve System, 748 F.2d 838 (3d Cir. 1984). As noted above, Deposit would indirectly acquire control of Bank. Such an acquisition falls within the requirements of prior approval under section 3(a)(3) of the BHC Act. In addition, the merger of Jefferson into Deposit-Louisiana would constitute the merger of bank holding companies, and is subject to the prior approval requirements of section 3(a)(5) of the BHC Act.

In cases similar to yours, however, involving an existing bank holding company's acquisition of the stock of a bank, followed immediately by a merger of the existing bank holding company's subsidiary bank and the acquired bank, Board staff has advised that, when no issue is raised under the BHC Act and the merger is subject to the prior approval of a federal banking agency under the Bank Merger Act, it would not object to consummation of the proposal without the filing of a formal application under the BHC Act. See, e.g., letter dated January 25, 1985, to Mellon Bank, N.A., and letter dated November 19, 1982, to Florida National Banks of Florida, Inc. In such cases, the Board has required the bank holding company to submit sufficient financial and other information to the Board in order that it may evaluate the effects of the proposed merger on the bank holding company. In the absence of such a filing demonstrating no significant issue regarding the financial effect of the proposal on the bank holding company or other factors over which the Board has exclusive or primary jurisdiction, the Board would require an application under section 3 of the BHC Act.

The required information has been submitted to the Reserve Bank and Board staff. Jefferson does not engage in any nonbanking activities that would require approval under section 4 of the BHC Act, and there are no outstanding issues involved in this proposal with respect to section 3(d) of the BHC Act or state law considerations associated with this proposal. The OCC has approved Bank's application under the Bank Merger Act, and it has been represented to this Reserve Bank and Board staff that all applicable requirements under state law and the Bank Merger Act would be met in completing this transaction. Based upon a review of these and the other facts presented, the Reserve Bank and Board staff would not object to consummation of the proposed merger without the filing of a formal section 3 application by Deposit or Deposit-Louisiana.

This determination is based on the facts presented to the Reserve Bank and Board staff, and any material change in those facts should be communicated to the Reserve Bank. This opinion is limited to this transaction among the parties as described above, and does not authorize any other transaction or any substitution for any of the parties to the proposed transaction.

Mr. Keith Parsons

November 6, 1996

If you have any questions concerning this matter, please contact Wayne G. Smith at (404) 589-7265.

Sincerely,

Lois Berthaume
Lois C. Berthaume

cc: Board of Governors
Office of the Comptroller of the Currency - Atlanta
Louisiana Commissioner of Financial Institutions
Mississippi Commissioner of Banking and Consumer Finance