



# State of Utah

DEPARTMENT OF COMMERCE  
DIVISION OF SECURITIES

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September 24, 1996

Mr. Philip K. Smith  
Gerrish & McCreary  
222 Second Avenue North Suite 424  
Nashville TN 37201

Re: Towne Bancorp, Inc. File #005-6374-47/A56302-47

Dear Mr. Smith:

The Utah Division of Securities ("Division") is in receipt of your August 28, 1996 letter requesting a no action letter regarding the proposed reorganization of Towne Bank of Woodinville, Washington ("Bank") with Towne Bancorp, Inc. ("Company"), a newly formed bank holding company. This will include a one for one stock exchange of the Bank shares for the Company's shares. You indicate that the Company will rely on the bank holding company exemption contained in § 3(a)(12) of the Securities Act of 1933 for purposes of federal law.

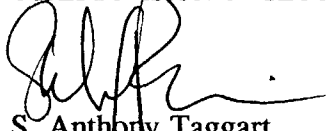
The Division has consistently granted a discretionary exemption to issuers for the type of transaction described. The Division has determined that registration is not necessary or appropriate for the protection of investors and it is the order of the Division, that the above-referenced securities may be distributed in Utah, as described in your filing, without registration pursuant to §61-1-14(2)(s) of the Utah Uniform Securities Act.

Because this finding is based upon the representations made to the Division, it should be noted that any different facts or conditions of a material nature might require a different conclusion.

Please note that this order relates only to the referenced transaction and shall have no value for future similar offerings.

Very truly yours,

MARK J. GRIFFIN, DIRECTOR  
UTAH DIVISION OF SECURITIES



S. Anthony Taggart  
Director of Corporate Finance

JRN



# GERRISH & MCCREARY, P.C.

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August 28, 1996

Utah Department of Commerce  
Division of Securities  
P.O. Box 45808  
Salt Lake City, Utah 84145-0808

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Dear Sir or Madam:

Our firm represents Towne Bancorp, Inc. (the "Company"), a newly formed Washington corporation organized for the sole purpose of becoming a bank holding company for Towne Bank of Woodinsville, Washington (the "Bank"), a Washington state chartered bank. As part of the organization of the bank holding company, the Company intends to engage in a statutory merger and share exchange transaction with the Bank pursuant to applicable provisions of Washington law. As a result of the transaction, which must be approved by the holders of a majority of the outstanding shares of the Bank, the Company would become the owner of 100% (293,917 shares) of the voting stock of the Bank and current shareholders of the Bank would become owners of a like amount and percentage of shares in the new holding company.

As part of this transaction, the Company plans to offer its shares for exchange to one (1) shareholder in your state holding 12,588 shares of the issued and outstanding shares of the Bank.

For securities registration purposes under federal law, the Bank intends to rely upon the exemption from registration under the Securities Act of 1933 for certain holding company formations. As a result of the creation of Section 320 to the Riegle Community Development and Regulatory Improvement Act of 1994 (Pub. L. No. 103-325, 108 Stat. 2160), an exemption from the registration requirements is provided for any equity security issued in connection with the acquisition by a holding company of a bank under Section 3(a) of the Bank Holding Company Act of 1956 if the following conditions are met:

1. The acquisition occurs solely as part of a reorganization in which security holders exchange their shares of the bank for shares of a newly formed holding company with no significant

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assets other than securities of the bank and the existing subsidiaries of the bank.

2. The security holders receive, after the reorganization, substantially the same proportional share interest in the holding company as they held in the bank, except for nominal changes in shareholders' interest resulting from the lawful elimination of fractional interests and the exercise of dissenting shareholders' rights under state or federal law.
3. The rights and interests of security holders in the holding company are substantially the same as those in the bank prior to the transaction.
4. The holding company has substantially the same assets and liabilities on a consolidated basis as the bank had prior to the transaction.

The Bank and the newly formed holding company will meet each of these requirements as a result of the formation of the holding company and the transaction described above.

Accordingly, under Section 61-1-14(2) of the Utah Code Annotated, the Company requests that your office would take a "no action" position with respect to the issuance of securities as part of this transaction. A draft copy of the proxy/disclosure statement to be sent to the shareholders is included for your review along with a check in the amount of \$120 to cover the applicable filing fee. If you have any questions or comments regarding this request, please do not hesitate to contact me.

Sincerely,

GERRISH & McCREARY, P.C.

  
Philip K. Smith

\pb  
Enclosure

cc: Jeffrey C. Gerrish