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May 19, 1993

Mr. Patrick J. Kennedy, Jr.
Kennedy & Baris, L.L.P.
Attorneys at Law
1775 NBC Plaza
112 East Pecan Street
San Antonio, Texas 78205

RE: C.S.B. Bancshares, Inc.

Dear Mr. Kennedy:

This is in response to your letter dated May 14, 1993, and received by this Agency that same day. Such letter supplemented your letter dated March 1, 1993.

Your letters indicate that Citizens State Bank, Somerville, Texas, a state banking association (the "Bank"), desires to reorganize its ownership structure into the above-referenced one bank holding company. To effect the transaction, the Bank will form a Texas corporation (the "Company") for purposes of acquiring all of the issued and outstanding shares of the Bank. In order to facilitate the reorganization, the Company will form an interim state chartered subsidiary bank. The Bank will then merge with and into the subsidiary bank and thereby become a wholly-owned subsidiary of the Company. Pursuant to the agreement and plan of merger (the "Plan") each share of bank common stock will be converted into one share of Company common stock (with the exception of shares held by non-Texas residents and dissenting shareholders); provided, however, that shareholders who are Texas residents will have the option of electing to receive subordinated debentures of the Company (the "Debentures") in lieu of Company common stock. The Debentures will be issued in certificates with the face principal amount representing the market value of the Bank common stock surrendered at the effective time of the transaction, but no Debentures will be issued in denominations of less than \$1,000. Therefore, shareholders with shares representing less than \$1,000 face value of Debentures will be entitled to receive cash based

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on the same market value established for the Debentures. The Debentures will be amortized over a seven year period, based on equal semi-annual payments of principal, plus interest at a rate of 7% per annum. The Debentures will be subordinated to all existing and future secured or unsecured indebtedness of the Company. The transaction is required to, and will be, voted upon by shareholders of the Bank prior to its consummation. You have inquired as to the possible availability of the exemption provided by Section 5.G of the Texas Securities Act.

Based upon the foregoing understanding, the exemption provided by Section 5.G of the Texas Securities Act is available.

Please note that this Agency has not made an independent investigation of the facts, but has relied solely upon the information you have provided. If this information is incorrect or changes substantially, the staff would reconsider the matter and the opinion stated above would be void.

Further, this Agency does not grant nor confer the exemption. Its availability depends entirely upon full compliance with the language of the exemption. If a dispute arises as to availability of the exemption, the burden of proof falls upon the party claiming the exemption.

Finally, opinions expressed by this Agency are not binding upon civil litigants in future proceedings.

I trust this information answers your inquiry. Please feel free to write us if you need further information.

Very truly yours,

RICHARD D. LATHAM
Securities Commissioner

Denise Voigt Crawford
General Counsel

DVC:bp