

## PREFERRED STOCK APPLICATION GUIDELINES

K.S.A. 9-908 governs the issuance of preferred stock and states the following:

Any bank or trust company may issue preferred stock of one or more classes in such amounts as shall be approved by the state bank commissioner. The holders of 2/3 in amount of the common stock of such bank or trust company must approve such issuance at a meeting held for that purpose and for which notice by registered mail must be given to each stockholder by mailing such notice at least five days in advance of the date of the meeting. No issue of preferred stock shall be valid until the par value of all stock so issued shall be paid in. With the approval of the board the common stock may be reduced below the requirements contained in K.S.A. 9-901a, and amendments thereto. No preferred stock shall be retired unless the common stock shall be increased in an amount equal to the amount of the preferred stock retired. All preferred stock shall be retired consistent with safety to the depositors.

The following are items to be addressed for the commissioner's review in determining the proposed issuance of preferred stock.

- 1) The amount, par value, and dividend rate of the preferred stock to be issued. A summary of any material terms and restrictions applicable to the stock should also be provided, including whether or not the stock is voting or non-voting, cumulative or non-cumulative.
- 2) The offering price and proceeds to the bank or trust company on a per share and aggregate basis.
- 3) The cost of any solicitation, if applicable.
- 4) The reason for the offering and the purpose for which the proceeds are to be used.
- 5) Annual operating projections for the current calendar/fiscal year and for three subsequent years which reflect the costs of the preferred stock. Additionally, a year-end capital and capital reserve(s) summary for each year should be included.
- 6) State whether any director, officer or stockholder will personally benefit from the transaction. If so, please describe.
- 7) A brief description of any material pending legal proceedings the bank or trust company may be involved in.
- 8) A legal opinion as to the required content and adequacy of disclosure material to be made available to proposed investors. A copy of the legal opinion and the proposed disclosure is to be included in the application.
- 9) A copy of a Resolution adopted by shareholders verifying that at least 2/3 of shareholders voted in favor of the reduction.
- 10) A current listing of officers, directors, and stockholders.
- 11) A copy of the bank's most recently completed daily statement and earnings report.