

MAINE BUREAU OF FINANCIAL INSTITUTIONS
ORDER APPROVING APPLICATION BY TD BANKNORTH, INC., PORTLAND,
MAINE TO ACQUIRE HUDSON UNITED BANCORP, MAHWAH, NEW
JERSEY

TD Banknorth Inc., Portland, Maine ("BNK") applied to the Superintendent of the Maine Bureau of Financial Institutions ("the Superintendent"), pursuant to 9-B M.R.S.A. Chapter 101, to acquire Hudson United Bancorp, Mahwah, New Jersey ("HU"). HU's wholly-owned subsidiary, Hudson United Bank, will then be merged with and into TD Banknorth, NA, a wholly-owned subsidiary of BNK.

The application was accepted for processing on September 19, 2005. Public notice, as required by Title 9-B M.R.S.A. §252(2)(B), was provided by publication, posting on the Bureau's website and e-mail to interested parties affording them an opportunity to either submit written comments or request a hearing. The Bureau received one comment during the public comment period which ended October 21, 2005.

A Principal Bank Examiner of the Maine Bureau of Financial Institutions conducted an investigation of this transaction. The scope of the review was limited to the impact of the acquisition of HU within the State of Maine. The acquisition of HU is also subject to approval by the Board of Governors of the Federal Reserve System and the merger of Hudson United Bank with and into TD Banknorth, NA is subject to approval by the Office of the Comptroller of the Currency, TD Banknorth's primary regulator. All evidence and pertinent material that were considered by the Examiner were also considered by the Superintendent in reaching his decision.

BNK, a registered financial holding company headquartered in Portland, Maine, is a majority-owned subsidiary of TD Bank Financial Group, Toronto, Canada ("TD-Canada"), the second largest bank in Canada. BNK operates primarily through TD Banknorth, NA and has nearly 400 branches and 550 ATMs in Maine, New Hampshire, Massachusetts, Vermont, New York and Connecticut. In addition to a traditional range of commercial and consumer banking services and products, BNK offers insurance, investment planning, money management, leasing, merchant services, mortgage banking, government banking and other financial services. BNK has total assets of \$32 billion and is one of the 35 largest commercial banking companies in the United States. TD Banknorth, NA is the largest bank in Maine with Maine deposits of \$3.0 billion and Maine loans of \$3.3 billion.

HU is a registered bank holding company operating primarily through Hudson United Bank, a NJ-chartered bank with 204 offices in New Jersey, New York, Connecticut and Pennsylvania. Hudson United Bank offers a full array of

traditional banking products and services; it focuses on lending to small and mid-size businesses, but also operates several specialty finance businesses.

The financial and managerial resources of BNK and HU are satisfactory and the future prospects of the institutions, both individually and collectively, are considered satisfactory. Because HU does not operate any offices in Maine, the proposed transaction will have minimal, if any, effect on competition, convenience and needs, or other financial institutions within Maine. There are no changes planned in the structure or lines of business of the operations conducted in Maine.

Inner City Press/Community on the Move and Fair Finance Watch (collectively, "ICP") submitted a letter dated October 19, 2005 requesting a hearing and opposing the proposed acquisition. Their objections focused on BNK's Home Mortgage Disclosure Act ("HMDA") data and a higher denial rate on loan applications by Latinos and African-Americans than on applications by whites.^[1] Other objections cited by ICP were HU's recent history of money laundering; TD Bank's involvement with Enron; a lawsuit in Illinois against TD Bank and others; and BNK's involvement with "fringe financiers," including a Lewiston, Maine pawn shop. By letter dated November 9, 2005, the Bureau denied the hearing request.

The HMDA data referenced by ICP related to metropolitan areas located in Connecticut and Massachusetts, and several of the areas are relatively new markets for BNK. BNK responded that the number of loan applications has increased and that the percentage of denials has decreased in most markets; BNK indicated it expected this trend to continue. Federal regulators in acting on any merger application are required by statute to take into account the records of the relevant institutions under the Community Reinvestment Act ("CRA"). However, there is no CRA requirement in the Maine Banking Code.^[2] Because CRA and HMDA are federal laws and neither has a comparable Maine law, the Bureau does not examine for compliance with either law. The Bureau's oversight is further diminished because TD Banknorth, NA, the sole financial institution subsidiary of BNK, is a federally-chartered bank over which the Bureau has no supervisory or examination authority. Additionally, the Bureau has very limited supervisory and examination authority with respect to BNK because BNK does not own or control a Maine-chartered financial institution. The HMDA issues raised by ICP are not related to BNK's operations in Maine and are outside the regulatory purview of the Bureau. Therefore, the Bureau does not consider these issues relevant to the decision-making criteria which guide the Bureau in its review of this transaction. Further, based on the limited information available to the Bureau, the Bureau does not consider the objections sufficient to conclude that management factors are unsatisfactory.

With respect to ICB's other objections, HU was under a Cease and Desist Order issued by the Federal Deposit Insurance Corporation ("FDIC"), its primary federal regulator, related to the Bank Secrecy Act, but the Order was

terminated by the FDIC in September, 2005. Therefore, this objection is no longer relevant. The objections concerning Enron and the Illinois lawsuit do not relate to actions taken by BNK management but to actions by TD-Canada prior to its ownership interest in BNK. According to BNK, TD-Canada states the allegations in the Illinois lawsuit are without merit and TD-Canada expects to contest the lawsuit. Inasmuch as the Illinois lawsuit is still pending, it would be inappropriate for the Bureau to consider the matter at this time. BNK responded that it does conduct business with money service businesses, but only pursuant to a program that meets the standards of the Bank Secrecy Act, the USA Patriot Act and related regulations. These objections, neither individually nor collectively, and most of which do not relate to BNK management, are not sufficient to conclude that management factors are unsatisfactory.

The proposed transaction should contribute to the strength of BNK and therefore to the banking needs of Maine. Further, the Bureau concludes that the financial and managerial resources and future prospects of BNK are consistent with approval. Accordingly, the application of TD Banknorth Inc. to acquire control of Hudson United Bancorp is approved. The transaction shall be completed within one year of the effective date of this Order, unless the Superintendent grants a written extension.

Any person aggrieved by this Order shall be entitled to a judicial review of the Order in accordance with the Maine Administrative Procedure Act, Title 5, Chapter 375, subchapter VII.

By order of the Superintendent, effective close of business January 11, 2006.

/s/ Lloyd P. LaFountain III
Superintendent
Gardiner, Maine
December 12, 2005

[\[1\]](#) HMDA requires certain banks and mortgage lenders (generally over a certain asset size) to submit data annually to their primary federal regulator on the disposition of applications for mortgage and home improvement loans by census tract, to identify the race, sex and income of the applicants and to report certain data related to loan pricing. HMDA data is used in evaluating an institution's CRA performance.

[\[2\]](#) The CRA requires the federal regulators to encourage financial institutions to help meet the credit needs of local communities in which they operate, consistent with safe and sound operation, and requires the federal regulators to take into account an institution's record of meeting the credit needs of its entire community, including low-and moderate-income neighborhoods.