

MAINE BUREAU OF FINANCIAL INSTITUTIONS  
ORDER APPROVING APPLICATION TO ESTABLISH A NONDEPOSITORY  
TRUST COMPANY TO BE KNOWN AS BELLWETHER TRUST COMPANY

George J. Gowen filed an application to organize a nondepository trust company, pursuant to 9-B M.R.S.A. Chapter 121, to be known as Bellwether Trust Company ("Bellwether"). Bellwether's office will be located at 475 Tiller Lane, Redwood City, California, but it will have a registered office at 95 Main Street, Auburn, Maine.

The application was accepted for processing on October 10, 2001. Public notice, as required by Title 9-B M.R.S.A. 252.2(B) and 312.3, was provided by publication and mail to interested parties affording them an opportunity to submit written comments or request a hearing. The Bureau received no comments during the public comment period ending November 15, 2001.

A Principal Bank Examiner of the Maine Bureau of Banking conducted an investigation of this transaction. All evidence and pertinent material which were considered by the Examiner were also considered by the Superintendent in reaching his decision.

Bellwether proposes to provide self-directed individual retirement account ("IRA") custodial services, primarily to investment advisors, broker dealers, banks, credit unions and insurance companies ("institutional prospects"), but also to individual investors. Bellwether will differentiate itself from most other IRA custodians in the following ways:

- It will not be an investment advisor, thereby eliminating competition and conflicts of interest with institutional prospects;
- It will charge a flat fee per account, not a percentage of assets; and
- It will accept private placements and other allowable non-standard assets in addition to traditional IRA assets such as publicly traded stocks and bonds, mutual funds and financial institution deposits.

While Bellwether's customers will be the individual IRA account holders, Bellwether's marketing efforts will be concentrated on institutional prospects. The individual account holders, for the most part, will be acquired solely as the result of Bellwether establishing a relationship with an institutional prospect. In order to quickly generate a beginning stream of revenue, Bellwether's initial marketing focus will be on financial planners and independent brokers, particularly those whose clients hold, or are interested in holding, private placements. Over time, the marketing focus will shift towards financial institutions and insurance companies interested in out-sourcing the custodial business (due to its specialized recordkeeping and reporting requirements).

Bellwether has entered into a strategic partnership relationship with an experienced data processor that has a long history of providing all aspects of IRA processing and account maintenance. This relationship, in addition to substantially reducing the operating expenses of Bellwether, will allow Bellwether to concentrate on marketing, custodial issues and website development.

Bellwether, the custodian of all IRA accounts it services, also proposes to out-source a portion of the safekeeping. All original negotiable and liquid assets and documents will be held in safekeeping at a federally-insured financial institution in California. Non-negotiable assets/documents will be maintained by Bellwether at a secure site.

Another integral piece of Bellwether's business strategy is the development of a transactional website. This transactional website documentation is being developed, but implementation is dependent upon obtaining additional external funding. Bellwether anticipates having an informational website available within two months of commencing operations. The informational website will enable forms to be downloaded and will provide account holders read-only access to their account balance, assets and transaction history. The transactional website, while not critical to the operating plan, would appear to provide Bellwether with a significant competitive boost vis-à-vis most other self-directed IRA custodians and, therefore, substantially increases Bellwether's projected number of accounts, revenues and net income.

Bellwether submitted two sets of financial projections: one with a transactional website and one without a transactional website. Both indicate profitability in the first year of operation. The Bureau considers the projections aggressive, particularly as they relate to the number of accounts, average size of accounts, average cash balance per account, and private labeling income. The profitability forecast is deemed rather optimistic. However, even after adjusting the projections downward, the applicant has demonstrated reasonable prospects for success.

Bellwether's strategy is based on the growing IRA market, particularly as it relates to non-marketable instruments, such as private placements; its singular role as a custodian, which keeps it out of competition with financial planners, advisors and brokers; its flat fee; and its online management of the IRA account. Mr. Gowen has a strong background in the IRA business, has provided verifiable evidence that there is a very large and growing IRA market and that there is a demand for the proposed services, particularly as it relates to private placements. He has submitted a reasonable plan to acquire part of that market. Accordingly, the application to establish a nondepository trust company with the name "Bellwether Trust Company" is approved. However, given Mr. Gowen's limited direct access to additional capital and the relative uniqueness and single-purpose of the business proposal, the approval is subject to the conditions listed on Appendix A.

The transaction shall be completed within one year of the effective date of this Order, unless a written extension is granted by the Superintendent. 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 February 4, 2002.

/s/ Howard R. Gray, Jr.  
Superintendent  
Gardiner, Maine  
January 4, 2002

Bellwether has stated it will not accept non-paper assets such as rugs, artwork or jewelry.