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KENNETH W. ANDERSON, JR.
MEMBER

June 28, 2001

Mr. Rex S. Whitaker
Naman, Howell, Smith & Lee
900 Washington Avenue
Waco, Texas 76703-1470

RE: Industry Bancshares, Inc.

Dear Mr. Whitaker:

This letter is in response to your letter dated June 27, 2001, and received by this Agency via facsimile on that date.

Your letter and materials describe a proposed offering by Industry Bancshares, Inc., a Texas bank holding company ("Company"), of its \$1.00 par value common stock to its existing Texas shareholders for a price of \$125.00 per share. The Company intends to sell a minimum of 17,200 shares and a maximum of 56,000 shares. You have indicated that the Company intends to rely upon Section 5.E of the Texas Securities Act ("Act") as an exemption for the offering.

Your letter further relates that if all of the shares are not sold to its existing Texas shareholders, the Company intends to sell additional stock to other qualified parties who are residents of Texas, relying on the intrastate limited offering exemption under Rule 109.13(l) of the Board rules. You have inquired as to the availability of the Section 5.E and Rule 109.13(l) exemptions for the transactions described above.

Based upon the foregoing understanding, the transaction whereby the Company will offer shares to existing shareholders would appear to be exempt pursuant to Section 5.E of the Act. With respect to the proposed sale of additional common stock, please note that it is the policy of this Agency not to issue opinions as to whether the exemption provided by this Agency's Rule 109.13(l) is available, due to the highly complex and specific factual determinations which must be made by persons intending to rely upon that exemption. However, the Staff of the State Securities Board is of the opinion that sales made pursuant to Section 5.E of the Act need not be counted in the 35 purchasers maximum allowed by Rule 109.13(l) when determining the number of unaccredited investors for purposes of the exemption. In summary, the fact of reliance upon Section 5.E of the Act for the sales to existing security holders, assuming all conditions of the exemption are met, would not, standing

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alone, preclude the availability of the exemption provided by this Agency's Rule 109.13(l) assuming that all conditions of that exemption are met.

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 statutory language. 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,

DENISE VOIGT CRAWFORD
Securities Commissioner

/dw

David Weaver
General Counsel