



Comptroller of the Currency
Administrator of National Banks

Southeastern District
Marquis One Tower, Suite 1600
245 Peachtree Center Ave., N.E.
Atlanta, Georgia 30303

October 24, 2001

**Conditional Approval #502
November 2001**

Larry A. Heaton
Spokesperson
Franklin Community Bank, National Association (proposed)
400 Old Franklin Turnpike, Suite 108
Rocky Mount, Virginia 24151

Re: Application for a de novo Charter
Franklin Community Bank, National Association (proposed), Rocky Mount, Virginia
Control No. 2001-SE-01-0005

Dear Mr. Heaton:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national bank with the title of **Franklin Community Bank, National Association**. On this date, after a thorough evaluation of all data available to the OCC, we found your proposal met the requirements for preliminary approval.

This conditional approval is granted based on a thorough review of all information available, including the representations and commitments made in the application and by the proposed bank's representatives. We also made our decision to grant preliminary approval with the understanding that the proposed national bank will apply for membership in the Federal Reserve System and obtain FDIC insurance.

Final approval will be subject to the condition that the Bank shall obtain the OCC's non-objection before any significant deviation or change from the proposed operating plan during the Bank's first three years of operation. The Bank shall notify the Virginia Field Office at least sixty (60) days prior to any proposed significant deviation or change, and obtain the OCC's non-objection in writing, to such a proposed deviation or change. The Bank must also provide a copy of such notice to the FDIC's Regional Office in Atlanta, Georgia.

The conditions of this approval are conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. 1818. As such, the conditions are enforceable under 12 U.S.C. 1818.

Until final approval is granted, the OCC has the right to alter, suspend, or revoke preliminary approval should any interim development be deemed by the OCC to warrant such action.

The Bank's initial paid-in capital, net of organizational and pre-opening expenses, shall be no less than \$5,475,000. The manner in which capital is raised must not deviate from that described in the operating plan without prior OCC notification. If the capital for the new Bank is not raised within 12 months or if the new Bank is not opened for business within 18 months from the preliminary conditional approval date, the OCC will withdraw approval. The OCC is opposed to granting extensions, except under the most extenuating circumstances and when the OCC determines that the delay is beyond the applicant's control. The organizers are expected to proceed diligently, consistent with their application, for the Bank to open for business as soon as possible.

Please refer to the "Corporate Organization" booklet (enclosed) in the *Comptroller's Corporate Manual* for the instructions on organizing your bank. The booklet contains all of the steps you must take to receive your charter. As detailed in the booklet, you may establish the corporate existence of and begin organizing the bank as soon as you adopt and forward acceptable Articles of Association and the Organization Certificate to this office. As a "body corporate" or legal entity, you may begin taking those steps necessary for obtaining final approval, but you may not begin the business of banking until you fulfill all requirements for a bank in organization and you are granted final approval by the OCC.

After reading the instructions for the organization of a new bank, it is suggested that the spokesperson or a designated correspondent visit this Office to discuss the organizing process. We feel such a visit can save time and prevent some of the pitfalls that have delayed or prevented other banks from opening.

Enclosed with this letter are standard requirements that must be met before the bank will be allowed to commence business. Management must ensure that the applicable policies and procedures are established and adopted by the board of directors before the bank begins operation.

The OCC will send to you under separate cover an appropriate set of OCC handbooks, manuals, issuances, and selected other publications.

Larry A. Heaton
October 24, 2001
Page 3

The OCC poses no objection to the following persons serving as designated senior executive officers and/or directors. Any additional executive officers are subject to the prior review and clearance of the OCC.

<u>NAME</u>	<u>POSITION</u>
Larry A. Heaton	President/Director
Dr. Al N. Angle	Director
L.D. Arrington	Director
Ann P. Bowen	Director
W. Kelvin Bowles	Director
Cecil R. McCullar	Director
Wesley W. Naff, III	Director
Danny M. Perdue	Director
Joel R. Shepherd	Director
James H. Shively	Director
Michael A. Turner	Director

You are also reminded that for a period of two years after the bank has opened for business, the OCC must review and have no objection to any new executive officer or director prior to that person assuming such position.

This preliminary approval and the activities and communications by the OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or an officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

You should direct any questions regarding this preliminary approval to Licensing Analyst Dennis Oswald at (404) 588-4525.

Sincerely,

-signed-

John O. Stein
Licensing Manager

Enclosures: Standard Requirements
"Corporate Organization" Booklet
Minimum Policies and Procedures

Standard Requirements

- For a period of two years after the bank has opened for business, the OCC must review and have no objection to any new executive officer or director prior to that person assuming such position. The proposed person may not assume the position, until the OCC has issued a letter of no objection.

Since this condition is imposed pursuant to the OCC's chartering authority, the OCC is not subject to the 30-day review period imposed by 12 USC 1831i. However, the OCC will process all such notices in a timely manner using the procedures in the "Change in Directors and Senior Executive Officers" booklet.

- Any significant deviations from the original operating plan during the in organization phase, or changes in the organizing group or chief executive officer, must receive prior written approval of the OCC. Significant deviations or changes that have not been approved may be grounds for delaying issuance of the charter or withdrawing preliminary conditional approval (see Significant Changes discussion in the Introduction of the Corporate Organization booklet).
- The OCC requires that, prior to opening, Franklin Community Bank, N.A., engage an independent, external auditor to perform an audit according to generally accepted auditing standards of sufficient scope to enable the auditor to render an opinion on the financial statements of the bank (or consolidated holding company), taken as a whole. The audit period shall commence on the date that the organizing group forms a body corporate and may end on any calendar quarter-end no later than 12 months after the bank opens. The OCC expects that such audits will be performed annually for at least three years following commencement of operations. Engagement of an auditor will be verified during the preopening examination (see the "Corporate Organization" booklet).
- The bank's financial statements must be prepared on an accrual basis according to generally accepted accounting principles.
- The president must serve as a member of the board of directors.
- If the new bank is not opened for business within 18 months from the preliminary approval date, preliminary approval will be withdrawn. The OCC is opposed to granting extensions, except under the most extenuating circumstances, and expects that the organizers will proceed, as presented in the application, to take the steps necessary for the bank to open for business as soon as possible.

Standard Requirements

Page 2

- All persons who, together with their interests, subscribe to 10 percent or more of the initial stock offering must submit biographical and financial reports for review to the Licensing staff prior to acquisition of their shares. The Licensing staff must have no objection to such persons before they purchase their shares. Subsequent to opening the national bank, requirements of the Change in Bank Control Act (12 USC 1817(j)) will apply. Changes in the composition of members or trustees of a voting trust or voting agreement also may be subject to the requirements of the Change in Bank Control Act.
- Stock certificates must not be issued prior to the date the bank opens for business, but must be issued immediately following the bank's opening.
- The bank must have adequate fidelity insurance covering all persons authorized to collect, receive, or deposit funds from stock subscriptions. The bank must purchase adequate fidelity bond coverage in accordance with 12 CFR 7.2013, which lists four factors the directors should consider to determine adequacy. This insurance must be in force from the effective date of the offering circular until the bank opens for business (see the "Corporate Organization" booklet).
- The board of directors must develop written policies and procedures that will guide the bank's operations in a safe and sound manner. Those policies must be completed no later than the date of the applicant's request for a preopening examination. In addition, the board of directors must review and adopt the policies and procedures at its first meeting (see Appendixes, Minimum Policies and Procedures). The board of directors is responsible for regular review and modification of policies and procedures and for assuring continuous compliance with them.
- Organizational and preopening expenses significantly exceeding those projected in the application, and/or net capital significantly less than that projected in the application, are a basis for revocation of preliminary approval. Capital adequacy is not the sole reason to determine the acceptability of organization costs. The OCC will evaluate the reasonableness of preopening expenses (see the "Corporate Organization" booklet).
- A letter must be submitted to the district office at least 45 days before the bank is scheduled to open, notifying the OCC that all conditions and requirements necessary to receive a national bank charter have been met, requesting a preopening examination, and providing the anticipated opening date.