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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

March 17, 2000

**Conditional Approval #375  
April 2000**

Mr. Jeffrey S. Smith  
Reeds Financial Services Inc.  
Post Office Box 2229  
Wilmington, North Carolina 28402

Re:           Application by Reeds Financial Services Inc. to charter a national CEBA credit card bank with the title of "First Retail Bank, National Association", Flowery Branch, Georgia  
Application Control No. 1999-SE-01-0030

Dear Mr. Smith:

The Office of the Comptroller of the Currency (OCC) has reviewed your application to establish a new national CEBA credit card bank with the title of First Retail Bank, National Association (Bank). After a thorough evaluation of all data available to the OCC, we found that your proposal met the requirements for preliminary conditional approval.

We have based our decision to grant preliminary conditional approval on the thorough review of all information available, including representations and commitments made in the application and by the organizers' representatives. Specifically you represented that the proposed bank will at all times operate in compliance with the Equal Credit Opportunity Act. At the preopening examination, the OCC will review the Bank's policies, procedures, and controls for ensuring compliance with consumer protection laws and regulations.

We also made our decision to grant preliminary conditional approval with the understanding that the proposed national bank will be insured by the FDIC, and will apply for membership in the Federal Reserve System.

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 result in withdrawal of preliminary conditional approval (see Significant Changes discussion in the Introduction of the "Corporate Organization" booklet).

Please note that all relevant financial documents should reflect the Bank as a stand-alone entity. Receivables, both donated and purchased, must be reflected on the Bank's financial

statements at fair value. Additionally, with respect to dual employee supervisory personnel, Bank financials must reflect the personnel costs associated with time devoted by these employees to Bank matters.

The charter approval is subject to the following condition:

- The Bank shall provide the Assistant Deputy Comptroller for Credit Card Banks with at least thirty days notice prior to any significant deviations or changes to the proposed operating plan during the first three years of operations.

Please be advised that the above condition of approval is deemed to be a condition “imposed in writing by the agency in connection with the granting of any application or other request” within the meaning of 12 USC §1818. This condition is enforceable under 12 USC §1818.

The organizers represent that the Bank will comply with the OCC regulation on Privacy of Consumer Financial Information and the privacy requirements of the Gramm-Leach-Bliley Act of 1999 (GLBA). Prior to or on the effective date of the privacy provisions of GLBA, the Bank must disclose its privacy policies and practices to its customers.

You may now form a body corporate and begin organizing the Bank, as soon as you adopt and forward the Articles of Association and Organization Certificate to Midwestern District Office. As a body corporate or legal entity, you may take those steps necessary for obtaining final approval, but may not begin the business of banking until you fulfill all the requirements for a bank in organization and final approval is granted. (See Corporate Organization Booklet enclosed.) Please note that pursuant to 12 U.S.C. § 22, the bank’s name must include the word “national” in its title. Please direct any questions about the organization phase of the bank should be directed to Analysis Specialist Judith Bollig. She can be reached at (816) 556-1860.

We understand that the bank will be entering into service contracts with Reeds Financial Services, Inc. (RFSI). Please note that these contracts are subject to 12 U.S.C. § 371c-1. Please submit a copy of these contracts to National Bank Examiner Jill Kennard in the Midwestern District Office for review.

Your request that the proposed bank be designated a limited purpose institution with regard to the Community Reinvestment Act was approved on March 17, 2000. The limited purpose designation will be effective the date the bank opens for business. A separate letter confirming this approval is enclosed. Your CRA plan will be reviewed during the preopening examination.

Enclosed are standard requirements that must be met before the Bank will be allowed to commence business. It is the responsibility of management to ensure that the applicable policies and procedures, including consumer compliance policies and procedures, are established and adopted by the Board of Directors before the Bank commences business.

We require that, prior to opening, the Bank engage an independent, external auditor to perform audits 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 entity), taken as a whole. The audit period shall commence on the date the organizing group forms a body corporate and may end on any calendar quarter-end no later than 12 months after the Bank opens. We expect that such audits will be performed on an annual basis for at least three years following commencement of operations.

The OCC has no objection to the following persons serving as executive officers and directors of the Bank:

O.R. "Wes" Westmoreland, Jr.	President/CEO/Director
Geoffrey T. Chestnut	Bank Manager/Director
Allen E. Metzner	Chief Financial Officer/Director
Jeffrey S. Smith	Cashier/Compliance Officer/Director
Herbert J. Zimmer	Director
Alan M. Zimmer	Director

You are reminded that additional executive officers and directors are subject to the prior review and clearance of the OCC. Also, 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 OCC also granted your waiver request of the residency requirements of 12 U.S.C. § 72 for the board of directors of First Retail Bank, N.A. This waiver is granted based upon a review of all available information, including the filing and the bank's representation that this waiver will not affect the board's responsibility to direct the bank's operations in a safe, sound and legal manner. Please understand that the OCC reserves the right to withdraw or modify this waiver and, at its discretion, to request additional information at any time in the future.

Based on OCC No Objection Letter 93-01, the OCC concludes that First Retail is not a depository institution for the purpose of the Depository Institutions Management Interlocks Act (DIMIA), 12 U.S.C. §§ 3201 - 3208, as long as it does not accept deposits from the public. Should the operations of the bank change to include accepting deposits from the public, the bank would be subject to DIMIA prohibitions.

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

The bank proposes to open with \$2 million in capital. You are reminded that, pursuant to 12 CFR 5.20(i)(5)(iii), this preliminary conditional approval expires if the bank does not raise the capital funds within 12 months from the date of this letter. The preliminary conditional approval also will expire if the bank has not commenced business within 18 months from the date of this letter.

You should direct any questions concerning this preliminary conditional approval to National Bank Examiner Jill Kennard or Licensing Manager Ellen Shepherd in the Midwestern District Office at (816) 556-1860, or to me at (202) 874-5060.

Sincerely,

**-signed-**

Maria G. Arevalo  
National Bank Examiner  
Bank Organization and Structure

Enclosures

“Corporate Organization” Booklet  
Standard Requirements  
Minimum Policies and Procedures  
Limited Purpose Designation Approval Letter