



**Comptroller of the Currency
Administrator of National Banks**

Licensing Operations
Southwestern District Office
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3342

August 30, 2002

**Conditional Approval #545
September 2002**

Warren A. Jennings, Jr.
Vice President
First National Bank of DeWitt
P. O. Box 511
DeWitt, Arkansas 72042

Re: Conversion Bank of Lockesburg, Arkansas to a National Bank.
Application Control No. 2002-SW-01-0004.

Dear Mr. Jennings:

The Comptroller of the Currency (OCC) has reviewed your request to convert Bank of Lockesburg, Lockesburg, Arkansas to a national bank. After a thorough review of all information available, including the representations and commitments made in the application and by the bank's representatives, the OCC has made the decision to conditionally approval your request to convert Bank of Lockesburg to a national bank pursuant to 12 U.S.C. § 35 and 12 CFR 5.24 as follows:

Title: First National Bank of Stuttgart
Address: 620 East 22nd Street, Stuttgart, Arkansas

This conditional approval is subject to the following "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 and, as such, are enforceable under 12 U.S.C. § 1818.

1. By December 31, 2002, the First National Bank of Stuttgart shall sell additional shares of common stock totaling \$960,000, bringing Tier 1 capital to \$4,560,000.
2. The conversion is approved subject to the condition that the bank: (i) shall give the Little Rock Field Office at least sixty (60) days prior notice of the bank's intent to significantly deviate or change from its business plan or operations and (ii) shall obtain the OCC's written determination of no objection before the bank engages in any significant deviation

or change from its business plan or operations.¹ The bank must also provide a copy of such notice to the appropriate FDIC office during the first three years of operation.

3. If the bank implements a transactional web site within the first three years of operation, it is considered a significant change in the business plan. Prior to implementing such an operation, the bank must follow the requirements of Condition No. 2 listed above as well as:

- The bank must submit to the Little Rock Field Office for review and approval a complete description of the bank's final information systems and operations architecture as well as the information systems risk assessment and management plan. This should include a schematic drawing and discussion of the following items:

Vendor due diligence and contracts; electronic banking security mechanisms and policies; information systems personnel; internal controls; audit plans; and operating policies and procedures, including, but not limited to, vendor management, weblinking, customer authentication and verification, and business resumption contingency plans.

- The bank must have performed an independent security review and test of its electronic banking platform. The bank must have this review performed regardless of whether the platform is operated in-house or by one or more third-party service providers. If the bank outsources the technology platform, it can rely on testing performed for the service provider to the extent that it satisfies the scope and requirements listed below. An objective, qualified independent source (Reviewer) must conduct the review. The scope should cover:

- All access points, including the Internet, Intranet, or remote access.
- The adequacy of physical and logical protection against unauthorized access including individual penetration attempts, computer viruses, denial of service, and other forms of electronic access.

By written report, the Reviewer must confirm that the security measures, including the firewall, have been satisfactorily implemented and tested. For additional guidance, see "The Internet and the National Bank Charter" booklet of the Comptroller's Corporate Manual, pages 37-38, 74-75. This booklet may be found on the OCC's web site at www.occ.treas.gov/netbank/letters.htm.

¹ If such deviation or change is the subject of an application filed with the OCC, no notice to the Supervisory Office is required.

4. The bank must notify all potential technology-related vendors in writing of the OCC's examination and regulatory authority under 12 U.S.C. § 1867(c).² All final technology-related vendor contracts must stipulate that the performance of services provided by the vendors to the bank is subject to the OCC's examination and regulatory authority.

The OCC poses no objection to the following individuals serving as Executive Officers and Directors of the converting bank. These individuals may assume their director and/or officer positions upon conversion.

Executive Officers:

Warren A. Jennings, Jr. – President and Chief Operations Officer
Warren A. Jennings, Sr. – Chairman of Board
Waylan T. Wiggins – Executive Vice President/Lender
Sydney L. White – Senior Vice President/Lender

Directors:

Warren A. Jennings, Jr.
Warren A. Jennings, Sr.
Mary Jennings
Georgea Greaves
Lester McKinley

Background checks requested by the OCC have not yet been received from one source. While we have decided not to delay action pending receipt of this response, continued service of the affected individuals will be dependent on satisfactory completion of the background investigation process.

The OCC also has conditionally approved your proposal to conduct fiduciary powers pursuant to 12 U.S.C. § 92a. This approval constitutes a permit to conduct the fiduciary powers requested in your application. The OCC has no objection to Gena Jennings serving as your trust officer. The OCC must approve any trust management change the bank makes prior to commencing fiduciary powers.

The board of directors should provide for the establishment and administration of the trust department (or fiduciary operation) either through the adoption of amendments to the bylaws or by appropriate resolutions. You will note that 12 CFR 9.4 places responsibility on the board of directors for the proper exercise of the bank's fiduciary powers. However, the board may decide whether it shall supervise the administration of all such powers directly or assign any function related to such powers to any director, officer, employee, or committee.

²The OCC has the authority to assess the bank for the cost of examining a service provider. See 12 CFR 8.6.

The board should also provide:

- A proper delineation of duties for trust officer(s) and committee(s).
- The pledging of securities to secure trust funds on deposit in the bank as required by 12 CFR 9.10(b).
- The designation of the officers or employees responsible for custody of the trust investments in conformity with 12 CFR 9.13(a).
- The deposit of securities with state authorities where required by local law, according to 12 CFR 9.14.

The establishment and administration of the trust department may appear in the bylaws or in the board resolutions, or partly in the bylaws and partly in the resolutions. After adoption, a copy of those provisions should be furnished to the trust officer(s) for guidance.

Under separate cover, the OCC Communications Division will mail to you the series of Comptroller's Handbooks for Fiduciary Activities. The trust officers and staff should become thoroughly familiar with "Fiduciary Activities of National Banks" at 12 CFR 9 (copy enclosed).

The trust activities should begin within 18 months of this approval, unless we grant an extension. You may begin exercising fiduciary powers simultaneously with your conversion to a national bank. The bank should notify this office in writing within 10 days after commencement of trust activities. If the bank decides to surrender its fiduciary powers, it should notify the OCC in accordance with 12 CFR 9.17(a).

You are also reminded that the following are required before the effective date of the conversion:

1. The institution must purchase adequate fidelity bond coverage in accordance with 12 CFR 7.2013, which lists four factors the directors should consider to determine adequacy.
2. If a director, officer, employee, or principal shareholder of the bank (including an entity in which such person owns an interest of 10 percent or more) is involved in the sale of credit life insurance to loan customers, the bank should ensure compliance with 12 CFR 2, which among other things, prohibits a covered person from retaining commissions or other income from the sale of credit life insurance connected with any loan the bank makes.
3. The board of directors must adopt and have in place policies, practices, and procedures to ensure the safe and sound operation of the bank. The board also must review those policies, practices, and procedures continually and ensure bank compliance with them. We are enclosing the minimum policies and procedures applicable to national banks.

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

If the conversion is not consummated within six months from the date of the decision, approval will be withdrawn. The OCC is opposed to granting extensions, except under the most extenuating circumstances and expects the conversion to occur as soon as possible.

Prior to the planned conversion date, please submit a letter certifying that you have completed all steps required to convert to a national banking association (sample enclosed).

This approval, and the activities and communications by 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 agency of the OCC or the U.S.

Also, a separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service. If you have any questions, please contact Senior Licensing Analyst Brenda E. McNeese or me at (214) 720-7052 or by FAX at (214) 720-7068.

Yours truly,

-signed-

Karen H. Bryant
Licensing Manager

Enclosures