

## OFFICE OF THRIFT SUPERVISION

### APPROVAL OF APPLICATIONS FOR PERMISSION TO ORGANIZE A FEDERAL SAVINGS BANK AND HOLDING COMPANY ACQUISITION AND RELATED APPLICATIONS

**Order No.:** 99-19

**Date:** April 20, 1999

FB BanCorp, Sparks, Nevada (the "Holding Company"), has applied for approval of the Office of Thrift Supervision (the "OTS") pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3, for permission to organize and acquire Farm Bureau Bank, FSB, Sparks, Nevada (the "Savings Bank"). In addition, the Savings Bank has provided notice under 12 U.S.C. § 1828(m) and 12 C.F.R. § 559.11 of the proposed formation of a service corporation. In addition, the entities listed in Attachment 1 to this Order have filed a rebuttal of concerted action pursuant to 12 C.F.R. § 574.4(e) with respect to the Holding Company and the Savings Bank. (Collectively, the foregoing are referred to herein as the "Applications.")

The OTS has considered the Applications, as supplemented by representations by the Holding Company, the Savings Bank and their attorneys, under the factors set forth in 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 543.3, 552.2-1, 574.4(e) and 574.7, and Part 559, and other applicable statutes and regulations. The OTS also has considered the Applications under the Community Reinvestment Act (the "CRA"), 12 U.S.C. § 2901 et seq., and the OTS regulations thereunder, 12 C.F.R. Part 563e.

In addition, the OTS has considered analyses prepared by the Office of Examination and Supervision, Compliance Policy, and the Midwest Regional Office, and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS finds that the Applications satisfy the applicable approval standards, with the exception of 12 C.F.R. § 543.3(d)(2) as it pertains to the composition of the Holding Company's board of directors, provided that the following conditions are complied with in a manner satisfactory to the Midwest Regional Director, or his designee ("Regional Director").

The OTS regulations, at 12 C.F.R. § 500.30(a) provide that the OTS may, for good cause and to the extent permitted by statute, waive the applicability of any provision of 12 C.F.R. Chapter V. The provisions of 12 C.F.R. § 543.3(d)(2) are not set forth in any statute. For the reasons set forth in the Staff Memoranda, the OTS finds that there is good cause for waiving 12 C.F.R. § 543.3(d)(2) as it pertains to the composition of the Holding Company's board of directors, and hereby grant such a waiver.

Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Regional Director;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Savings Bank and the Holding Company must certify to the Regional Director, in writing, that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the Savings Bank and the Holding Company, respectively, since the date of the financial statements submitted with the Applications;
3. The Savings Bank and the Holding Company must obtain all required regulatory and shareholder approvals prior to consummation, and must act to satisfy all requirements and conditions imposed by the OTS, and comply with all applicable laws, rules and regulations;
4. No later than 5 calendar days from the date of consummation of the proposed transaction, the Savings Bank must file with the Regional Director, a certification by legal counsel stating the effective date of the proposed transaction and of the Savings Bank's insurance of accounts, and that the transaction has been consummated in accordance with the provisions of all applicable laws and regulations, the Applications, all undertakings submitted by the parties in connection with the Applications, and this order;
5. The Savings Bank must submit independent audit reports to the Regional Office for its first three fiscal years. These reports must be in compliance with the audit rules set forth in 12 C.F.R. § 562.4;
6. The Savings Bank must operate within the parameters of its business plan. The Holding Company and the Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Holding Company), and in particular, those pertaining to the cross-marketing of deposit and non-deposit products, for the prior, written non-objection of the Regional Director. The request for change must be submitted a minimum of 60 calendar days before the proposed change is implemented;
7. The Holding Company must submit to the Regional Office appropriate background information, and receive the written non-objection of the Regional Director, regarding Director Ken Evans;
8. The Savings Bank must adhere to the 30 day prior notice filing requirements under 12 C.F.R. § 555.310 prior to the establishment of a transactional web site;

9. Any contracts or agreements pertaining to transactions with affiliates, including the proposed intercompany tax allocation agreement, not yet submitted to the OTS for review must be provided to the Regional Director at least 30 calendar days prior to execution and must receive his written non-objection prior to implementation;
10. The Savings Bank must submit for the approval of the Regional Director comprehensive written underwriting policies and procedures at least 45 days prior to commencing either vehicle or mortgage lending;
11. The Savings Bank must submit at least 30 days in advance, and receive the Regional Director's prior written non-objection to, any proposed employment contracts between the Savings Bank and Larry Lanie, Peter Barnett, or Terry Thompson;
12. Within 90 days of consummation of the proposed transaction, the Savings Bank must add a sufficient number of additional directors to its board who have no affiliation with either the Holding Company or any Farm Bureau organization ("Independent Directors"), so that Independent Directors comprise at least 40 percent of the Savings Bank's board of directors. The Savings Bank must submit appropriate background information, and receive written non-objection from the Regional Director, prior to the commencement of such directors' service.
13. Within 30 days of consummation of the transaction, the Savings Bank must submit for Regional Director approval a comprehensive plan detailing how the proposed national mortgage lending program will be implemented, including but not limited to: which national mortgage partners will be utilized; the background and responsibilities of the Savings Bank's Product Manager; and the exact role of Farm Bureau employees.
14. At least 10 days before beginning operations, the Savings Bank must submit a proposed methodology for collecting loan distribution data by borrower income and geography for the Savings Bank's credit card and other consumer lending programs. This methodology must be acceptable to the Regional Director, and must apply to all of the Savings Bank's credit applications;
15. At least 10 days before beginning operations, the Savings Bank must submit to the Regional Director, for prior review and approval, a comprehensive compliance management plan that provides procedures for training and continuing oversight of all parties that offer the Savings Bank's products, and that establishes a system for tracking consumer complaints;
16. The Savings Bank's adjusted core capital (core capital net of the unamortized premium paid to acquire the credit card and deposit portfolio in connection with the formation of the Savings Bank) must exceed 8.0 percent during the first three years of the Savings Bank's operations;
17. The Savings Bank's CRA plan is subject to any future changes in requirements contained in regulatory policies or regulations that the OTS, on its own, or acting in concert with other

financial institution regulatory agencies, determines are appropriate for depository institutions;

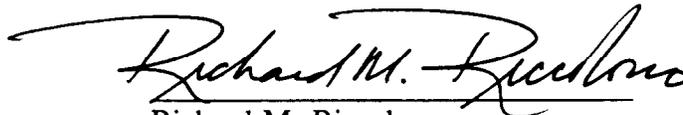
18. The Holding Company and the Savings Bank must take appropriate steps to ensure that agents of the Holding Company or any Farm Bureau organization who market deposit products comply with the General Guidelines in Disclosures and Advertising set forth in the *InterAgency Statement on Retail Sales of Nondeposit Investment Products*, OTS Thrift Bulletin 23-2; and
19. At least 30 days prior to opening for business, the Savings Bank must submit written evidence, acceptable to the Regional Director, that the Savings Bank's Year 2000 efforts comply with the terms, milestone dates, requirements and conditions contained in all Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council.

This approval order shall also serve as notice to the Savings Bank that the OTS reserves the authority to evaluate the appropriateness of marketing disclosures that differentiate between insured and uninsured products by having its examiners periodically, and without identification as OTS employees, solicit the Savings Bank or individual agency offices of the Holding Company and affiliates for information on non-deposit investment or insured products.

Any time period specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or her designee, effective

*April 20, 1999.*



Richard M. Riccobono

Deputy Director

**ATTACHMENT 1 TO OTS ORDER NO. 99 -19**

Arkansas Farm Bureau Federation  
Louisiana Farm Bureau Federation  
South Carolina Farm Bureau Federation  
Texas Farm Bureau Federation  
Southern Farm Bureau Casualty Insurance Company  
Southern Farm Bureau Life Insurance Company