
Catawba Banking Commission
BANK CHARTER APPLICATION FORM

FORM GENERAL INFORMATION, BACKGROUND AND PURPOSE

This application form collects information that the Catawba Banking Commission will need to evaluate a bank charter application in the Catawba Digital Economic Zone. This form is based on the Federal Deposit Insurance Corporation Interagency Charter and Federal Deposit Insurance Application. OMB 3064-001, and modified to fit the Catawba Digital Economic Zone—legally called Green Earth Zone—and referred to in this form as CDEZ, institutions, agencies, regulations, and digital-first approach.

Applications will be meticulously examined to ensure they align with all necessary criteria and regulatory standards set by the Catawba Banking Commission, the Catawba Zone Authority, the Catawba General Council and/or Federal regulators.

This application is used to effect a transaction under:

- Sections 5 and 6 of the Federal Deposit Insurance Act (FDIA), as amended (12 U.S.C. 1815, 1816), for federal deposit insurance.
- Section 5(e) of the Home Owners' Loan Act (HOLA), as amended (12 U.S.C. 1464(e)), for a federal savings association charter.
- The National Bank Act, as amended (12 U.S.C. 21 et seq.), for a national bank charter.
- Green Earth Zone Civil Ordinance
- Catawba Banking and Financial Services Code

GENERAL INFORMATION AND INSTRUCTIONS

Preparation and Use

All questions must be answered with complete and accurate information that is subject to verification. If the answer is "none," "not applicable," or "unknown," so state. Answers of "unknown" should be explained. The Banking Commission may solicit additional information. Prior to submitting this form, ensure you have filled out and Notarized the Bank Director's Oath. Ensure to also submit the other necessary documents together with the application, including the Certificate of Organization, Articles of Incorporation or Association from the CDEZ, Certificate of Good standing from the CDEZ, Business Plan, Fingerprint Cards, etc.

This application is meant to be as self-contained as possible. Cross-references to previous submissions of information to US Federal or State agencies will not be considered when evaluating a bank charter, unless the information is publicly available or easily accessible by the Catawba Banking Commission. *Any such cross-reference must be made to a specific website or location in the documents, so the information can be located easily.* Supporting information for all relevant factors, setting forth the basis for Applicant's conclusions, should accompany the application.

This application form collects information that the regulatory agencies will need to evaluate a charter application.

The Catawba Banking Commission must consider the applicable statutory requirements set forth in the preceding provisions, as well as applicable regulatory requirements, when acting on this application. For additional information regarding these statutory and regulatory requirements, as well as processing procedures and guidelines and any supplemental information that may be required, please refer to the Catawba Banking Commission's procedural guidelines [i.e., *Comptroller's Corporate Manual*, the OCC's rules and regulations (12 C.F.R. 5, 143), the FDIC's rules and regulations (12 C.F.R. 303, 309) and *Statement of Policy on "Applications for Deposit Insurance"*, or the application guidelines by the Catawba Banking Commission or the Catawba Zone Authority]. The Applicant may contact the agency directly for specific instruction or visit their websites at www.zoneauthority.io/banking.

Electronic Submission

This form must be uploaded, together with the list of documents mentioned above [Bank Director's Oath, Certificate of Organization, Articles of Incorporation or Association from the CDEZ, Certificate of Good standing from the CDEZ, Business Plan, Fingerprint Cards, etc.], to this [link](#). No mailed or paper applications will be evaluated. For email submissions, contact the appropriate regulatory agency for instructions and information about secure transmission of confidential material.

Notice of Publication

The Applicant must publish notice of the proposed organization in a newspaper of general circulation in the community or communities in which the proposed financial institution will be located. Contact the appropriate regulatory agency for the specific requirements of the notice of publication.

Application Steps

This application is first step to apply for a charter in the Catawba Digital Economic Zone. Once the form and attached documents are submitted, the Catawba Banking Commission will evaluate the documentation, and decide if the applicant is granted or no a charter. Applicants should expect to receive an initial notification from the Banking Commission, informing them of either tentative acceptance or potential issues that may lead to rejection. If the Banking Commission requests for additional clarifying documentation, applicants may provide it through they means established by the Banking Commission. If an applicant is given a tentative acceptance, they are required to publish a notice in a widely-read newspaper in the physical community where your proposed bank will operate or in a widely-read online website, forum, or community frequented, know to or visited by your target market, inviting the community to engage, comment, and become a part of the bank's journey. Once proof of documentation for the Notice of Publication is submitted to the Catawba Banking Commission, the Commission will continue to meticulous review the application, taking into account the feedback received from the community. At the end of this phase you should expect the final determination and notification.

Confidentiality

The Catawba Banking Commission and the Catawba Zone Authority will not release this application to the public. Any Applicant desiring special confidential treatment of specific portions of the application must submit a request in writing with the application. The request must discuss the justification for the requested treatment. The Applicant's reasons for requesting confidentiality should specifically demonstrate the harm (for example, loss of competitive position, invasion of privacy) that would result from public release of information (5 U.S.C. 552 or relevant Catawba or State Law). Information for which confidential treatment is requested should be: (1) specifically identified in the public portion of the application (by reference to the confidential section); (2) separately bound; and (3) Labeled "Confidential." The Applicant should follow the same procedure when requesting confidential treatment for the subsequent filing of

supplemental information to the application. The Catawba Banking Commission will determine whether the information will be treated as confidential and will advise the Applicant of any decision to publicly release information labeled as "Confidential."



Catawba Banking Commission
BANK CHARTER APPLICATION FORM

SECTION I - GENERAL INFORMATION

1. Type of charter

Catawba Bank Money Transmitter Trust Companies Credit Union

Other (Specify): _____

2. Chartering Agency (Select all appropriate boxes).

Catawba Banking Commission

3. Special Focus (Select all appropriate boxes).

Community Development Cash Management Trust Credit Card

CEBA Non-CEBA Other (Specify): _____

4. Type of Insurance Application (Select all appropriate boxes).

De Novo Operating Non-Insured Institution

Other (Specify): _____

5. Is this a Tribal bank? (Select all appropriate boxes). N/A

No Tribal Public Bank Majority-owned by Native-Americans Tribe: _____

6. Federal Reserve Status (Select all appropriate boxes).

Member Bank Non-Member Bank

SECTION II - PROPOSED DEPOSITORY INSTITUTION

7. Name:

8. Street:

9. City:

10. State:

11. Zip Code:

SECTION III - HOLDING COMPANY IDENTIFYING INFORMATION (If applicable)

12. Name:

13. Street:

14. City:

15. State:

16. ZIP Code:

SECTION IV - CONTACT PERSON

17. Name:

18. Street:

19. City:

20. State:

21. ZIP Code:

1. Overview

- (a) Provide a brief overview of the application. The overview should describe the institution's business and any special market niche, including the products, market, services, and any nontraditional activities.
- (b) Describe any issues about the permissibility of the proposal with regard to applicable Catawba, state or federal laws or regulations. Identify any regulatory waiver requests and provide adequate justification.
- (c) List and provide a copy of all applications filed in conjunction with this proposal, such as applications for holding company, trust powers, branch offices, service corporations, and other subsidiaries.
- (d) When available, list and provide a copy of all public or private offering materials and the proposed form of stock certificate, including any required restrictive legends.
- (e) List and provide a copy of the proposed articles of association, articles of incorporation, or charter, and proposed bylaws.
- (f) List and provide a copy of the business plan. The business plan should address, at a minimum, the topics contained in the appropriate regulatory agency's Business Plan Guidelines.

2. Management

- (a) Provide a list of the organizers, proposed directors, senior executive officers, and any individual, or group of proposed shareholders acting in concert, that will own or control 10 percent or more of the institution's stock. For each person listed, attach an Interagency Biographical and Financial Report, a fingerprint card, and indicate all positions and offices currently held or to be held with the institution's holding company and its affiliates, if applicable. Include the signed "Oath of Director" for each proposed director. For an FSA filing, provide a RB 20a Certification for each person listed.
- (b) Describe each proposed director's qualifications and experience to serve and oversee management's implementation of the business plan. Describe the extent, if any, to which directors or major stockholders are or will be involved in the day-to-day management of the institution. Also list the forms of compensation, if any.
- (c) Provide a list of board committees and members.

- (d) Describe any plans to provide ongoing director education or training.
- (e) Describe each proposed senior executive officer's duties and responsibilities and qualifications and experience to serve in his/her position. If a person has not yet been selected for a key position, list the criteria that will be required in the selection process. Discuss the proposed terms of employment, including compensation and benefits, and attach a copy of all pertinent documents, including an employment contract or compensation arrangement. Provide the aggregate compensation of all officers.
- (f) Describe any potential management interlocking relationships (12 U.S.C. 1467a(h)(2), 3201-3208, or applicable Catawba or state law) that could occur with the establishment or ownership of the institution. Include a discussion of the permissibility of the interlock with regard to relevant law and regulations or include a request for an exemption.
- (g) Describe any potential conflicts of interest.
- (h) Describe any transaction, contract, professional fees, or any other type of business relationship involving the institution, the holding company, and its affiliates (if applicable), and any organizer, director, senior executive officer, shareholder owning or controlling 10 percent or more, and other insiders. Include professional services or goods with respect to organizational expenses and bank premises and fixed asset transactions. (Transactions between affiliates of the holding company that do not involve the institution need not be described.)
- 1) State whether the business relationship is made in the ordinary course of business, is made on substantially the same terms as those prevailing at the time for comparable transactions with non-insiders, and does not present more than the normal risk of such transaction or present other unfavorable features.
 - 2) Specify those organizers that approved each transaction and whether the transaction was disclosed to proposed directors and prospective shareholders.
 - 3) Provide all relevant documentation, including contracts, independent appraisals, market valuations, and comparisons.
- (i) Describe all stock benefit plans of the institution and holding company, including stock options, stock warrants, and other similar stock-based compensation plans, for senior executive officers, organizers, directors, and other insiders. Include in the description:
- 1) The duration limits.
 - 2) The vesting requirements.
 - 3) Transferrability restrictions.
 - 4) Exercise price requirements.
 - 5) Rights upon termination.
 - 6) Any "exercise or forfeiture" clause.
 - 7) Number of shares to be issued or covered by the plans.

Provide a list of participants, allocation of benefits to each participant, and a copy of each proposed plan. (Plans must conform to applicable law, regulation and regulatory guidelines.)

3. Capital

- (a) For each class of stock, provide the number of authorized shares, the number of shares to be issued, par value, voting rights, convertibility features, liquidation rights, and the projected sales price per share. Indicate the amount of net proceeds to be allocated to common stock, paid-in surplus, and other capital segregations.
- (b) Describe any non-cash contributions to capital, and provide supporting documents for assigned values, including an independent evaluation or appraisal.
- (c) Discuss the adequacy of the proposed capital structure relative to internal and external risks, planned operational and financial assumptions, including technology, branching, and projected organization and operating expenses. Present a thorough justification to support the proposed capital, including any off-balancesheet activities contemplated. Describe any plans for the payment of dividends.
- (d) List all known subscribers to stock. For organizers, directors, 10 percent shareholders, senior executive officers, and other insiders, include the number of shares and anticipated investment and the amount of direct and indirect borrowings to finance the investment. Discuss how any debt will be serviced.
- (e) List recipients and amounts of any fees, commissions, or other considerations in connection with the sale of stock.
- (f) Indicate whether the institution plans to file for S Corporation tax status.

14. Convenience and Needs of the Community

NOTE: This information must be consistent with the proposed business plan. (a)

Market Characteristics

- 1) Define the intended geographical market area(s). Include a map of the market area, pinpointing the location of proposed bank's offices and offices of competing depository institutions.
 - 2) Describe the competitive factors the institution faces in the proposed market and how the institution will address the convenience and needs of that market to maintain its long-term viability.
 - 3) Discuss the economic environment and the need for the institution in terms of population trends, income, and industry and housing patterns.
- (b) Community Reinvestment Act (CRA) Plan¹

NOTE: The CRA Plan must be bound separately.

- 1) Identify the assessment area(s) according to the CRA regulations.²
- 2) Summarize the performance context for the institution based on the factors discussed in the CRA regulations.³

¹ See applicable state requirements.

² See 12 C.F.R. 25.41, 195.41, 345.41.

³ See 12 C.F.R. 25.21(b), 195.21(b), 345.21(b).

- 3) Summarize the credit needs of the institution's proposed assessment area(s).
- 4) Identify the CRA evaluation test⁴ under which the institution proposes to be assessed.
- 5) Discuss the institution's programs, products, and activities that will help meet the existing or anticipated needs of its community(ies) under the applicable criteria of the CRA regulation, including the needs of tribal citizens, low and moderate income geographies and individuals.

5. Premises and Fixed Assets

- (a) Provide a physical description for permanent premises if there are plans for having them and discuss whether they will be publicly and handicapped accessible. Indicate the level and type of property insurance to be carried.
- (b) If the permanent premises are to be purchased, provide name of seller, purchase price, cost and description of necessary repairs and alterations, and annual depreciation. If the premises are to be constructed, provide the name of the seller, the cost of the land, and the construction costs. Indicate the percentage of the building that will be occupied by the bank. Provide a copy of the appraisal.
- (c) If the permanent premises are to be leased, provide name of owner, terms of the lease, and cost and description of leasehold improvements. Provide a copy of the proposed lease when available.
- (d) If temporary quarters are planned, provide a description of interim facility, length of use, lease terms, and other associated commitments and costs.
- (e) State whether proposed premises and fixed asset expenditures conform to applicable statutory limitations.
- (f) Outline the security program that will be developed and implemented, including the security devices.⁵
- (g) Discuss any significant effect the proposal will have on the quality of the human environment. Include in the discussion changes in air and/or water quality, noise levels, energy consumption, congestion of population, solid waste disposal, or environmental integrity of private land within the meaning of the National Environmental Policy Act, 42 U.S.C. 4321, et seq, Laws by the Catawba General Council and regulations by the Catawba Land Management Department (if on Catawba premises).
- (h) Describe any plan to establish branches or relocate the main office within the first three years. Any acquisition or operating expenses should be reflected in the financial projections.
- (i) Indicate if the establishment of the proposed main office and/or any branch site may affect any district, site, building, structure, or object listed in, or eligible for listing in, the National Register of Historic Places pursuant to the National Historic Preservation Act, 54 U.S.C. 306108. See the Advisory Council on Historic Preservation at www.achp.gov for the Act and implementing regulations. Specify how such determination was made:
 - 1) Consultation with the State Historic Preservation Officer (SHPO) and/or Tribal Historic Preservation Officer (THPO) or Land Department (when tribal lands or historic properties of significance to a tribe are involved).

⁴ See 12 C.F.R. 25.21(a); 195.21(a), 345.21(a).

⁵ See 12 C.F.R. 21, 168, 326, 391 Subpart A.

- 2) Reviewed National Register of Historic Places (see <https://www.nps.gov/subjects/nationalregister/index.htm>).
- 3) Applied National Register criteria to unlisted properties.⁶ 4) Reviewed historical records.
- 5) Contact with preservation organizations.
- 6) Other (describe).

As appropriate, provide a copy of any documentation of consultation with the SHPO and/or THPO. *You are reminded that if a historic property may be affected, no site preparation, demolition, alterations, construction or renovation may occur without the appropriate regulatory agency's authorization.*

6. Information Systems

- (a) State how the institution plans to market its products and services (the ability to do transactions or account maintenance) via electronic means. Specifically state the products and services that will be offered via electronic banking, the Internet, and/or the blockchain.
- (b) Outline the proposed or existing information systems architecture and any proposed changes or upgrades. The information should describe how: (1) the information system will work within existing technology; (2) the information system is suitable to the type of business in which the institution will engage; (3) the security hardware, software, and procedures will be sufficient to protect the institution from unauthorized tampering or access; and (4) the organizers and directors will allocate sufficient resources to the entire technology plan.
- (c) Provide lists or descriptions of the primary systems and flowcharts of the general processes related to the products and services. The level of detail in these system descriptions should be sufficient to enable verification of the cost projections in the *pro formas*.
- (d) Estimate the start-up budget for the information systems related to the products and services and the expected annual operating and maintenance costs (including telecommunications, hardware, software, and personnel).
- (e) Describe the physical and logical components of security. Describe the security system and discuss the technologies used and key elements for the security controls, internal controls, and audit procedures. Discuss the types of independent testing⁷ the institution will conduct to ensure the integrity of the system and its controls.
- (f) Describe the information security program that will be in place to comply with the "Interagency Guidelines Establishing Standards for Safeguarding Customer Information."⁸
- (g) List activities and functions, including data processing, that will be outsourced to third parties, including applications, hosting, development, etc., identifying the parties and noting any affiliations. Describe all terms and conditions of the vendor management activities and provide a copy of the proposed agreement when available. Describe the due diligence conducted and the planned oversight and management program of the vendors' or service providers' relationships (for general vendor management guidance, see the Appendix of the FFIEC's guidance, Risk Management of Outsourced Technology Services).

⁶ See 36 C.F.R. 60.4.

⁷ Independent tests should cover general and environmental controls as well as audit, monitoring, and balancing controls. Independent testing will provide an objective opinion on the adequacy of these controls.

⁸ See 15 U.S.C. 6801, 6805(b); 12 C.F.R. 30, 168, 170, 364, 390 Subpart B.

7. Other Information

- (a) List all planned expenses related to the organization of the institution and include the name of recipient, type of professional service or goods, and amount. Describe how organization expenses will be paid.
- (b) Provide evidence that the institution will obtain sufficient fidelity coverage on its officers and employees to conform with generally accepted banking practices.
- (c) If applicable, list names and addresses of all correspondent depository institutions that have been established or are planned.
- (d) Provide a copy of management's policies for loans, investments, liquidity, funds management, interest rate risk, and other relevant policies. Provide a copy of the Bank Secrecy Act program. Contact the appropriate regulatory agencies to discuss the specific timing for submission.
- (e) For Federal Savings Banks or Associations, include information addressing the proposed institution's compliance with qualified thrift lender requirements.
- (f) If the institution is, or will be, affiliated with a company engaged in insurance activities that are subject to supervision by a state insurance regulator, provide:
 - 1) The name of insurance company.
 - 2) A description of the insurance activity that the company is engaged in and has plans to conduct.
 - 3) A list of each state and the lines of business in that state in which the company holds, or will hold, an insurance license. Indicate the state where the company holds a resident license or charter, as applicable.

SECTION V - OCC CERTIFICATION

We, the organizers, certify that the information contained in this application has been examined carefully and is true, correct, and complete, and is current as of the date of this submission. We also certify that any misrepresentations or omissions of material facts with respect to this application, any attachments to it, and any other documents or information provided in connection with the application for the organization of the proposed financial institution and federal deposit insurance may be grounds for denial or revocation of the charter and/or insurance, or grounds for an objection to the undersigned as proposed director(s) or officer(s) of the proposed financial institution, and may subject the undersigned to other legal sanctions, including the criminal sanctions provided for in 18 U.S.C. 1001, 1007, and 1014. We request that examiners be assigned to make any investigations necessary.

We acknowledge that approval of this application is in the discretion of the Catawba Banking Commission. Actions or communications, whether oral, written, or electronic, by an agency or its employees in connection with this filing, including approval of the application if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the agency, the Catawba Zone Authority, its vendor(s), other federal banking agencies, the United States, any other agency or entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of any federal banking agency to exercise its supervisory, regulatory, or examination powers under applicable law and regulations. We further acknowledge that the foregoing may not be waived or modified by any employee or agent of the Catawba Banking Commission, a federal banking agency or of the United States.

Name <i>(Print Name)</i>	Signature	Date

SECTION VI - FDIC CERTIFICATION

We, the organizers, certify that the information contained in this application has been examined carefully and is true, correct, and complete, and is current as of the date of this submission. We also certify that any misrepresentations or omissions of material facts with respect to this application, any attachments to it, and any other documents or information provided in connection with the application for the organization of the proposed financial institution may be grounds for denial or revocation of the charter and/or insurance, or grounds for an objection to the undersigned as proposed director(s) or officer(s) of the proposed financial institution, and may subject the undersigned to other legal sanctions, including the criminal sanctions provided for in 18 U.S.C. 1001, 1007, and 1014. We request that examiners be assigned to make any investigations necessary.

We acknowledge that approval of this application is in the discretion of the appropriate Catawba government body or agencies. Actions or communications, whether oral, written, or electronic, by an agency or its employees, vendors, contractors, Commissioners, and others, in connection with this filing, including approval of the application if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the person, agency, the Catawba Nation, state or federal banking agencies, the United States, any other agency or entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of any federal banking agency to exercise its supervisory, regulatory, or examination powers under applicable law and regulations. We further acknowledge that the foregoing may not be waived or modified by any employee or agent of a federal banking agency or of the United States.

It is understood that the Catawba Banking Commission, in applying the factors set out in the relevant statutes, will consider the application only with respect to the general character or type of business stated and that the depository institution will not engage in any other business without the prior written consent of the Commission.

It is further understood that federal deposit insurance will not become effective (a) until the proposed depository institution has been incorporated and authorized to engage in the business of receiving deposits by the Federal Deposits Insurance Corporation, followed by a resolution by the board of directors of the depository institution ratifying and confirming the action of the FDIC, fulfilling any requirements imposed by the Corporation as a condition of its approval of a federal application, and (d) until the depository institution has been notified that its membership in the Federal Deposits Insurance Corporation has been approved.

Name <i>(Print Name)</i>	Signature	Date

SECTION VII - EXHIBITS

(Select all that apply)

- Business Plan
- Financial Projections
- CRA Plan
- Articles of Association, Articles of Incorporation, or Charter
- Bylaws
- Oath of Director
- Interagency Biographical and Financial Reports
- Fingerprint cards (appropriate regulatory agency)
- Publication Certification/Affidavit/Notice of Publication
- Copies of contracts/agreements
- Employment/compensation
- Service providers
- Other
- Stock Benefit Plans
- Economic survey or market feasibility study
- Market Area Map
- Waiver request. Specify:
- Offering Materials
- Proposed stock certificate
- Corporate or holding company audited statements or financial reports
- OCC/ state filing fee
- Copy of policies. Specify:

FSA Only

RB 20a Certification

SECTION VIII - OATH OF THE BANK DIRECTOR

Bank Name:

Date:

State of:

County of:

I, the undersigned, a (proposed) director of the above-named bank do solemnly swear (affirm) that:

As a director, I have a legal responsibility and a fiduciary duty to shareholders to administer the depository institution's affairs faithfully and to oversee its management. In carrying out my duties and responsibilities, I shall exercise reasonable care and place the interests of the depository institution before my own interests. I shall fulfill my duties of loyalty and care to the above-named depository institution.

I shall, commensurate with my duties, diligently and honestly administer the affairs of the depository institution, and I shall not knowingly violate, or willingly permit to be violated, any applicable statute or regulation. I shall ensure that I learn of changes in statutes, regulations, and policies of the Catawba Banking Commission, the Catawba Zone Authority, the Catawba Nation, and applicable regulations by the Office of Comptroller of the Currency, the Federal Deposit Insurance Corporation, or any state to whose jurisdiction my association is subject, which affect my duties, responsibilities, or obligations as a director and affiliated person of the association.

I am the owner, in good faith and in my own right, of the number of shares of stock that the law requires. I have either subscribed for this stock or it is issued and outstanding, and it is not hypothecated, or in any way pledged, as security for any loan or debt.

I shall attend meetings of the board of directors and participate fully on all committees of the board to which I am appointed.

Name (*Print Name*) Signature

Mailing Address

City State ZIP Code

NOTARY'S AFFIRMATION

Sworn to before me and subscribed in my presence, this ____ day of _____, ____.

Printed Name of Notary Public Signature of Notary Public

MY COMMISSION EXPIRES:

SECTION IX - OATH OF THE SAVINGS ASSOCIATION DIRECTOR

Name of Savings Association: _____

Date: _____

City: _____

County: _____

State: _____

I, the undersigned, a [proposed] director of the above-named savings association, do solemnly swear (affirm) as follows:

1. I acknowledge that service as a director of a Catawba Bank Charter is an important undertaking that carries with it significant duties and responsibilities. I have read and understand the OCC's Directors' Responsibilities Guide describing the duties of directors and officers of savings association.
2. As a director of the above-named savings association, I have a legal responsibility and a fiduciary duty to its shareholders and creditors and to the applicable federal deposit insurance funds to administer the savings association's affairs faithfully and to oversee its management. In carrying out my duties and responsibilities, I shall exercise reasonable care and place the interests of the savings association before my own interests. I shall fulfill my duties of loyalty and care to the above-named savings association.
3. I shall diligently and honestly administer the affairs of the savings association, and I shall not knowingly violate, or willingly permit to be violated, any applicable statute or regulation. I shall ensure that I learn of changes in statutes, regulations, and policies of the Catawba Banking Commission, the Catawba Zone Authority, the Catawba Nation Office of Comptroller of the Currency and the Federal Deposit Insurance Corporation or any state to whose jurisdiction my association is subject, which affect my duties, responsibilities, or obligations as a director and affiliated person of the savings association.
4. I shall attend meetings of the board of directors and participate fully on all committees of the board to which I am appointed.

Name (Print Name)

Signature

Mailing Address

City

State

ZIP Code

NOTARY'S AFFIRMATION

Sworn to before me and subscribed in my presence, this ____ day of _____, ____.

Printed Name of Notary Public

Signature of Notary Public

MY COMMISSION EXPIRES:

SECTION X - BUSINESS PLAN GUIDELINES

Preparation and Use

The business plan should be an integral part of the management and oversight of a financial institution (institution). It should establish the institution's goals and objectives. It is a written summary of how the business will organize its resources to meet its goals and how the institution will measure progress.

The business plan should be a comprehensive plan, which is the result of in-depth planning by the institution's organizers and management. It should realistically forecast market demand, customer base, competition, and economic conditions. The plan must reflect sound banking principles and demonstrate realistic assessment of risk in light of economic and competitive conditions in the market to be served. An institution with a special purpose or focus (*for example, credit card, trust only, cash management, or bankers' bank*) should address this special or unique feature in detail in the appropriate sections of the plan.

The business plan should cover three years and provide detailed explanations of actions that are proposed to accomplish the primary functions of the institution. The description should provide enough detail to demonstrate that the institution has a reasonable chance for success, will operate in a safe and sound manner, and will have adequate capital to support the risk profile.

For any institution with an Internet or alternative electronic delivery channel, the plan should contain a clear and detailed definition of the market the institution plans to serve and the products and services it will provide through electronic channels. Because the Internet has a potential global market and can reach anyone with Internet access, the selected information on market area and products and services is essential. The marketing plan should explain how the institution would achieve brand recognition.

Confidentiality

Any Applicant desiring special confidential treatment of specific portions of the plan and projections must submit the request in writing. The request must discuss the justification for the requested treatment. The Applicant's reasons for requesting confidentiality should specifically demonstrate the harm (*for example, loss of its competitive position, invasion of privacy*) that would result from public release of information (5 U.S.C. 552 or relevant Catawba or state law). Information for which confidential treatment is requested should be: (1) specifically identified in the public portion of the application (by reference to the confidential section); (2) separately bound; and (3) Labeled "Confidential." The Applicant should follow the same procedure when requesting confidential treatment for the subsequent filing of supplemental information to the plan.

The Applicant should contact the appropriate regulatory agency for specific instructions regarding requests for confidential treatment. The appropriate regulatory agency will determine whether the information will be treated as confidential and will advise the Applicant of any decision to publicly release information labeled as "Confidential."

SECTION XI - BUSINESS PLAN

I. Table of Contents II. Executive Summary

Describe the highlights of the plan.

III. Description of Business

- A. Describe the institution's business and any special market niche, including the products, market, services, and nontraditional activities.
- B. If in a holding company structure, discuss the operations of the organization, including a brief detail of the organizational structure and interaction between the institution and its affiliates.
- C. Describe the extent, if any, that there are or will be transactions with affiliated entities or persons. Include terms.
- D. Discuss the legal form and stock ownership of the institution and any investment in subsidiaries or service corporations.
- E. For an operating company, describe the present financial condition and current resources, such as office network, staff, and customer base. Specifically discuss the strengths and weaknesses.
- F. Describe the proposed location, office quarters, and any branch structure.
- G. Discuss any growth or expansion plans, including additional branches, other offices, mergers, or acquisitions.

IV. Marketing Plan

A marketing plan should provide in detail factual support that the institution has reasonable prospects to achieve the revenue projections, customer volume, and key marketing and income targets. The analysis should be based on the most current data available, and the sources of information should be referenced. This section should contain an in-depth discussion of the major planning assumptions for the market analysis, economic, and competitive components used to develop the plans, objectives, and the basis for the assumptions.

A. Product Strategy

- 1) List and describe the general terms of the planned products and services, including activities of any subsidiaries. Discuss any plans to engage in any subprime or speculative lending, including plans to originate loans with high loan-to-value ratios.
- 2) Discuss how the institution will offer products and services over the three years, indicating any variation in the different market areas or distribution channels, and include the time frame for the introduction and the anticipated cost associated with each.
- 3) Describe the institution's plans to engage in any secondary market/mortgage banking activity, including loan participations. Discuss plans to use forward take-out commitments or engage in loan securitization. Describe any plans to engage in hedging activity to mitigate the risks of this activity. Also, discuss plans to retain recourse and servicing.

- 4) Describe the primary sources of loans and deposits and the major methods to solicit them. If using brokers or agents, provide full details of the nature and extent of all such activities, including sources, amounts, fees, and any intended tie-in of compensatory arrangements with the broker or agent.

B. Market Analysis

- 1) Describe the intended target market and the geographical market area(s).
- 2) Describe the demographics of the target market population (*for example, age, education, and occupation*).
- 3) For a savings association filing, discuss in detail any current and/or proposed actions to accomplish the institution's commitment to promote home financing.

C. Economic Component⁹

- 1) Describe the economic forecast for the three years of the plan. The plan should cover the most likely scenario and discuss possible economic downturns.
- 2) Indicate any national, regional, or local economic factors that may affect the operations of the institution. Include an analysis of any anticipated changes in the market, the factors influencing those changes, and the effect they will have on the institution.
- 3) Describe the current economic characteristics of the proposed market(s), for example, size, income, and industry and housing patterns.
- 4) Based on the economic characteristics described previously, discuss the economic factors that influence the products and services to be offered. A more in-depth discussion is warranted when different types of services are identified for different market areas in the Description of Business section.

D. Competitive Analysis

- 1) Compare and contrast the institution's product strategy with its principal competitors in the target market(s). Include expected results in terms of relative strength, market share, and pricing.
- 2) Discuss the overall marketing/advertising strategy, including approaches to reach target market through the marketing of brand, products, and services. Outline the specific medium that will be used, including timing and level of advertising efforts.
- 3) Discuss potential competition in the target market(s).

V. Management Plan - Directors and Officers

- A. Provide the number of organizers and/or directors. Provide a list of board committees and a brief explanation of the responsibilities of each committee.
- B. Describe the organizational structure and provide an organizational chart, indicating the number of officers and employees. Describe the duties and responsibilities of the senior executive officers. Describe any management committees that are or will be established.

⁹ If obtained, discuss any independent economic survey or market feasibility study.

- C. Discuss the institution's plans to address management succession, including any management training program or other available resources.

VI. Records, Systems, and Controls

- A. Describe the institution's current and/or proposed accounting and internal control systems, indicating any use of electronic processing systems.
- B. Describe management's proposed internal audit function. The description should set forth the independence of the department and the scope and frequency of audits. Discuss the experience and education of the audit staff. If external auditors will be used for internal audits, provide similar information for the external auditors.
- C. Describe the compliance management programs, addressing independence, scope, frequency, and staff qualifications. Discuss how the institution will respond to consumer complaints. D. State plans for an annual audit by independent public accountants.
- E. Discuss the functions that will be outsourced and what the institution will do in-house.

VII. Financial Management Plan

A. Capital and Earnings

- 1) Discuss the capital goals and the means to achieve them.
- 2) Discuss the earnings goals in terms of return on assets, net interest margin, or other profitability measurements, and summarize the strategies to achieve those goals.
- 3) Discuss the plan for raising capital and for financing growth, with particular emphasis on conformance with regulatory capital requirements.
- 4) Discuss the adequacy of the proposed capital structure relative to internal and external risks, planned operational and financial assumptions, including technology, branching, and projected organization and operating expenses. Present a thorough justification to support the proposed capital, including any offbalance-sheet activities contemplated.
- 5) Describe the debt service requirements for any debt that will be issued at the holding company level to capitalize the institution.
- 6) Discuss the use of options, warrants, and/or other benefits associated with the institution's capital.
- 7) Summarize the dividend policy.

B. Liquidity and Funds Management

- 1) Discuss how the institution will identify and measure liquidity risk.
- 2) Discuss the institution's plan to monitor and control its liquidity risk, including funding sources (deposits, borrowings, securitizations). Include holding company support, if any.
- 3) Describe any plans to borrow funds from any financial institutions or other sources, including the amount, composition, interest rate, maturity, purpose, and collateral.

- 4) Discuss the type of investment securities the institution plans to purchase.

C. Sensitivity to Market Risk

- 1) Discuss the institution's objectives, strategies, and risk tolerance for interest rate risk.
- 2) Discuss how the institution will identify and measure interest rate risk.
- 3) Discuss the institution's asset and liability portfolio in terms of sensitivity to interest rate changes and the impact of earnings and capital and net portfolio value. Discuss the risk limits to control interest rate risk.
- 4) Describe any plans to use hedging activities (*for example, futures, options, interest rate swaps, or other derivative instruments*).

D. Credit Risk

- 1) Discuss how the institution will identify and measure credit risk.
- 2) Describe the loan review program, addressing independence, scope, frequency, and staff qualifications.
- 3) Describe the methodology used to determine the allowance for loan and lease losses.

VIII. Monitoring and Revising the Plan

- A. Describe how the board of directors will monitor adherence to the business plan.
- B. Describe how the board of directors will adjust and amend the plan to accommodate significant or material economic changes.

IX. Alternative Business Strategy

An alternative business strategy details how an institution will operate under scenarios in which market conditions differ significantly from those projected in this business plan. This alternative business strategy should be realistic about the business risks and incorporate sound management of such risks. This alternative strategy should consider potential adverse scenarios relating to the asset or liability mixes, interest rates, operating expenses, marketing costs, and growth rates. This discussion should include realistic plans for how the bank would access additional capital, if needed, in the future and, if applicable, contingency funding plans that address strategies for managing potential liquidity fluctuations. This plan also should discuss any financial safeguards to offset unexpected costs and remain well capitalized.

Periodically, the institution should update this section, especially as the institution becomes more complex and as industry conditions change.

X. Financial Projections

- A. Provide financial information for opening day pro forma and quarterly projections for the three years of operations. Also provide annual totals for the Income Statement. The line items in the financial statements should be consistent with the Consolidated Reports of Condition and Income (Report)¹⁰ so that projected items may be compared conveniently with actual performance. The following reports should be used:

Projected Balance Sheet (Schedule RC)

Projected Income Statement (Schedule RI)

Regulatory Capital Schedule (Schedule RI-A)

The financial statements should be presented in two ways: (1) showing the dollar amounts, and (2) as a percentage of total assets.

- 1) Describe in detail all of the assumptions used to prepare the projected statements, including the assumed interest rate scenario for each interest earning asset and interest costing liability over the term of the business plan. Also present a thorough justification to support proposed capital, including any branch expansion and off-balance-sheet activities contemplated.
 - 2) Provide the basis for the assumptions used for noninterest income and noninterest expense. Indicate the amount of lease expense, capital improvements, and furniture, fixtures, and equipment, including systems and equipment upgrades.
 - 3) Describe the assumptions for the start-up costs, volumes, expected returns, and expected time frame to introduce each new product and service.
- B. Discuss how the institution used marketing studies or surveys to support the institution's projected growth.
- C. Discuss the level of marketing expenses necessary to achieve the projected market share for both loan and deposit products. Assumptions should be consistent with those experienced by other institutions in the target market. Explain any significant variances between the assumptions in the target market.
- D. Provide a sensitivity analysis of the financial projections. A sensitivity analysis provides a realistic stress test of the major underlying assumptions used in the business plan and the resultant financial projections. For example, adjust the financials to reflect the effects of adverse changes in the interest rate environment, changes in the asset/liability mix, higher than expected operating expenses, marketing costs, and/or growth rates.

CALL REPORT FINANCIAL PROJECTIONS

BALANCE SHEET	
Assets	
Cash and balances due from depository institutions Noninterest-bearing balances and currency and coin balances	Interest-bearing balances
Securities Held-to-maturity securities Available-for-sale securities	
Federal funds sold and securities purchased under agreements to resell	
Less:	
Loans and lease financing receivables Construction and land development loans secured by real estate Secured by farmland Revolving, open-end loans secured by 1-4 family residential Other first lien loans secured by 1-4 family residential Other junior lien loans secured by 1-4 family residential Secured by multifamily residential properties Secured by nonfarm nonresidential properties Loans to depository institutions Loans to finance agricultural production and other loans to farmers Commercial and industrial loans Acceptances of other banks Credit card and related plans to individuals Other loans to individuals for household, family and other personal expenditures Obligations (other than securities and leases) of states and political subdivisions in the U.S. All other loans (exclude consumer loans) Lease financing receivables (net of unearned income)	
Unearned income Allowance for loan and lease losses	
Total Loans and leases, net of unearned income and allowance	

Other Assets
Trading assets
Premises and fixed assets
Other real estate owned
Investments in unconsolidated subsidiaries and associated companies Customers'
liability to this bank on acceptances outstanding
Intangible assets
All other assets (describe)

Total Assets

**CALL REPORT
FINANCIAL PROJECTIONS**

BALANCE SHEET (continued)

Liabilities

Transaction deposit accounts
Demand
NOW accounts, ATS accounts, and other interest bearing transaction accounts

Nontransaction Deposit Accounts
Money market deposit accounts (MMDAs)
Other savings deposits
Time deposits of \$100,000 or more
Time deposits of less than \$100,000
Other nontransaction accounts (describe)

Other Liabilities

Federal funds purchased and securities sold under agreements to repurchase
 Demand notes issued to the U.S. Treasury

Borrowed money with remaining maturity of one year or less
 Borrowed money with remaining maturity of more than one year through three years
 Borrowed money with remaining maturity of more than three years
 Bank's liability on acceptances executed and outstanding
 Subordinated notes and debentures
 All other liabilities (describe)

Trading liabilities

Total Liabilities

Equity Capital

Common stock

Surplus

Undivided profits

Other equity capital (describe)

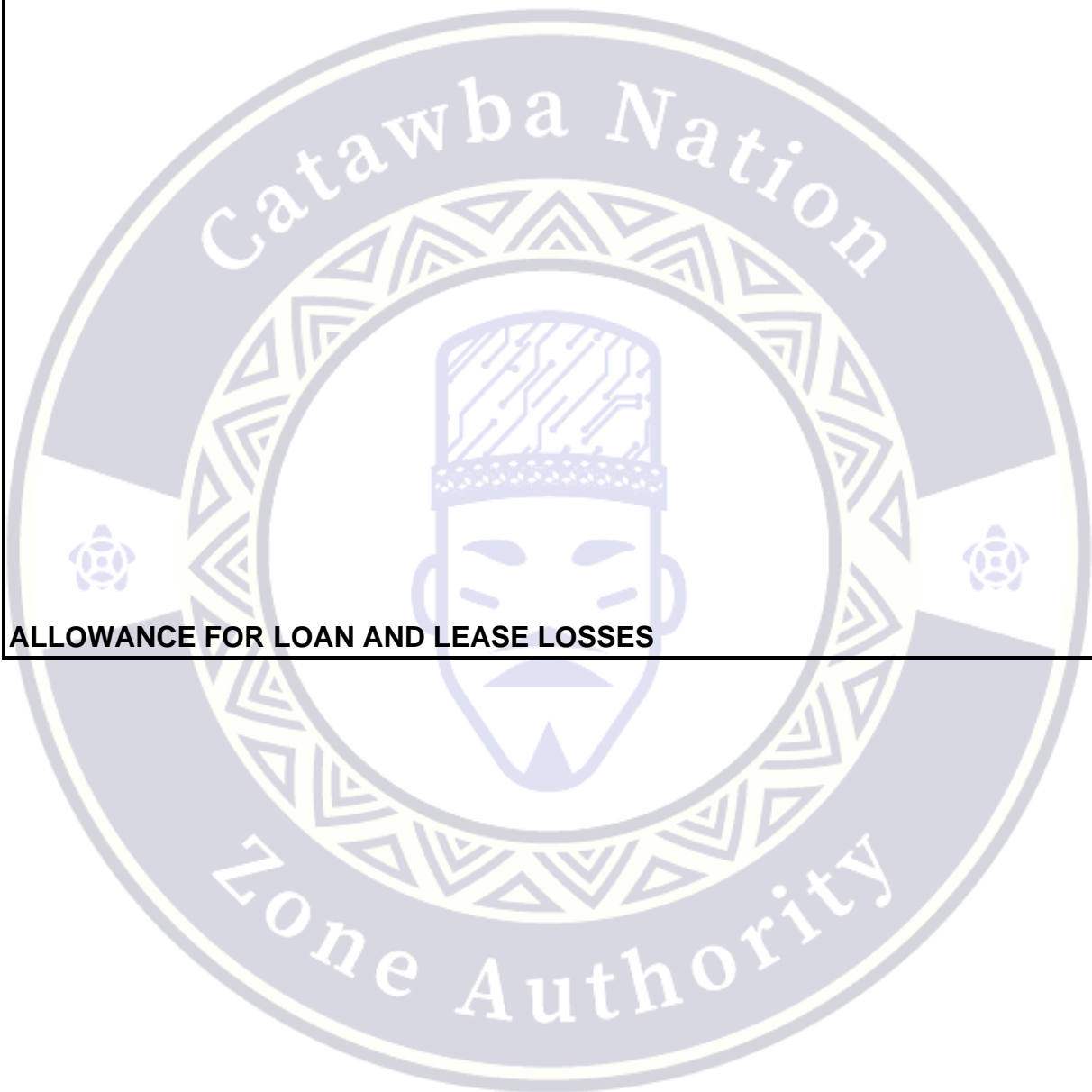
Total Equity

CALL REPORT FINANCIAL PROJECTIONS

REGULATORY CAPITAL

Total Equity Other Tier 1 Capital (describe)
Total Tier 1 Capital
Allowance for Loan and Lease Losses Other Tier 2 Capital (describe)
Total Tier 1 and Tier 2 Capital
Total Assets
Total Risk Weighted Assets
Capital Ratios
Tier 1 Capital / Total Risk Weighted Assets
Total Tier 1 and Tier 2 Capital/Total Risk Weighted Assets
Tier 1 Capital /Total Assets
Beginning balance
Current quarter's:
Recoveries
Provision for loan and lease losses
Less: Charge-offs
Allowance ending balance

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ALLOWANCE FOR LOAN AND LEASE LOSSES

FINANCIAL PROJECTIONS

INCOME STATEMENT

Interest Income Real

estate loans
Installment loans
Credit card loans
Commercial (time and demand) and all other loans
Lease financing receivables
Balances due from depository institutions
Taxable securities issued by states and political subdivisions in the U.S.
Tax-exempt securities issued by states and political subdivisions in the U.S.
U.S. Government and other debt securities Equity securities

Interest income from trading assets

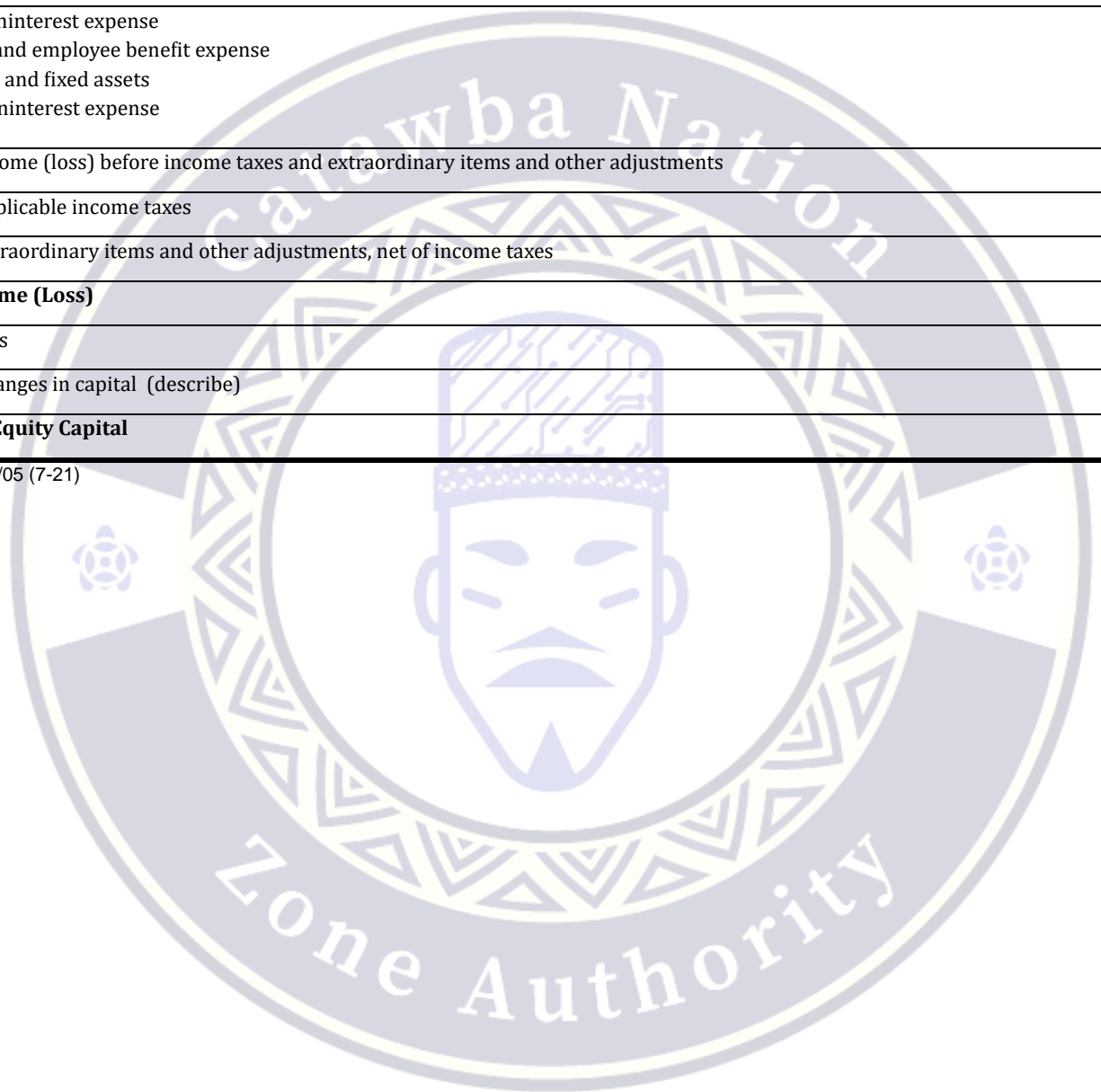
Federal funds sold and securities purchased under agreements to resell
Other interest income (describe)
Total Interest Income
Interest Expense
Transaction accounts (NOW accounts, ATS accounts, and other)
Money market deposit accounts
Other savings deposits
Time deposits of \$100,000 or more
Time deposits of less than \$100,000
Federal funds purchased and securities sold under agreements to repurchase
Demand notes issued by the U.S. Treasury, trading liabilities, and other borrowed money
Subordinated notes and debentures
Other interest expense (describe)
Total Interest Income

Net Interest Income

Provision for Loan and Lease Losses

Noninterest income Service charges on deposit accounts Other fee income All other noninterest income
Realized gains (losses) on held-to-maturity securities Realized gains (losses) on available-for-sale securities
Noninterest expense Salaries and employee benefit expense Premises and fixed assets Other noninterest expense
Income (loss) before income taxes and extraordinary items and other adjustments
Applicable income taxes
Extraordinary items and other adjustments, net of income taxes
Net Income (Loss)
Dividends
Other changes in capital (describe)
Ending Equity Capital

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FINANCIAL PROJECTIONS

INTEREST INCOME AND INTEREST EXPENSE ASSUMPTIONS

For each quarter Real	Average Balance	Interest Rate
estate loans Installment loans Credit card loans Commercial (time and demand) and all other loans Lease financing receivables Balances due from depository institutions Taxable securities issued by states and political subdivisions in the U.S. Tax-exempt securities issued by states and political subdivisions in the U.S. U.S. Government and other debt securities Equity securities Interest income from trading assets Federal funds sold and securities purchased under agreements to resell Other interest income		
For each quarter	Average Balance	Interest Rate
Transaction accounts (NOW accounts, ATS accounts, and other) Money market deposit accounts Other savings deposits Time deposits of \$100,000 or more Time deposits of less than \$100,000 Federal funds purchased and securities sold under agreements to repurchase Demand notes issued by the U.S. Treasury, trading liabilities, and other borrowed money Subordinated notes and debentures Other interest expense		