



## **INTERMEDIATE SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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### **PUBLIC DISCLOSURE**

**January 09, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Tennessee  
Charter Number 15550**

**214 East Main Street  
Livingston, TN 38570**

**Comptroller of the Currency  
Nashville  
5200 Maryland Way Suite 104  
Brentwood, TN 37027**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

The Lending Test is rated: Outstanding

The Community Development Test is rated: Outstanding

First National Bank of Tennessee (FNBOTN) has an outstanding record of meeting community credit needs. This is based on the following:

- The bank's loan-to-deposit ratio is excellent and averaged 95 percent during the evaluation period. FNBOTN's loan-to-deposit ratio increased from 93 percent as of September 30, 2002 to 98 percent as of September 30, 2005.
- A substantial majority of FNBOTN loans are within the bank's Assessment Area. Approximately 94 percent of the number and 89 percent of the dollar volume of loans were to borrowers within the Assessment Area.
- FNBOTN's distribution of loans to borrowers of different income (including low-and moderate-income) levels and businesses of different sizes is good.
- The geographic distribution of loans reflects good dispersion throughout the assessment area.
- FNBOTN's community development performance demonstrates excellent responsiveness to the community development needs of its Assessment Area.
- There have been no complaints with respect to FNBOTN's CRA performance.

## **SCOPE OF EXAMINATION**

This Performance Evaluation is based on two distinct time periods: January 1, 2004 through December 31, 2004 and January 1, 2005 through December 31, 2005. Results were consolidated into one Evaluation Period for comparative and analysis purposes and evaluated using 2000 Census demographic information. FNBOTN has no bank owned affiliates. There has been no data integrity reviews conducted prior to this evaluation. We also reviewed all of the bank's community development investments and community development loans and services to ensure they met the definition for community development.

Conclusions regarding the Lending Test are based on residential loans including home purchases, home improvements, and home refinances. Residential loans considered in the Lending Test originated between January 1, 2004 and December 31, 2005. Small business loans originated during the same time period were also considered in the Lending Test. A sample of loans was selected for each loan category based on internal bank reports. FNBOTN is not a Home Mortgage Disclosure Act (HMDA) reporter. This evaluation covers the period December 16, 2002 through January 8, 2006.

## DESCRIPTION OF INSTITUTION

First National Bank of Tennessee (FNBOTN) is an intrastate bank that is not a subsidiary of a bank holding company. There have not been any major changes in the bank's corporate structure, including merger or acquisition activities, since the last Community Reinvestment Act (CRA) examination dated December 16, 2002, when the bank received a **Satisfactory** rating on the examination. There are no legal or financial impediments to FNBOTN's ability to meet the credit needs of its Assessment Area including retail and community development loans, qualified investments, and community development services needs. The bank offers a full-range of loan and deposit services. FNBOTN's primary business focus is commercial and industrial loans, including commercial real estate loans, and residential mortgage loans.

FNBOTN's main office is located in Livingston, TN. The bank also operates four full-service branch offices within its Assessment Area (AA). The bank has one branch each in Cookeville, Crossville, and Sparta, TN, and one branch in addition to the main office in Livingston, TN. Since the previous CRA examination, the bank opened a branch office in Sparta, TN on September 10, 2005. A freestanding ATM is located at each of the five bank offices. Five additional freestanding ATM's are also available at convenience stores. Three of the ATMs are located in Cookeville and one each in Algood and Livingston. FNBOTN has also invested heavily in data processing, which supports banking via the Internet.

As of September 30, 2005, FNBOTN had total assets of \$411 million, of which net loans comprised 83 percent. The following table reflects the composition of FNBOTN's loan portfolio based on the September 30, 2005 Report of Condition.

| Product Category   | Gross Loans as of September 30, 2005 |         |
|--|--------------------------------------|---------|
|  | Dollar<br>(000's)                    | Percent |
| Commercial & Industrial Including Commercial Real Estate | 154,416                              | 44.86   |
| Residential Mortgage Loans                               | 129,234                              | 37.55   |
| Construction & Land Development                          | 22,494                               | 6.54    |
| Individuals  | 25,950                               | 7.54    |
| All Other  | 1,316                                | 0.38    |
| Farmland and Agriculture                                 | 10,789                               | 3.13    |
| <b>Total</b>   | 344,199                              | 100.00  |

*Source: September 30, 2005 Report of Condition.*

FNBOTN provides a wide range of traditional deposit and loan products. The branches are generally located in areas that make them accessible to persons from different areas of the communities they serve. Lobby hours and drive-up hours are set by location to meet customer needs. FNBOTN has ATMs at branches and other locations in their market to make customer accounts accessible.

| Distribution of Bank Offices and ATMs by Census Tract |        |                       |                            |
|---|--------|-----------------------|----------------------------|
| Census Tract  | Tracts | Full-Service Branches | Automated Teller Machines* |

| Income Level | #         | %           | #        | %           | #         | %           |
|--------------|-----------|-------------|----------|-------------|-----------|-------------|
| Low          | 0         | 0%          | 0        | 0%          | 0         | 0%          |
| Moderate     | 5         | 15.15%      | 0        | 0%          | 1         | 10%         |
| Middle       | 26        | 78.79%      | 5        | 100%        | 8         | 80%         |
| Upper        | 2         | 6.06%       | 0        | 0%          | 1         | 10%         |
| N/A          | 0         | 0%          | 0        | 0%          | 0         | 0%          |
| <b>Total</b> | <b>33</b> | <b>100%</b> | <b>5</b> | <b>100%</b> | <b>10</b> | <b>100%</b> |

*\*Five ATMs are non-deposit taking. Five ATMs contiguous with banking locations are deposit taking.*

Customers may also access their accounts through telephone banking or by the Internet ([www.fnbotn.com](http://www.fnbotn.com)). Internet and phone banking services include transfers between FNBOTN accounts, review of account balances or transactions, access loan account information, and bill-paying capability for the Internet banking product. The bank also offers a Visa Check Card that provides customers with additional access to their accounts at point of sale or ATM locations.

FNBOTN's business strategy includes continued marketing of commercial credit to small businesses through its products, staff, and locations. The bank offers Small Business Administration (SBA) loans for new business startups and to expand an existing business. FNBOTN supports the purchase and long-term financing of residential home loans through its conventional secondary market home mortgage, Veterans Administration home mortgage, Tennessee Housing Development Agency (THDA) home mortgage, and rural housing guaranteed home mortgage programs. The bank's home loan products include special programs for first time homebuyers, buyers with less than perfect credit history, and low- and moderate-income family homebuyers.

## **DESCRIPTION OF THE ASSESSMENT AREA (AA)**

The bank has one AA that includes four counties in rural Tennessee. None of the bank's AA is located in a Metropolitan Statistical Area (MSA). The AA is reasonable and meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank's AA includes the contiguous counties of Putnam, Overton, Cumberland, and White. Principal cities within the AA include Livingston, Cookeville, Crossville, and Sparta. Each city serves as the respective county seat of Putnam, Overton, Cumberland, and White County. The bank's main office is located in Livingston, TN, which is approximately 80 miles east of Nashville, Tennessee on I-40 and 20 miles north of Cookeville, Tennessee on Highway 111.

No banking facilities have been closed since the previous CRA examination. There are five, full-service bank locations. All are situated in middle-income census tracts. Each full-service office also provides an ATM machine with 24-hour availability. Routine business such as cash disbursements, deposit taking, transfers, balance inquiries, and loan payments are available through these island secured units. Five other cash disbursing only ATMs are also available within the AA. Eight ATMs are located in middle-income census tracts and one each is located in a moderate-income census tract and an upper-income census tract. Based on the 2000 U.S. Census, there are 33 census tracts within the AA. There are no low-income census tracts. There are 5 moderate, 26 middle, and 2 upper income census tracts. Within FNBOTN's AA, in excess of 152,000 individuals reside. The geographic dispersion of

the population closely resembles census tract geographies. Within the AA, there are approximately 46,000 owner-occupied homes and 8,500 businesses. Almost 91 percent of owner-occupied housing and 81 percent of the businesses are located in middle-income census tracts. The income level by families shows just under 20 percent and 19 percent, respectively, are low- and moderate income families. Some 17 percent of households in the AA are below the poverty level. At December 31, 2005, the unemployment rate for the State of Tennessee was 5.4 percent. All bank offices are in located middle-income census tracts. Similarly, 80 percent of the bank's ATMs are also located in middle-income census tracts. One ATM each is located in a moderate and an upper census tract.

| Demographic Information for Assessment Area                                 |            |            |                      |               |              |            |
|---|------------|------------|----------------------|---------------|--------------|------------|
| Demographic Characteristics   | #          | Low % of # | Moderate % of #      | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs)  | 33         | 0          | 15.15%               | 78.79%        | 6.06%        | 0          |
| Population by Geography   | 152,337    | 0          | 9.18%                | 87.34%        | 3.48%        | 0          |
| Owner-Occupied Housing by Geography   | 45,958     | 0          | 6.36%                | 90.64%        | 3.00%        | 0          |
| Businesses by Geography   | 8,477      | 0          | 12.80%               | 81.27%        | 5.93%        | 0          |
| Farms by Geography  | 354        | 0          | 4.80%                | 93.22%        | 1.98%        | 0          |
| Family Distribution by Income Level   | 43,778     | 19.78%     | 18.87%               | 23.72%        | 37.63%       | 0          |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 3,174      | 0%         | 100%                 | 0             | 0            | 0          |
| Median Family Income  | = \$36,579 |            |                      |               |              |            |
| HUD Adjusted Median Family Income for 2005                                  | = \$42,750 |            | Median Housing Value |               | = \$82,469   |            |
| Households Below the Poverty Level  | = 17.00%   |            | Unemployment Rate    |               | = 5.4%       |            |

(\*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census and 2005 HUD updated MFI. Unemployment rate is as of December 2005.

Education and the medical professions are major industry employers within the AA. Tennessee Technological University is located in Putnam County/Cookeville and employs 2,500. Cumberland, Overton, and White County School Boards employ 3,400. Respective medical centers in each county employ an aggregate of 3,300 workers. Perdue Farms, a chicken processing company, is also a major employer in Putnam County and employs 1,400 workers. Major employers in Cumberland County/Crossville include: Colinx, warehouse and distribution, 425 employees; Delbar Products, bus and truck mirrors, 412 employees; Flowers Snacks of Crossville, cakes and rolls, 391 employees; Crossville Porcelain Stone/USA, ceramic tile, 341 employees; and some 10 smaller industries employing approximately 1100 workers. Major employers in Overton County/Livingston include: The Berkline Corp., manufacturer of recliners, 800 workers; Hutchinson, metal automotive parts manufacturer, 575 workers; Eaton-Ineac, external auto trim manufacturer, 204 workers; and thirteen smaller industries employing approximately 300 workers.

No business opportunities and credit needs of the community, including community development lending, investment, and service needs, have been identified through outreach activities. One community contact was made during the examination. FNBOTN was identified as a strong participant in the 502 Rural Housing Loan Program administered by the local Rural

Development organization. There is a Business and Industrial Guaranty Loan Program available to area banks including FNBOTN. Referrals for the 502 Loan Program were also encouraged.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank's performance under the Lending Test is rated "Excellent." Based on a full-scope review, the bank's performance in the AA is excellent.

#### **Conclusions for AA Full-Scope Review**

FNBOTN's lending performance is outstanding in the full-scope review of its AA. The volume of home mortgage and small business lending is also outstanding. For the years 2004 and 2005, FNBOTN originated approximately 806 home mortgage loans totaling \$62 million. For the same period, FNBOTN originated approximately 861 small business loans totaling \$86 million. FNBOTN made credit more accessible to local small businesses as a Small Business Administration (SBA) lender. During the evaluation period, FNBOTN originated two SBA loans totaling \$250 thousand. Also, for the same time period, FNBOTN originated thirteen Tennessee Housing Development Authority (THDA - rural housing) loans aggregating \$829 thousand. FNBOTN also offered a home mortgage program called "Community Home Loan Program (CHLP)" that provided grant monies up to \$10,000 through the Federal Home Loan Bank for low-income purchasers. While no homes had been financed under this program during the assessment period, FNBOTN continues to offer the program. Management is optimistic that three loans will be underwritten under this program during 2006.

#### **Loan-to-Deposit Ratio**

The average loan-to-deposit ratio for FNBOTN was excellent at 95.03% for the thirteen quarters ending September 2005. FNBOTN's average loan-to-deposit ratio compared very favorably to other competitor banks in the AA for the same period. Of the five independent banks headquartered in the AA and one headquartered outside of the AA, Community Bank of the Cumberland (Jamestown) had the next highest average loan-to-deposit ratio of 82.69% followed by American Bank & Trust Company with an average loan-to-deposit ratio of 73.06%. FNBOTN highest loan-to-deposit ratio was 97.72% on March 2003 and the lowest was 91.43% on December 2004. For the same period, Community Bank of the Cumberland (Jamestown) had the highest loan-to-deposit ratio of 89.07% as of June 2005. Union Bank & Trust Co. reported the lowest loan-to-deposit ratio for the period of 32.53% as of September 2004.

| Loan-To-Deposit Ratios                      |  |                                    |
|---|--|------------------------------------|
| Institution                                 | Total Assets \$000's<br>(As of 09/30/05) | Average Loan –<br>to-Deposit Ratio |
| <i>First National Bank of Tennessee</i>     | <i>\$411,369</i>                         | <i>95.03%</i>                      |
| American Bank & Trust Co., Livingston       | 58,331                                   | 73.06%                             |
| Bank of Putnam County, Cookeville           | 262,398                                  | 51.99%                             |
| Union Bank & Trust Co., Livingston          | 74,123                                   | 34.58%                             |
| Cumberland County Bank, Crossville          | 167,391                                  | 52.67%                             |
| Community Bank of the Cumberland, Jamestown | 86,979                                   | 82.69%                             |

Source: Institution Reports of Condition from September 2002 to September 2005.

As of June 30, 2005, fifteen financial institutions with 49 offices controlled \$2.073 billion in deposits within the AA. FNBOTN controlled the largest market share within the AA at \$339 million, or 16.34%, of total deposits. Four large regional banks controlled 15.18%, 14.56%, 11.64%, and 4.47%, respectively of total deposits for the period. Other independent banks included: Bank of Putnam County (9.43%); Cumberland County Bank (7.21%); Union Bank & Trust Co. (3.13%); Community Bank of the Cumberland (2.84%), and American Bank & Trust Co. (2.47%). Four other institutions also have branches in the AA. They controlled the remaining 9.37% of deposits of which the largest was 3.56% and the smallest was 1.32%.

### Lending in Assessment Area

FNBOTN's record of lending in its AA is excellent. The number of residential and business loans inside the bank's AA was 95.65% and 92.00%, respectively. Similarly, the dollar amount of residential loans and business loans inside the bank's AA was 92.12% and 86.35%, respectively. Collectively, the number and dollar amount of all loans in our loan sample was 93.75% and 89.09%, respectively. Conclusions are based on the number and dollar amount of residential and business loans in our loan sample, which originated during 2004 and 2005.

### Lending in Assessment Area

| Lending in FNBOFTN AA       |                 |               |          |              |           |                          |               |            |               |              |
|-----------------------------|-----------------|---------------|----------|--------------|-----------|--------------------------|---------------|------------|---------------|--------------|
| Loan Sample                 | Number of Loans |               |          |              |           | Dollars of Loans (000's) |               |            |               |              |
|                             | Inside          |               | Outside  |              | Total     | Inside                   |               | Outside    |               | Total        |
|                             | #               | %             | #        | %            |           | \$                       | %             | \$         | %             |              |
| 2004-2005 Residential Loans | 22              | 95.65%        | 1        | 4.35%        | 23        | 1,986                    | 92.12%        | 170        | 7.88%         | 2,156        |
| 2004-2005 Business Loans    | 23              | 92.00%        | 2        | 8.00%        | 25        | 2,056                    | 86.35%        | 325        | 13.65%        | 2,381        |
| <b>Total</b>                | <b>45</b>       | <b>93.75%</b> | <b>3</b> | <b>6.25%</b> | <b>48</b> | <b>4,042</b>             | <b>89.09%</b> | <b>495</b> | <b>10.91%</b> | <b>4,537</b> |

Source: Loan Sample for 2004 and 2005.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FNBOTN's record of lending to borrowers of different incomes and to businesses of different sizes is good. Both the number and dollar of loans in our residential loan sample are reasonably consistent with borrower income levels within the bank's AA. Within the AA, low-income families comprised 19.78% of the population, moderate-income families 18.87%, middle-income families 23.72%, and upper-income families 37.63%. As reflected by the schedule below, both

the number and dollar amount of our loan sample compared favorably to borrowers different income levels within the AA. Similarly, FNBOTN's record of lending to businesses of different sizes is also good. Business revenues within the AA reflect that 68.63% have annual sales less than \$1 million, 4.39% exceed \$1 million, and 26.98% of business sales are unavailable. Comparatively, the number and dollar amount of loans to businesses of different sizes is good. The bank does a good job in obtaining business revenue information on its business loans as reflected by the 0% of unavailable information.

| 2004 – 2005 Borrower Distribution of Residential Real Estate Loans for AA |             |             |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level   | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| % of AA Families  | 19.78%      |             | 18.87%      |             | 23.72%      |             | 37.63%      |             |
| Loan Type(s)  | % of Number | % of Amount |
| Residential Loan Sample   | 13.04%      | 26.04%      | 21.74%      | 9.30%       | 30.44%      | 32.61%      | 34.78%      | 32.05%      |

Source: Residential loan sample included residential home purchases, home improvement loans, and home refinance loans. (Data reported under 2004 and 2005 is 2000 U.S. Census data.)

| 2004 – 2005 Borrower Distribution of Loans to Businesses in AA |              |              |                     |       |
|--|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales)                                   | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses   | 68.63%       | 4.39%        | 26.98%              | 100%  |
| % of Bank Loans in AA by #                                     | 76.00%       | 24.00%       | 0%                  | 100%  |
| % of Bank Loans in AA by \$                                    | 55.37%       | 44.63%       | 0%                  | 100%  |

Source: 2004 Geodemographic data and loan sample.

### Geographic Distribution of Loans

FTNBOTN's geographic distribution of loans is good and meets the standard for satisfactory performance.

There are no low-income census tracts (CT) in the bank's AA. The number of residential and business loans in moderate-income census tracts closely resembles the percent of owner occupied houses within the CT. The dollar amount of residential and business loans in moderate-income census tracts is less than the percentage of owner occupied houses within the CT. This is attributed to borrowers who have a more difficult time qualifying for conventional mortgage products and business loans. These type loan requests tend to be for smaller amounts as reflected by the corresponding percentages.

| 2004 – 2005 Geographic Distribution of Residential Real Estate loans in AA |             |             |             |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Census Tract Income Level  | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| % of Owner Occupied Housing  | 0.00%       |             | 14.29%      |             | 80.00%      |             | 5.71%       |             |
| LOANS  | % of Number | % of Amount |
| Residential Loan Sample  | 0.00%       | 0.00%       | 13.64%      | 6.53%       | 86.36%      | 93.47%      | 0.00%       | 0.00%       |

Source: Residential loan sample included residential home purchases, home improvement loans, and home

refinance loans. (Data reported under 2004 and 2005 is 2000 U.S. Census data.)

| 2004 – 2005 Geographic Distribution of Loans to Businesses in AA |             |             |             |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Census Tract Income Level  | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| % of AA Businesses   | 0.00%       |             | 14.29%      |             | 80.00%      |             | 5.71%       |             |
| LOANS  | % of Number | % of Amount |
| Small Business Loans   | 0.00%       | 0.00%       | 13.04%      | 3.08%       | 82.61%      | 87.49%      | 4.35%       | 9.43%       |

Source: Loan sample (Data reported under 2004 and 2005 is 2000 U.S. Census data)

### Responses to Complaints

There have been no consumer complaints relating to the bank’s Community Reinvestment Act performance during the evaluation period.

### Community Development Loans, Qualified Investments, and Community Development Services Test

The bank’s performance under the Community Development Test is rated “Excellent.” Based on a full-scope review, the bank’s performance in the AA is excellent.

### Community Development Loans

Qualifying community development loans are loans that meet the definition of community development, as defined in the CRA regulation. During the evaluation period, FNBOTN originated seven community development loans aggregating \$1,681,000. Specific examples of loans for qualifying community development organizations are described below.

#### Advocacy Resource Center (ARC)

FNBOTN originated a \$571,000 loan to Advocacy Resource Center (ARC), a non-profit agency. Funds were used to revitalize the building leased to ARC. The agency packages various baking mixes and cooking oils, which are boxed and sold to the Department of Defense and some private companies. The vast majority of employees are special needs workers including predominately low- and moderate-income individuals. Salaries help these individuals to support themselves.

#### Cumberland Area Investment Group

FNBOTN made a \$450,000 to fund capital expansion. The Upper Cumberland Development District established this organization to accept and administer federal loan programs. It serves fourteen counties in the Upper Cumberland region with the goal being the economic development of manufacturing and commercial business. Through government funding, this entity provides long term financing at available market rates.

#### Cumberland Area Investment Corporation

FNBOTN originated a \$250,000 loan to Cumberland Area Investment Corporation, which is a part of the Upper Cumberland Development District. The Upper Cumberland Development District’s mission is to generate jobs including jobs for low- and moderate-income individuals residing in the fourteen county Upper Cumberland District, which

includes Cumberland, Overton, Putnam, and White Counties.

**Upper Cumberland Christian Homes (UCCH)**

The bank originated a \$25,000 loan to Upper Cumberland Christian Homes (UCCH) to complete construction of housing units designated for low-income elderly. The bank also originated a \$160,000 Line of Credit to UCCH to purchase adjacent property for construction of additional housing units designated for low-income elderly.

**Putnam County Habitat for Humanity**

The bank originated a \$125,000 loan to Putnam County Habitat for Humanity to purchase property to build a new restore building. This facility generates income from donated building supplies from contractors with excess supplies, from demolition crews salvaging reusable materials, and from the general public. Habitat for Humanity is a national and international organization, which builds affordable houses for low- and moderate-income families.

**Azalea Gardens Inc.**

The bank originated a \$100,000 loan to Azalea Gardens, Inc. to assist in the construction of a 15-unit housing project. Grant monies and other funds were also used in the construction of this project. This project provides affordable housing to low-income elderly. Azalea Gardens, Inc. is a non-profit corporation, which has been formed as part of a joint effort with the Crossville Housing Authority and several other local agencies. Additionally, this project meets the special physical needs of the elderly.

**Community Development Investments**

Qualifying investments are investments, deposits, membership share, or grants that have as their purpose community development, as defined in the CRA regulation. FNBOTN is a sponsoring institution in the Senior Housing Crime Prevention Foundation (SHCPF), which is a Tennessee nonprofit corporation. The Foundation was established as a way for banks to secure qualified Community Reinvestment Act (CRA) credits in all categories of mandatory regulatory performance tests. FNBOTN invested \$4,544,000 in this project. The investment is used by the Foundation to support the Senior Crimestoppers Program for low-and moderate-income seniors residing in senior housing facilities located in Cumberland, Overton, and Putnam Counties in the State of Tennessee. These funds currently provide safe, secure crime free residences to 918 inhabitants in the bank’s AA. As of December 2005, three grants totaling \$195,000 had been approved and funded. Additionally, the bank had made or committed to make three donations totaling \$23,500 for aggregate grants and donations of \$219 thousand.

| <b>Community Development Lending and Investments in AA</b> |     |   |                   |
|--|-----|---|-------------------|
| <b>Community Development Lending</b>                       |     | # | \$ Amount (000’s) |
| Originated CD Loans  | AA  | 7 | 1,681             |
| Unfunded Commitments*                                      | N/A | 0 | 0                 |
| Total CD Loans   |     | 7 | 1,681             |
| <b>Community Development Investments</b>                   |     |   |                   |
| Qualified Investments                                      | AA  | 1 | 4,544             |
| Originated Grants/Donations                                | AA  | 6 | 219               |

|   |     |    |       |
|---|-----|----|-------|
| Unfunded Commitments*                               | N/A | 0  | 0     |
| Total Qualified Investments                         |     | 7  | 4,763 |
|   |     |    |       |
| Total Community Development Lending and Investments | AA  | 14 | 6,444 |

\*"Unfunded Commitments" means legally binding loan and investment commitments that are tracked and recorded by the bank's financial reporting system.

### **Community Development Services**

Among other activities, community development services are targeted to low- or moderate-income individuals.

The level of qualified community development services is "Excellent." Bank officers have provided technical assistance to organizations, which provide community services for low- and moderate-income individuals, or serve the financial needs of small businesses in the AA. The following are examples of qualifying community development services.

#### **Senior Housing Crime Prevention Foundation**

As detailed above, FNBOTN's involvement with the Senior Housing Crime Prevention Foundation also qualifies as meeting the community development test. On numerous occasions, the bank met with local retirement and nursing homes participating in the senior housing crime prevention program to discuss the program and its benefit to residents.

#### **Money Smart Program**

Bank officers participated in numerous seminars during this assessment period to discuss home ownership, income and debt considerations when applying for a home loan, non-traditional credit consideration such as rent payments and utilities, bank sponsored credit counseling, pre-qualifying for a home loan, reviewing credit reports, and determining how much attendants could afford to spend on housing. These seminars were directed toward low- and moderate-income individuals. A goal of this program was to aid low- and moderate- income individuals to better understand and use bank services and to set personal financial goals, which included home ownership. Flyer handouts helped to promote a good response within the local communities.

#### **Habitat for Humanity**

Various meetings were held with Habitat for Humanity organizations within the bank's AA during the assessment period. These meetings frequently involved fund raising opportunities with the bank and bank personnel often taking a lead role. Bank officers have served on the boards and also held offices (president, treasurer, and secretary) within respective habitat organizations.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.