

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATION FOR PERMISSION TO ORGANIZE A FEDERAL SAVINGS BANK AND RELATED APPLICATION

Order No.: 99-51
Date: August 20, 1999

First Tennessee National Corporation, Memphis, Tennessee (the "Applicant"), has applied to the Office of Thrift Supervision (the "OTS"), pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. § 552.2-1, to organize First Horizon, FSB, Bristol, Virginia (the "Savings Bank"), a federal stock savings bank, and for the Savings Bank to establish 64 loan production offices, pursuant to 12 C.F.R. § 545.96(b) (collectively, "the Applications"). The Savings Bank will be a member of the Savings Association Insurance Fund.

The Savings Bank has requested a waiver of the requirement of 12 C.F.R. § 543.3(d)(1) that a majority of a de novo association's board of directors be representative of the state in which the Savings Bank is located.

The OTS has considered the Applications, including the waiver request, as supplemented by representations by the Applicant, the Savings Bank and their attorneys, under the factors set forth in 12 U.S.C. §§ 1464(e) and 1464(r), and 12 C.F.R. §§ 543.3, 545.96, 552.2-1 and 556.5 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. The OTS has considered analyses prepared by the Office of Examination and Supervision and the Central Regional Office, an analysis from Compliance Policy 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 waiver request meets the standard set forth under 12 C.F.R. § 500.30(a), and hereby waives the applicability of 12 C.F.R. § 543.3(d)(1). In addition, for the reasons set forth in the Staff Memoranda, the OTS finds that the Applications satisfy the applicable approval standards, other than 12 C.F.R. § 543.3(d)(1), provided that the following conditions are complied with in a manner satisfactory to the Central Regional Director, or his designee ("Regional Director"). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The Applicant and the Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Office;
2. The proposed transaction must be consummated within one hundred twenty (120) calendar days from the date of this Order or within such additional period as the Regional Director may grant;

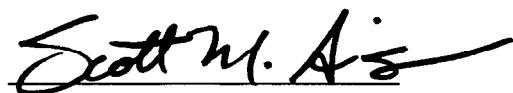
3. On the business day prior to the date of consummation of the proposed transaction, the Chief Financial Officers of the Applicant and the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Applicant and the Savings Bank, respectively, as disclosed in the Applications, including but not limited to directors, shareholders, or the business plan; and provided further, that no additional information having an adverse bearing on any feature of the Applications has been brought to the attention of the Applicant, the Savings Bank or the OTS since the date of the financial statements submitted with the Applications;
4. The Applicant and the Savings Bank must advise the Regional Office in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications and this Order;
5. At a minimum, the Savings Bank must maintain a tangible capital ratio equal to 12 percent of all loans, other than those secured by real estate that have a loan-to-value ratio of 80 percent or less, plus 8 percent of all remaining assets. The Savings Bank must submit quarterly capital calculations to the Regional Director to ensure compliance with this condition;
6. The Savings Bank must operate within the parameters of its business plan. The Applicant and the Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Applicant), 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 Savings Bank must submit to the Regional Office quarterly activity reports and annual variance reports on the business plan for the first three years of its operations;
8. The Savings Bank must submit quarterly reports on asset quality to the Regional Office. The reports must provide an explanatory narrative for: loans past due 90 days or more, loan charge-offs by loan category, adequacy of loan loss allowances and any significant deterioration of asset quality;
9. The Savings Bank must submit independent audit reports to the Regional Office for its first three fiscal years. These reports must comply with the audit rules set forth in 12 C.F.R. § 562.4;
10. Within 90 calendar days after appointing a Compliance Officer, the Savings Bank must submit to the Regional Director a comprehensive compliance management program that covers all consumer protection laws and regulations and provides for training to all persons engaged in the performance or oversight of the Savings Bank's compliance obligations.

11. Any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, must be provided to the Regional Director, or his designee, at least 30 days prior to execution and must receive his written non-objection prior to implementation;
12. Any affiliate of the Applicant that engages in securities brokerage activities ("Broker Dealer affiliate") must be operated as a separate legal entity from the Savings Bank so that: (a) their respective accounts and records are not intermingled; (b) each observes the procedural formalities of separate legal titles; (c) each is held out to the public as a separate enterprise; and (d) neither dominates another to the extent that one is treated as a mere department of the other;
13. A majority of the Savings Bank's board of directors must not be comprised of individuals that are directors or employees of any Broker Dealer affiliate;
14. The Savings Bank and any Broker Dealer affiliate are prohibited from sharing common officers unless prior written approval is obtained from the Regional Director, which must be based on criteria such as regulatory compliance, experience, character, integrity and the ability to perform both duties;
15. The Savings Bank and the Broker Dealer affiliate must take measures necessary to ensure that their officers and directors adhere to the principles set forth in OTS regulations on conflicts of interest, 12 C.F.R. § 563.200; corporate opportunity, 12 C.F.R. § 563.201; and any other additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the Savings Bank and the Broker Dealer affiliate are prohibited from using their influence to: (a) take advantage of a business opportunity for the Broker Dealer affiliate's benefit when the opportunity is of present or potential advantage to the Savings Bank; or (b) place the Broker Dealer affiliate in a position that leads to, or could create the appearance of a potential conflict of interest;
16. The Savings Bank, the Applicant and the Broker Dealer affiliate are subject to the provisions of 12 C.F.R. § 563.76, *Offers and Sales of Securities at an Office of Savings Association*, and related policy established in OTS Thrift Bulletins 23-2, *InterAgency Statement on Retail Sales of Nondeposit Investment Products* (the "InterAgency Statement"), and 23a, *Limited Exceptions to Prohibitions on Sales of Savings Institution's Securities*, and any additional or successor statements of policy or regulations addressing these subjects. The Savings Bank and the Applicant shall ensure compliance by any Broker Dealer affiliate with, at a minimum, the General Guidelines in Disclosures and Advertising set forth in the InterAgency Statement whenever the Broker Dealer affiliate or their representatives market, or offer for sale, deposit products of the Savings Bank; and
17. At least 30 days prior to the date of consummation of the proposed transaction, 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.

Any time period set forth herein may be extended for up to 30 days, for good cause, by the Regional Director.

By order of the Director of the Office of Thrift Supervision, or her designee, effective August 20, 1999.



Scott M. Albinson
Managing Director
Office of Supervision