



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

March 15, 2001

Conditional Approval #457
April 2001

Lawrence D. Kaplan, Esq.
Sidley & Austin
1722 Eye Street, NW
Washington, D.C. 20006

Re: Application from Rushmore Trust and Savings, FSB, Bethesda, Maryland, to convert to a national bank charter, with the title "FBR National Bank"
Application Control Number: 2000-NE-01-0011

Dear Mr. Kaplan:

The Office of the Comptroller of the Currency (OCC) has reviewed the application to convert Rushmore Trust and Savings, FSB, to a national bank. After a thorough review of all information available, including the representations and commitments made in the application and the bank's representatives, we find that your request meets the requirements for conditional approval to convert to a national banking association pursuant to 12 USC 35 and 12 C.F.R. § 5.24.

Title: FBR National Bank

Location: Bethesda, Maryland

You have represented that, immediately upon the conversion of Rushmore Trust and Savings, FSB, into FBR National Bank, the Friedman, Billings, Ramsey Group, Inc. ("FBR") will acquire FBR National Bank. FBR filed an application to become a bank holding company with the Board of Governors of the Federal Reserve System ("Federal Reserve"), which was approved by the Federal Reserve on March 13, 2001. The operating plan of FBR National Bank submitted with the application reflects that the bank will be an indirect subsidiary of FBR.

This approval of the conversion application is subject to the condition that the conversion may not take place prior to the expiration of any required waiting period. This approval is subject to the additional condition that the bank shall provide at least sixty (60) days prior notice to, and receive the prior approval of the OCC's Washington, D.C. Field Office before any

significant deviation or change from the proposed operating plan during the bank's first three years of operation as a national bank. These conditions are deemed to be conditions "imposed in writing by the agency in connection with the granting of any application or other request" and are enforceable under 12 USC §1818.

Prior to or as of the date of the conversion:

1. Directors of the national bank must own qualifying shares in conformance with 12 U.S.C. § 72 and 12 C.F.R. § 7.2005.
2. The national bank must have adequate fidelity bond coverage in accordance with 12 C.F.R. § 7.2013, which lists four factors the directors should consider to determine adequacy.
3. The board of directors must adopt and have in place policies, practices, and procedures to ensure the safe and sound operation of the bank. The board also must review those policies, practices, and procedures continually and ensure bank compliance with them. We are attaching the minimum policies and procedures applicable to national banks.
4. Rushmore Trust and Savings, FSB, has represented that it intends to maintain its membership in the Federal Home Loan Bank (FHLB) system. If, at any time, FBR National Bank ceases to be a member of the FHLB system, it must use its best efforts, including contacting the appropriate FHLB and/or the Federal Housing Finance Board, to dispose of any stock in the FHLB. The OCC will consider this stock as a nonconforming asset for any period that FBR National Bank is not a member of the FHLB system.
5. FBR National Bank must maintain a liquidation account.
6. The converting institution must notify the OCC if the facts described in the filing materially change at any time prior to consummation of the conversion. The OCC reserves the right to alter or withdraw this approval should any interim development be deemed by the OCC to warrant such action.
7. The converting institution must obtain any other required regulatory approvals.

The OCC also approves your proposal to conduct fiduciary powers pursuant to 12 USC 92a. This approval constitutes a permit to conduct fiduciary powers requested in your application (12 C.F.R. 5.26(d)(4)). Accordingly, you may begin exercising fiduciary powers simultaneously with your conversion to a national bank. Please notify this office in writing within 10 days after commencement of trust activities. The trust activities should begin within 18 months of this approval, unless we grant an extension. In the event the bank decides to surrender its fiduciary powers, it should notify the OCC in accordance with 12 CFR 9.17(a).

The board of directors should provide for the establishment and administration of the trust department (or fiduciary operation) either through the adoption of amendments to the bylaws

or by appropriate resolutions. You will note that 12 CFR 9.4 places responsibility on the board of directors for the proper exercise of the bank's fiduciary powers. However, the board may decide whether it shall supervise the administration of all such powers directly or assign any function related to such powers to any director, officer, employee, or committee.

The board should also provide:

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

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

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

The OCC poses no objection to Trust Officer Marlene Carson or Senior Lending Officer Carolyn Tabb. Additionally, the OCC poses no objection to the addition of Webb Hayes, Robert Hartheimer, or George Grosz as directors of FBR National Bank. You are also reminded that the OCC must review and have no objection to any executive officers or directors changes that Rushmore Trust and Savings, FSB, makes prior to converting to a national bank.

Upon completion of the above procedures, please submit to the Northeastern District Office a letter certifying that you have completed all steps required to convert to a national banking association. Your notification should include the following documents as attachments if they have not already been submitted: Secretary's Certificate certifying shareholder approval of the proposed conversion; Articles of Association; Bylaws; Organization Certificate properly signed and executed; Oath(s) of Directors; and List of Directors.

When the institution has satisfactorily completed all of the above steps, the OCC will issue a letter officially authorizing the institution to commence business as a national banking association. At that time, you will receive the charter certificate. If the conversion is not consummated within six months from the approval date, the approval shall automatically

terminate unless the OCC grants an extension of the time period.

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

All correspondence regarding this application should reference the application control number. If you have any questions concerning this letter, please contact Senior Corporate Analyst Sandya R. Reddy in our Northeastern District Office at (212) 790-4055 or me at (202) 874-5060.

Sincerely,

~~-signed-~~

J. Greg Parvin
National Bank Examiner/Senior Licensing Analyst