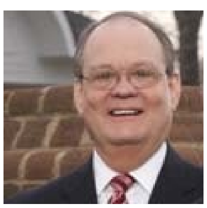
SPILMAN THOMAS & BATTLE, PLLC 1-800-967-8251

COMMUNITY BANKING EXCELLENCE

Contact the Spilman Community Banking Group

1-800-967-8251

Interview with a Community Banking Professional



Steve Talbert, CEO
Bank of the Carolinas

Q: What sets a community bank apart?
A: The personal contact we continue to have with our customers sets us apart. At Bank of the Carolinas, we strive to give service second to none, whether it is opening and servicing a consumer checking account or working with a small business customer on a loan. We constantly hear that with some larger institutions, the customers really don't have a one-on-one relationship with anyone at that bank.

Q: Will there be such a thing as a "community bank" in 10 years?
A: Yes, there definitely will. There will always be a place for a bank whose focus is small business lending and is small business and retail-oriented. Our focus will continue to be on those business

Holiday Wishes

At the expense of being cliché, it is hard to believe another year is coming to an end. My parents were right: as we get older, time moves faster and faster. Unfortunately, during this season, when we should be focusing on our family and friends, we find ourselves at our busiest and torn in more directions than normal. So, my holiday wishes to you are that you have peace and happiness this holiday season (and in 2014) surrounded by your loved ones. And for 2014, I hope you see more prosperity (and meaningful regulatory change for community banks).

We hope you find something useful in this edition of Community Banking Excellence. We enjoy bringing it to you and look forward to continuing this publication in 2014. If there are topics you believe would be of interest, please let us know. We like hearing from you.

customers who need loans from $10,000 and up, and retail customers who need a checking account or home loan. And, we will do it with our employees who work in our branch offices.

Q: What will it look like?
A: I continue to think most of the service areas will be as they are today. We hear that many banks are going to smaller branch offices because fewer people want to walk into a branch to do business. They want online banking and mobile banking. Both of those services will be very important to all banks, but I think there is still a need for "brick and mortar" branches.

Q: What is the biggest threat facing community banks?
A: The biggest threat to community banks today and going forward is the regulatory burden that all banks must address. For community banks, it means allocating more employees to our regulatory and compliance areas. Smaller community banks are going to have difficulty addressing this issue because it takes just as much time for a $500 million bank to address and comply with this burden as it does a $1 billion bank.

Q: How do you think it should be addressed, or can it be?
A: The issues can be best addressed with bankers and our North Carolina Bankers Association to work with our senators and representatives on understanding the burden that new regulations impose on small banks.

Q: As a whole, what do you think community banks are doing right?
A: Community banks continue to work one-on-one with customers and are able to give an answer on a loan request in a shorter time frame. Commercial and retail lenders can be given lending authority and work closely with its loan administration departments to gather and analyze financial data in a short time frame. Unfortunately, some larger institutions have centralized lending authority, which can cause slower response time. I'm not saying they do have slower response time, simply saying it *can* slow response time.

Q: Where are they falling short?
A: I hope that community banks are not falling short. I like to think and hope that Bank of the Carolinas is not falling short in any area. If so, we certainly will address the issues.

Q: What are the biggest opportunities for growth of community banks?
A: As I said before, one-on-one relationships are extremely important. Our bankers are going to be bankers who understand our customers' needs. We

Again, Happy Holidays,

Timothy Moore

Accidents Don't Cut It - Ensuring You Don't "Unintentionally" Violate the Automatic Stay

by Casey H. Howard

A debtor files for bankruptcy protection, and his or her creditors are sent notice of the filing. Despite having received the notice, due to a breakdown in internal procedures one of the creditors, a bank, accidentally takes action to collect on the debt after the filing of the bankruptcy case - thus violating the automatic stay. Since the violation was unintentional, surely the bank cannot be sanctioned, right? Wrong.

Federal law provides that the filing of a bankruptcy petition stays most actions to recover money or property from the debtor, including

* the commencement or continuation of lawsuits or other proceedings that were or could have been commenced before the bankruptcy filing;
* the enforcement of judgments obtained before the commencement of the bankruptcy case;
* acts to obtain possession or exercise control over property of the bankruptcy estate;
* acts to create, perfect or enforce liens against property of the bankruptcy estate or the debtor;
* acts to collect, assess or recover claims that arose before the commencement of the bankruptcy case;
* the setoff of debts that arose before the commencement of the bankruptcy case; or
* the commencement or continuation of certain tax proceedings.

A creditor's willful violation of the automatic stay will result in the injured individual receiving damages, including costs, attorneys' fees and, when appropriate, punitive damages. So what exactly constitutes a "willful" violation of have to understand their businesses so we, as bankers, can help them be successful. If we have the right people in the right places, and we can help our customers be successful, then our bank is going to be successful.

Q: ***Slate's*** Matthew Yglesias recently wrote a blog post that has garnered some attention for essentially setting forth a case that there should be only a few dozen banks in this country. He believes the community banks (or as he calls them, "micro-banks") should be rolled into the larger regional banks because the banks are "poorly managed," "can't be regulated," and "can't compete" with JPMorgan and Bank of America. What are your thoughts on this? Are there too many banks, and what would be the outcome if we did have only a few dozen banks in the country?
A: I was in a meeting over 25 years ago, and heard Hugh McColl make an exceptional talk and that talk had almost the same comments. Here we are all these years later with community banks serving local areas and still surviving and doing a wonderful job. I think community banks serve an important purpose by actually giving back to the local communities in which they serve. It would be very difficult for JPMorgan and/or Bank of America to allow each of their branches to have community get-togethers with customers as a main focus. They simply would be too big to be able to do that. Community banks exist for more than being there for their customers...they are there to support their communities and help their communities be successful and grow. If this is done correctly, everybody wins.

Q: ***American Banker*** and others are reporting that there seems to be a scarcity of new talented young people going into community banking. Do you agree? If so, is this a real threat? What can be done?
A: I don't see the scarcity of new talent as a threat. In my opinion, we have a steady stream of new talent. They may not be coming directly into community banking, but they are coming in via larger banking institutions. Many young people start out in a large institution, but downstream into a community bank, because we have heard from some of them,
"I want to work somewhere I can make a difference." I am convinced that we have a lot of young, talented people who do want to work where they can "make an immediate difference." We have heard this from some.

Q: What makes you most proud about

the automatic stay? If the creditor takes some action that unintentionally violates the automatic stay, can this result in sanctions?

Read the full article on our website.

Dodd-Frank Essentials: Executive Compensation Requirements and Disclosures

by R. Scott Adams

Several provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act have brought compensation of financial institution executives into the public eye. Although disclosure of executive and director compensation dates back to the 1930s, Dodd-Frank's most highly publicized requirement, "say-on-pay," shifts the disclosure to a dialogue with shareholders, essentially allowing shareholders to vote on compensation for certain executives. As the Securities and Exchange Commission continues to implement new rules necessitated by Dodd-Frank, compensation represents another area requiring increased scrutiny by boards of directors.

Through passage of the Dodd-Frank Act, the Securities and Exchange Act was amended in several ways, requiring new SEC rulemaking that is not yet complete. The Dodd-Frank Act established certain independence standards for compensation committees and mandated that the compensation committee be provided certain resources to hire a consultant and other advisers. Also, new section 10D requires issuers to adopt and enforce policies on clawbacks of executive compensation in cases where the issuer restates financial statements.

Read the full article on our website.

ECOA Now Growing Fangs in North Carolina

by Timothy Moore

In my last article, "ECOA Gets More Teeth in North Carolina," I wrote about the recent North Carolina Court of

being a community banker at Bank of the Carolinas?
A: I think that as a whole, all community bankers are friendly competitors. We can talk and discuss our situations and positions, and at the end of the day we can leave as friends. We all have the same goals: to make money for our shareholders, to work with our communities to make them better places to work and live, and to provide jobs for our local communities. We do that every day.

THE DRIVE-THRU

Nobody cares how much you know, until they know how much you care.

- Theodore Roosevelt

Appeals decision, *RL Regi North Carolina, LLC v. Lighthouse Cove, LLC,...,and Connie S. Yow* (COA12-1279). As expected, it did not take long for this important decision to limit the enforcement of some spousal guaranties.

Approximately one month after the *Lighthouse* decision, *Wells Fargo v. Triplett v. Triplett*, was handed down by Judge Howard of the United States District Court (ED-NC). In this decision, he cited *Lighthouse* when he allowed an alleged violation of ECOA to be an affirmative defense to the enforcement of a nearly $3 million obligation. In *Triplett*, one of the numerous defendants argued Mrs. Nancy Triplett (who was since deceased) was not a joint loan applicant and her husband was creditworthy without her joining the loan.

Read the full article on our website.

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