

# **PUBLIC DISCLOSURE**

**March 8, 2004**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Farmers and Merchants Bank  
Certificate Number: 9963**

**322 Main Street  
Clarksville, Tennessee 37040**

**Federal Deposit Insurance Corporation  
Division of Supervision and Consumer Protection  
Dallas Region—Memphis Area Office  
5100 Poplar Avenue, Suite 1900  
Memphis, Tennessee 38137**

**NOTE:** 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.

## ***LENDING, INVESTMENT, AND SERVICE TEST TABLE***

The following table indicates the performance level of Farmers and Merchants Bank, Clarksville, Tennessee, with respect to the *Lending, Investment, and Service Tests*.

<b>PERFORMANCE LEVELS</b>	<b>Farmers and Merchants Bank</b>		
	<b>PERFORMANCE TESTS</b>		
	<b>Lending Test*</b>	<b>Investment Test*</b>	<b>Service Test*</b>
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\*Note – The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The table shows the overall rating is supported by satisfactory performance in the Lending, Investment, and Service Tests.

### ***PERFORMANCE CONTEXT***

An institution's performance under the regulatory assessment criteria is evaluated in the context of information about the institution, its community, and its competitors. Examiners reviewed demographic and economic conditions, the institution's major business products and strategies, financial condition, capacity, and ability to lend or invest in its communities.

#### ***Community Contact***

In an effort to assist in establishing the performance context for this evaluation, examiners contacted an organization in the Clarksville Assessment Area that provides management expertise and technical assistance to existing and prospective small businesses owners. The contact spoke favorably about the bank's involvement in the local community, and specifically mentioned that the bank had provided financial support at a critical time, which kept the organization in operation. The contact stated that there is an excellent climate for small business lending in the Clarksville Assessment Area, as well as, opportunities for community development.

investments, including some investments that are innovative and also provide community leadership. A few of the bank's larger investments benefit a regional area, such as the State of Tennessee, which indirectly benefit all the bank's assessment areas. The following are descriptions of the bank's major investments:

***Aspire 2000*** – During the evaluation period, F&M Bank made direct quarterly investments totaling \$114,583 to fund this economic development program, which is administered through the Clarksville-Montgomery County Economic Development Council. This program has a four-year goal to create more than 5,200 new jobs, with more than 60 percent of these jobs targeted to low-income individuals. Bank management helped organize and administer the program, which demonstrates the bank's leadership role as well as their use of innovative methods to create investment opportunities that assist community development.

***Tennessee Small Business Development Center (TSBDC)*** – During the evaluation period, F&M Bank provided direct financial support totaling \$12,500 to this community development organization. TSBDC is a partnership of the SBA, Clarksville-Montgomery County Chamber of Commerce, and Austin Peay State University with additional financial support from area financial institutions. TSBDC provides management and technical assistance to existing and prospective small business owners, which includes business start-up information, business plan development, market analysis and planning, loan package completion, government contracting, and international trade. A community contact stated that this bank's financial assistance (during and prior to the review period) has been instrumental in keeping TSBDC in operation. This investment is another example of the bank's leadership role in supporting community development initiatives.

***Southern Appalachian Fund L.P. (New Markets Tax Credit Program)*** – F&M Bank is legally committed to a \$100,000 investment in this New Markets Tax Credit Program. Southern Appalachian Fund (Fund) is a "qualified community development entity" that invests in qualified low income community businesses. The bank receives tax credits to enhance its investment in the Fund, which in turn facilitates investment by the Fund in areas that benefit a regional area that includes the bank's assessment areas. Only six banks in the country participated in this program, which demonstrates the bank's leadership in identifying new and innovative ways to increase access to equity capital in low-income communities that helps businesses in these areas succeed and create jobs.

***Qualified Zone Academy Bonds issued by the Tennessee State School Bond Authority*** – During the evaluation period, the bank invested \$500,000 in these bonds. The investment provides funding to rehabilitate or repair public school facilities in qualified zones, established by the Taxpayer Relief Act of 1997. The funds are also used to provide equipment, develop course materials, and train teachers and other school personnel. Several schools in the bank's assessment areas meet the criteria for qualification under this program.

***Senior Housing Crime Prevention Foundation Investment Corporation*** – The Bank invested \$350,000 in this program during the evaluation period. The investment helps fund senior crime-stoppers programs, which provides reward money for tips that help solve crimes, at nursing

homes in three of the bank's assessment areas (Clarksville, Stewart County, Robertson County). These nursing homes primarily house low- and moderate-income residents.

The remainder of the bank's investments is primarily in qualified grants and donations as noted below:

***Qualified Grants and Donations*** – F&M Bank has made 75 direct donations totaling \$56,088 to qualified community development organizations, during the evaluation period. These community organizations provide services and benefits to those with low- and moderate-income or they enhance economic development in low- or moderate-income geographies. In the Clarksville Assessment Area, the bank has made 57 donations totaling \$44,870.

## **SERVICE TEST**

### ***Bank Performance***

The F&M Bank's performance in regard to the Service Test is considered good, overall. However, with respect to the Clarksville Assessment Area, the bank's performance is viewed as excellent. F&M Bank is a leader in providing community development services, and its main office and 11 branches are readily accessible to the entire area. For a description of the scope of the test, refer to Appendix D. Following is a detailed discussion of the bank's performance with respect to this test.

### **Retail Banking Services**

#### ***Accessibility of Delivery Systems***

For the bank as a whole, F&M Bank has a total of 12 offices and 12 ATMs throughout its combined assessment area. Using 2000 Census data, there are two branch locations in moderate-income geographies, 8 branches in middle-income geographies, and 2 branches in upper-income geographies. Of the bank's 12 ATMs, 1 is located in a moderate-income geography, 10 in middle-income geographies, and 1 is located in an upper-income geography. The 2000 Census data indicates that there are no low-income geographies in any of the bank's assessment areas. The location of the bank's branches and ATMs generally follow the distribution of the population and delivery systems are accessible to essentially all portions of the bank's assessment areas.

With respect to the Clarksville Assessment Area, there are 7 offices and 8 ATMs. The downtown main office and one branch are located in moderate-income geographies, and they have one ATM. Moderate-income tracts comprise 8.8 percent of the assessment area population and the bank serves these areas with 28.6 percent of its offices and 12.5 percent of its ATMs. In addition, this assessment area has three offices and 6 ATMs located in middle-income geographies and 2 offices and 1 ATM located in upper-income geographies. The distribution of the bank's branches and ATMs in the Clarksville Assessment Area are distributed similar to the geographic distribution of the population making their delivery systems readily accessible to all portions of the area. Refer to Tables 16 in Appendix E.