



# C Notes

THE QUARTERLY E-NEWSLETTER OF FRANKLIN BANK, S.S.B.

## Franklin Bank



The Franklin Family of Community Banks<sup>SM</sup>

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*Franklin Bank C Notes is published electronically each quarter. Articles and/or photos can be submitted to the following representatives:*

#### **CORPORATE OFFICE**

*Kris Dillon*

[kdillon@bankfranklin.com](mailto:kdillon@bankfranklin.com)

#### **CENTRAL TEXAS REGION**

*Joanne Partridge*

[jpartridge@bankfranklin.com](mailto:jpartridge@bankfranklin.com)

#### **EAST TEXAS REGION**

*Lana Cook*

[lcook@bankfranklin.com](mailto:lcook@bankfranklin.com)

#### **Other Contacts:**

#### **HR ADMINISTRATOR**

*Joyce Erfurdt*

[jerfurdt@bankfranklin.com](mailto:jerfurdt@bankfranklin.com)

#### **C NOTES EDITOR**

*Emmeline Aguirre*

[eaguirre@bankfranklin.com](mailto:eaguirre@bankfranklin.com)

## *From the CEO's Desk*

In 2006, Franklin Bank made substantial progress toward becoming the largest community-based commercial bank in Texas. This was a result of the continued growth in our commercial and community banking businesses as well as the planned acquisition of the First National Bank of Bryan (FNB).

Earnings for the year and fourth quarter were lower than our expectations as a result of the inverted yield curve, weakened mortgage market and our unwillingness to compromise our credit standards by participating in the higher-risk, non-traditional mortgages that were the dominant product in the market.

Commercial loans grew 65 percent for the year, and community banking deposits grew more than 12 percent organically from 2005. At the end of 2006, 40 percent of total loans were commercial and community banking loans, a significant increase from 30 percent last year. Commercial and community banking loans are expected to exceed 50 percent of total loans during 2007, a goal we announced during our IPO road show.

This transformation should enhance Franklin's earnings and market valuation by providing higher, more stable returns for our stockholders as our commercial and community banking operations continue to grow despite the continuing adverse economic conditions. Thus, looking forward, we expect our 2007 earnings to improve to record levels by the fourth quarter as a result of the expected growth of our commercial loans, the completion of the balance sheet restructuring and the acquisition of FNB. Acquisition of FNB is expected to close during the second quarter 2007.

Also during 2007, all legacy banks will formally adopt the name Franklin Bank. Highland Lakes Bank and the two Lost Pines locations officially became Franklin Banks on January 17. The two Elgin Bank offices will change after a major remodel of the Main location, scheduled to be completed sometime in May.

We anticipate 2007 to be a year of growth and excitement for all our locations!



*Tony Nocella*

## Houston Corporate

On December 4, 2006, Franklin Bank announced the agreement in which Franklin Bank would acquire the outstanding shares of First National Bank of Bryan (FNB) in exchange for \$134.0 million in cash.

“The acquisition of First National Bank of Bryan enhances Franklin Bank’s commercial and community banking businesses in one of the fastest growing markets in the state of Texas and increases the Company’s commercial loan generation capacity,” President and Chief Executive Officer **Tony Nocella** said. “The acquisition also adds attractive commercial lending and depository relationships.”

As of September 30, 2006, FNB had \$517 million in total assets, \$332 million in community banking loans and \$448 million in community banking deposits. Additionally, Franklin will add FNB’s six community banking offices to its banking office network.

The transaction strengthened Franklin Bank’s already solid position in the Central Texas market. FNB is the second largest bank in the Bryan/College Station market and has had a 10-year record of strong growth and excellent credit performance. Its deposit and loan production teams are recognized as industry leaders.

**Tim Bryan**, Chairman and Chief Executive Officer of FNB, said, “The merger with Franklin Bank links our company with one of the most dynamic

banking organizations in the state and is an attractive financial transaction for our shareholders. We believe our core commercial lending and community banking units will transition smoothly with Franklin Bank.

“The customers of First National Bank of Bryan should expect business as usual. They will receive the same outstanding personalized customer service to which they have grown accustomed over the many years they have been doing business with First National Bank of Bryan.”

Bryan promised customers the name and employees will not change. “I would expect our customers to see very little change other than additional products,” Bryan said. “We will keep our name and our management in place. We will continue to operate as a family bank. It’s going to be the same people, the same service, with expanded products and different owners.”

Under the new ownership, FNB will be able to offer larger loans to its customers. Additional services will include more expensive technology such as “remote capture” software, which allows commercial banking customers to make deposits without delivering checks to a branch.

The acquisition is expected to be completed in the second quarter of 2007 and is subject to approval of FNB’s shareholders, regulatory approvals and the completion of due

diligence by Franklin. The agreement has been approved by both companies’ boards of directors.

“We expect to have First National Bank of Bryan fully-integrated by the end of the fourth quarter 2007,” Nocella said.

The city of Bryan was named for William Joel Bryan, the great, great grandfather of FNB’s current CEO. FNB is known as the oldest surviving bank in Texas and has been in the Bryan family for four generations, operating in three different centuries. For almost 150 years, it has been a cornerstone of the community, a philanthropic institution and a historic family business. It was the first business in the Brazos Valley to use a computer, leasing a \$6,000 machine in 1965.

The current CEO’s 84-year-old father, **Travis Bryan Jr.**, was the former chairman and CEO of the bank and now is the senior chairman of the board of directors. At the announcement of the agreement, he mentioned that he arrives at the bank at 8:30 a.m. every day, a routine he intends to continue even now that the business has new ownership.

“Let me assure you the Bryan family is going to be here tomorrow as it was yesterday,” Travis Bryan Jr. said. “You know where my office is now, and I can assure you it will be there tomorrow. This is a grand deal for us all.”

Franklin Bank’s core values state that we exist to serve our customers and employees with respect and fairness, and in all things we will be ethical, forthright and honest. Further, Franklin Bank will foster innovation and open communication, and we will recognize each individual’s contribution. And most importantly, we will proactively help others to succeed.

*“Create your own set of values to guide your actions.”*

*– Benjamin Franklin*

The company also plans to continue its efforts as a community partner, Tim Bryan said. The bank is known for its charitable contributions. In 1942, the board of directors decided to buy \$10,000 of every issue of U.S. bonds for as long as World War II lasted. By the time the war ended, the bank had sold more than \$5 million in U.S. bonds. The bank later raised money for a P-51 fighter plane and donated it to the U.S. Army.

When a theft of almost \$30,000 was reported at Bryan's Salvation Army at Christmas two years ago, FNB stepped in and made a \$25,000 donation. The gift meant that no family covered by the charity's Bryan office would go without Christmas, former Salvation Army Capt. Henry Houston said at the time. "It's one of those things that just breaks your heart," Houston said when the bank's donation was announced in December 2004. "It breaks your heart to find out you lost something, and it breaks your heart to find the joy of somebody giving like that."

First National Bank recently donated \$50,000 to the local United Way for a new building. P. David Romei, a friend of the Bryan family and the former director of the Arts Council of Brazos Valley, said Tim Bryan helped raise \$125,000 for the Veterans Memorial and underwrote the memorial's "Freedom Pavilion" at a cost of \$10,000. "Tim Bryan is not impressed by money and power, but instead by the sincerity and creativity of hardworking people," Romei said. "Tim's leadership in Bryan-College Station is directly responsible for the high quality of life we enjoy and the values we honor. There is no doubt in my mind that he will use the new strength and prosperity of First National Bank to make even bigger contributions in the future."



### Financial Highlights

#### Comparison of the years ended December 31, 2006, and 2005:

- Adjusted net income for 2006 was \$30.1 million or \$1.26 per diluted share, with certain exclusions referenced later.
- On a GAAP basis, Franklin had net income of \$15.5 million or \$.65 per diluted share compared to \$26.3 million or \$1.13 per diluted share, reflecting the short term impact of the restructuring
- Franklin's assets increased 24 percent to \$5.5 billion primarily as a result of the growth within the commercial loan portfolio which increased 65 percent to \$1.8 billion.
- Community banking deposits were up 15 percent to \$1.4 billion.

#### Comparison of the quarters ended December 31, 2006, and 2005:

- Adjusted net income for the quarter ended December 31, 2006, was \$7.2 million or \$.30 per diluted share.
- On a GAAP basis, Franklin had a net loss of \$4.0 million or \$.17 per diluted share compared to net income of \$4.7 million or \$.19 per diluted share for 2005. The loss is primarily the result of the restructuring of the single-family loan portfolio.

#### Business Highlights:

- Franklin Bank announced the reclassification of approximately \$580 million in single-family loans, or 20 percent of the single-family loan portfolio, from Held For Investment to Held For Sale.
- Franklin Bank announced the acquisition of FNB and expects the acquisition to close during the second quarter 2007. FNB had approximately \$520 million in total assets of which the majority is commercial and community banking loans.
- Franklin Bank announced the completion of the purchase and assumption from Equity Bank of two banking offices with approximately \$42.7 million in deposits located in East Texas.

### Franklin Investment Professionals, Inc.

**Sean Ray**, financial consultant, successfully acquired a client, who moved \$1.3 million in assets from a Dallas firm. **Neil Hunter**, Vice President Commercial Lending at Athens 2, referred the client, a current bank customer, to Ray. After several proposals and meetings over the course of a year, Ray was able to convince the customer to move all his assets to Franklin Bank and Franklin Investment Professionals, Inc.

Franklin Bank's non-deposit program thrives because of employee support through referrals. Every employee can make a positive contribution to helping the bank reach its revenue and earnings objectives. The bank will pay a fee to employees for each qualified referral.



**Technological Advances**

Technology has received many requests for the ability to scan documents. If not managed properly, the amount of resources the scanned documents consume can become an issue. Technology has put together a Best Practices Procedure on how to scan, store and email documents without impacting bank's resources.

Requests for scanners and the ability to scan require manager approval, and final approval is based on business needs. If approved, the user must have hands-on training utilizing the Best Practices Procedures. If the user does not follow the procedures, the ability to scan will be removed until the user is retrained.

If you already scan documents, please contact the Helpdesk for appropriate training using the Best Practices Procedures. The procedures are located on the P drive:\IT Support Forms\Best Practices - Scanning and Emailing.pdf.

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To enhance security at the bank, Technology has installed software to monitor Internet traffic and to inventory installed software on each computer. Reports of Internet abuse and unauthorized software will be distributed to all managers.

The Internet monitoring system documents visited web sites, the user, downloaded or uploaded files and the length of the browser session.

Preliminary reports showed an average use of 33 gigs of Internet bandwidth. Only 16 gigs was true bank business. In other words, more than half of the bandwidth was attributed to

employees using the Internet for non-bank, non-business related activities, which is an abuse of Franklin Bank's Acceptable Use Policy.

Along with the monitoring system, inappropriate sites will be filtered and inaccessible. Such sites are determined on a general category basis, such as gambling or alcohol and tobacco. Certain legitimate web sites may be inadvertently blocked. Requests to unblock a site requires manager approval and should be submitted to the Helpdesk .

All Franklin Bank computers will also be scanned for unauthorized software. The computer inventory system will document all software installed on bank computers. Reports showed unauthorized software like TurboTax, Quicken, Napster and iTunes. Please remove any unauthorized software immediately.

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Early in February, Franklin Bank switched from Verisign to Sprint as our email security and archive vendor.

Users should receive a weekly spam quarantine email. Quarantined email can also be accessed at <https://spam.global.sprint.com>, and archived email is available at <https://archive.global.sprint.com>. Both sites should already be bookmarked as Favorites in Microsoft Internet Explorer.

Users can reduce the amount of SPAM several ways. First, do not use your bankfranklin.com email address to register with any e-commerce site unless it is business related. Also, do not register to "win" anything online. Most online sweepstakes or contests are just ploys to collect personal information and resell it. Finally, only give personal information to reputable online businesses, such as sears.com.

If you receive periodic emails from reputable businesses and you want to stop receiving them, look for an "Unsubscribe" link at the bottom of

the email and remove yourself from the sender's distribution list.

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Franklin Bank's intranet went live on February 6. The intranet allows employees to view announcements and shared information automatically.

The intranet is not a static page. It will change and grow, providing additional information and tools to help make everyone's jobs easier.

If your team needs its own space for manuals or any type of shared information or to request changes, complete a request form (found on the intranet) and follow the submission instructions.



**What's New**

Franklin Bank and Administaff have implemented several changes to the bank's employment and compensation requirements.

A pre-employment drug testing program was put into effect at the beginning of the year. Drug screening applies only to applicants and not current employees. Managers should receive an information packet that explains the details of the program and includes all necessary forms.

A new payroll policy was also instituted at the beginning of the year. The policy regards employees who do not receive compensation on a regular basis and does not apply to those employees on an approved leave of absence.

To remain eligible for employment with Franklin Bank and Administaff, an

employee must receive compensation at least once during a 90-day period.

Administaff will send managers a report showing employees who have had no payroll for 60 days or longer. The manager should notify the employee in writing that no compensation was given the previous 60 days. This notification shall be a 30-day warning letter. If the employee does not receive compensation during the next 30 days, Administaff will terminate employment with no further communication.

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Employees may now participate in a weekly orientation conference call with Administaff. The conference call is set up to provide all employees, new and current, the opportunity to ask questions related to benefits and opportunities provided by Administaff and Franklin Bank. New hires should call in the first week of employment.

Conference calls are scheduled each Wednesday at 2 p.m. (central standard time). To participate, call 800-844-5530. The pass code is 054599.

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BVS training courses have been assigned for 2007. Senior managers chose courses to improve productivity, increase general banking knowledge and satisfy compliance training requirements.

Most employees have been assigned between eight and 12 courses with staggered due dates, and most courses take less than an hour to complete. In addition to assigned courses, employees may take any available courses offered by BVS. Progress reports will be sent to managing directors each quarter.

Employees must receive a test score of at least 80 percent in order to pass a course. Each test may be taken only three times, and once started, a test cannot be stopped.

If an employee cannot pass a test after

the third attempt, his or her supervisor will receive a history of that particular course. The history will include the all start and end times for the course materials and exam attempts. It will also show missed questions on each exam along with the correct answer and the answer marked.

Supervisors must request that the course be reset in order for the employee to be allowed additional test attempts.

Employees as of January 1 of each year are on the system and given the courses based on their job responsibilities. About once every two months until the end of May, new employees will be added to the system. These employees will be given the full set of courses based on their job responsibilities.

About once every two months from June until the end of August, new employees added to the system will be assigned an abbreviated set of courses. Employees hired in September through the end of the year will not begin training until the next year.

If a new employee would like to get setup on the system earlier than the scheduled timeframes, managers may email the employee's first and last names, position, network User ID, email address, and managing director's name to **James Russell (jrussell@bankfranklin.com)**.

Problems with BVS training should be directed to either Russell or **Dee Dee Schrimsher (dschrimsher@bankfranklin.com)**, for retail mortgage employees. BVS cannot make any changes to Franklin Bank data.

If you forget your password, go to the BVS site and click "I forgot my password" on the login page. (The login page is after the "Institution ID page, which requires "fra77042" for Franklin Bank.) Email Russell if you would like to change your User ID, name or email address.



### Selling Points

Franklin Bank has been selected to be the client for an upper level Advertising/Public Relations course at The University of Texas at Austin.

The course requires students to use their education (academic and industry) to create an award-winning communications campaign. The course was designed to provide students with an in-depth understanding of the process of planning, presenting and implementing a campaign.

The class of 40 students applied for team leader positions by submitting résumés and cover letters to the course professor. The professor then "hired" the top 10 students to act as management for their "agencies," and these students were given the remaining résumés and cover letters to select teammates.

Each agency was asked to create a campaign, including a tagline, focused on building the Franklin Bank brand. The agencies will also design a sales and marketing folder that describes all the products and services offered by the bank.

For a six-month campaign beginning July 2007 and ending December 2007, the students were given a budget of \$90,000, which was based on the actual advertising/marketing budgets for the Central Texas region.

Agencies are scheduled to pitch their campaigns to bank representatives on April 25 - 26. The winning team will then be "awarded" the account. Best of all, the ideas created by the students become the property of Franklin Bank to modify or use for future marketing and advertising efforts.

# Photo Gallery

## Taylor Delz Benefit Planned



On November 4, 2006, Taylor Delz, the 15-year-old son of **Kim Delz**, Highland Lakes new accounts

representative, suffered third degree burns on more than 80 percent of his body when a gas can exploded.

Taylor is currently receiving care at the Shriners' Burn Hospital for Children in Galveston, Texas. Surgeons continue to graft cadaver and Taylor's own skin over his wounds. In addition to his burns, Taylor has a tear in his intestine and his medications are affecting his kidney function.

A benefit for Taylor and the Delz family is scheduled for Saturday, June 9, at Llano High School in Llano, Texas, where Taylor is a freshman. The event will begin with a 5K Fun Run and a motorcycle Poker Run through the Hill Country. The event will have

concessions, games, live music and silent and live auctions. The Lower Colorado River Authority will also be hosting a fish fry. Please email Brennan Blair at [bblair@llano.k12.tx.us](mailto:bblair@llano.k12.tx.us) for more information.

If you cannot attend the benefit but would like to assist the Delz family, Franklin Bank has opened a checking account (6050209). Checks should be made payable to the Taylor A. Delz Fund. Donations may be made at any of our retail banking centers or mailed to: **The Taylor Delz Fund, Franklin Bank, 1801 RR 1431 West, Kingsland, TX 78639.**

The Franklin family extends our thoughts and prayers to the Delz family.



*Dallas Cowboy football players give Taylor an early Christmas present with a visit on December 18. Pictured left to right: #94 Demarcus Ware, Glenn Delz, #14 Miles Austin, #60 M. Stanley, #26 Aaron Glenn, Scott Delz, #88 Brett Pierce, Kim Delz, #90 Jay Ratliff, #33 Nathan Jones and cheerleader Lynlee Allen.*



*Employees have been wearing red ribbons, Taylor's favorite color, to show support for Taylor. The community plans to ribbon the area in red ribbon when Taylor is able to return home.*



*Scott, Glenn, Kim, and Taylor Delz pose for a family photo at Glenn and Kim's 25th Anniversary party.*

## Highland Lakes

The Highland Lakes banking office and the Kingsland community continue to support new accounts representative **Kim Delz** as her son Taylor recovers from third degree burns (see **Photo Gallery** on page 4). The bank has held blood drives and raffles and has set up a fund to assist the Delz family. The family received a special Christmas present when Taylor spoke his first words since his accident.

The bank received a Certificate of Membership as a sustaining member of the Friends of Kingsland Library. Faye Creel, president of the organization, stated her appreciation for the financial support the bank has given through the years. She acknowledged that the bank's support has tremendously benefitted the existence of the Kingsland Library. Bank President **Melody Butler-Yanniell** accepted the award on behalf of the bank.

The holidays were a busy time for the Highland Lakes office. The bank held its annual Christmas open house on December 15. Guests were



Highland Lakes held its annual open house in December. Pictured left to right: Robin Hathaway, Sandy Parks, Bobby Kinard, Melody Butler-Yanniell, Tanya Arnold, Kerri Simpson, Gloria Mueller and Connie Layton. Front Row: Janie Collins.

entertained by the music of harpist Emily Johnson and keyboardist Jim Wynn. Employees and their spouses were treated to a Mexican luncheon on December 20 to celebrate the holidays. The bank also participated in the "Sharing the Harvest" program by

sponsoring five needy families from the Kingsland area.

An ice storm hit Kingsland on January 16 and 17, causing the bank to postpone its official name change celebration. The celebration was rescheduled for February 7.

## Photo Gallery



"Santa Sydnie" (left) and "Rudolph Sadie" (right) dress in their Christmas best for proud owner Heid Schuster, Seven Points teller.

## Brain Buster

What is the only word in the English language that ends in the letters "mt"?

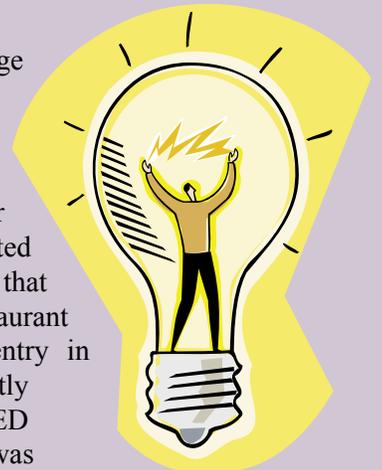
Look for the solution in the next *C Notes*!

### Last issue's Brain Buster:

Sid Bone was murdered, in a rather compromising position. The inspector suspected Sid's wife Nora, who steadfastly maintained that on the evening of the murder, she was in a restaurant with a friend. The inspector found an entry in Nora's diary for that evening which apparently confirmed her alibi: TIPS THE BRUSHED CHEFS. The inspector realized the message was a code and that each letter could be moved either one place forward or one place backward in the alphabet to reveal a startling confession. What was the hidden confession?

### Answer:

Shot Sid astride bidet.



**North Austin**

The North Austin banking office opened its doors to the public in early November. The grand opening was held on December 1.



*North Austin President Thad Garvin and his staff, Stacy Martinez and AnaMaria Calderon-Ramirez.*

**Smithville**

The Smithville location held its annual open house on December 14. Employees pitched in to make the event enjoyable for the approximately 150 people in attendance.



*Coleen Smiley, Donna Kadlecek and Kim Dawson*



*Sharon Reeves, Jennifer Perry, Betty Prasek and Joanna Morgan*



**Elgin**

Both Elgin banking offices participated in the Elgin Business Expo on November 9. The annual expo was sponsored by the Elgin Chamber of Commerce and was designed to educate the community on local companies, products and services available in the Elgin area. Seventy-seven businesses participated in the expo, which was held at the Elgin High School Cafetorium.

Most of the Elgin personnel assisted with event by setting up and manning the Elgin Bank booth. Employees promoted the bank's business and increased exposure to a large audience. The bank held hourly drawings for four \$50 savings bonds. A \$100 savings bond was awarded as a door prize.



# Photo Gallery

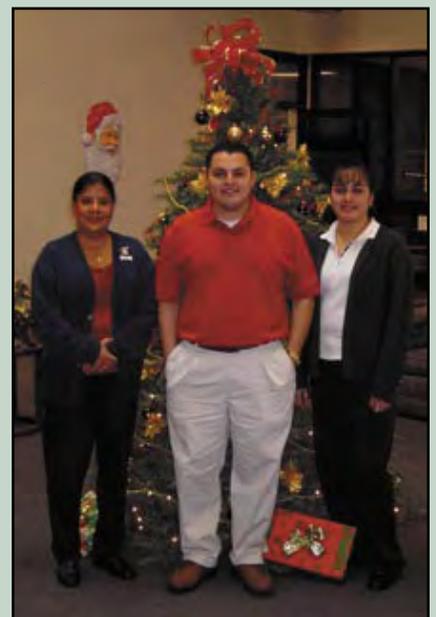
**Dripping Springs Halloween**



**Christmas at Dripping Springs**



**Christmas at Groves**



**Jacksonville**

Jacksonville rang in the holiday season with a traditional Thanksgiving dinner fit for kings. An estimated sixty employees, family members and customers attended.

The Jacksonville Chamber of Commerce presented Franklin Bank with the “Business of the Month” award for December. **Lana Cook, Sandra Thompson, Jill Lindsey** and **Mary Jane Dyess** accepted the award, which was proudly displayed on the bank lawn during the month. The bank was selected by the Chamber’s Beautification Committee.

The holiday spirit of peace and joy continued as the lobby filled with the smell of cider and the beautiful sound of Christmas carols and holiday melodies from the Brookhill Select Choir.

The Jacksonville office was also filled with the spirit of giving. Employees, families and customers had several opportunities to donate generously to those in the community who needed a helping hand. Several employees participated in the Children’s Christmas Tree Angels and donated toys and gifts to the Crisis Center. The customer service department adopted the David family, providing gifts and necessities (see **Photo Gallery on page 12**).

The Jacksonville crew rallied for days to prepare the “Franklin Family Christmas Float” for the annual Jacksonville Christmas parade. The float had jingle bells “rockin’ around the Christmas tree and dancing presents waving and leading the way. Employees had a great time, and the crowd could not get enough. The bank proudly won second place in what was the largest parade the town has ever seen.



*Members of the Jacksonville Chamber of Commerce and the Jacksonville Staff proudly display the award for Business of the Month.*



*Jacksonville’s “gifted” employees participate in the city’s annual Christmas parade.*



# Photo Gallery

## Jacksonville Customer Service's Adopted Family - The Davids



### Tyler 1

American Express recognized Tyler 1 for the office's outstanding performance in the company's "Cheque In and Win Big!" summer promotion.

American Express set sales goals of American Express traveler's cheques for the banking office during the summer travel season. Sales of traveler's cheques between June 1 and August 31, 2006, were recorded.

The Tyler 1 location met the customized sales goals and were awarded by American Express.

**WOW!**  
*Don't forget!*

You can nominate any Franklin Bank employee for a WOW award if you believe the employee has gone above and beyond his or her normal course of duty. Submit the nominee's name along with the reason for nomination to your branch or department manager, who will forward the information to the appropriate person for approval. Please note that not all persons nominated will receive a WOW.

### *Did You Know?*

Franklin Bank employees may rollover funds from a previous employer's 401(k) plan into the Franklin Bank 401(k) plan. Rollover forms, instructions, restrictions and beneficiary forms are available through your Administaff Employee Service Center ([www.administaffservices.com](http://www.administaffservices.com)) or by calling the Benefits Call Center at 866.715.3552.

**Mt. Vernon and Winnsboro - Formerly Equity Bank**

The purchase and assumption with Equity Bank for two banking offices located in Mount Vernon and Winnsboro, Texas, was completed in early December.

Franklin Bank CEO **Tony Nocella** stated, "We are pleased to welcome these two banking offices into our Family. These new customers now have the option to bank at any of the other Franklin Family banking locations. Our customers will greatly benefit from the expansion of products and services now available. The customers will continue to receive the same personal touch and high quality customer service that they have come to expect from the fine staff at these two locations."

Employees from Tyler, Carthage, Jacksonville, Seven Points and Austin assisted with the conversion by offering everything from technical to moral support.

**Kathy Summerlin's** Krew in Mt. Vernon and **Marilyn Likes' Mob** in Winnsboro sailed through the week with great attitudes and enthusiasm led by Market President **Paul Lester**. Employees had a tough week of learning new systems and procedures, but by the end of the conversion, they had settled in and were more comfortable.



**Anniversaries (5+ Years) - October, November, December**

**Delores Dornak**  
El Campo  
28 Years - October 9

**Patricia Basher**  
Athens 1  
26 Years - October 14

**Brenda Beazley**  
Palestine  
26 Years - December 12

**Jean Smith**  
Palestine  
23 Years - October 11

**Diane Miller**  
Athens 2  
23 Years - October 24

**Margaret Shepard**  
Elgin - Main  
23 Years - November 1

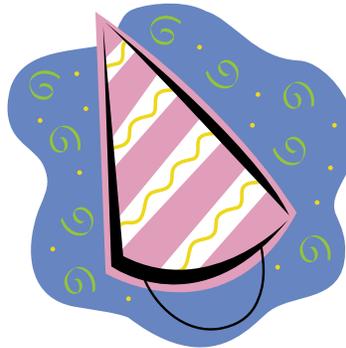
**Barbara Smith**  
Athens 2  
21 Years - October 7

**Dan Ellis**  
Smithville  
21 Years - October 25

**Jill Lindsey**  
Jacksonville  
18 Years - October 3

**Gloria Hernandez**  
Austin Administrative Office  
17 Years - November 27

**Gloria Mueller**  
Highland Lakes  
16 Years - November 19



**Denise Hill**  
Eustace  
14 Years - October 1

**Dixie Mathews**  
Gun Barrel City 2  
14 Years - October 1

**Michelle Cupit**  
Mt. Vernon  
14 Years - October 19

**Lois Kubicek**  
Elgin - Main  
14 Years - November 23

**Teresa Patterson**  
Canton  
10 Years - October 21

**Rhonda Davis**  
Jacksonville  
10 Years - December 9

**Patricia Cupit**  
Athens 2  
9 Years - October 6

**Philip Weaver**  
Seven Points  
9 Years - November 17

**Gwen Wright**  
Seven Points  
8 Years - October 10

**Toni Gernand**  
Wharton  
7 Years - October 18

**Kathy Honeycutt**  
Austin Administrative Office  
7 Years - November 3

**Duyen Pham**  
Nederland  
7 Years - December 13

**Rhonda Taylor**  
Gun Barrel City 2  
7 Years - December 13

**Roy Hunter**  
Athens 2  
6 Years - October 160

**Sharon Motley**  
Athens 2  
6 Years - November 29

**Renee Barker**  
Elgin - 290  
6 Years - December 1

**Raquel Schleimer**  
Austin Administrative Office  
5 Years - October 9

Our mission is to develop The Franklin Family of Community Banks, which is supported by lending production that leverages our motivated professional managers. We expect them to deliver high-quality customer service in our community and national markets.

*“Deliberately cultivate your reputation and legacy.”*

*— Benjamin Franklin*

*Franklin Fun Facts*

**As of December 31, 2006:**

- 627 full-time employees
- 8 commercial banking offices
- 37 retail mortgage offices
- 2 wholesale mortgage origination offices
- 39 community banking offices

**The Scoreboard****Fourth Quarter Achievers****Central Texas Region**

Five employees were recognized for outstanding sales during the fourth quarter. **Linda Hoover** of Elgin - Main made 585 sales. **Judy Thompson** of Highland Lakes, **Betty Majewski** of Wharton and **Delores Dornak** of El Campo also closed more than 500 sales. Groves employee **Kelvin Alvarenga** barely missed the 500 mark with 499 sales for the quarter.

The Central Texas banking offices were also commended for outstanding performance. Dripping Springs, Groves and Highland Lakes opened the most accounts in Central Texas region during the fourth quarter.

Elgin - Main, the Commercial Banking office and Dripping Springs closed the most new loans for the quarter.

The Georgetown and Lakeway locations both had deposit growths exceeding 230 percent for 2006.

**East Texas Region**

Nine East Texas employees were applauded for their performance. **Christy Meith** of Tyler 2 was the top seller of new accounts. Athens 2 employees **Amanda Turner** and **Becky Harvey** were also had top sales in new accounts.

The top three tellers in East Texas were **Ada Rojas** of Tyler 2, Palestine's **Veronica Gallardo** and Rusk's **Cherry Lankford**.

The Athens 2 banking office had the top three loan officers for the quarter: **Diane Miller**, **Tami Abernathy** and **Sam Mejorado**.

**WOW Recipients**

**Beverly Allen**  
Elgin - 290

**Cassandra Binkley**  
Houston Corporate

**Tyres Bryant**  
Houston Corporate

**Christine Bushey**  
Palestine

**Jeff Carter (2 Wows)**  
Elgin - Main

**Mark Collins**  
Athens 2

**Alicia DeOchoa**  
Houston Corporate

**Stephanie Elledge**  
Jacksonville

**Amber Foster**  
Tool

**Veronica Gallardo**  
Palestine

**Tim Granger (2 Wows)**  
Austin Administrative Office

**Joann Harkins**  
Elgin - 290

**Mary Jones**  
Houston Corporate

**Jim Kephart**  
Houston Corporate

**Yolanda Lowry (2 Wows)**  
Houston Corporate

**Laura Jean Martin**  
Houston Corporate

**Lindsey McGowan**  
Tool

**Carmen Nevarez**  
Waco

**Miguel Ochoa**  
Austin Administrative Office

**Joanne Partridge**  
Austin Administrative Office

**Renee Quick**  
Palestine

**Elizabeth Ramirez**  
Austin Administrative Office

**Monica Rasmussen**  
Houston Corporate

**Chyrell Rogers**  
Palestine

**Alice Silva**  
Houston Corporate

**Randi Smoker**  
Jacksonville

**Gerri Starkes**  
Palestine

**Cindy Stephens**  
Houston Corporate

**Emma Villa**  
Waco

**Kelly Whitlock**  
Tool



# Photo Gallery

**El Campo Bank President Jackie Pilgrim's Retirement Festivities  
January 12, 2007**



*El Campo and Wharton employees celebrate Jackie Pilgrim's last night as a Franklin Bank employee with dinner. Pictured left to right: (back row) Vicki Franco, Angie Kolmansberger, Barbara Harton, Betty Majewski, Franklin Investment Professionals representative Jason Burdine, (front row) Connie Schertz, Jackie Pilgrim, Toni Gernand and Delores Dornak.*





The El Campo staff bids farewell to their leader. Pictured left to right: Vicki Franco, Delores Dornak, Jackie Pilgrim, Rachel Schwab and Connie Schertz.



Central Texas Managing Director Andy Black presents Jackie Pilgrim with a crystal clock.



Freedom!



**Credit Worthy**

**Corporate Office**

**Dan Cooper**, executive vice president and managing director mortgage banking, became a Certified Mortgage Banker (CMB). Certification requires many years of experience, continuing education courses and exams.

**Gun Barrel City 1**

**Dee Dee Anthony's** 8-year-old daughter participated in a soccer tournament in early November. The tournament was held in Mesquite, Texas, and the team remained undefeated all weekend against teams from Dallas, Tyler and Mesquite.

**Gun Barrel City 2**

**Joyce Craft** became a grandmother to McKenzie Nicole Craft. Born on November 9, baby McKenzie weighed 7 pounds, 2 ounces.

**Jacksonville**

**Jill Lindsey** has been representing the bank as president of the local Kiwanis Club. Lindsey can frequently be seen in the local news paper promoting the Blair Foundation, the March of Dimes and other worthy organizations.

PC Technician **Doug Cummings** announced his engagement and upcoming nuptials to Rasha Anwar Sara of Baghdad, Iraq. Her parents are Pastor Nabil and Iqbal Sara.

The bride to be was scheduled to fly to Amman, Jordan, on January 16 to spend some time with her family and celebrate her birthday on January 18. Cummings was scheduled to fly to arrive in Amman on January 27.

The couple will be married by the bride's father at the Amman Baptist Church. They plan to honeymoon at one of the resorts along the Dead Sea.

**Palestine**

**Renee Quick's** son Jonathan was accepted into the People to People



*Doug Cummings (third from left) and his future wife and in-laws.*



*Jill Lindsey (right) chats with Nancy Washburn (left) and Kelly Watson (center) after a Kiwanis Club luncheon in December.*

Student Ambassador Program, an educational travel program founded by President Dwight D. Eisenhower.

As a member of the Tyler delegation, he will spend 20 days this summer, exploring France, Italy, Sicily and Malta. By participating in the "Heart of the Mediterranean" itinerary, he will earn academic credit while learning about the people, culture and history of the places visited. He will also take part in a community service project.

A firm believer that ordinary citizens could make a difference where governments could not, Eisenhower founded People to People during his presidency in 1956.

Quick, a student at Elkhart High



*McKenzie Nicole Craft*

School, was accepted into the Student Ambassador Program after submitting letters of recommendation and successfully completing an interview process.

# Photo Gallery

## Random Shots



Staff members of Athens 1 and Athens 2 meet at Lake Athens Marina for dinner and a gift exchange.



The Jacksonville ladies find themselves behind bars during the Equity Bank conversion. The Winnsboro location was formerly home to the community jail among other things.

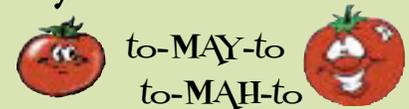
## What's News with You?

We need your news! As the Franklin Bank family continues to grow and expand across Texas and the nation, we can't keep up with everyone or everything as easily as we used to. We rely on you to let us know what is happening in your neck of the woods.

We want you to share your ideas, triumphs and how you build up the Franklin Bank name in your community. We want to celebrate your joys and offer our congratulations.

If you have a story or picture you would like to share with your coworkers, please send it in. *C Notes* submissions may be given to your manager, sent to a *C Notes* representative listed on the cover, or emailed directly to the editor ([eaguirre@bankfranklin.com](mailto:eaguirre@bankfranklin.com)). The Spring issue of *C Notes* is scheduled to come out in late May. Please send submit your news as soon as possible.

## Franklin Fun Facts from the Editor



I had some space to fill, so I thought this would be the perfect opportunity to clear the air about the pronunciation of my name. Is it Em-me-LINE or Em-me-LEAN?

Actually, I pronounce it Em-me-LIN. I could go into the boring background of my name, but I'm running out of room.

Alas, the mystery is solved. If you need a mnemonic device, try this: Emmeline works at the Franklin in Austin. Maybe in the next issue of *C Notes*, I'll tackle my last name!

**Deposits**

**Houston Corporate**

**David W. Jones** joined Franklin Bank as Executive Vice President and General Counsel. He brings a strong background in real estate law to our hard-working legal team.

The finance department also increased during the fourth quarter. **Charles Chrietberg** was hired as Senior Vice President-Controller. **Cristina Porras** was hired as a senior accountant. **Ashley Bustamante** and **Jennifer Eakins** are the newest accounts payable clerks in Houston.

Also joining the staff at the Houston office were Senior Loan Processor **Alexis Garner**, Loan Processor/Closer **Lizabeth Sosebee** and Credit Analyst/Portfolio Manager **Julia McManus**. **Stephen Alaniz** was hired as Assistant Vice President, Commercial Real Estate Lending.

**Mortgage Banking**

Several new retail mortgage offices opened at the end of 2006. We welcome all the branch managers, loan consultants and other employees to the Franklin Bank family.

- **James Aracri**, Outside Loan Consultant - Dayton, Ohio
- **Kimberly Ausman**, Inside Loan Consultant - Greenwood Village, Colo.
- **Edward Benko**, Inside Loan Consultant - Greenwood Village, Colo.
- **Asa Bennett**, Outside Loan Consultant - Roseville, Calif.
- **Benjamin Bunney**, Outside Loan Consultant - Phoenix, Ariz.
- **Ryan Colley**, Junior Loan Officer - Tonawanda, N.Y.
- **Sopheak Em**, Outside Loan Consultant Outside - Ellijay, Ga.
- **Abbey Felzer**, Outside Loan Consultant - Southampton, Pa.
- **Phillip Giggie**, Loan Consultant - Wheaton, Ill.
- **Tery Hall**, Outside Loan Consultant

- Wheaton, Ill.
- **Brian James**, Loan Originator - Kernersville, N.C.
- **Jerry Kingery**, Inside Loan Consultant - Akron, Ohio
- **Stephanie Kingery**, Office Manager - Akron, Ohio
- **Robert Lamb**, Loan Processor - Wheaton, Ill.
- **James Martinez**, Outside Loan Consultant - Greenwood Village, Colo.
- **Shara Miesse**, Outside Loan Consultant - Centerville, Ohio
- **Ruth Molina**, Outside Loan Consultant - Ellijay, Ga.
- **Stephen Norton**, Branch Manager - Wheaton, Ill.
- **Lawrence Roxy**, Inside Loan Consultant - Arlington, Wash.
- **Dawn Sedillos**, Senior Inside Loan Consultant - Greenwood Village, Colo.
- **Tobias Sedillos**, Outside Loan Consultant - Greenwood Village, Colo.
- **Jon Segó**, Loan Processor - Wheaton, Ill.
- **David Shanlian**, Branch Manager - Akron, Ohio
- **Ronell Shelton**, Receptionist - Kernersville, N.C.
- **Debra Simpson**, Outside Loan Consultant - Woodland Hills, Calif.
- **Stephanie Smith**, Outside Loan Consultant - Kernersville, N.C.
- **Mark Snyder**, Outside Loan Consultant - Southampton, Pa.
- **Gregory Stauffer**, Loan Processor - Southampton, Pa.
- **Zachary Steele**, Branch Manager - Roseville, Calif.
- **Alice Thomas**, Outside Loan Consultant - Ellijay, Ga.

**Central Texas Region**

**Sharon Rives** joined the employees at the Bastrop office as loan officer. Rives will service both the Bastrop and Smithville area.

**East Texas Region**

Three new representatives joined the customer service department at Jacksonville: **D'andra Traylor**, **Shanna Hart** and **Amy Gould**.

Franklin Bank also welcomes the staffs of the Winnsboro and Mt. Vernon locations, who officially became Franklin Bank employees with the conversion of the two Equity Bank banking offices.

**New Accounts/Tellers**

Several new tellers and new accounts/tellers joined our community banking staffs in Central and East Texas:

- **Amit Desai** - Athens 2
- **Hayley Edwards** - North Austin
- **Robin Hathaway** - Highland Lakes
- **Jane Hutto** - South Austin
- **Megan Kelley** - Gun Barrel City 1
- **Tressie Melton** - Carthage
- **Nelly Moe** - South Austin
- **Nohemi Montes** - Tyler 1
- **Davie Munden** - Tool Motor Bank
- **Jennifer Oberste** - Nederland
- **Shellie Peel** - Longview
- **Mason Riley** - Lakeway
- **Diane Wright** - Taylor
- **Samantha Valchar** - Taylor
- **Susan Vaughan** - Gun Barrel City 1
- **Lauren Wilson** - Athens 2
- **Tammy Worley** - Mt. Vernon

**Withdrawals**

**Mortgage Banking**

The retail mortgage office in Centreville, Va., closed its doors on December 31. Branch Manager **Raouf Roushdy** resigned from his position to serve one year in the U.S. Army in Iraq.

Roushdy immigrated to the United States from the Middle East 15 years ago. Because of his professional background in engineering, business and finance, he was approached by



Seven Points employees present Louise Wellborn with a Bulvo clock on her retirement from the bank after 21 years.



Louise Wellborn (right) and her sister Codine James (left)

recruiters from different defense contracting companies to consider working for the U.S. Army as a linguist/analyst.

Roushdy decided he wanted to give something back to the United States before he got too old to serve. Roushdy's coworker, Outside Loan Consultant **Amro Ibrahim**, also decided to join him in his endeavor.

**El Campo**

El Campo Bank President **Jackie Pilgrim** retired from the banking industry after almost 50 years of

service to the community (see **Photo Gallery** on pages 16 - 17). Pilgrim's uncle, Frank Jones, was responsible for her getting hired at the bank more than 48 years earlier.

Employees, friends, families and management from the Houston and Austin offices travelled to El Campo to help celebrate.

The Bank presented Pilgrim with a Waterford crystal clock.

**Seven Points**

Seven Points employee **Louise "Weezy" Wellborn** retired in January. Wellborn served as teller supervisor for most of the 21 years she was employed with Franklin Bank. Wellborn often told people that she came to the bank, which was then Cedar Creek Bank, looking for a part-time job, but she decided to stay a while.

Several former employees, long-time customers and newer customers turned out for the party. Customers remarked how much they enjoyed Wellborn's friendly smile and excellent customer service.

The Seven Points staff presented Wellborn with a Bulova mantle clock inscribed, "Louise Wellborn, 21 Years of Excellence."

*Precious Memories*





Join,  
We will always remember your beautiful smile, your kind heart and your unique ability to make others feel special. You inspired us each and every day. We will miss you.

Love,  
Your Bank Family

**The Franklin Family**  
Member FDIC

With deep regret, the Seven Points office announced the death of **Jean Nichols** on January 19. Nichols was a bank employee for almost a decade.



Nichols was diagnosed with ovarian cancer in 2003. After a round of chemotherapy in early 2005, she went into remission.

In September 2005, Nichols began her eighth year as a Board member of the American County American Cancer Unit. In November of that year, The Henderson County American Cancer Cattle Baron's Ball was dedicated to Nichols by event cochairman Jerry Don Vaught.

Nichols served on the Chamber Board's Banquet Planning Committee. She was a charter members of the Pacesetters Club of Cedar Creek Lake, which is an elected position. She was also a former winner of the Citizen of the Year award and the Life Time Achievement award.