



FDIC

Federal Deposit Insurance Corporation
550 17th Street, NW, Washington, DC 20429

Division of Supervision

April 14, 1999

Board of Trustees
1st State Bank
445 S. Main Street
Burlington, North Carolina 27215

Board of Trustees:

The notice of intent to convert from mutual to stock form filed on behalf of 1st State Bank, Burlington, North Carolina has been reviewed by the Federal Deposit Insurance Corporation ("FDIC") pursuant to the FDIC regulations at 12 C.F.R. Sections 303.163 and 333.4. Based on the information and representations presented, the FDIC poses no objection to the proposed conversion transaction.

Please notify the FDIC's Atlanta Regional Office in writing when the proposed transaction has been consummated.

Sincerely,

/s/

James L. Sexton
Director

cc: Gary R. Bronstein
Housley Kantarian & Bronstein, P.C.
1220 19th Street, N.W., Suite 700
Washington, D.C. 20036