THE First NATIONAL BANK
AND TRUST COMPANY OF NEWTOWN

40 South State Street • P.O. Box 158 • Newtown, PA 18940 • Phone: 215-860-9100 • Fax: 215-968-2930 • www.fnbn.com

Dozer
D. Pearman

September 9, 2005

Mr. John F. Carter
Regional Director
Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square
San Francisco, California 94105

2005 SEP 19 AM 10 21

Re: Comments Regarding FDIC Application #20051977; Wal-Mart Application for Insurance and Industrial Bank Charter

Dear Mr. Carter:

We are writing this letter to oppose the above-referenced application by Wal-Mart. It is our understanding that Wal-Mart is applying for a Utah industrial bank or industrial loan company charter and federal deposit insurance. The issues raised by this application are numerous. Therefore, we will focus on our major concerns in the next paragraphs.

The industrial bank or industrial loan company charter allows future applications for branching and retail banking services. Wal-Mart has submitted an application that makes it appear it would only use the industrial bank charter for processing internal transactions and save the fees involved in third-party processing. Yet, in the filings with this application, Wal-Mart states that it will offer short-term certificates of deposit to non-profit and educational organizations as well as "individual investors generated through deposit brokers." It is hard to believe Wal-Mart's statements given their past history of repeated attempts to gain access to the banking system through various forms of ownership. Congress and the State of California each upheld the principle of the separation of banking and commerce by passing legislation to close loopholes in existing laws that would have allowed Wal-Mart to enter the business of banking. The Office of Thrift Supervision denied an application by Wal-Mart that would have circumvented Graham-Leach-Bliley and given Wal-Mart illegal control over a bank. Based on this past history and their statements within their filing, we believe there is a true threat that Wal-Mart will eventually use this avenue to enter into retail banking even though they have previously been denied three times.

A second concern is that as an industrial bank, Wal-Mart not be subject to Federal Reserve oversight on the holding company level. The Federal Reserve has the authority to examine the bank holding company itself and any non-bank subsidiaries at any time. The Federal Reserve can

also establish consolidated capital requirements to ensure that bank holding companies provide financial strength to the subsidiary bank. Corporate owners of industrial banks are not subject to these capital requirements and oversight provisions. Holding company oversight allows for problems to be identified and corrected in time to mitigate risk to the Bank Insurance Fund. We believe it would be hard for the average taxpayer to swallow the bail out of a bank owned by the largest commercial company in the United States.

Last, and perhaps most important, is Wal-Mart's pattern and practice of non-compliance with laws and regulations. The confidence the public has in the banking system is based on reputation. In fact, regulators examine banks on reputation risk. Wal-Mart has been sued by individuals, been the target of class-action suits, and charged by federal agencies with wrong doing. Wal-Mart's former Vice Chairman has been investigated for abusing expense accounts and submitting fraudulent invoices. How do we know this corporate reputation will not trickle down to the industrial bank and then to the Bank Insurance Fund? Under Section 6 of the Federal Deposit Insurance Act the FDIC is required to review insurance applications in light of FDIC standards for management character and fitness. We feel there is enough doubt about the character of management at the holding company level to reject the application for insurance.

In summary, First National Bank and Trust Company of Newtown is opposed to allowing Wal-Mart to obtain insurance from the Bank Insurance Fund for an industrial bank or any other type of charter they may apply for. The current separation of commerce and banking has served this country well in the past and should continue far into the future.

Sincerely,

Donna J. Wengiel

Donna J. Wengiel, Esquire
Board of Director

DJW:mh

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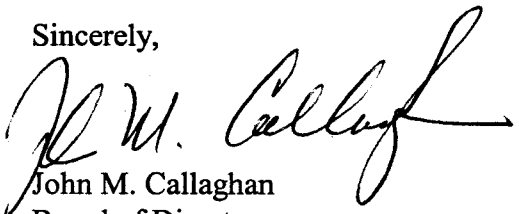

John M. Callaghan
Board of Director

JMC:mh

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J. Eric Johnson

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Board of Director

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Allen R. Fidler III

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Secretary, Board of Directors

ARF:mh