



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

December 8, 1998

**Conditional Approval #296
January 1999**

Mr. James P. Ingram
Chairman and Chief Executive Officer
Cambridge Savings Bank
1374 Massachusetts Avenue
Cambridge, Massachusetts 01128

Re: Application to charter an uninsured national trust bank with the title Cambridge
Appleton Trust, National Association, Cambridge, Massachusetts (Proposed)
Application Control Number: 98-NE-01-0007

Dear Mr. Ingram:

The Office of the Comptroller of the Currency ("OCC") has reviewed your application to establish a new national trust bank in Cambridge, Massachusetts, with the title of Cambridge Appleton Trust, National Association ("Bank"). The Bank will engage solely in fiduciary activities. After a thorough evaluation of all data available to the OCC, we found that your proposal met the requirements for preliminary conditional approval.

We have based our decision to grant preliminary conditional approval on a thorough review of all information available, including representations and commitments made in the application and by the organizers' representatives. We also made our decision to grant preliminary conditional approval with the understanding that the proposed national trust bank will not be insured by the FDIC, but intends to apply for membership in the Federal Reserve System.

You are reminded that Appleton Partners, Inc. will need to file a change in bank control notice with the OCC prior to acquiring a controlling interest (24.5% ownership) in the Bank. Neither the OCC's preliminary or final approval of this application to charter the Bank should be considered as a no objection to any future change in bank control notice filed with the OCC. The OCC's decision on any change in bank control notice will be based on the information available and circumstances at the time of the actual filing.

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Major deviations from the operating plan or changes in the composition of the board of directors, ownership, or chief executive officers that the OCC has not approved may result in withdrawal of preliminary conditional approval.

This charter approval is condition upon the Bank maintaining a minimum floor of \$2 million in Tier 1 capital by the Bank's Call Report date. Please be advised that this condition of approval shall be deemed to be a condition "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 U.S.C. §1818(b)(1). This condition is enforceable under 12 U.S.C. §1818 as specifically applied to uninsured national banking associations under section 1818(b)(5).

You may now form a body corporate and begin organizing the Bank, as soon as you adopt and forward the Articles of Association and Organization Certificate to the Northeastern District Office. As a body corporate or legal entity, you may begin to take those steps necessary for obtaining final approval, but you may not accept any appointment as fiduciary until you fulfill all requirements for a bank in organization and final approval is granted. (See Corporate Organization Booklet enclosed.)

The trust officers and staff should become thoroughly familiar with "Fiduciary Powers of National Banks and Collective Investment Funds" at 12 CFR 9 and 12 CFR 5.26.

Management is reminded that 12 CFR 5.26 requires a national bank which already has approval to engage in fiduciary activities to provide written notice to the OCC when commencing fiduciary activities in a new state.

Enclosed are procedural requirements that must be met before the Bank will be allowed to commence business. Please note that some of the requirements referenced in the enclosed package may not be applicable since the Bank's activities will be limited to those of a national trust bank. It is the responsibility of management to ensure that the applicable policies and procedures are established and adopted by the Board of Directors before the Bank commences business.

We specifically noted that the Bank has represented to the OCC that internal systems will be Year 2000 compliant within the time frames outlined in Advisory Letter 97-6 (enclosed) or other subsequent OCC Year 2000 guidance. In addition, the Bank will perform due diligence to ensure that any third-party data processing servicers or purchased applications or systems from software vendors will also be Year 2000 compliant. In the event that the Bank selects a servicer or vendor which is not Year 2000 compliant, the Bank will ensure that the servicer or vendor has a Year 2000 compliance plan, and the financial and managerial capacity to

complete its Year 2000 conversion project within the time frames outlined in Advisory Letter 97-6 or other subsequent OCC Year 2000 guidance.

We require that, prior to opening, the Bank engage an independent, external auditor to perform an audit according to generally accepted auditing standards of sufficient scope to enable the auditor to render an opinion on the financial statements of the Bank (or consolidated entity), taken as a whole. The audit period shall commence on the date that the organizing group forms a body corporate and may end on any calendar quarter-end no later than 12 months after the Bank opens. We expect that such audits will be performed on an annual basis for at least three years following commencement of operations. The Bank will also need to have an annual independent fiduciary audit as required in 12 CFR 9. Engagement of an auditor will be verified during the pre-opening examination.

The OCC has no objection to the following persons serving as executive officers and directors of the proposed bank:

<u>Name</u>	<u>Proposed Position</u>
Raymond A. Breary	President/Director
James P. Ingram	Director
Howard B. Hodgson, Jr.	Director
Donald C. Moulton	Director
Alan McClennan, Jr.	Director
William B. King	Director
Harborne W. Stuart, Jr.	Director

Please note, additional executive officers are subject to the prior review and clearance of the OCC. Also, the OCC requires that you obtain prior approval of additions or changes in directors or executive officers for two years after the bank opens for business.

The Articles of Association and Organization Certificate should be forwarded to the OCC within thirty days.

The OCC will send you a set of OCC handbooks, manuals, issuances, and selected other publications under separate cover.

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You should direct any questions concerning this preliminary conditional approval to me at (202) 874-5060 or Licensing Analyst Linda Leickel in the Northeastern District Office at (212) 790-4055.

Sincerely,

/s/

Stephen A. Lybarger
NBE/Licensing Expert
Bank Organization and Structure

Enclosures

Corporate Organization Booklet
Procedural Requirements
Minimum Policies and Procedures
OCC Advisory Letter 97-6