



Comptroller of the Currency
Administrator of National Banks

Northeastern District
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New York, New York 10017

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**Conditional Approval #800
May 2007**

April 6, 2007

Mr. Ray O'Donnell
Controller
TD Banknorth Inc.
Two Portland Square
P.O. Box 9540
Portland, ME 04112-5540

Re: Application by TD Banknorth, N.A., Portland, Maine for (1) prior confirmation by the OCC to have qualify as Tier 1 capital minority interests created as a result of the sale of Exchangeable Non-Cumulative Perpetual Series A Preferred Stock of \$500 million and; (2) payment of a dividend exceeding the limits of 12 U.S.C. § 60

Control No.: 2007 NE 12 0066

Charter No.: 24096

Dear Mr. O'Donnell:

This letter responds to your application received March 14, 2007 and the additional information filed on behalf of TD Banknorth, N.A., Portland, ME ("Bank"). Bank requests prior confirmation from the Office of the Comptroller of Currency ("OCC") of the inclusion in Tier 1 capital of Bank of approximately \$500 million aggregate principal amount of Exchangeable Non-Cumulative Perpetual Series A Preferred Stock (the "REIT Preferred Stock") of Northgroup Preferred Capital Corporation ("NPCC"), an indirect subsidiary of Bank, as a minority interest in a consolidated subsidiary. Bank also requested approval of the OCC for Bank to declare a dividend to its parent holding company, TD Banknorth Inc., ("TDBI"), of \$250 million following consummation of the REIT Preferred Stock offering, which is an amount that would exceed the limits of 12 U.S.C. § 60 (the "special dividend").

Based on a thorough review of all information available, including the representations and commitments made in the application, in subsequent telephone conversations and by Bank's representatives, the OCC approves Bank's requests subject to the following condition:

The special dividend of \$250 million to TDBI will not be paid until after the \$500 million REIT Preferred Stock offering of Northgroup Preferred Capital Corporation, an indirect subsidiary of Bank, is consummated and available as Tier 1 capital at Bank.

This condition is 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. As such, the condition is enforceable under 12 U.S.C. § 1818.

In accordance with 12 U.S.C. § 21a, a certified copy of the amendment to Bank's articles of association adopted by the shareholder to establish Series A Bank Preferred securities should be forwarded to this Office.

The OCC believes that the terms of the REIT Preferred Stock described within your application satisfy both the noncumulative and perpetual requirements for Tier 1 capital as defined in Section 2(a) of Appendix A of 12 C.F.R. § 3. Since Bank anticipates that the REIT Preferred Stock will be offered with a fixed rate dividend that resets to a floating rate dividend in year 5, to qualify as a Tier 1 capital instrument, the instrument’s formula for the floating rate dividend must be in compliance with OCC policy on step-ups. To ensure compliance, Bank should provide the OCC with the expected dividend rate formulas prior to consummation of the proposed transaction as well as the final dividend rates upon sale of the REIT Preferred Stock. If the dividend rate formulas are in compliance with OCC policy, then the REIT Preferred Stock will be eligible to be included in Tier 1 capital of Bank.

The amount of REIT Preferred Stock included in Tier 1 capital should not exceed 25 percent of Tier 1 capital. The total amount of all innovative capital instruments¹ included in Tier 1 capital may not exceed 25 percent of Tier 1 capital. Any aggregate amount of innovative capital instruments exceeding 25 percent of Tier 1 capital is eligible to be included in Bank’s Tier 2 capital. However, the amount of innovative capital instruments in conjunction with any term subordinated debt or intermediate term preferred stock and related surplus included in Tier 2 capital may not exceed 50 percent of Tier 1 capital. Any dividends paid by NPCC on the REIT Preferred Stock are to be treated as dividends paid by Bank. As such, the dividends paid by NPCC on the REIT Preferred Stock are subject to 12 U.S.C. §§ 56 and 60.

This eligibility applies only to the REIT Preferred Stock that meets the description within your application. You should notify this office in writing upon consummation of the proposed transaction so that we can update our records accordingly.

The change in capital should be completed within one year of the date of this letter.

This approval and the activities and communications by OCC employees in connection with the filing do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States (U.S.), any agency or entity of the U.S., or any officer or employee of the U. S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U. S.

¹ Innovative capital instruments are non-cumulative, perpetual preferred stock issued by a consolidated subsidiary of a bank and approved by the OCC as eligible for inclusion in Tier 1 capital.

If you have questions, contact Gabriel Butler, Licensing Analyst or me at (212) 790-4055.

Sincerely,

/s/

J. Greg Parvin
Director for District Licensing