



Comptroller of the Currency
Administrator of National Banks

Northeastern District Office
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Licensing Division
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**Conditional Approval #483
September 2001**

BY FACSIMILE AND MAIL.
(401) 334-1009

August 3, 2001

Mr. Frederick D. McDuff
9 Frederick Lane
Cumberland, R.I. 02864

Re: Application by Berkshire Financial Services (BFS) to establish a new national bank titled Freedom National Bank, National Association, Greenville, Rhode Island ("Bank" or "Freedom").

CAIS Control Number: 2001 NE 01 010

Charter No. 24257

Dear Mr. McDuff:

The Comptroller of the Currency (OCC) has reviewed your application to establish a new national bank with the title of Freedom National Bank, National Association. On August 3, 2000, after thorough evaluation of all data available to OCC, we found that your proposal met requirements for preliminary conditional approval. The bank may also offer credit life, health, and accident insurance in accordance with 12 CFR 2.

This conditional approval is granted based on a thorough review of all information available, including commitments and representations made in the application and the proposed bank's representatives. We also made our decision to grant preliminary conditional approval with the understanding that the proposed national bank will apply for membership in the Federal Reserve System and obtain FDIC insurance.

This conditional 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 U.S., any agency or entity of the U.S., or an 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.

This is preliminary conditional approval only. Final approval will not be granted until and unless the Federal Reserve Board acts favorably on your application with them to acquire this new bank. You must furnish the OCC's northeastern district office with a copy of all related filings to the Federal Reserve, including registration material.

The bank's main office will be established at 584 Putnam Pike, Greenville, Rhode Island. This location is adjacent to the Greenville Baptist Church, which is potentially eligible for listing on the National Register of Historic Places. The bank's plans include paving nearly the entire building lot to accommodate parking and a two-lane drive-through, and landscaping that will provide a vegetative buffer around the lot that will screen views of the property from the church. The OCC and Rhode Island Historical Preservation and Heritage Commission ("RIHPHC") agree that the proposal will have no adverse effect on the historic properties. Accordingly, the bank should establish its main office consistent with the plans as reviewed by the RIHPHC. Any major changes or additions to the plans will need to be communicated to and reviewed by the RIHPHC and the OCC in advance of implementing the changes.

In addition to the procedural requirements for all new national banks, the following requirements must be satisfied prior to the bank's request for a preopening examination and before the OCC will grant final charter approval:

1. The bank must submit to the OCC for review and approval a complete description of the bank's final information systems and operations architecture as well as the information systems risk assessment and management plan. This should include a schematic drawing and discussion of the following items:

Vendor due diligence and contracts; electronic banking security mechanisms and policies; information systems personnel; internal controls; audit plans; and operating policies and procedures, including, but not limited to, vendor management, weblinking, customer authentication and verification, and business resumption contingency plans.

2. The bank must have performed an independent security review and test of its electronic banking platform. The bank must have this review performed regardless of whether the platform is operated in-house or by one or more third-party service providers. If the bank outsources the technology platform, it can rely on testing performed for the service provider to the extent that it satisfies the scope and requirements listed herein.

The review must be conducted by an objective, qualified independent source (Reviewer). The scope should cover:

- All access points, including the Internet, Intranet, or remote access.
- The adequacy of physical and logical protection against unauthorized access including individual penetration attempts, computer viruses, denial of service, and other forms of electronic access.

By written report, the Reviewer must confirm that the security measures, including the

firewall, have been satisfactorily implemented and tested. For additional guidance, see “The Internet and the National Bank Charter” booklet (enclosed) of the *Comptroller’s Corporate manual*, pages 37-38, 74-75.

3. The bank must have a security program in place that complies with the “Interagency Guidelines Establishing Standards for Safeguarding Customer Information” specified at 12 C.F.R.30, Appendix B.

This approval is subject to the condition that during the first three (3) years of the Bank’s operations under its operating plan, the Bank: (i) shall give the OCC’s Boston Field Office at least sixty (60) days prior notice of the Bank’s intent to significantly deviate from its operating plan, and (ii) shall obtain the OCC’s written determination of no supervisory objection before the Bank engages in any significant deviation or change from the operating plan. The Bank must also provide a copy of such notice to the FDIC’s appropriate regional supervisory office.

Please be advised that the above-listed conditions of this approval are deemed to be conditions “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). The conditions are enforceable under 12 U.S.C. § 1818 as specifically applied to uninsured national banking associations under § 1818(b)(5).

Until final approval is granted, the OCC has the right to alter, suspend, or revoke preliminary approval should any interim development be deemed by the OCC to warrant such action, including alteration of the method of raising capital as outline in the bank’s operating plan.

The bank’s paid-in capital, net of organizational and preopening expenses, shall be no less than \$8 million. The manner in which capital is raised must not deviate from that described in the operating plan without prior OCC notification. If the capital for the new bank is not raised within 12 months or if the new bank is not opened for business within 18 months from the preliminary conditional approval date, the OCC will withdraw approval. The OCC is opposed to granting extensions, except under the most extenuating circumstances and when the OCC determines that the delay is beyond the applicant’s control. The organizers are expected to proceed diligently, consistent with their application, for the bank to open for business as soon as possible.

Please refer to the “Corporate Organization” booklet (enclosed) in the Comptroller’s Corporate Manual for the instructions on organizing your bank. The booklet contains all the steps you must take to receive your charter. As detailed in the booklet, you may establish the corporate existence of and begin organizing the bank as soon as you adopt and forward acceptable Articles of Association and the Organization Certificate to this office. As a “body corporate” or legal entity, you may begin taking those steps necessary for obtaining final approval, but you may not begin the business of banking until you fulfill all requirements for a bank in organization and you are granted final approval by the OCC.

Enclosed are standard requirements that must be met before the bank will be allowed to commence business. Management must ensure that the applicable policies and procedures are established and adopted by the board of directors before the bank begins operations. Applicable standard requirements also must be satisfied before the bank will be allowed to commence business.

The OCC poses no objection to the following persons serving as director and officers as proposed in the application.

Frederick D. McDuff	President
Gregory G. Scown	Senior Executive Officer, Cashier
David J. Bruce	Director
Martin H. Deely	Director
Frederick D. McDuff	Director
Richard E. Sitzer	Director
Joseph M. Toole	Director

All other executive officers and directors are subject to the OCC's prior review and clearance. You are also reminded that for a period of two years after the bank has opened for business, the OCC must review and have no objections to any new executive officer or director prior to that person assuming such positions.

The results of background checks requested by this Office might not have all been received. While we have decided not to delay action pending receipt of these responses, if adverse information is received, this Office may consider remedies available to us under other statutes.

The OCC also granted your waiver request of the residency requirements of 12 U.S.C. 72 for the majority of the board of directors of Freedom. This waiver is granted based upon a review of all available information, including the filing (subsequent correspondence and telephone conversations), and the bank's representation that this waiver will not affect the board's responsibility to direct the bank's operations in a safe, sound, and legal manner. Please understand that the OCC reserves the right to withdraw or modify this waiver at its discretion, to request additional information at any time in the future.

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

You should direct any questions concerning this preliminary conditional approval to Gabriel Butler, Licensing Analyst at (212) 790-4055.

Sincerely,

-signed-

Anthony P. DosSantos
Licensing Manager

Enclosures: “Corporate Organization” Booklet
 Minimum Policies and Procedures
 Standard Requirement
 “‘The Internet and the National Bank Charter” Booklet