



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Conditional Approval #492
October 2001

September 28, 2001

Mr. Frank Barone
Executive Vice President
& Senior Trust Officer
Alger Associates, Inc.
30 Montgomery Street
Jersey City, NJ 07302

Re: Application by Alger Associates, Inc., (“Alger”) to charter a national CEBA trust bank with the title of Alger National Trust Company, Morristown, New Jersey
CAIS Control Number: 2001-NE-01-0003

Dear Mr. Barone:

The Comptroller of the Currency (“OCC”) has reviewed your application to establish a new national CEBA trust bank with the title of Alger National Trust Company, (“Bank”). After a thorough evaluation of all data available to the OCC, we found that your proposal met the requirements for preliminary conditional approval.

This approval is granted based on a thorough review of all information available, including the representations and commitments made in the application and by 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 will not be FDIC-insured.

The Bank’s proposed operating plan contains financial projections that show the Bank becoming profitable within five years. Accordingly, the Bank is expected to perform in accordance with its operating plan and financial projections. Any significant deviations from the original operating plan, or changes in the organizing group or chief executive officer, must receive the prior written non-objection of the OCC. As stated in condition number three, the Bank staff should send the written request to the Northeastern District Deputy Comptroller.

This preliminary conditional approval is subject to the following “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 and, as such, are enforceable under 12 U.S.C. § 1818.

1. The bank's initial paid-in capital, net of organizational and pre-opening expenses, shall be no less than \$4.8 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.
2. At all times, the Bank shall maintain a minimum of \$2 million in Tier 1 capital.
3. The bank shall obtain prior non-objection from the OCC's District Deputy Comptroller for the Northeastern District before any significant deviation or change from the proposed operating plan occurs during the bank's first three years of operation. The bank must notify District Deputy Comptroller for the Northeastern District at least sixty (60) days prior to any proposed significant deviation or change.
4. All transactions between the Bank and any affiliates, domestic or foreign, shall be conducted subject to the applicable provisions of 12 U.S.C. § 371c and c-1, or other applicable Federal law. The Board of Directors of the Bank annually shall review and approve the service agreements and any other transactions with domestic and foreign affiliates, including in particular any cost allocation, fee-sharing or tax-sharing provisions in such agreements or other transactions.
5. The Bank must notify all potential vendors in writing of the OCC's examination and regulatory authority under 12 U.S.C. § 1867(c). All final vendor contracts must stipulate that the performance of services provided by the vendors to the Bank is subject to the OCC's examination and regulatory authority. The provisions of 12 C.F.R. 9 would be applicable to any fiduciary activities contracted out to vendors.
6. The limitation of the Bank's activities must be enumerated fully in the Articles of Association. Specifically, the articles must state that: 1) the business of the association will be limited to that of a national trust bank as specified in the Competitive Equality Banking Act of 1987; and 2) the Association must obtain the OCC's non-objection in writing before amending its Articles of Association to expand the scope of its activities and services.

Please refer to the "Corporate Organization" booklet (enclosed) in the *Comptroller's Corporate Manual* for the instructions on organizing the Bank. The booklet contains all of 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 operation. Applicable standard requirements also must be satisfied before the Bank will be allowed to commence business. 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 pre-opening 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.

In addition to the above, you should be aware that as part of the final charter approval, the OCC may impose additional conditions requiring one or both of the following described arrangements be executed prior to opening the Bank:

1. A binding written agreement between the Bank and Alger Associates, Inc., setting forth Alger Associates, Inc.'s obligation to provide capital maintenance and/or liquidity support to the Bank, if and when necessary.
2. A binding written agreement between the Bank's Board of Directors and the OCC setting forth certain actions the Bank will take, including but not limited to actions to maintain capital levels set forth in the Bank's operating plan, and/or developing and implementing a remedial action plan, new operating plan(s) and/or a contingency plan for sale or merger, or liquidation of the Bank under 12 U.S.C. § 181, if the Bank does not achieve its operating plan results.

Please be aware that the trust officers and staff should become thoroughly familiar with "Fiduciary Powers of National Banks and Collective Investments" at 12 C.F.R. 9 and 12 C.F.R. 5.26. Management is reminded that 12 C.F.R. 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. Also, in addition to the independent annual audit requirement referenced in the standard requirements, the Bank will need to develop and implement a fiduciary audit program as required by 12 C.F.R. 9.

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

Gregory Duch	Chairman of the Board/President/Chief Executive Officer
James P. Connelly, Jr.	Vice Chairman/Executive Vice President, Marketing
Frederick A. Blum	Director/Chief Financial Officer, Treasurer
Frank Barone	Director/Executive Vice President, Chief Trust Officer/Secretary
Brian C. Rosevear	Director, Vice President/Assistant Secretary

All background checks requested by the OCC have not been received yet. Although we have decided not to delay action pending receipt of those responses, we may consider remedies available to us, if adverse or previously withheld information is received.

You are reminded that additional executive officers to be appointed prior to opening are subject to the OCC's prior review and clearance. Also, for a period of two years after the Bank has opened for business, the Bank must seek and receive no objection from the OCC prior to any new executive officer or director assuming such position.

The OCC also grants your waiver request of the residency requirements of 12 U.S.C. § 72 for Mr. Barone. This waiver is granted based upon a review of all available information, including

the filing (subsequent correspondence and telephone conversations), and Trust Bank's representation that this waiver will not affect the board's responsibility to direct the Trust Bank's operations in a safe, sound, and lawful manner. Please understand that the OCC reserves the right to withdraw or modify this waiver and, at its discretion, to request additional information at any time in the future.

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.

This preliminary 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 government of the United States of America ("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.

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

Please direct any questions concerning this preliminary conditional approval to Senior Licensing Analyst Sandya Reddy in the Northeastern District Office at (212) 790-4055, or to me at (202) 874-5060.

Sincerely,

-signed-

Beverly Evans
Senior Licensing Analyst
Licensing Operations

Enclosures: "Corporate Organization" Booklet
Minimum Policies and Procedures
Standard Requirements