



June 27, 2016

**Conditional Approval #1156  
July 2016**

Stephen J. Coukos  
Executive Vice President and General Counsel  
Cambridge Savings Bank  
1374 Massachusetts Avenue  
Cambridge, Massachusetts 02138

Re: Change in Asset Composition and Merger with a Non-Bank Affiliate applications filed by  
Cambridge Appleton Trust, National Association, Boston, Massachusetts.  
OCC Control Nos.: 2016-NE-5.53-147478 and 2016-NE-215a3-147480  
Charter No.: 23689

Dear Mr. Coukos:

The Office of the Comptroller of Currency (OCC) hereby conditionally approves the above referenced applications filed by Cambridge Appleton Trust, National Association, Boston, Massachusetts (Bank). These approvals are granted after a thorough evaluation of the applications, other materials supplied by the Bank's representatives, and other information available to the OCC, including the representations and commitments made in the applications and during the application process by the Bank's representatives.

These approvals are subject to the conditions set out below:

Conditions

1. The merger of Cambridge Appleton Bank, National Association into Farwell Lending LLC shall not occur until after consummation of the purchase and assumption transaction between Cambridge Appleton Bank, National Association and Appleton Partners, Inc.
2. If the merger of Cambridge Appleton Bank, National Association with and into Farwell Lending LLC does not occur within seven (7) calendar days after the sale of all or substantially all of Cambridge Appleton Bank, National Association's assets to Appleton Partners, Inc., Cambridge Appleton Bank, National Association shall immediately notify the OCC and submit a plan acceptable to the OCC to wind down its affairs and terminate its status as a national bank.

These conditions of approval are conditions “imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request” within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

## **The Transactions**

The applications filed with the OCC on May 2, 2016 seek approval for the Bank to transfer substantially all of its assets and liabilities to Appleton Partners, Inc., Boston, Massachusetts (Buyer), in a purchase and assumption transaction, and then merge into the Affiliate, thereby terminating the Bank’s national bank charter.

## **Legal Authority**

### **A. Fundamental Change in Asset Composition**

The Bank applied to the OCC for prior approval of a fundamental change in its asset composition under 12 CFR 5.53. Pursuant to section 5.53(c)(1)(i), a national bank must obtain prior written approval of the OCC before changing the composition of all, or substantially all, of its assets through sales or other dispositions. In the purchase and assumption transaction with the Buyer, the Bank will transfer all or substantially all of its assets.

The principal purpose of adopting 12 CFR 5.53 was to address supervisory concerns raised by so called “dormant” bank charters by providing the OCC with regulatory oversight and a means to monitor them. Following consummation of the purchase and assumption transaction, the Bank would become a “dormant” charter. The Bank, however, plans to merge into Affiliate promptly after consummation of the purchase and assumption transaction. Thus, OCC concerns over the continuation of “dormant” charters are addressed, and so OCC approval of the section 5.53 application is consistent with the language and purpose of section 5.53.

### **B. Merger of Cambridge Appleton Bank, National Association with and into Farwell Lending LLC.**

In this merger, the Bank will merge into Affiliate, which will be the surviving entity, and the Bank will cease to exist. The merger is authorized under 12 USC 215a-3. Section 215a-3 authorizes a national bank to merge with a nonbank subsidiary or affiliate: “Upon the approval of the Comptroller, a national bank may merge with one or more of its nonbank subsidiaries or affiliates.”<sup>1</sup> The statute does not limit its scope to mergers in which the national bank is the

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<sup>1</sup> 12 USC 215a-3(a), as added by section 1206 of the Financial Regulatory Relief and Economic Efficiency Act of 2000 (Title XII of the American Homeownership and Economic Opportunity Act of 2000), Pub. L. No. 106-569, 114 Stat. 2944, 3034 (December 27, 2000).

surviving entity, and so a merger *into* a nonbank affiliate is within its scope. The OCC's implementing regulation, discussed below, expressly provides for mergers into a nonbank affiliate. However, the regulation limits these transactions to mergers involving a national bank that is not an insured bank. The Bank is not an insured bank and will not be an insured bank at the time of the merger.

The OCC's regulations implementing 12 USC 215a-3 set out substantive and procedural requirements for the merger of an uninsured national bank with its nonbank affiliate in which the nonbank affiliate is the resulting entity.<sup>2</sup> The regulation requires that the law of the state or other jurisdiction under which the nonbank affiliate is organized allow the nonbank affiliate to engage in such mergers. Affiliate is organized under the law of Massachusetts, which permits limited liability companies to merge with corporations organized under the laws of another jurisdiction, with Affiliate as the survivor.<sup>3</sup>

The OCC regulation also requires that: (1) the bank comply with the procedures of 12 USC 214a as if it were merging into a state bank, (2) the nonbank affiliate follow the procedures for mergers of the law of its state of organization, (3) shareholders of the national bank who dissent from the merger have the dissenters' rights set out in 12 USC 214a, and (4) the rights of dissenting shareholders and appraisal of the stock of dissenting shareholders in the nonbank affiliate shall be determined in the manner prescribed by the law of the state or other jurisdiction under which the nonbank affiliate was organized. The Bank is in the process of meeting applicable procedural requirements under section 214a and Affiliate is in the process of complying with the procedures for mergers by a Massachusetts limited liability company.

The OCC's regulation also provides that the OCC shall consider the purpose of the transaction, its impact on the safety and soundness of the Bank, and any effect on the Bank's customers, and may deny a merger if it would have a negative effect in any such respect. The OCC reviewed the proposed merger with respect to these factors and determined that approval of the merger is warranted.

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<sup>2</sup> 12 CFR 5.33(g)(5).

<sup>3</sup> Mass. Gen. Laws ch.156C 59.

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## **Consummation Requirements**

The OCC will not issue a letter certifying the consummation of the transactions until we have received:

1. Certified copies of resolutions made by a majority of the board of directors approving the merger.
2. Cambridge Appleton Bank, National Association's charter certificate and certification that all OCC Reports of Examination have been returned to the OCC, or destroyed.
3. A copy of the final Certificate of Merger filed with the Massachusetts Secretary of State.

These conditional approvals, 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, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations.

Our approval is based on the bank's representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend, or rescind this approval, if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If these transactions are not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time.

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Enclosed is a separate letter requesting your feedback on how we handled your application. We would appreciate your response so we may improve our service. You should include the OCC Control Number on any correspondence related to this filing. If you have any questions, contact Robin J. Miller, Licensing Analyst at (212) 790-4055 or email [robin.miller@occ.treas.gov](mailto:robin.miller@occ.treas.gov).

Sincerely,

*signed*

Stephen A. Lybarger  
Deputy Comptroller for Licensing

Enclosure: Survey Letter