



**Comptroller of the Currency
Administrator of National Banks**

Western District Licensing
1225 17th Street, Suite 300
Denver, CO 80202

October 31, 2007

**Conditional Approval #831
December 2007**

Jeffrey J. Watson, President and Spokesperson
Black Hills Community Bank (proposed)
1301 Omaha Street, Suite 210
Rapid City, SD 57701

Re: Black Hills Community Bank, National Association (proposed)
Rapid City, South Dakota
OCC Control number 2007 WE 01 0011

Dear Mr. Watson:

This letter replaces the earlier version sent to you via e-mail on this date.

I hereby grant preliminary conditional approval to the organizer's application to establish a new national bank with the title Black Hill Community Bank, National Association (proposed) (hereinafter "Bank")

My decision is based on a thorough evaluation of all information available to the Office of the Comptroller of the Currency (OCC), including the representations and commitments made in the application and by the Bank's representatives. We also made our decision to grant preliminary conditional approval with the understanding that the proposed Bank will apply for Federal Reserve membership and will obtain deposit insurance from the Federal Deposit Insurance Corporation (FDIC).

I granted preliminary conditional approval only. Final approval and authorization for the Bank to open will not be granted until all pre-opening requirements are met. Until final approval is granted, the OCC has the right to alter, suspend, or revoke this preliminary conditional approval should the OCC deem any interim development to warrant such action.

This preliminary conditional approval is subject to the following conditions:

The Bank shall obtain the OCC's non-objection before any significant deviation or changes from the proposed operating plan occurs during the first three years of operation¹. The bank shall notify the

¹ If such deviation is the subject of an application filed with the OCC, the OCC does not require any further notice to the supervisory office.

Salt Lake City Field Office at least sixty days prior to any proposed deviation or change and obtain the OCC's non-objection in writing, to such a proposed deviation or change. The OCC may impose additional conditions it deems appropriate in a written determination of no objection to a bank's notice. The Bank also must provide a copy of such written notice to the FDIC's Kansas City Regional Office.

This condition of approval 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 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

Special Pre-Opening Requirements:

1. The Bank must submit to the Salt Lake City Field Office for review, and prior written determination of no supervisory objection, 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 out sources 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, refer to the *FFIEC IT Examination E-Banking Handbook*, pages 26-30, Information Security Program. The booklet is located at the FFIEC's Web site:

http://www.ffiec.gov/ffiecinfobase/booklets/e_banking/e_banking.pdf.

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 CFR 30, Appendix B.

4. The Bank's initial paid-in capital, net of all organizational and pre-opening expenses, shall be no less than \$11,675,000. The manner in which capital is raised must not deviate from that described in the business plan without prior written OCC notification. If the capital for the Bank is not raised within 12 months or if the Bank is not opened for business within 18 months from the preliminary conditional approval date, this approval expires. 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.

The OCC poses no objection to the following persons serving as executive officers, directors, and/or organizers as proposed in the application:

| <u>Name</u> | <u>Title</u> |
|----------------------|--------------------------------------|
| Timothy Borden | Organizer/Director |
| Shane Bayum | Director |
| Richard Chenoweth | Organizer/Director |
| Courtney Clayborne | Director |
| Michael Diedrich | Director |
| Paul Enos | Executive Officer |
| William Gikling | Director |
| Bruce Haerter | Organizer/Director |
| Bradley Hammerbach | Executive Officer |
| Richard Huffman, III | Organizer/Director |
| Ross McKie | Director |
| Scott Mueller | Director |
| James Scull, Jr. | Director |
| Donald Ward | Director |
| Jeffery Watson | Organizer/Director/Executive Officer |

Prior to the Bank's opening, the Bank must obtain the OCC's prior written determination of no objection for any additional organizers or executive officers, or directors appointed or elected before the person assumes the position. For a two-year period after the Bank commences business, the Bank must file an Interagency Biographical and Financial Report with the OCC and receive a letter of no objection from the OCC prior to any new executive officer or director assuming such position.

The "Charters" booklet in the *Comptroller's Licensing Manual* provides guidance for organizing your bank. The booklet is located at the OCC's web site: <http://www.occ.treas.gov/corpbook/group4/public/pdf/charters.pdf>. 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 Articles of Association and the Organization Certificate to Ellen Tanner Shepherd, Director for District Licensing in this office for our review and acceptance. As a "body corporate" or legal entity, you may begin taking those steps necessary for obtaining final approval. The Bank may not begin the business of banking until it fulfills all requirements for a bank in organization and the OCC grants final approval.

Enclosed are standard requirements and minimum policies and procedures for new national banks. The Bank must meet the standard requirements before it is allowed to commence business and the Board of Directors must ensure that the applicable policies and procedures are established and adopted before the Bank begins operation.

Under separate cover, the OCC will send to you an appropriate set of OCC handbooks, manuals, issuances, and selected other publications. This information does not include the Comptroller's Licensing Manual, which is available only in electronic form at our web site: <http://www.occ.treas.gov/corpapps/corpapplic.htm>.

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 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.

Direct any questions concerning this preliminary conditional approval to Licensing Analyst David Finnegan at 720-475-7650.

A separate letter is enclosed requesting your feedback on how we handled your application. We would appreciate your response so we continue to improve our service.

Sincerely,

Ellen Tanner Shepherd

Ellen Tanner Shepherd
Director for District Licensing

Enclosures: Standard Requirements
Minimum Policies and Procedures