



July 23, 2004

VIA FACSIMILE AND BY CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Trustees
Rhinebeck Savings Bank
6414 Montgomery Street
Rhinebeck, New York 12572

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization with the organization of an interim institution and a merger to facilitate a conversion from a mutual to stock form filed on behalf of Rhinebeck Savings Bank, Rhinebeck, New York, was reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160 – 303.163 and other pertinent FDIC regulations. Based on the information presented and the representations made, the FDIC poses no objection to the proposed conversion transaction.

Enclosed is our Order and Basis for Corporation Approval ("Order") for the applications filed on behalf of Rhinebeck Savings Bank in conjunction with the conversion transaction. Our approval is subject to the conditions stated in the Order, some of which must be met on an ongoing basis.

Please notify the New York Regional Office in writing when the proposed transaction has been consummated. If an extension of time limit included in the Order is required, a letter requesting a specific extension of the limitation including reasons therefore should be submitted to the New York Regional Office.

Sincerely,

/s/

John M. Lane
Deputy Director

Enclosure:

cc: Jacqueline J. Warner
Hinman, Howard, & Katell, LLP
106 Corporate Park Drive, Suite 317
White Plains, NY 10604

FEDERAL DEPOSIT INSURANCE CORPORATION

Rhinebeck Savings Bank
Rhinebeck, Dutchess County, New York

Application for Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act (FDI Act), an application has been filed on behalf of Rhinebeck Savings Bank, Rhinebeck, New York (Mutual Institution), currently a New York-chartered mutual savings bank and Bank Insurance Fund (BIF) member with total resources of \$354,241,000 and total deposits of \$302,611,000 as of March 31, 2004, for the FDIC's consent to merge with Interim Bank Two (In Organization) (Interim Two), Rhinebeck, New York, a proposed new interim New York-chartered stock savings bank.

The transaction is to effect Mutual Institution's plan of reorganization, which, solely to facilitate such undertaking, provides for:

- Mutual Institution's incorporation of the MHC as an interim New York stock savings bank subsidiary (Interim One);
- Interim One's incorporation of an interim New York stock savings bank subsidiary (Interim Two);
- Mutual Institution's exchange of its mutual charter for a New York stock form charter;
- Interim One's cancellation of its outstanding stock and exchange of its charter for a New York mutual holding company charter, with the result that it will become a MHC;
- Interim Two's merger with and into Mutual Institution, with Mutual Institution being the surviving institution, the issuance of all of the authorized capital stock of Mutual Institution to the MHC, and the MHC becoming the sole shareholder of Mutual Institution after the merger, and;
- Mutual Institution depositors at the time of the merger receiving equity interests in the MHC consisting of liquidation and limited voting rights in place of equity interests held in Mutual Institution prior to the merger.

The Resultant Bank will continue to operate with the title of Rhinebeck Savings Bank, Rhinebeck, New York, and its deposits will continue to be insured under the BIF. Application for the establishment of Rhinebeck Bancorp, MHC, awaits approval by the Federal Reserve Bank of New York. Following consummation of the merger, the Resultant Bank will operate the same banking business, with the same management, and at the same locations as Mutual

Institution. The proposed transaction will not alter the competitive structure of banking in the market served by Mutual Institution. Mutual Institution's main office will be at 6414 Montgomery Street, Rhinebeck, New York, and its corporate offices will remain at 2 Jefferson Plaza, Poughkeepsie, New York.

Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act. A review of available information, including the Community Reinvestment Act (CRA) Statement of Mutual Institution discloses no inconsistencies with the purposes of the CRA. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

In connection with the application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent banks and the resultant bank, the convenience and needs of the community to be served, and the effectiveness of any insured depository institution involved in the proposed merger transaction in combating money laundering activities. Having found favorably on all statutory factors and having considered other relevant information, including reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the OTS, and the Attorney General of the United States, it is the FDIC's judgment that the application should be and is hereby approved, subject to the following conditions:

1. That, except for the proposed transfer of stock to Rhinebeck Bancorp, MHC no shares of the stock of Rhinebeck Savings Bank shall be sold, transferred or otherwise disposed of, to any person (including any Employee Stock Ownership Plan) unless prior notice is provided to, and non-objection is received from the FDIC;
2. That, prior to the sale, transfer, or other disposition of any shares of Rhinebeck Savings Bank by Rhinebeck Bancorp, MHC to any person (including any Employee Stock Ownership Plan), or a conversion of the mutual holding company to stock form, Rhinebeck Savings Bank will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with state and federal banking and/or securities regulators in connection with such sale, transfer, disposition, or conversion;
3. That should any shares of the stock of Rhinebeck Savings Bank be issued to persons other than Rhinebeck Bancorp, MHC, any dividends waived by Rhinebeck Bancorp, MHC must be retained by Rhinebeck Savings Bank and segregated, earmarked, or otherwise identified on the books and records of Rhinebeck Bancorp, MHC or Rhinebeck Savings Bank; such amounts must be taken into account in any valuation of the institution, and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of Rhinebeck Bancorp, MHC to stock form; such amounts shall not be available for payment to, or the value thereof transferred to, minority shareholders, by any means, including through dividend payments or at liquidation;

4. That any change in proposed management, including the board of directors, will render this approval null and void unless such proposal is approved by the FDIC prior to the consummation of the proposed transaction;
5. That the proposed transaction may not be consummated unless and until the Rhinebeck Savings Bank has the authority to conduct banking business, and that its establishment and operation as a stock savings bank have been fully approved by appropriate State of New York officials, and its holding company, Rhinebeck Bancorp, MHC, is granted approval by the Federal Reserve Bank of New York to become a holding company for Rhinebeck Savings Bank;
6. That the transaction shall not be consummated within less than fifteen days after the date of this Order, or later than six months after the date of this Order, unless such period is extended for good cause by the FDIC; and
7. That until the proposed transaction is consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

Pursuant to delegated authority.

Dated at Washington, D.C., this 23rd day of JULY, 2004.

By: _____ *ISI*

John M. Lane
Deputy Director
Division of Supervision and Consumer Protection