

## **FEDERAL DEPOSIT INSURANCE CORPORATION**

RE: Bank of Bird-in-Hand  
(In Organization)  
Bird-in-Hand, Lancaster County, Pennsylvania

Application for Federal Deposit Insurance

### **STATEMENT**

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. § 1815), the Federal Deposit Insurance Corporation ("FDIC") received an Interagency Charter and Federal Deposit Insurance Application on behalf of Bank of Bird-in-Hand, a proposed new community bank that will be located in Bird-in-Hand, Pennsylvania ("Bank"). The application is intended to establish a newly-chartered state nonmember commercial bank. The organizers concurrently applied to the Commonwealth of Pennsylvania Department of Banking and Securities ("Department") for a state bank charter, and received conditional approval on May 31, 2013 from the Department for the Bank's Articles of Incorporation.

Notice of the Federal deposit insurance application, in a form approved by the FDIC, was published pursuant to the FDI Act on January 8, 2013.

The organizers have not established a bank holding company. The opening capital of the Bank will be realized from a public offering of a minimum of 1,600,000 shares of common stock, and a maximum of 2,500,000 shares, at a price of \$10.00 per share.

The Bank's Business Plan is for a community bank that provides banking services throughout Lancaster County and the western portion of Chester County. The majority of deposits and loans are expected to originate from within a five-mile radius around Bird-in-Hand, which is located about nine miles east of the city of Lancaster, Pennsylvania. The local community includes numerous farms, small- and medium-sized commercial businesses, professionals, and consumers. A significant part of the community to be served by the Bank is Amish. A majority of the Amish residents in Lancaster County reside within the Bank's primary service area. Loans will predominantly be farm, agricultural product, and owner-occupied commercial real estate loans, as well as home equity lines of credit, and residential mortgage, construction, and consumer loans. The Bank intends to attract a traditional mix of local deposit accounts, including interest and non-interest bearing checking accounts, savings accounts, money market deposit accounts, and certificates of deposit.

The Bank will be managed by an experienced management team, including lending and credit officers with many years of experience in the Lancaster County market. Most of the outside directors on the Bank's Board of Directors are well-respected members of the community who operate successful businesses in the community, and live within and have strong ties to the community. Two of the outside directors have prior experience as bank directors. FDIC Staff has analyzed the Federal deposit insurance application and concluded that the Bank will operate with sufficient capital and managerial resources to accomplish the strategies and goals

in the Business Plan. The financial projections show that the Bank will be capitalized with an amount sufficient to achieve and maintain a Tier 1 capital-to-assets leverage ratio, as defined in the capital regulations of the FDIC, of not less than eight percent (8.00%) throughout the Bank's first seven years of operation. Moderate growth is projected, and future earnings prospects appear attainable. The Bank's plans appear to satisfy the convenience and needs of the community. Corporate powers to be exercised are consistent with purposes of the FDI Act, and no undue risk to the Deposit Insurance Fund is evident.

Accordingly, based upon a careful evaluation of all available facts and information, and in consideration of the factors of Section 6 of the FDI Act, the New York Regional Director, pursuant to delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions.

**REGIONAL DIRECTOR  
DIVISION OF RISK MANAGEMENT SUPERVISION  
FEDERAL DEPOSIT INSURANCE CORPORATION**

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### ORDER

The undersigned, acting on behalf of the Board of Directors of the Federal Deposit Insurance Corporation ("FDIC") pursuant to delegated authority, has fully considered all available facts and information relevant to the factors of Section 6 of the Federal Deposit Insurance Act and relating to the application for Federal deposit insurance with membership in the Deposit Insurance Fund for Bank of Bird-in-Hand ("Bank"), a proposed new state nonmember bank to be located at 309 North Ronks Road, Bird-in-Hand, Lancaster County, Pennsylvania 17505, and has concluded that the application should be approved.

Accordingly, it is hereby ORDERED, for the reasons set forth in the attached Statement, that the application submitted by the Bank for Federal deposit insurance be, and the same hereby is approved, subject to the following conditions:

1. That beginning paid-in capital funds of not less than \$16,000,000 be provided.
2. That the Bank's Tier 1 capital-to-assets leverage ratio (as defined in the capital regulations of the FDIC) be maintained at not less than eight percent (8.00%) throughout the first seven years of operation, and that an adequate allowance for loan and lease losses ("ALLL") be provided from the date insurance is effective.
3. That the Bank must operate within the parameters of the Business Plan submitted to the FDIC. During the first seven years of operation, the Bank must obtain prior written approval from the FDIC's New York Regional Director of any proposed major deviation or material change from the submitted Business Plan, before implementation of such major deviation or material change.
4. That, within 60 days before the end of the third year of operation, the Bank must submit to the FDIC's New York Regional Office pro forma financial statements and a business plan for operating years four through seven.

5. That, prior to commencing bank operations, the Bank shall have appointed and shall thereafter retain senior executive officers and a board of directors acceptable to the FDIC and who possess the knowledge, experience, and capability to carry out the responsibilities of those positions in a safe and sound manner. For purposes of this Order, such senior executive officers shall include the Chief Executive Officer, President, Chief Lending Officer, Chief Financial Officer, and Chief Credit Officer (or those employees that have duties and responsibilities typical for persons with the foregoing titles).
6. That, within 60 days of this ORDER, at a minimum two additional outside Bank directors with prior bank board-level experience, and who are acceptable to the FDIC, shall be appointed to the Board of Directors.
7. That, with respect to any proposed Bank director or senior executive officer for whom background checks have not been completed, the Bank must take such action as required by the FDIC's New York Regional Director, if the FDIC objects to any such person based on information obtained during the background check.
8. That, the Bank must provide to the FDIC's New York Regional Director, the final employment agreements and compensation arrangements (including salary, benefits, deferred compensation, stock options and/or incentives, and bonus and severance payments) for the Bank's senior executive officers, and obtain the written nonobjection of the FDIC's New York Regional Director for those agreements and compensation arrangements, prior to execution. The submission must include a compensation study or similar documentation to support the reasonableness of the proposed compensation.
9. That, during the Bank's first seven years of operation, the Bank must obtain the written nonobjection of the FDIC's New York Regional Director prior to the implementation of any stock benefit plans, including stock options, stock warrants, or other similar stock-based compensation plans established by the Bank not previously reviewed by the FDIC as part of the application for Federal deposit insurance.
10. That any changes in the Bank's proposed management or proposed ownership of ten percent (10.00%) or more of the Bank's stock, including new acquisitions of or subscriptions to ten percent (10.00%) or more of the stock, must be approved by the FDIC prior to the Bank's opening.

11. That, during the Bank's first seven years of operation, the Bank must obtain the written nonobjection of the FDIC's New York Regional Director prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer of the Bank.
12. That, prior to the effective date of Federal deposit insurance, the Bank must obtain adequate fidelity coverage.
13. That the Bank will obtain an audit of its financial statements by an independent public accountant annually for the first seven fiscal years after Federal deposit insurance is effective, furnish a copy of any reports by the independent auditor (including any management letters) to the FDIC's New York Regional Office within fifteen (15) days after their receipt by the Bank, and notify the same office within 15 days when a change in the Bank's independent auditor occurs.
14. That the Bank will develop and implement a Community Reinvestment Act ("CRA") plan appropriate for the Bank's business strategy.
15. That the Bank must notify the FDIC's New York Regional Director of any plans to establish a loan production office 60 days before opening the facility.
16. The Bank will adopt an accrual accounting system for maintaining the books of the Bank in accordance with U.S. Generally Accepted Accounting Principles.
17. That full disclosure must be made to all proposed directors and stockholders of the Bank of the facts concerning the interest of any insider in any transactions being effected or contemplated, including the identity of the parties to the transaction and the terms and costs involved. An "insider" is a person who (i) is or is proposed to be a director, officer, or incorporator of the Bank; (ii) is a shareholder who directly or indirectly controls ten percent (10.00%) or more of any class of the Bank's outstanding voting stock; or (iii) is an associate or related interest of any such person.
18. That Federal deposit insurance will not become effective until the Bank has been granted a charter and has authority to conduct a banking business, and that its establishment and operation as a depository institution has been fully approved by the appropriate Federal and state supervisory authorities.

