



**Federal Deposit Insurance Corporation**

550 17<sup>th</sup> Street NW, Washington, D.C. 20429-9990

Division of Supervision and Consumer Protection

December 18, 2008

**VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED**

Board of Trustees  
Sanford Institution for Savings  
900 Main Street  
Sanford, ME 04073

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 Sanford Institution for Savings (Bank) 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. Also, per Section 4(d) of the Federal Deposit Insurance Act, the converted Bank will be an insured depository institution.

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

Please notify the Boston Area 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 the reasons therefore, should be submitted to the Boston Area Office.

Sincerely,

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Christopher J. Spoth  
Senior Deputy Director

Board of Trustees  
Sanford Institution for Savings  
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Enclosure

cc: Robert I. Lipsher, Esq.  
Luse Gorman Pomerenk Schick  
5335 Wisconsin Avenue, N.W., Suite 400  
Washington, D.C. 20015

## **FEDERAL DEPOSIT INSURANCE CORPORATION**

Sanford Institution for Savings  
Sanford, York County, Maine

Applications for Federal Deposit Insurance and Consent to Merge

### **ORDER AND BASIS FOR CORPORATION APPROVAL**

Pursuant to Sections 5 and 18(c) and other provisions of the Federal Deposit Insurance (FDI) Act, an application has been filed on behalf of Sanford Institution for Savings, Sanford, Maine (Mutual Bank), currently a state-chartered, mutually owned Deposit Insurance Fund (DIF) member with total resources of \$446,411,000 and total deposits of \$311,056,000 as of September 30, 2008, for the FDIC's consent to merge with Sanford Interim Two Savings Bank, Sanford, Maine, a proposed new interim, state-chartered stock savings bank. In addition, applications have been filed for Federal deposit insurance for Sanford Interim One Savings Bank (a de novo mutual savings bank to be subsequently organized into a mutual holding company) and Sanford Interim Two Savings Bank.

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

- Step 1: Sanford Institution for Savings to organize Sanford Interim One Savings Bank, an interim investor-owned universal bank<sup>1</sup> (Interim One), as a wholly-owned subsidiary and to constructively transfer a substantial part of its assets and liabilities to Interim One.
- Step 2: Interim One to organize SIS Bancorp, Inc. (Stock Holding Company), as a wholly owned subsidiary.
- Step 3: Interim One to organize Sanford Interim Two Savings Bank (Interim Two) as a separate wholly-owned Maine universal bank subsidiary and will constructively transfer the assets and liabilities that were transferred to it, to Interim Two.
- Step 4: Sanford Institution for Savings to convert to the capital stock form of organization by exchanging its charter for that of a Maine investor-owned universal bank (Stock or Resultant Bank). Simultaneously, Interim One to cancel its outstanding

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<sup>1</sup> Under the Maine Banking Code, "universal bank" means "an investor-owned institution or a mutual financial institution authorized by its organizational documents to exercise all the powers granted in Part 4 and includes a trust company, a savings bank and a savings and loan association chartered by special act of the Legislature, established prior to October 1, 1975 or established pursuant to this [9-B] Title." 9-B § 131(47). Part 4 of the Maine Banking Code governs the general powers and duties of a financial institution.

stock, convert to a mutual financial institution and reorganize into a mutual holding company (SIS Bancorp, MHC, Mutual Holding Company).

Step 5: Interim Two to merge with and into Stock Bank with Stock Bank as the surviving entity. The assets that were constructively transferred to Interim Two will become the assets and liabilities of Stock Bank by virtue of the merger. Following the merger, Mutual Holding Company will become the sole stockholder of Stock Bank by virtue of the Merger.

Step 6: Mutual Holding Company to contribute the capital stock of Stock Bank to Stock Holding Company, and Stock Bank to become a wholly-owned subsidiary of Stock Holding Company.

The purpose of the constructive transfers to the interim banks is to more closely parallel Chapter 105, Section 1053 of the Maine Banking Statute, which specifically provides for the chartering of subsidiary savings institutions and the transfer of assets and liabilities. Upon consummation of the reorganization, the deposits of the Sanford Institution for Savings will continue to be insured under the Deposit Insurance Fund. However, due to the structure of the transaction, specifically the transfer of assets and deposit liabilities, Federal deposit insurance for the two interim banks is necessary.

On the effective date of the Reorganization, Stock Bank will be the wholly-owned subsidiary of Stock Holding Company, and Stock Holding Company will be the wholly-owned subsidiary of Mutual Holding Company. Mutual Holding Company and Stock Holding Company will each be capitalized with up to \$100,000. Applications for the establishment of Mutual Holding Company and Stock Holding Company have been received by the Federal Reserve Bank of Boston.

Resultant Bank will operate with the title of Sanford Institution for Savings, Sanford, Maine. Following the consummation of the merger, Resultant Bank will operate the same banking business, with the same management, at the same locations now being served by Mutual Bank. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by Mutual Bank. Resultant Bank's principal office will be at 900 Main Street, Sanford, Maine. 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 the proponent, disclosed no inconsistencies with the purposes of the CRA. Resultant Bank 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 applications, the FDIC has taken into consideration the financial and managerial resources and prospects of the proponent banks and Resultant Bank, the bank's compliance with the Bank Secrecy Act, and the convenience and needs of the community to be served. In connection with the application for deposit insurance, the FDIC has taken into consideration the financial history and condition, adequacy of the capital structure, earnings

prospects, general character and fitness of management, risk to the insurance fund, convenience and needs of the community, and consistency of corporate powers. Having found favorably on all statutory factors, and having considered other relevant information, it is the FDIC's judgment that the applications should be and hereby are approved, subject to the following conditions:

1. That the transaction may not be consummated unless the Plan of Reorganization receives prior approval by an affirmative vote of at least a majority of the total votes eligible to be cast by Mutual Bank's depositors.
2. That unless prior notice is provided to and non-objection is received from the FDIC, no shares of stock of Sanford Institution for Savings shall be sold, transferred or otherwise disposed of, to any persons (including any Employee Stock Ownership Plan) other than Sanford Bancorp, Inc.
3. That, prior to a sale, transfer or other disposition of any shares of Sanford Bancorp, Inc. by Sanford Bancorp, MHC to any person (including any Employee Stock Ownership Plan) or a conversion of Sanford Bancorp, MHC to stock form, Sanford Institution for Savings will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with the state and Federal banking and/or securities regulators in connection with any sale, transfer, disposition or conversion;
4. That, should any shares of the stock of Sanford Institution for Savings or Sanford Bancorp, Inc., be issued to persons other than Sanford Bancorp, MHC, any dividends waived by Sanford Bancorp, MHC, must be retained by Sanford Bancorp, Inc., or Sanford Institution for Savings and segregated, earmarked, or otherwise identified on the appropriate books and records. 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 Sanford 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;
5. That, any change in proposed management, including the board of directors or proposed ownership (ten percent or more of the stock and new acquisitions of, or subscriptions to, ten percent or more of the stock), will render this approval null and void unless such proposal is approved by the FDIC prior to the consummation of the proposed transaction;
6. That the proposed transaction may not be consummated later than six months after the date of this Order unless such period is extended for good cause by the Corporation; 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 the delegated authority of the Board of Directors.

Dated at Washington, D.C. this 18<sup>th</sup> day of December, 2008.

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Christopher J. Spoth  
Senior Deputy Director  
Division of Supervision and Consumer Protection