

FEDERAL DEPOSIT INSURANCE CORPORATION

RE: Bank of Burlington
(In Organization)
South Burlington, Chittenden County, Vermont
Application for Federal Deposit Insurance

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 statutory factors under Section 6 of the Federal Deposit Insurance Act (12 U.S.C. § 1816) and relating to the application for Federal deposit insurance with membership in the Deposit Insurance Fund for Bank of Burlington ("Bank"), a proposed new state non-member bank with a main office located at 30 Kimball Avenue, South Burlington, Chittenden County, Vermont, 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 the Bank shall provide initial paid-in capital funds of not less than \$33,000,000, net of pre-opening expenses that align with the Business Plan (initial capital).
2. That the Bank's initial capital is sufficient to maintain a Leverage ratio (as defined in the appropriate capital regulations of the **FDIC**) of not less than eight percent (8.00%) throughout the first three years of operations.
3. That the Bank will have determined the framework for a Current Expected Credit Losses methodology from the date Federal deposit insurance is effective and will maintain a supportable Allowance for Credit Losses through the first three years of operations.
4. That prior to the effective date of obtaining Federal deposit insurance, the Bank must obtain adequate fidelity coverage. The Bank will maintain adequate fidelity coverage through the first three years of operations.
5. That any changes in the proposed ownership often percent (10.00%) or more of the Bank's stock, including new acquisitions of or subscriptions to ten percent or more of stock, must be approved by the **FDIC** prior to the Bank's opening. If there are changes to the final shareholder list submitted on June 7, 2022, the Bank shall provide a revised list to the Regional Director prior to opening, which shall include the following for each beneficial owner or control party: name, number of shares owned or controlled directly or indirectly, dollar amount of shares owned or controlled directly or indirectly, and percentage of shares owned or controlled directly or indirectly. The

shareholder list shall also identify any related direct or indirect interests in shares, whether such interests are held as owner, control party, beneficiary, trustee, or investment advisor, or whether due to another similar relationship that, following the offering and when aggregated, will equal or exceed 10 percent of the Bank's holding company shares.

6. That prior to the Bank's opening and during the first three years of operations, the Bank shall obtain the non-objection of the appropriate **FDIC** Regional Director for any proposed change in the composition of the Board of Directors and senior executive officers (as defined in 12 CFR § 303.101) of the Bank.
7. That during the Bank's first three years of operation, the Bank must obtain the written non-objection of the appropriate **FDIC** Regional Director prior to the implementation of any 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 or Board members that were not previously reviewed by the **FDIC** as part of the application for Federal deposit insurance.
8. That the Bank shall operate within the parameters of the Business Plan submitted to the FDIC on February 4, 2022, and the revised projections submitted on May 4, 2022. During the first three years of operations, the Bank shall seek the prior written non-objection from the appropriate FDIC Regional Director for any proposed major changes to or material deviation from the submitted Business Plan and revised projections, prior to implementation of such major change or material deviation.
9. The Bank will adopt an accrual accounting system for maintaining the financial records of the Bank in accordance with U.S. Generally Accepted Accounting Principles.
10. That the Bank will obtain an audit of its financial statements by an independent public accountant annually for the first three fiscal years after Federal deposit insurance is effective, and submit to the appropriate **FDIC** office (i) a copy of the audited annual financial statements and the independent public auditor's report thereon within 90 days after the end of the institution's fiscal year, (ii) a copy of any other reports by the independent auditor (including any management letters) within fifteen (15) days after their receipt by the Bank, and (iii) written notification within 15 days after a change in the Bank's independent auditor occurs.
11. That the Bank will implement the Community Reinvestment Act Plan, as revised during the application process, through the first three years of operations.
12. That prior to opening, the Bank has made or will make full disclosure to all proposed directors and stockholders of the facts concerning the interest of any insider in any transactions being effected or then contemplated, including the identity of the parties to the transaction and 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.

13. That during the first three years of operations, the Bank shall notify the appropriate FDIC Regional Director of any plans to establish a loan production office at least 60 days prior to opening the facility.
14. That Federal deposit insurance will not become effective until the Bank has been granted a charter as a depository institution; has authority to conduct a banking business; and its establishment and operation have been fully approved by the appropriate State supervisory authority.
15. That until Federal deposit insurance becomes effective, the **FDIC** retains the right to alter, suspend, or withdraw its commitment should any interim development be deemed by the **FDIC** to warrant such action.
16. That if Federal deposit insurance has not become effective within one year from the date of this **ORDER**, or unless, in the meantime, a written request for an extension of time by the Bank has been approved by the **FDIC**, the consent granted shall expire at the end of this time period on said date.

Dated at New York, New York, this 15th day of July 2022.

FEDERAL DEPOSIT INSURANCE CORPORATION
Jessica A. Kaemingk
Acting Regional Director
Division of Risk Management Supervision

FEDERAL DEPOSIT INSURANCE CORPORATION

RE: Bank of Burlington (Proposed)
South Burlington, Chittenden County, Vermont

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 Burlington (the "Bank"), a proposed state-chartered nonmember bank with a main office located at 30 Kimball Avenue, South Burlington, Chittenden County, Vermont. The organizers concurrently applied to the Vermont Commissioner of the Department of Financial Regulation ("Commissioner") to organize an investor-owned universal financial institution pursuant to 8 V.S.A. Chapter 202.

Notice of the Federal deposit insurance application, in a form approved by the FDIC, was published pursuant to 12 C.F.R. Part 303, Subpart B, of the FDIC's Rules and Regulations and Section 5 of the **FDI** Act on December 1, 2021.

The Bank will not have a holding company and does not plan to establish any service corporation or subsidiaries. The opening capital of the Bank will be realized from initial and private placement offerings of 3,300,000 shares of common stock at a price of \$10 per share. A minimum of \$33,000,000 of the proceeds from the common stock offerings will capitalize the Bank in exchange for 100% of the voting stock of the Bank. Net of organizational expenses, the Bank's opening capital will approximate \$31,315,000.

The Bank's business plan is for a community bank that serves the needs of individuals and small- to medium-sized businesses in Chittenden County, Vermont, with outreach to adjacent counties and the rest of Vermont. The Bank will offer traditional products and services and will be overseen by an experienced management team, including a diversified and knowledgeable Board of Directors who is committed to serving the local community.

The Bank shall operate within the parameters of the business plan submitted to the FDIC. The Bank will maintain sufficient capital and managerial resources to accomplish the strategies and goals in the business plan. The Bank will be capitalized with an amount sufficient to achieve and maintain a Leverage ratio, as defined in the capital regulations of the **FDIC**, of not less than eight percent (8.00%) throughout the Bank's first three years of operation. Projected growth and earnings appear attainable, and the investment in fixed assets is reasonable. The Bank's plans appear to satisfy the convenience and needs of the community. Corporate powers to be exercised are consistent with the purposes of the **FDI** Act, and no undue risk to the Deposit Insurance Fund is apparent.

Accordingly, based upon careful evaluation of all available facts and information, and in consideration of the statutory factors of Section 6 of the **FDI** Act (12 U.S.C. § 1816), as well as in consideration of the Community Reinvestment Act, the New York Regional Director, acting under delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions.

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