



Federal Deposit Insurance Corporation  
550 17th St. NW Washington DC, 20429

Division of Supervision and Consumer Protection

April 2, 2007

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

Board of Directors  
Bay State Savings Bank  
28 Franklin Street  
Worcester, Massachusetts 01608

Dear Members of the Board:

The notice to effect a mutual holding company reorganization with the organization of two interim institutions and a merger to facilitate a conversion from mutual form to stock form filed on behalf of Bay State Savings Bank, Worcester, Massachusetts (Bank), has been reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to 12 C.F.R. Sections 303.160 – 303.164 and other pertinent FDIC regulations. Based on the information presented and 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 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.

As part of the notice, the Bank requested, in accordance with 12 C.F.R. Section 303.161(a)(2), waiver of certain provisions of the FDIC's regulations pertaining to mutual-to-stock conversions, specifically, the depositor vote requirement of 12 C.F.R. Section 355.4(c)(2). We have reviewed the Bank's request and found a sufficient number of independent Corporators voted in favor of the proposed conversion. Therefore, the Bank's request for a waiver of the depositor vote requirement is granted.

Please advise the Boston Area Office in writing when the proposed transaction has been consummated. If an extension of the 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 Boston Area Office.

Sincerely,

***/s/***

Christopher J. Spöth  
Senior Deputy Director

Enclosures

cc: Ms. Darah E. Manning  
Nutter McClennen & Fish LLP  
World Trade Center West  
155 Seaport Boulevard  
Boston, Massachusetts 02210

FEDERAL DEPOSIT INSURANCE CORPORATION

Bay State Savings Bank  
Worcester, Worcester County, Massachusetts

Applications for Federal Deposit Insurance and Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 5 and Section 18(c) and other provisions of the Federal Deposit Insurance Act (FDI Act), applications have been filed on behalf of Bay State Savings Bank, Worcester, Massachusetts, (Mutual Institution), currently a state-chartered mutually-owned Deposit Insurance Fund member with total resources of \$291,647,000, and total deposits of \$219,705,000 as of December 31, 2006, for the FDIC's consent to merge with Bay State Interim Stock Bank (Stock Bank), Worcester, Massachusetts, a proposed new, interim, state-chartered stock bank. Also, applications for federal deposit insurance have been filed for an interim state-chartered mutual savings bank and a state-chartered stock savings bank.

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

- The Mutual Institution will organize an interim Massachusetts-chartered mutual savings bank, to be known as Interim Mutual Bank (Interim Mutual Bank);
- The Interim Mutual Bank will amend and restate its charter as the charter of a mutual holding company to be known as 1895 MHC (MHC); and simultaneously establish a wholly-owned Massachusetts-chartered interim stock bank subsidiary, to be known as Stock Bank;
- The MHC will simultaneously establish a new, wholly-owned Massachusetts chartered subsidiary holding company in the stock form of organization, to be known as 1895 Corp (Stock Holding Company);
- Immediately thereafter Mutual Institution will merge with and into the Stock Bank, under the name of "Bay State Savings Bank," but with the charter of Stock Bank surviving (Resultant Bank); and
- The MHC to simultaneously contribute 100% of the shares of stock of the Resultant Bank to the Stock Holding Company, resulting in the Stock Holding Company owning 100% of the outstanding stock of the Resultant Bank.

At the conclusion of the reorganization, the deposits of the Mutual Institution 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 interim state-charted mutual savings bank and a state-chartered stock savings bank is necessary.

Applications for the establishment of a Mutual Holding Company and a Stock Holding Company have been conditionally approved by the Board of Governors of the Federal Reserve System. In addition, the application for Mutual Institution to reorganize into a multi-tiered holding company structure has been conditionally approved by the Massachusetts Division of Banks. Following the consummation of the merger, the Resultant Bank will operate the same business, with the same management, at the same locations now being served by the Mutual Institution. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Institution. The Resultant Bank's principal office will continue to be located at 28 Franklin Street, Worcester, Massachusetts.

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. 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 merger application, the FDIC has taken into consideration the financial and managerial resources and prospects of the proponent banks and the Resultant Bank, the convenience and needs of the community to be served, and the competitive nature of the proposed transaction. The FDIC has also taken into consideration the effectiveness of the insured depository institutions involved in the proposed merger transaction in combating money-laundering activities.

Having found favorably on all statutory factors, it is the FDIC's judgment that the applications should be and is hereby approved, subject to the following conditions, some of which are continuing in nature:

1. That unless prior notice is provided to and non-objection is received from the FDIC, no shares of the stock to Bay State Savings Bank shall be sold, transferred or otherwise disposed of, to any persons (including any Employee Stock Ownership Plan) other than 1895 MHC, and thereafter, 1895 Corp., as contributed by 1895 MHC.
2. That prior to a sale, transfer or other disposition of any shares of 1895 Corp., by 1895 MHC to any person (including any Employee Stock Ownership Plan), or a conversion of 1895 MHC to stock form, Bay State Savings Bank will provide written notice 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 any such sale, transfer, disposition or conversion.
3. That should any shares of stock to Bay State Savings Bank or 1895 Corp., be issued to persons other than 1895 MHC and 1895 Corp., any dividend waived by 1895 MHC and 1895 Corp. must be retained by 1895 Corp., or Bay State Savings Bank

and segregated, earmarked, or otherwise identified on its 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 1895 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 the proposed transaction may not be consummated unless and until Bay State Savings Bank has the authority to conduct banking business, and that its establishment and operation as a stock bank has been fully approved by the appropriate Commonwealth of Massachusetts officials.
5. That any changes in proposed management, including the board of directors or proposed ownership (ten per cent or more of the stock and new acquisitions of or subscriptions to ten per cent or more of the stock), will render the approval of these proposed conversion transactions null and void unless such proposal is approved by the Regional Director of the FDIC's Boston Area Office prior to consummation of these proposed conversion transactions.
6. That the transaction shall be consummated no 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.

By Order of the Senior Deputy Director of the Division of Supervision and Consumer Protection pursuant to the delegated authority of the Board of Directors.

Dated at Washington, D.C., this 2<sup>nd</sup> day of April, 2007.

**/s/**

Christopher J. Spoth  
Senior Deputy Director