

# FDIC

Federal Deposit Insurance Corporation  
Washington, D.C. 20429

Division of Supervision

August 1, 1997

## CERTIFIED RETURN RECEIPT REQUESTED

Board of Trustees  
Summit Bank  
81 Main Street  
Medway, Massachusetts 02053

Members of the Board:

The amended applications for approval of federal deposit insurance for two interim institutions and a merger to facilitate a mutual holding company reorganization with Summit Bank ("Mutual Bank") organizing a de novo mutual savings bank which will convert from a state-chartered mutual savings bank to a state-chartered mutual holding company, the organization of a stock savings bank owned by the holding company, and the merger of the existing mutual bank with the stock savings bank have been reviewed by the Federal Deposit Insurance Corporation (the "FDIC") pursuant to 12 C.F.R. Section 303.15 and other pertinent FDIC regulations.

Enclosed is our Order and Basis for the applications filed on behalf of Mutual Bank in conjunction with its reorganization. These include considerations of deposit insurance and the proposed merger. A letter of non-objection to the Notice to effect a mutual holding company reorganization was previously issued on February 11, 1997, and remains applicable to the transaction.

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

Sincerely,

/s/

Cottrell L. Webster  
Acting Associate Director

Enclosure

cc: Eric Luse, Esq.  
Robert B. Pomerenk, Esq.  
Luse Lehman Gorman Pomerenk & Schick  
5335 Wisconsin Avenue, N.W., Suite 400  
Washington, D.C. 20015-2035

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**RE: Summit Bank**  
(formerly Medway Savings Bank)  
Medway, Massachusetts

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 Act ("FDI Act"), applications have been filed on behalf of Medway De Novo Savings Bank, Medway, Massachusetts ("De Novo Bank"), a newly formed, Bank Insurance Fund member, state-chartered mutual savings bank and Medway Savings Bank, Medway, Massachusetts ("Stock Bank"), a newly formed, Bank Insurance Fund member, state-chartered stock savings bank for federal deposit insurance and for the Corporation's consent to merge Stock Bank with Summit Bank, Medway, Massachusetts ("Mutual Bank"), a Bank Insurance Fund member, state-chartered mutual savings bank with total resources of \$100,189,000 and total deposits of \$88,748,000 as of March 31, 1997.

This transaction is the result of Mutual Bank's plan of reorganization which, solely to facilitate this undertaking, includes:

- 1) the formation of a de novo mutual savings bank to be named Medway De Novo Savings Bank;
- 2) the immediate reorganization of De Novo Bank as a State-chartered mutual holding company to be named Service Bancorp, MHC ("Bancorp");
- 3) the formation by Bancorp of a new stock savings bank subsidiary, which will be named Medway Savings Bank ("Stock Bank").
- 4) the merger of Mutual Bank and Stock Bank, with the resultant institution retaining the charter and by-laws of Stock Bank and the name Summit Bank.

Summit Bank will be a wholly owned subsidiary of Bancorp. The principal office will be at 81 Main Street, Medway, Massachusetts, the present location of Mutual Bank.

A review of available information, including the Community Reinvestment Act ("CRA") Statements of the proponent, discloses no inconsistencies with the purposes of the CRA. The new institution is expected to continue to meet the credit needs of its entire community, consistent with the safe and sound operation of the institution.

Favorable findings have been accorded to all factors considered pertinent to each application. Accordingly, it is the Corporation's judgment that the applications should be and hereby are approved subject to the following conditions:

1. That federal deposit insurance shall not become effective unless and until the applicants have been established as a stock savings bank and a mutual savings bank by the State authority and the mutual holding company has received approval to become a mutual holding company from the Massachusetts Commissioner of Banks.
2. That Stock Bank shall not issue minority shares without prior written notification to and non-objection from the FDIC.
3. That Bancorp shall provide written notification to the Corporation prior to its conversion to stock form and shall provide the Corporation with copies of all documents filed with state and federal banking and/or securities regulators in connection with any proposed conversion of the mutual holding company to stock form.
4. That, should any shares of stock be issued to persons other than Bancorp, any dividends waived by Bancorp must be retained by the 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 bank and Bancorp and factored into the calculation used in establishing a fair and reasonable basis for exchanging bank shares for holding company shares in any subsequent conversion of Bancorp to stock form; such amounts shall not be available for payment to or the value thereof transferred to minority shareholders of the bank, by any means including through dividend payments or at liquidation.
5. That the transaction shall not be consummated sooner than fifteen calendar days after the date of this Order nor later than six months after the date of this Order unless such period is extended for good cause by the Corporation.
6. That until the conditional commitment herein granted becomes effective, the Corporation shall have the right to alter, suspend, or withdraw the said commitment should any interim development be deemed to warrant such action.

Dated at Washington, D.C., this 1st day of August, 1997.

/s/

Cottrell L. Webster  
Acting Associate Director

# FDIC

Federal Deposit Insurance Corporation  
Washington, D.C. 20429

Division of Supervision

February 11, 1997

CERTIFIED RETURN RECEIPT REQUESTED

Board of Trustees  
Medway Savings Bank  
81 Main Street  
Medway, Massachusetts 02053

Members of the Board:

The Notice to effect a mutual holding company reorganization with Medway Savings Bank, Medway, Massachusetts ("Mutual Bank") converting from a state-chartered mutual savings bank to a state-chartered mutual holding company, the organization of a stock savings bank owned by the holding company, and the transfer of substantially all assets and all liabilities to the stock savings bank has been reviewed by the Federal Deposit Insurance Corporation ("FDIC") pursuant to 12 C.F.R. Section 303.15 and other pertinent FDIC regulations. Based on the information presented and representations made, we do not object to the proposal.

Enclosed is our Order and Basis for the applications filed on behalf of Mutual Bank in conjunction with its Notice of Mutual Holding Company Reorganization. These include considerations of deposit insurance and purchase and assumption applications.

We are aware of the Internal Revenue Service tax ruling which will increase the bank's federal and state taxes if the bank proceeds with the reorganization via a purchase and assumption transaction. We have also received copies of your correspondence with Commissioner Curry on this issue, including your request to change the transaction from a purchase and assumption to another form of merger transaction.

Please advise the Boston Regional Office in writing when you have reached an agreement with the State. At that time we will entertain any modification necessary. If an extension of the time limitation

included in the Order is required, a letter requesting a specific extension of the limitation including reasons therefore should be submitted to the Boston Regional Office.

Sincerely,

/s/

Lawrence E. Morgan, Jr.  
Acting Associate Director

Enclosure

cc: Eric Luse, Esq.  
Robert B. Pomerenk, Esq.  
Luse Lehman Gorman Pomerenk & Schick  
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