



**Federal Deposit Insurance Corporation**

55017th Street NW, Washington, D.C. 20429-9990

Division of Supervision and Consumer Protection

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

Board of Directors  
Gorham Savings Bank  
10 Wentworth Drive  
Gorham, Maine 04038

**December 1, 2006**

Dear Members of the Board:

The notice of intent to convert from mutual-to-stock form **filed** on behalf of Gorham Savings Bank, Gorham, Maine, has been reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.163 and 333.4. Based on the information provided and representations made, the FDIC poses no objection to the proposed conversion transaction.

Please notify our Boston Area Office in writing when the proposed transaction has been consummated.

Sincerely,

*/s/*

Christopher J. Spoth  
Senior Deputy Director

cc: Mr. Robert B. Pomerenk  
Luse Gorman Pomerenk & Schick  
5335 Wisconsin Avenue, N.W. Suite 400  
Washington, D.C. 20015

## FEDERAL DEPOSIT INSURANCE CORPORATION

RE: Gorham Savings Bank  
Gorham, 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 Act (FDI Act), an application has been filed on behalf of Gorham Savings Bank, Gorham, Maine, (Mutual Bank), currently a mutually-owned, Deposit Insurance Fund member, state-chartered institution with total resources of \$721,606,000 and total deposits of \$485,207,000 as of March 31, 2006, for the FDIC's consent to merge with Gorham Interim Two Savings Bank, Gorham, Maine (Interim Two), a proposed new, interim, investor owned Maine universal bank. Also, applications for federal deposit insurance for Interim Two and for Gorham Interim One Savings Bank, Gorham, Maine (Interim One), have been filed.

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

- (1) Gorham Savings Bank will organize Interim One, an interim investor-owned universal bank, as a wholly-owned subsidiary and will constructively transfer a substantial part of its assets and liabilities to Interim One.
- (2) Interim One will organize the Gorham Bancorp, Inc. (Stock Holding Company) as a wholly-owned subsidiary.
- (3) Interim One will organize Interim Two as a separate wholly-owned Maine universal bank subsidiary and will constructively transfer the assets and liabilities that were constructively transferred to it, to Interim Two.
- (4) Gorham Savings Bank will convert to the capital stock form of organization by exchanging its charter for that of a Maine investor-owned universal bank (Stock Bank). Simultaneously, Interim One will cancel its outstanding stock, convert to a mutual financial institution and then reorganize into a mutual holding company to become the Gorham Bancorp, MHC (Mutual Holding Company).
- (5) Interim Two will merge with and into the Stock Bank, with the Stock Bank as the surviving entity. The assets that were constructively transferred to Interim Two will become the assets and liabilities of the Stock Bank by virtue of the merger. The Mutual Holding Company will become the sole stockholder of the Stock Bank by virtue of the merger.
- (6) The Mutual Holding Company will contribute the capital stock of the Stock Bank to the Stock Holding Company, and the Stock Bank will become a wholly-owned subsidiary of the Stock Holding Company.

The purpose of the constructive transfers to the interim banks is to more closely parallel Section 1053 of the Maine Banking Code, 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 Gorham Savings Bank 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, the Stock Bank will be the wholly-owned subsidiary of the Stock Holding Company, and the Stock Holding Company will be the wholly-owned subsidiary of the Mutual Holding Company. The Mutual Holding Company and the Stock Holding Company will each be capitalized with up to \$50,000. Applications for the establishment of the Mutual Holding Company and the Stock Holding Company have been approved by the Federal Reserve Bank of Boston. In addition, the proposed transaction has been approved by the Maine Bureau of Financial Institutions. The resultant bank will operate with the title of Gorham Savings Bank, Gorham, Maine. Following the consummation of the merger, the resultant bank will operate the same banking business, with the same management, at the same locations now being served by the Mutual Bank. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Bank. The resultant bank's principal office will be at 10 Wentworth Drive, Gorham, 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) 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.

In connection with the applications, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent banks and the resultant bank, and the convenience and needs of the community to be served. Having found favorably on all statutory factors and having considered other relevant information, including all reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, and the Attorney General of the United States, it is the FDIC's judgement 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 the Mutual Bank's depositors.
2. That unless prior notice is provided to and non-objection is received from the FDIC, no shares of the stock of Gorham Savings Bank shall be sold, transferred or otherwise disposed of, to any persons (including any Employee Stock Ownership Plan) other than Gorham Bancorp, Inc.
3. That, prior to a sale, transfer or other disposition of any shares of Gorham Bancorp, Inc., by Gorham Bancorp, MHC to any person (including any Employee Stock Ownership

Plan), or a conversion of Gorham Bancorp, MHC to stock form, Gorham Savings Bank will provide written notification 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.

4. That, should any shares of stock of Gorham Savings Bank or Gorham Bancorp, Inc. be issued to persons other than the Mutual Holding Company, any dividends waived by the Mutual Holding Company must be retained by Gorham Bancorp, Inc. or Gorham 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 the Mutual Holding Company 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. Any changes 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 Area Director of the FDIC's Boston Area Office prior to the consummation of the proposed transaction.
6. 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.
7. 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.

By Order of the 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 \_\_\_\_\_ day of July, 2006.

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John M. Lane  
Deputy Director