



June 3, 2014

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Board of Trustees  
Kennebec Savings Bank  
150 State Street  
Augusta, Maine 04330

**RE: Notice of Intent to Convert to Stock Form and Interim Merger Application**

Dear Members of the Board:

The notice to effect a mutual holding company reorganization with organization of interim institutions and a merger to facilitate a conversion from mutual to stock form filed by Kennebec Savings Bank, Augusta, Maine (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, 12 C.F.R. 303 Subpart D, and other pertinent regulations. Based on the information presented and representations made, the FDIC poses no objection to the proposed transactions, subject to the conditions set forth herein and in the Order and Basis for Corporation Approval (Order) approving the Bank Merger Act application. Certain conditions stated in the Order must be met on an ongoing basis.

Please provide the Boston Area Office (BAO) written evidence that the Bank's Plan of Reorganization to Mutual Holding Company Structure was approved by the affirmative vote of at least a majority of the votes eligible to be cast by the Bank's depositors at a special meeting and notify the BAO in writing when the proposed transaction has been consummated. Should you have any questions, please contact Case Manager Ellen T. Kosmicki at (781) 794-5534.

If an extension of the time limit in the Order is required, a letter requesting a specific extension of the limitation, and the reasons for the extension, should be submitted to Regional Director John F. Vogel at 350 Fifth Avenue, Suite 1200, New York, New York 10118.

Sincerely,

/s/

James C. Watkins  
Senior Deputy Director

Enclosure: Order and Basis for Corporation Approval

cc: Gretchen L. Jones, Esq.  
Eaton Peabody  
P.O. Box 9  
167 Park Row  
Brunswick, Maine 04011

Honorable Lloyd P. LaFountain, III  
Superintendent  
Maine Bureau of Financial Institutions  
36 State House Station  
Augusta, Maine 04333-0036

Maureen B. Savage – Vice President  
Federal Reserve Bank of Boston  
600 Atlantic Avenue H-3  
Boston, Massachusetts 02210

## FEDERAL DEPOSIT INSURANCE CORPORATION

Kennebec Savings Bank  
Augusta, Maine

Application for Consent to Merge

### ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) of the Federal Deposit Insurance (FDI) Act, Kennebec Savings Bank, Augusta, Maine, (Mutual Institution) currently a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total assets of \$791,913,000 and total deposits of \$660,977,000 as of March 31, 2014, filed an application (Application) for the FDIC's consent to merge with KSB Interim Two Savings Bank, Augusta, Maine, a proposed *de novo* interim State-chartered stock savings bank. The Application was filed in conjunction with a Notice of Intent to Convert to Stock Form (Notice) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160 – 303.163 and other pertinent regulations.

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

- Mutual Institution will organize a *de novo* Maine-chartered savings bank, KSB Interim One Savings Bank ("Interim One") and constructively transfer a substantial part of its assets and liabilities to Interim One, pursuant to Maine law;
- Interim One will organize a mid-tier Maine stock holding company, Kennebec Savings, Inc., as a wholly-owned subsidiary;
- Interim One will organize an interim *de novo* Maine-chartered savings bank, KSB Interim Two Savings Bank ("Interim Two"), and will constructively transfer its assets and liabilities to Interim Two;
- Mutual Institution will exchange its charter to become a Maine-chartered stock bank ("Stock Bank"); simultaneously, Interim One will cancel any outstanding stock, convert to a mutual financial institution, and reorganize to become Kennebec Savings Bank, MHC; and
- Interim Two will merge with and into the Stock Bank, with Kennebec Savings Bank as the legally surviving entity.

Upon consummation of the proposal, the deposits of Kennebec Savings Bank will be insured by the DIF. On the effective date of the reorganization, Kennebec Savings Bank will be a stock bank that is wholly owned by Kennebec Savings, Inc. which in turn is wholly owned by Kennebec Savings, MHC.

The Federal Reserve Bank of Boston approved the application for Kennebec Savings Bank, MHC and Kennebec Savings, Inc. to become a mutual holding company and a stock holding company, respectively, in connection with the Kennebec Savings Bank reorganization on May 8, 2014. Also, the State of Maine has granted Kennebec Savings Bank approval to reorganize into a mutual holding company structure on May 2, 2014.

Following the consummation of the merger, Kennebec Savings Bank will operate the same banking business with the same management at the same locations now being served by the Mutual Institution, including its main office at 150 State Street, Augusta, Maine. The proposed transaction will not alter the competitive structure of banking in the market served by Kennebec Savings Bank.

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. Kennebec Savings Bank is expected to meet the credit needs of its community, consistent with the safe and sound operation of the institution.

In connection with the Application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent bank and the resultant bank, the convenience and needs of the community to be served, and the effect of the proposed transaction on competition. The FDIC has also taken into consideration the effectiveness of the insured depository institution involved in the proposed merger transaction in combating money-laundering activities, and the risk posed by the transaction to the stability of the U.S. banking or financial system.

Having found favorably on all statutory factors, it is the FDIC's judgment that the Application for consent to merge is hereby approved, subject to the following conditions, some of which are continuing in nature:

1. Kennebec Savings Bank shall provide written evidence that the Plan was approved by the affirmative vote of at least a majority of the votes eligible to be cast by Kennebec Savings Bank's depositors at a special meeting.
2. That, except for the issuance of stock to Kennebec Savings, MHC and the contribution of that stock by Kennebec Savings, MHC to Kennebec Savings, Inc., no shares of stock of Kennebec Savings Bank shall be sold, transferred, or otherwise disposed of, to any person (including any Employee Stock Ownership Plan) unless prior notice is provided to, and non-objection is received from, the FDIC New York Regional Director.
3. That, prior to a sale, transfer or other disposition of any shares of Kennebec Savings, Inc. by Kennebec Savings, MHC, to any person (including any Employee Stock Ownership Plan) or a conversion of Kennebec Savings, MHC, to stock form, Kennebec Savings Bank shall provide written notification to the FDIC New York Regional Director 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 stock of Kennebec Savings Bank or Kennebec Savings, Inc. be issued to persons other than Kennebec Savings, Inc. and Kennebec Savings, MHC, any dividends waived by Kennebec Savings, MHC must be retained by Kennebec Savings, Inc. or Kennebec 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 Kennebec Savings, 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, except for the planned transition of Mr. Johnston to Chief Executive Officer of Kennebec Savings Bank and the holding companies and Mr. Silsby to President and Chief Operating Officer of Kennebec Savings Bank and the holding companies, any change in proposed senior executive officers, including the board of directors, prior to the consummation of the proposed transaction, will render this approval null and void unless such proposal is approved by the FDIC New York Regional Director prior to the consummation of the proposed transaction.
6. That, for a period of three (3) years after the close of the proposed transaction, any material deviation from Kennebec Savings Bank's business plan submitted to the FDIC, will require prior written approval of the FDIC New York Regional Director prior to implementation of such material deviation from the business plan.
7. 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 FDIC.
8. 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 FDIC Board of Directors.

Dated at Washington, D.C. this 3<sup>rd</sup> day of June, 2014.

/s/

\_\_\_\_\_  
James C. Watkins  
Senior Deputy Director  
Division of Risk Management Supervision