



Federal Deposit Insurance Corporation

550 17th Street NW, Washington, D.C. 20429-9990

Division of Supervision and Consumer Protection

October 19, 2005

VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Trustees
Monson Savings Bank
146 Main Street
Monson, Massachusetts 01057

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization with the organization of an interim institution and a merger to facilitate a conversion from a mutual to stock form filed on behalf of Monson Savings Bank (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 and other pertinent FDIC regulations. Based on the information presented and the 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 333.4(c)(2). We have reviewed the Bank's request and have found that a sufficient number of independent corporators voted in favor of the proposed conversion. Therefore, the Bank's request for a waiver is granted.

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

John M. Lane
Deputy Director

Enclosure

cc: Darah E. Manning
Nutter McClennen & Fish LLP
World Trade Center West
155 Seaport Boulevard
Boston, Massachusetts 02210-2604

FEDERAL DEPOSIT INSURANCE CORPORATION

Monson Savings Bank
Monson, Hampden County, Massachusetts

Application 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 (FDI) Act, an application has been filed on behalf of Monson Savings Bank, Monson, Massachusetts (Mutual Institution), currently a state-chartered, mutually-owned Bank Insurance Fund (BIF) member with total resources of \$177,912,000 and total deposits of \$138,079,000 as of June 30, 2005, for the FDIC's consent to merge with Monson Interim Subsidiary Bank, Monson, Massachusetts, a proposed new interim, state-chartered stock savings bank. In addition, applications have been filed for Federal deposit insurance for Monson Interim Mutual Bank (a *de novo* mutual savings bank to be subsequently organized into a mutual holding company) and Monson Interim Subsidiary Bank.

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

- Mutual Institution to organize a new *de novo* mutual savings bank under Massachusetts law to be known as Monson Interim Mutual Bank.
- Monson Interim Mutual Bank to reorganize into mutual holding company to be known as Monson Financial Services MHC.
- Monson Financial Services MHC to establish a Massachusetts stock corporation to be known as Monson Financial Services Corporation.
- Monson Financial Services MHC to establish a wholly-owned subsidiary of Monson Financial Services Corporation to be known as Monson Interim Subsidiary Bank.
- Mutual Institution to immediately merge with and into Monson Interim Subsidiary Bank, under the name of Monson Savings Bank, but with the charter of the Monson Interim Subsidiary Bank surviving (Resultant Bank or Monson Savings Bank).
- Monson Financial Services MHC to immediately thereafter contribute 100% of the shares of the Resultant Bank to Monson Financial Services Corporation.

Upon consummation of the reorganization, the deposits of the Monson Savings Bank will continue to be insured under the BIF. On the effective date of the reorganization, Monson Savings Bank will be a stock bank that is wholly owned by Monson Financial Services Corporation, which will be wholly-owned by Monson Financial Services MHC. Applications for the establishment of Monson Financial Services MHC and Monson Financial Services

Corporation have been approved by the Board of Governors of the Federal Reserve System. Also, the Commonwealth of Massachusetts has granted Monson Savings Bank the authority to conduct a banking business and approved the establishment and operation of a stock savings bank. Following consummation of the merger, Monson Savings Bank will operate the same banking 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. Monson Savings Bank's main office will continue to be located at 146 Main Street, Monson, 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. Monson Savings Bank 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, the convenience and needs of the community to be served, and the effectiveness of the Resultant Bank's efforts in combating money laundering activities. In connection with the applications for deposit insurance, the FDIC has taken into consideration the: financial history and condition; adequacy of the capital structure; future earnings prospects; general character and fitness of management; risk to the insurance fund; convenience and needs of the community; and consistency of corporate powers. Having found favorably on all statutory factors and having considered other relevant information, including 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 judgment that the applications should be and hereby are approved, subject to the following conditions:

1. That, except for the proposed transfer of stock to Monson Financial Services MHC and the contribution of that stock by Monson Financial Services MHC to Monson Financial Services Corporation, no shares of the stock of Monson 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;
2. That, prior to a sale, transfer or other disposition of any shares of Monson Financial Services Corporation by Monson Financial Services MHC, to any person (including any Employee Stock Ownership Plan) or a conversion of Monson Financial Services MHC, to stock form, Monson Savings Bank will provide written notification to the FDIC 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;
3. That, should any shares of stock of Monson Savings Bank or Monson Financial Services Corporation be issued to persons other than Monson Financial Services MHC, any

dividends waived by Monson Financial Services MHC must be retained by Monson Financial Services Corporation or Monson 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 Monson Financial Services 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, any change in proposed management, including the board of directors, will render this approval null and void unless such proposal is approved by the FDIC prior to the consummation of the proposed transaction;
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 FDIC; and
6. 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 Board of Directors.

Dated at Washington, D.C. this 19TH day of October, 2005.

ISI

John M. Lane
Deputy Director
Division of Supervision and Consumer Protection