



Federal Deposit Insurance Corporation

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

Division of Supervision and Consumer Protection

December 28, 2010

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Trustees
10 North Main Street
Newport, New Hampshire 03773

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 Sugar River 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 the time limit included in the Order is required, a letter requesting a specific extension of the limitation, and the reasons for the extension, should be submitted to the Boston Area Office.

Sincerely,

/S/

Christopher J. Spoth
Senior Deputy Director

Enclosure

cc: Victor L. Cangelosi
Kilpatrick Stockton LLP
607 14th Street, N.W.
Suite 900
Washington, D.C. 20005-2018

FEDERAL DEPOSIT INSURANCE CORPORATION

Sugar River Bank
Newport, Sullivan County, New Hampshire

Application for Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance (FDI) Act, an application has been filed on behalf of Sugar River Bank, Newport, New Hampshire (Mutual Institution), currently a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total resources of \$256,225,000 and total deposits of \$177,762,000 as of September 30, 2010, for the FDIC's consent to merge with Stock Bank, a proposed New Hampshire-chartered stock guaranty savings bank.

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

- The chartering of the Sugar River Bancorp, MHC, as a New Hampshire-chartered mutual holding company (Bancorp);
- The chartering of the Stock Bank as a New Hampshire-chartered stock guaranty savings bank and as a wholly-owned subsidiary of Bancorp (Stock Bank);
- The merger of Sugar River Bank with and into Stock Bank (Resultant Bank).

Upon consummation of the reorganization, the deposits of Resultant Bank will continue to be insured under the DIF, and simultaneously retain the name of Sugar River Bank. On the effective date of the reorganization, Sugar River Bank will be a stock bank that is wholly owned by Bancorp. An application for the establishment of Bancorp has been approved by the Federal Reserve Bank of Boston. The New Hampshire Department of Banking has approved Sugar River Bank's application to reorganize into a mutual holding company structure and establish and operate a stock savings bank subsidiary. Following consummation of the merger, Sugar River 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 will not alter the competitive structure of banking in the market served by the Mutual Institution. Sugar River Bank's main office will continue to be located at 10 North Main Street, Newport, New Hampshire.

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 Mutual Institution, disclosed no inconsistencies with the purposes of the CRA. Sugar River 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 merger application, the FDIC has taken into consideration the financial and managerial resources and prospects of the Mutual Institution and the Resultant Bank, the convenience and needs of the community to be served, and the competitive effects of the proposed transactions. 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 application should be and is hereby approved, subject to the following conditions, some of which are continuing in nature:

1. That, except for the proposed transfer of stock to Sugar River Bancorp, MHC, no shares of the stock of Sugar River 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 Sugar River Bank to any person (including any Employee Stock Ownership Plan) or a conversion of Sugar River Bancorp, MHC to stock form, Sugar River 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 Sugar River Bank be issued to persons other than Sugar River Bancorp, MHC, any dividends waived by Sugar River Bancorp, MHC must be retained by Sugar River 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 Sugar River Bancorp, 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. Except with regard to retiring Trustee William P. Hoyt, any changes in proposed management, including the board of trustees, shall be approved by the FDIC Regional Director prior to the consummation of the proposed transaction.
5. 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; 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 28th day of December, 2010.

/S/

Christopher J. Spohr
Senior Deputy Director
Division of Supervision and Consumer Protection