



Federal Deposit Insurance Corporation
550 17th St., NW, Washington, DC 20429

Division of Supervision and Consumer Protection

VIA FACSIMILE AND CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Board of Directors
Fairfield County Bank Corp.
150 Danbury Road
Ridgefield, Connecticut 06877

December 5, 2006

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 Fairfield County Bank Corp. (Bank), Ridgefield, Connecticut, 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 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/

Christopher J. Spoth
Senior Deputy Director

Enclosure

cc: Ellen J. Beardsley, Esq.
Tyler Cooper & Alcorn, LLP
185 Asylum Street
CityPlace I, 35th Floor
Hartford, CT 06103-3488

FEDERAL DEPOSIT INSURANCE CORPORATION

Fairfield County Bank Corp.
Ridgefield, Fairfield County, Connecticut

Application for Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act (FDI Act), an application has been filed on behalf of Fairfield County Bank Corp., Ridgefield, Fairfield County, Connecticut (Mutual Institution), currently a Connecticut-chartered mutual savings bank and Deposit Insurance Fund (DIF) member with total resources of \$1,351,338,000 and total deposits of \$1,051,792,000 as of September 30, 2006, for the FDIC's consent to merge with Fairfield County Bank II, Ridgefield, Connecticut (Stock Savings Bank), a proposed new interim Connecticut-chartered stock savings bank.

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

- The Mutual Institution to establish a Connecticut-chartered mutual holding company to be known as Fairfield County Bank III MHC, Inc., and to capitalize it with \$150,000;
- Fairfield County Bank III MHC, Inc., to establish a subsidiary Stock Savings Bank and for Mutual Institution to immediately merge with and into Stock Savings Bank, under the name of Fairfield County Bank but with the charter of Stock Savings Bank (Resultant Bank);
- Fairfield County Bank III MHC, Inc., to convert to a federally-chartered mutual holding company, Fairfield County Bank MHC; and
- Upon consummation, Fairfield County Bank MHC will own 100 percent of the stock of Resultant Bank.

At the conclusion of the reorganization, the deposits of the Resultant Bank will continue to be insured under the DIF. Following consummation of the merger, the Resultant Bank will operate the same banking business, with the same management, and at the same locations as Mutual Institution. The proposed transaction will not alter the competitive structure of banking in the market served by Mutual Institution. The Resultant Bank's principal office will continue to be located at 150 Danbury Road, Ridgefield, Connecticut.

Applications for reorganization of Mutual Institution and the subsequent merger of the Mutual Institution into Stock Savings Bank were also filed with the Connecticut Department of Banking, which approved and issued a "Notice of Intent Not to

Disapprove” the application on October 19, 2006. The application filed with the Office of Thrift Supervision for the conversion of Fairfield County Bank III MHC, Inc., to a federal holding company remains pending.

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 Mutual Institution, discloses no inconsistencies with the purposes of the CRA. The Resultant 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 bank and the Resultant Bank, the convenience and needs of the community to be served, and the proponent bank’s compliance with the Bank Secrecy Act and enforcement of anti-money laundering measures. 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 application should be and hereby is approved, subject to the following conditions:

1. That except for the proposed acquisition of stock by Fairfield County Bank MHC, no shares of the stock of the Resultant 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 the sale, transfer, or other disposition of any shares of Resultant Bank to any person (including any Employee Stock Ownership Plan), company, or a conversion of Fairfield County Bank MHC, to stock form, the Resultant 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 such sale, transfer, disposition, or conversion;
3. That should any shares of the stock of the Resultant Bank be issued to persons other than Fairfield County Bank MHC, any dividends waived by Fairfield County Bank MHC must be retained by the Resultant Bank and segregated, earmarked, or otherwise identified on the books and records of the Resultant Bank; 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 Fairfield County Bank MHC to stock form; such amounts shall not be available for payment to, or the value thereof transferred to, minority

