



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

Division of Supervision and Consumer Protection

January 5, 2005

VIA FACSIMILE AND CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Board of Directors
Naugatuck Savings Bank
251 Church Street
Naugatuck, Connecticut 06770

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 Naugatuck Savings (Bank), Naugatuck, 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/

John M. Lane
Deputy Director

Enclosure: Order and Basis for Corporation Approval

cc: Richard A. Schaberg, Esquire
Thatcher Proffitt & Wood LLP
1700 Pennsylvania Avenue, NW
Suite 800
Washington, DC 20006

FEDERAL DEPOSIT INSURANCE CORPORATION

Naugatuck Savings Bank
Naugatuck, New Haven 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 Naugatuck Savings Bank, Naugatuck, Connecticut (Mutual Institution), currently a Connecticut-chartered mutual savings bank and Bank Insurance Fund (BIF) member with total resources of \$622,922,000 and total deposits of \$495,954,000 as of September 30, 2004, for the FDIC's consent to merge with Naugatuck Stock Bank, Naugatuck, 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 Nutmeg Financial MHC, Inc., and to capitalize it with \$100,000;
- Nutmeg Financial MHC, Inc., to establish as a subsidiary Stock Savings Bank and for Mutual Institution to immediately merge with and into Stock Savings Bank, under the name of Naugatuck Savings Bank but with the charter of Stock Savings Bank (Resultant Bank);
- Nutmeg Financial MHC, Inc., to convert to a federally chartered mutual holding company, Nutmeg Financial, MHC; and,
- Upon consummation, Nutmeg Financial, 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 BIF. 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 251 Church Street, Naugatuck, 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 the applications on December 6, 2004. The

application filed with the Office of Thrift Supervision for the conversion of Nutmeg Financial 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 effectiveness of proponent bank in combating money laundering activities. 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, prior to the sale, transfer, or other disposition of any shares of Resultant Bank to any person (including any Employee Stock Ownership Plan), or a conversion of Nutmeg Financial, 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;
2. That should any shares of the stock of the Resultant Bank be issued to persons other than Nutmeg Financial, MHC, any dividends waived by Nutmeg Financial, 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 Nutmeg Financial, 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;
3. 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;
4. That the transaction shall not be consummated within less than fifteen days after the date of this Order, or later than six months after the date of this Order, unless such period is extended for good cause by the FDIC;

5. That the proposed transaction may not be consummated unless and until the Resultant Bank's establishment and operation as a stock savings bank has been fully approved by the appropriate Connecticut Department of Banking officials, and its proposed holding company, Nutmeg Financial, MHC, is granted approval by the Office of Thrift Supervision to become the holding company for Resultant Bank;
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 delegated authority.

Dated at Washington, D.C., this 5th day of January, 2005

By: _____
/S/
John M. Lane
Deputy Director
Division of Supervision and Consumer Protection