



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

Division of Supervision and Consumer Protection

March 3, 2003

VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Bridgewater Savings Bank
14 Main Street
Bridgewater, Massachusetts 02324

Board of Directors:

The Notice to effect a mutual holding company reorganization with the organization of an interim institution and a merger to facilitate a conversion from mutual form to stock form filed on behalf of Bridgewater Savings Bank, Bridgewater, Massachusetts ("Bank") has been reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160-303.164 and other pertinent FDIC regulations. Based on the information presented and representations made, we do not object to the proposal.

Enclosed is our Order and Basis for Corporation Approval ("order") for the applications filed on behalf of Bridgewater Savings 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 has requested, in accordance with 12 C.F.R. Section 333.4(a), 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 corporators voted in favor of the proposed conversion. Therefore, the Bank's request for a waiver is granted.

Please advise the Boston Area Office in writing when the proposed transaction has been consummated. If an extension of the time limitation 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: Richard A. Schaberg
Thacher Proffitt & Wood
1700 Pennsylvania Ave., N.W., Suite 800
Washington, D.C. 20006

FEDERAL DEPOSIT INSURANCE CORPORATION

Bridgewater Savings Bank
Bridgewater, Plymouth 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 Act ("FDI Act"), an application has been filed on behalf of the Bridgewater Savings Bank, Bridgewater, Massachusetts, ("Mutual Institution"), currently a state-chartered mutually-owned Bank Insurance Fund member with total resources of \$243,745,000 and total deposits of \$191,092,000 as of December 31, 2002, for the FDIC's consent to merge with Bridgewater Interim Stock Savings Bank, Raynham, Massachusetts, a proposed new interim state-chartered stock savings bank, the resultant bank. In addition, applications have been filed for federal deposit insurance for the Bridgewater De Novo Mutual Savings Bank (to be subsequently organized into a mutual holding company) and the Bridgewater Interim Stock Savings Bank.

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

- Bridgewater Savings Bank to organize a new savings bank under Massachusetts law to be known as Bridgewater De Novo Mutual Savings Bank.
- Bridgewater De Novo Mutual Savings Bank to amend and restate its mutual savings bank charter as the charter of a mutual holding company to be known as Bridgewater Financial, MHC.
- Bridgewater Financial, MHC, to simultaneously organize a Massachusetts chartered stock savings bank as a subsidiary to be known as Bridgewater Interim Stock Savings Bank.
- Bridgewater Savings Bank will immediately thereafter merge with Bridgewater Interim Stock Savings Bank, with Bridgewater Interim Stock Savings Bank to be the legally surviving entity under the name of Bridgewater Savings Bank.

Upon consummation of the reorganization, the deposits of the Mutual Institution will continue to be insured under the Bank Insurance Fund. On the effective date of the reorganization, the Resultant Bank will be a stock bank and the wholly owned subsidiary of Bridgewater Financial, MHC. Applications for the establishment of Bridgewater Financial, MHC, have been filed with the Federal Reserve System. Following the consummation of the merger, the Resultant 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. Bridgewater Savings Bank's main office will relocate to an existing branch office located at 756 Orchard Street, Raynham, 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. The resultant institution 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, and the convenience and needs of the community to be served. 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 all reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Director of 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 Bridgewater Financial, MHC, ("MHC"), no shares of the stock of Bridgewater 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 Bridgewater Savings Bank by the Bridgewater Financial, MHC, to any person (including any Employee Stock Ownership Plan), or a conversion of the Bridgewater Financial, MHC, to stock form, Bridgewater 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 such sale, transfer, disposition or conversion;
3. That, should any shares of stock be issued to persons other than Bridgewater Financial, MHC, any dividends waived by Bridgewater Financial, MHC, must be retained by Bridgewater Financial, MHC, or Bridgewater 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 Bridgewater 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;

4. That, any change in proposed management, including the board of directors or proposed ownership (ten percent or more of the stock and new acquisitions of, or subscriptions to, ten percent or more of the stock), 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 proposed transaction may not be consummated unless and until the resultant bank has the authority to conduct banking business, and that its establishment and operation as a stock savings bank have been fully approved by appropriate Commonwealth of Massachusetts officials, and its holding company, Bridgewater Financial, MHC, is granted approval by the Federal Reserve to become the holding company for Bridgewater Savings Bank;
6. 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
7. 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.

By Order of the Director of the Division of Supervision and Consumer Protection pursuant to the delegated authority of the Board of Directors.

Dated at Washington, D.C., this 3RD day of March, 2003.

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John M. Lane
Deputy Director