



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

Division of Supervision and Consumer Protection

October 17, 2003

VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Clinton Savings Bank
200 Church Street
Clinton, MA 01510

Dear Members of the Board:

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 Clinton Savings Bank, Clinton, Massachusetts (Bank), has been reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.160-303.163 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 Clinton 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. Sections 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.

Board of Directors
Clinton Savings Bank

-2-

October 17, 2003

Please advise the Boston Area Office in writing when the proposed transaction has been consummated. If an extension of 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: George W. Tetler, III
Bowditch & Dewey, LLP
311 Main Street, P.O. Box 15156
Worcester, MA 01615-0156

FEDERAL DEPOSIT INSURANCE CORPORATION

Clinton Savings Bank
Clinton, Worcester 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 Clinton Savings Bank, Clinton, Massachusetts (Mutual Institution), currently a state-chartered mutually-owned Bank Insurance Fund member with total resources of \$297,538,000 and total deposits of \$264,892,000 as of June 30, 2003, for the FDIC's consent to merge with Clinton Savings Bank (Subsidiary Stock Savings Bank), Clinton, Massachusetts, a proposed new state-chartered stock savings bank (Resultant Bank). In addition, an application has been filed for federal deposit insurance for CSB Interim Savings Bank and Subsidiary Stock Savings Bank.

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

- Bank to establish an interim Massachusetts-chartered mutual savings bank, CSB Interim Savings Bank (Interim Savings Bank), to be reorganized simultaneously upon establishment into a Massachusetts-chartered mutual holding company to be known as Clinton Financial Services, MHC (the Mutual Holding Company) and capitalize it with \$10,000;
- The Mutual Holding Company to establish a wholly-owned Massachusetts-chartered subsidiary in stock form of organization to be known as Wachusett Financial Services, Inc. (the Stock Holding Company);
- The establishment as a wholly-owned subsidiary of the Stock Holding Company, a Massachusetts-chartered savings bank in stock form of organization to be known as Clinton Savings Bank (the Subsidiary Stock Savings Bank); and,
- Upon the establishment of the Mutual Holding Company, the Stock Holding Company and the Subsidiary Stock Savings Bank, effecting an immediate merger of the Applicant into the Subsidiary Stock Savings Bank (Resultant Bank).
- Upon consummation, the Mutual Holding Company will own 100% of the issued and outstanding voting stock of the Stock Holding Company, which in turn will own 100% of the issued and outstanding stock of the Resultant Bank.

At the conclusion of the reorganization, the deposits of the Resultant Bank will continue to be insured under the Bank Insurance Fund. Applications for the establishment of the Mutual Holding Company and the Stock Holding Company await approval by the Federal Reserve Bank of Boston. Following the consummation of the merger, the Resultant Bank will operate the same 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. The Resultant Bank's principal office will continue to be located at 200 Church Street, Clinton, 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 application 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 competitive factors furnished by the Comptroller of the Currency, the Director of the Office of Thrift Supervision and the Attorney General of the United States¹, 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 the Stock Holding Company, no shares of the stock of Subsidiary Stock 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 the Stock Holding Company by the Mutual Holding Company to any person (including any Employee Stock Ownership Plan), or a conversion of the Mutual Holding Company to stock form, the Resultant Bank will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with the state

¹ An application relating to the instant proposal was filed with the Board of Governors of the Federal Reserve which has advised the FDIC that its formal report on the competitive factors will be issued when it acts on the related application. Federal Reserve staff has indicated that the instant proposal has no adverse effects on competition.

and federal banking and/or securities regulators in connection with any such sale, transfer, disposition or conversion;

3. That should any shares of the stock of the Resultant Bank or the Stock Holding Company be issued to persons other than the Mutual Holding Company, any dividends waived by the Mutual Holding Company must be retained by the Stock Holding Company or the Resultant Bank and segregated, earmarked, or otherwise identified on the books and records of the Stock Holding Company or 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 the Mutual Holding Company 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 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 the Mutual Holding Company and the Stock Holding Company are granted approval by the Federal Reserve to become holding companies for the Resultant Bank.
6. 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; 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 Deputy 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 17th day of October, 2003.

/s/

John M. Lane
Deputy Director