



Federal Deposit Insurance Corporation

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

Division of Supervision and Consumer Protection

May 29, 2009

VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Trustees
Middlesex Savings Bank
6 Main Street
Natick, Massachusetts 01760

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization through the organization of an interim institution and a merger filed on behalf of Middlesex Savings 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. Also, per Section 4(d) of the Federal Deposit Insurance Act, the converted Bank will be an insured depository institution.

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 approvals are 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 Bank requested a waiver of 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 waiver is granted.

Board of Trustees
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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: Richard F. Kerr
Attorney
Goodwin Proctor, LLP
Exchange Place
Boston, MA 02109

FEDERAL DEPOSIT INSURANCE CORPORATION

Middlesex Savings Bank
Natick, Middlesex County, Massachusetts

Application for Federal Deposit Insurance and Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Sections 5 and 18(c) and other provisions of the Federal Deposit Insurance (FDI) Act, an application has been filed on behalf of Middlesex Savings Bank, Natick, Massachusetts (Mutual Institution,) for the FDIC's consent to merge with Middlesex Interim Stock Savings Bank, Natick, Massachusetts, a proposed new interim, state-chartered stock savings bank. Mutual Institution is currently a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total resources of \$3,592,235,000 and total deposits of \$2,983,055,000 as of December 31, 2008. In addition, applications have been filed for Federal deposit insurance for Middlesex Interim Mutual Savings Bank (a *de novo* mutual savings bank to be subsequently organized into a mutual holding company) and Middlesex Interim Stock Savings Bank.

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

- Mutual Institution to organize a new *de novo* mutual savings bank under Massachusetts law to be known as Middlesex Interim Mutual Savings Bank.
- Middlesex Interim Mutual Savings Bank to reorganize into mutual holding company to be known as Middlesex Bancorp, MHC.
- Middlesex Bancorp, MHC, to establish a wholly-owned subsidiary to be known as Middlesex Interim Stock Savings Bank.
- Mutual Institution to immediately merge with and into Middlesex Interim Stock Savings Bank, under the name of Middlesex Savings Bank, but with the charter of the Middlesex Interim Stock Savings Bank surviving.

Upon consummation of the reorganization, the deposits of the Middlesex Savings Bank will continue to be insured under the DIF. On the effective date of the reorganization, Middlesex Savings Bank will be a stock bank that is wholly owned by Middlesex Bancorp, MHC. An application for the establishment of Middlesex Bancorp, MHC, has been approved by the Board of Governors of the Federal Reserve System. Also, the Commonwealth of Massachusetts has granted Middlesex Savings Bank the authority to conduct a banking business and approved the establishment and operation of a stock savings bank. Following consummation of the merger, Middlesex Savings Bank will operate the same banking business, with the same management, and 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 Mutual Institution.

Middlesex Savings Bank's main office will continue to be located at 6 Main Street, Natick, 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 proponent's Community Reinvestment Act (CRA) Statement, disclosed no inconsistencies with the purposes of the CRA. Middlesex Savings 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 proponent banks and Middlesex Savings Bank, the convenience and needs of the community to be served, and the competitive nature of the proposed transaction. 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 hereby is approved, subject to the following conditions, some of which are continuing in nature:

1. That, except for the proposed transfer of stock to Middlesex Bancorp, MHC, no shares of the stock of Middlesex 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 Middlesex Savings Bank by Middlesex Bancorp, MHC, to any person (including any Employee Stock Ownership Plan) or a conversion of Middlesex Bancorp, MHC, to stock form, Middlesex 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 sale, transfer, disposition or conversion;
3. That, should any shares of stock of Middlesex Savings Bank be issued to persons other than Middlesex Bancorp, MHC, any dividends waived by Middlesex Bancorp, MHC must be retained by Middlesex 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 Middlesex 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. 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 later than six months after the date of this Order unless such period is extended for good cause by the Corporation; 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 29th day of May, 2009.

/S/

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