



Federal Deposit Insurance Corporation

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

Division of Supervision and Consumer Protection

December 30, 2009

VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Pilgrim Bank
48 South Main Street
Cohasset, Massachusetts 02025

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 Pilgrim Bank (the 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 majority of the Bank's depositors present during the Special Meeting voted in favor of the proposed conversion. Therefore, the Bank's request for waiver is granted.

Board of Directors
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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: Kent M. Krudys, Esq.
Luse Gorman Pomerenk & Schick, P.C.
5335 Wisconsin Avenue, N.W., Suite 400
Washington, D.C. 20015

FEDERAL DEPOSIT INSURANCE CORPORATION

Pilgrim Bank
Cohasset, Norfolk 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, applications have been filed on behalf of Pilgrim Bank, Cohasset, Massachusetts (Mutual Institution), currently a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total resources of \$157,978,000 and total deposits of \$143,836,000 as of September 30, 2009. The applications seek FDIC consent to merge with Pilgrim Interim Stock Bank, Cohasset, Massachusetts, a proposed new interim, state-chartered stock bank subsidiary. Applications have also been filed for Federal deposit insurance for Pilgrim De Novo Cooperative Bank (to be subsequently organized into a Massachusetts chartered mutual holding company) and Pilgrim Interim Stock 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 co-operative bank under Massachusetts law to be known as Pilgrim De Novo Co-operative Bank.
- Pilgrim De Novo Co-operative Bank to reorganize into mutual holding company to be known as Conahasset Bancshares, MHC.
- Conahasset Bancshares, MHC to establish a Massachusetts-chartered subsidiary stock co-operative bank to be known as Pilgrim Interim Stock Bank (Stock Bank).
- Conahasset Bancshares, MHC to establish a new wholly-owned Maryland-chartered subsidiary holding company in the stock form of organization to be known as Conahasset Bancshares, Inc.
- Mutual Institution to immediately merge with and into Stock Bank, with the Stock Bank as the surviving entity under the name Pilgrim Bank (Resultant Bank or Pilgrim Bank).
- Conahasset Bancshares, MHC to immediately thereafter contribute 100% of the shares of the Resultant Bank to Conahasset Bancshares, Inc.

Upon consummation of the reorganization, the deposits of Pilgrim Bank will continue to be insured under the DIF. On the effective date of the reorganization, Pilgrim Bank will be a stock bank that is wholly owned by Conahasset Bancshares, Inc., which will be wholly owned by Conahasset Bancshares, MHC. Applications for the establishment of Conahasset Bancshares, MHC and Conahasset Bancshares, Inc., have been approved by the Federal Reserve Bank of

Boston. The Massachusetts Division of Banks has granted Pilgrim Bank the authority to conduct a banking business and approved the establishment and operation of a stock bank. Following consummation of the merger, Pilgrim 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 will not alter the competitive structure of banking in the market served by the Mutual Institution. Pilgrim Bank's main office will continue to be located at 48 South Main Street, Cohasset, 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 Mutual Institution, disclosed no inconsistencies with the purposes of the CRA. Pilgrim 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 Mutual Institution and Resultant Bank, the convenience and needs of the community to be served, and the competitive effects of the proposed transactions. 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.

In addition, the FDIC has fully considered all available facts and information relevant to the factors of Section 6 of the FDI Act relating to the applications for Federal deposit insurance for Pilgrim De Novo Cooperative Bank and Pilgrim Interim Stock Bank.

Having found favorably on all statutory factors, it is the FDIC's judgment that the applications for Consent to Merge and for Federal deposit insurance should be and are hereby approved, subject to the following conditions, some of which are continuing in nature:

1. That, except for the proposed transfer of stock to Conahasset Bancshares, MHC and the contribution of that stock by Conahasset Bancshares, MHC to Conahasset Bancshares, Inc., no shares of the stock of Pilgrim 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 Conahasset Bancshares, Inc. by Conahasset Bancshares, MHC, to any person (including any Employee Stock Ownership Plan) or a conversion of Conahasset Bancshares, MHC, to stock form, Pilgrim 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 Pilgrim Bank or Conahasset Bancshares, Inc. be issued to persons other than Conahasset Bancshares, MHC, any dividends waived by Conahasset Bancshares, MHC must be retained by Conahasset Bancshares, Inc. or Pilgrim 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 Conahasset Bancshares, 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 unless and until the Resultant Bank (Pilgrim 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 both holding companies, Conahasset Bancshares, MHC and Conahasset Bancshares, Inc., are granted approval by the Board of Governors of the Federal Reserve System to become the holding companies for Pilgrim Bank;
6. 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 FDIC;
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; and
8. That, any significant change in the facts, circumstances, commitments, strategic directions, and business plans presented to the FDIC in connection with the application will render this non-objection null and void unless such proposed change is submitted to the FDIC for review and concurrence prior to its implementation.

Pursuant to the delegated authority of the Board of Directors.

Dated at Washington, D.C. this 30th day of December, 2009.

/s/

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