



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

Division of Supervision and Consumer Protection

February 3, 2004

VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
South Shore Savings Bank
1530 Main Street
South Weymouth, Massachusetts 02190

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 South Shore Savings Bank, South Weymouth, 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 South Shore Savings Bank in conjunction with the conversion transaction, including considerations of deposit insurance and the proposed mergers. 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 incorporators voted in favor of the proposed conversion. Therefore, the Bank's request for a waiver is granted.

Board of Directors
South Shore Savings Bank

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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: Robert B. Pomerenk, Esquire
Luse Gorman Pomerenk & Schick
5335 Wisconsin Avenue, NW
Suite 400
Washington, DC 20015

FEDERAL DEPOSIT INSURANCE CORPORATION

South Shore Savings Bank
South Weymouth, Norfolk 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), South Shore Savings Bank, South Weymouth, Norfolk County, Massachusetts (Mutual Institution), an insured state-chartered savings bank with total resources of \$725,265,000 and total deposits of \$550,328,000 as of September 30, 2003, has applied for the Corporation's consent to merge with South Shore Savings Bank (Subsidiary Stock Savings Bank), South Weymouth, Massachusetts, a proposed new state-chartered stock savings bank.

Further, pursuant to Section 18(c) and other provisions of the FDI Act, South Shore Savings Bank has filed an application for the Corporation's consent to merge as the surviving bank with Horizon Bank & Trust Company (Horizon), Braintree, Norfolk County, Massachusetts, a state-chartered commercial bank with total resources of \$126,958,000 and total deposits of \$100,462,000 as of September 30, 2003. As part of this transaction, an interim Massachusetts savings bank, to be known as South Shore Interim Savings Bank, will be organized. This interim bank will merge with Horizon and the resultant bank will be merged into South Shore Savings Bank.

In addition, Federal deposit insurance applications has been filed for South Shore De Novo Savings Bank, South Shore Savings Bank, and South Shore Interim Savings Bank, South Weymouth, Norfolk County, Massachusetts.

The transaction is to effect the Mutual Institution's plan of reorganization and merger with Horizon Bank & Trust Company. To facilitate these undertakings, the transaction provides for:

- The Mutual Institution to establish an interim Massachusetts-chartered mutual savings bank, South Shore De Novo Savings Bank (De Novo Bank), and capitalize it with \$10,000;
- The De Novo Bank to be reorganized simultaneously upon establishment into a Massachusetts-chartered mutual holding company to be known as South Shore Bancorp, MHC (Mutual Holding Company);
- The Mutual Holding Company to establish a wholly-owned, Massachusetts-chartered subsidiary in stock form of organization to be known as South Shore Savings Bank (Subsidiary Stock Savings Bank);

- The Mutual Institution to merge with and into the Subsidiary Stock Savings Bank as the resulting entity (Resultant Bank);
- The Mutual Holding Company to organize a Delaware stock corporation to be named South Shore Bancorp, Inc. (Stock Holding Company) as a separate wholly-owned subsidiary;
- The Mutual Holding Company to contribute all of the shares of common stock of the Resultant Bank to the Stock Holding Company;
- The Resultant Bank to organize South Shore Interim Savings Bank (Interim Bank), an interim stock savings bank subsidiary;
- The Interim Bank to merge with and into Horizon, with Horizon as the surviving entity; and
- Horizon to merge with and into the Resultant Bank, in an affiliate merger, with the Resultant Bank as the surviving entity.
- 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 have been approved by the Federal Reserve Bank of Boston. Following the consummation of the merger, the Resultant Bank will operate the same business, at the same locations now being served by the Mutual Institution and by Horizon. The proposed transaction will not significantly 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 1530 Main Street, South Weymouth, Massachusetts.

Notice of the proposed transactions, in a form approved by the FDIC, have 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. 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 merger 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 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, the Federal Reserve Bank of Boston, 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 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 or entity (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 or entity (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 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 or entities 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;
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 3RD day of FEBRUARY, 2004.

/s/

John M. Lane
Deputy Director