



April 12, 2007

VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Spencer Savings Bank
176 Main Street
Spencer, Massachusetts 01562

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization with the organization of two interim institutions and a merger to facilitate a conversion from mutual form to stock form filed on behalf of Spencer Savings Bank, Spencer, Massachusetts (Bank), has been reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to 12 C.F.R. Sections 303.160 – 303.164 and other pertinent FDIC regulations. Based on the information presented and representations made, the FDIC poses no objection to the proposed conversion transaction.

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, merger, and Federal deposit insurance. 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 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 depositor vote requirement of 12 C.F.R. Section 333.4(c)(2). We have reviewed the Bank's request and found a sufficient number of independent Corporators voted in favor of the proposed conversion. Therefore, the Bank's request for a waiver of the depositor vote requirement is granted.

Please notify the Boston Area Office when the proposed transaction has been consummated. If an extension of the 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

Enclosures

cc: Ms. Suzanne L. Glassburn, Esq.
Nutter McClennen & Fish LLP
World Trade Center West
155 Seaport Boulevard
Boston, Massachusetts 02210-2604

FEDERAL DEPOSIT INSURANCE CORPORATION

Spencer Savings Bank
Spencer, 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), applications have been filed on behalf of Spencer Savings Bank, Spencer, Massachusetts, (Mutual Institution), currently a state-chartered mutually-owned Deposit Insurance Fund member with total resources of \$304,986,000, and total deposits of \$228,080,000 as of December 31, 2006, for the FDIC's consent to merge with Spencer Savings Bank Interim Stock Bank (Stock Bank), Spencer, Massachusetts, a proposed new state-chartered stock bank. Also, applications for federal deposit insurance for have been filed for an interim state-charted mutual savings bank and a state-chartered stock savings bank.

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

- The Mutual Institution will organize an interim Massachusetts-chartered mutual savings bank, to be known as Interim Mutual Bank (Interim Mutual Bank);
- The Interim Mutual Bank will amend and restate its charter as the charter of a mutual holding company to be known as Spencer MHC (MHC); and simultaneously establish a wholly-owned Massachusetts-chartered interim stock bank subsidiary, to be known as Stock Bank;
- The MHC will immediately thereafter establish a new, wholly-owned Massachusetts chartered subsidiary holding company in the stock form of organization, to be known as Spencer Mid-tier Holding Company (Stock Holding Company);
- Immediately thereafter Mutual Institution will merge with and into the Stock Bank, under the name of "Spencer Savings Bank" but with the charter of Stock Bank surviving (Resultant Bank); and
- The MHC will immediately thereafter contribute 100% of the shares of stock of the Resultant Bank to the Stock Holding Company, resulting in the Stock Holding Company owning 100% of the outstanding stock of the Resultant Bank.

At the conclusion of the reorganization, the deposits of the Mutual Institution will continue to be insured under the Deposit Insurance Fund. Applications for the establishment of a Mutual Holding Company and a Stock Holding Company have been conditionally approved by the Board of Governors of the Federal Reserve System. In addition, the application for Mutual Institution to reorganize into a multi-tiered holding

company structure is under review by the Massachusetts Division of Banks. 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 176 Main Street, Spencer, 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 merger application, the FDIC has taken into consideration the financial and managerial resources and prospects of the proponent banks and the Resultant 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 is hereby approved, subject to the following conditions, some of which are continuing in nature:

1. That unless prior notice is provided to and non-objection is received from the FDIC, no shares of the stock of Spencer Savings Bank shall be sold, transferred or otherwise disposed of, to any persons (including any Employee Stock Ownership Plan) other than Spencer MHC and thereafter Spencer Mid-tier Holding Company, as contributed by Spencer MHC.
2. That, prior to a sale, transfer or other disposition of any shares of Spencer Mid-tier Holding Company, by Spencer MHC to any person (including any Employee Stock Ownership Plan), or a conversion of Spencer MHC to stock form, Spencer Savings Bank will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with 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 of Spencer Savings Bank or Spencer Mid-tier Holding Company, be issued to persons other than Spencer MHC and Spencer Mid-tier Holding Company, any dividend waived by Spencer MHC and Spencer Mid-tier Holding Company, must be retained by Spencer Mid-tier Holding Company, or Spencer 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 Spencer 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 changes in proposed management, including the board of directors or proposed ownership (ten per cent or more of the stock and new acquisitions of or subscriptions to ten per cent or more of the stock), will render the approval of these proposed conversion transactions null and void unless such proposal to change management is approved by the Area Director of the FDIC's Boston Area Office prior to the consummation of these proposed conversion transactions.
5. That the proposed transaction may not be consummated unless and until Spencer Savings Bank has the authority to conduct banking business, and that its establishment and operation as a stock bank has been fully approved by the appropriate Commonwealth of Massachusetts officials;
6. That the transaction shall be consummated no 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 Senior 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 12th day of April, 2007.

/s/

Christopher J. Spoth
Senior Deputy Director