



Federal Deposit Insurance Corporation

550 17th Street NW, Washington, DC 20429

Division of Supervision

February 28, 2000

Board of Trustees
Norway Savings Bank
132 Main Street
Norway, Maine 04268

Members of the Board:

The Notice to effect a mutual holding company reorganization with the organization of a two interim institutions and a merger to facilitate a conversion from mutual form to stock form filed on behalf of Norway Savings Bank, Norway, Maine 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, we do not object to the proposal.

Please advise the Boston Regional Office in writing when the proposed transaction has been consummated. If an extension of the 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 Regional Office.

Sincerely,

/s/

Michael J. Zamorski
Deputy Director

cc: Robert B. Pomerenk, Esquire
Luse Lehman Gorman Pomerenk & Schick,
5335 Wisconsin Avenue, N.W., Suite 400
Washington, D.C. 20015

FEDERAL DEPOSIT INSURANCE CORPORATION

**RE: Norway Savings Bank
Norway, Maine**

Applications 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 Act (FDI Act), an application has been filed on behalf of the Norway Savings Bank, Norway, Maine, (Mutual Bank), currently a mutually-owned, Bank Insurance Fund member, state-chartered institution with total resources of \$339,853,000 and total deposits of \$272,375,000 as of June 30, 1999, for the FDIC's consent to merge with Norway Interim Two Savings Bank, Norway, Maine (Interim Two), a proposed new, interim, investor-owned Maine universal bank. Also, applications for federal deposit insurance for Interim Two and for Norway Interim One Savings Bank, Norway, Maine (Interim One) have been filed.

This transaction is the result of Mutual Bank's plan of reorganization which, solely to facilitate this undertaking, includes:

- (1) Norway Savings Bank will organize Interim One, an interim investor-owned universal bank, as a wholly-owned subsidiary and will constructively transfer a substantial part of its assets and liabilities to Interim One.
- (2) Interim One will organize the Norway Bancorp, Inc. (Stock Holding Company) as a wholly-owned subsidiary.
- (3) Interim One will organize Norway Interim Two Savings Bank (Interim Two) as a separate wholly-owned Maine universal bank subsidiary and will constructively transfer the assets and liabilities that were constructively transferred to it, to Interim Two.
- (4) Norway Savings Bank will convert to the capital stock form of organization by exchanging its charter for that of a Maine investor-owned universal bank (Stock Bank). Simultaneously, Interim One will cancel its outstanding stock, convert to a mutual financial institution and then reorganize into a mutual holding company to become the Norway Bancorp, MHC (Mutual Holding Company).
- (5) Interim Two will merge with and into the Stock Bank, with the Stock Bank as the surviving entity. The assets that were constructively transferred to Interim Two will become the assets and liabilities of the Stock Bank by virtue of the merger. The Mutual Holding Company will become the sole stockholder of the Stock Bank by virtue of the merger.

- (6) The Mutual Holding Company will contribute the capital stock of the Stock Bank to the Stock Holding Company, and the Stock Bank will become a wholly-owned subsidiary of the Stock Holding Company.

The purpose of the constructive transfers to the interim banks is to more closely parallel Chapter 105, Section 1053 of the Maine Banking Statute, which specifically provides for the chartering of subsidiary savings institutions and the transfer of assets and liabilities. Upon consummation of the reorganization, the deposits of the Norway Savings Bank will continue to be insured under the Bank Insurance Fund. However, due to the structure of the transaction, specifically, the transfer of assets and deposit liabilities, federal deposit insurance for the two interim banks is necessary.

On the effective date of the Reorganization, the Stock Bank will be the wholly-owned subsidiary of the Stock Holding Company, and the Stock Holding Company will be the wholly-owned subsidiary of the Mutual Holding Company. The Mutual Holding Company and the Stock Holding Company will each be capitalized with up to \$50,000. Applications for the establishment of the Mutual Holding Company and the Stock Holding Company have been approved by the Federal Reserve Bank of Boston. The resultant bank will operate with the title of Norway Savings Bank, Norway, Maine. Following the consummation of the merger, the resultant bank will operate the same banking business, with the same management, at the same locations now being served by the Mutual Bank. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Bank. The resultant bank's principal office will be at 132 Main Street, Norway, Maine. 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) Statements of the proponent, discloses no inconsistencies with the purposes of the CRA. The new 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. Having found favorably on all statutory factors and having considered other relevant information, including all reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, and the Attorney General of the United States, it is the FDIC's judgement that the applications should be and hereby are approved, subject to the following conditions:

1. The transaction may not be consummated unless the Plan of Reorganization receives prior approval by an affirmative vote of at least a majority of the total votes eligible to be cast by the Mutual Bank's depositors.
2. Unless prior notice is provided to and non-objection is received from the FDIC, no shares of the stock of Norway Savings Bank shall be sold, transferred or otherwise disposed of, to any persons (including any Employee Stock Ownership Plan) other than Norway Bancorp, Inc.

3. That, prior to a sale, transfer or other disposition of any shares of Norway Bancorp Inc., by Norway Bancorp, MHC to any person (including any Employee Stock Ownership Plan), or a conversion of Norway Bancorp, MHC to stock form, Norway 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.
4. That, should any shares of stock of Norway Savings Bank or Norway Bancorp, Inc. be issued to persons other than the Mutual Holding Company, any dividends waived by the Mutual Holding Company must be retained by Norway Bancorp, Inc. or Norway 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 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.
5. 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 this approval null and void unless such proposal is approved by the Regional Director (Supervision) of the FDIC's Boston Regional Office prior to the consummation of the proposed transaction.
7. That the transaction shall not be consummated sooner than fifteen calendar days after the date of this Order nor later than six months after the date of this Order unless such period is extended for good cause by the Corporation.
8. That until the conditional commitment herein granted becomes effective, the Corporation shall have the right to alter, suspend, or withdraw the said commitment should any interim development be deemed to warrant such action.

By Order of the Deputy Director of the Division of Supervision pursuant to the delegated authority of the Board of Directors.

Dated at Washington, D.C., this 15 day of November, 1999.

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Michael J. Zamorski
Deputy Director