

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
DIVISION OF BANKING
1511 PONTIAC AVENUE, BUILDING 69-2
CRANSTON, RI 02920

DECISION AND ORDER

IN RE:

APPLICATION OF THE SUBSCRIBERS TO THE AGREEMENT TO FORM OF
COASTWAY BANCORP, MHC
FOR THE ISSUANCE OF
A MUTUAL HOLDING COMPANY FINANCIAL INSTITUTION CHARTER;

APPLICATION OF THE SUBSCRIBERS TO THE AGREEMENT TO FORM OF
COASTWAY INTERIM BANK
FOR THE ISSUANCE OF
A STOCK FINANCIAL INSTITUTION CHARTER;
AND

APPLICATION OF COASTWAY COMMUNITY BANK
FOR APPROVAL TO MERGE WITH AND INTO COASTWAY INTERIM BANK AND
ASSUME THE NAME COASTWAY COMMUNITY BANK
PURSUANT TO R.I. GEN. LAWS

I. JURISDICTIONAL STATEMENT AND TRAVEL OF THE CASE

This matter came before the Department of Business Regulation ("Department"), Division of Banking ("Division") upon the Applications of:

Mark Crevier; Lynda Dickinson; James Fiore; Hon. Francis Flaherty; Peter Koch; Phil Kydd; Dennis Murphy; Edward D. Pare, Jr.; Debra Paul; William A. White; Valerie Fuchs; Stephen Gibbons; Richard Petrarca; Jana Planka; Paul Wielgus; and William Preston (collectively referred to hereinafter as "MHC Subscribers") on behalf of Coastway Bancorp, MHC for approval of the formation of a Rhode Island mutual holding company financial institution pursuant to R.I. Gen. Laws §19-1-3, §19-2-3 and §19-2-14.1 to be known as Coastway Bancorp, MHC ("Bancorp") having its principal place of business at One Coastway Plaza, Cranston, Rhode Island 02920, for the purpose of indirectly owning the majority interest of Coastway Community Bank through a proposed

intermediate limited liability company to be known as Coastway Bancorp, LLC, all pursuant to an Agreement and Plan of Mutual Holding Company Reorganization and Merger of Coastway Community Bank, Coastway Bancorp, MHC, Coastway Bancorp, LLC and Coastway Interim Bank (the "Plan");

Mark Crevier; Lynda Dickinson; James Fiore; Hon. Francis Flaherty; Peter Koch; Phil Kydd; Dennis Murphy; Edward D. Pare, Jr.; Debra Paul; William A. White; Valerie Fuchs; Stephen Gibbons; Richard Petrarca; Jana Planka; Paul Wielgus; and William Preston on behalf of Coastway Interim Bank (collectively referred to hereinafter as "Interim Bank Subscribers") for approval of the formation a Rhode Island stock financial institution to be known as Coastway Interim Bank, pursuant to R.I. Gen. Laws §§19-1-3, 19-2-3 and 19-2-14.1, having its principal place of business at One Coastway Plaza, Cranston, Rhode Island 02920, for the purpose of carrying on a banking business and to effectuate the Plan; and

Coastway Community Bank, a financial institution chartered pursuant to Title 19 of the General Laws of Rhode Island having its principal place of business located at One Coastway Plaza, Cranston, Rhode Island 02920, for approval to merge with and into Coastway Interim Bank pursuant to R.I. Gen. Laws §§19-1-3, 19-2-13 and 19-2-14.1 (the "Merger Application"), with Coastway Interim Bank as the survivor and assuming the name Coastway Community Bank to effectuate the Plan.

The applications of the MHC Subscribers and the Interim Bank Subscribers are collectively referred to herein from time to time as the "Charter Applications". The three (3) applications, namely the Charter Applications and the Merger Application are collectively referred to herein from time to time as the "Applications". The MHC Subscribers, Interim Bank Subscribers and Coastway Community Bank are collectively referred to herein from time to time as the "Applicants".

The Applications were filed with the Division on March 30, 2012 with supplemental information received by the Division dated April 23, 2012, May 14, 2012, May 21, 2012, June 1, 2012, June 4, 2012 and June 7, 2012. A Notice of Application Filed was published in The Providence Journal by Applicants during three consecutive weeks, specifically on April 3, 2012, April 10, 2012 and April 17, 2012. The Applications were available for public inspection and comment in the office of the Division from April 3, 2012 through May 4, 2012. No letters of comment or objection were received by the Division in connection with the Applications during the

comment period, therefore no public hearing was held.

II. APPLICABLE LAW

1. Public Convenience and Advantage Standard

The Director of the Department ("Director"), or his or her designee, is expressly authorized by R.I. Gen. Laws §19-2-3 and 19-2-14.1 to issue a Certificate with respect to reorganizing a mutual savings bank into the mutual holding company form of organization including, without limitation, the formation of a mutual holding company, the formation of a Rhode Island stock financial institution, and merging with those banks or subsidiaries in any manner approved by the Director upon a finding that the public convenience and advantage will be promoted by same and upon compliance with other applicable provisions of Title 19 of the Rhode Island General Laws. Although Title 19 of the Rhode Island General Laws does not expressly delineate the factors that must be considered by the Director with respect to the standard of public convenience and advantage, it is the policy of the Director, and the Division under the supervision of the Director, to consider such factors as (a) the benefits to the community or communities to be served, such as the products and services to be provided by the proposed financial institution, and (b) the effects of the proposal on the public interest, such as the effect on employment, the economy and the tax base of the State. In addition, the Director considers the safety and soundness of the financial institution; or proposed institution, making the application and the effect of the proposal on the strength and stability of the financial community as a whole. Other evidence that the public convenience and advantage will be promoted will also be considered by the Director as presented by an applicant.

2. Community Reinvestment Act Standard

It has been the policy of the Director, in reviewing applications of regulated institutions, to determine whether an applicant will adhere to Community Reinvestment Act ("CRA") standards. The principles inherent in CRA require institutions to address the credit needs of the communities they serve. Both the federal CRA, 12 U.S.C. §2901 *et seq.*, and the state CRA, R.I. Gen. Laws §19-9-4, are applicable. The Director believes that CRA factors are relevant and important in determining whether to approve an application. Coastway Community Bank received a "Satisfactory" CRA performance evaluation rating from the Federal Deposit Insurance Corporation ("FDIC") on July 22, 2010, when the last CRA Performance review was performed.

3. Insurance of Deposits

R.I. Gen. Laws §19-4-10 requires that any regulated institution that is permitted by law to receive deposits, except a financial institution prevented from accepting deposits by its by-laws or agreement to form, must maintain federal deposit insurance.

4. Merger Standard

The Director, or her designee, is expressly authorized by R.I. Gen. Laws §§19-2-13 and 19-2-14.1 to approve or deny an application by a financial institution to merge with another regulated institution as such term is defined in R.I. Gen. Laws §19-1-1. The plan of merger must also be approved by an affirmative vote of at least two-thirds of the members of the boards of directors of the institutions to be merged and approved as required by the relevant provisions of R.I. Gen. Laws §§7-1.2-1001 through 7-1.2-1005. When acting on a merger application, the Director shall consider (a) the fairness to the owners of the financial institutions, (b) the financial condition of the financial institutions, and (c) the public convenience and advantage.

5. Mutual Holding Company Standard

The Director, or her designee, is expressly authorized by R.I. Gen. Laws §19-2-14.1 to approve a plan of mutual holding company reorganization including the organizing of a mutual holding company, chartering of one or more interim stock financial institutions or corporate subsidiaries, and merging with those banks or subsidiaries or in any other manner approved by the Director. The plan of mutual holding company reorganization must also be approved by an affirmative vote of at least two-thirds of the members of the board of directors or trustees of the savings bank and approved by a majority vote of the depositors of the mutual savings bank present in person or by proxy at a meeting called by the board of directors or trustees. As part of the plan of mutual holding company reorganization, the mutual holding company must at all times own, directly or indirectly, through one or more intermediate stock holding companies, a majority of the voting shares of capital stock of the continuing stock financial institution. When acting upon the plan of mutual holding company reorganization, the Director will consider, among other things, the fairness of the plan to the eligible depositors of the reorganizing mutual financial institution. Although R.I. Gen. Laws §19-2-14.1 does not expressly delineate the factors that must be considered by the Director with respect to the standard of fairness of the plan to the eligible depositors, Section 4G of Banking Regulation 1 promulgated by the Department delineates such factors as (a) the adequacy of

the disclosure materials; (b) the form of the proxy statement required for the vote of the eligible depositors on the plan; (c) the extent to which the application material submitted to the Director conforms with laws, rules or regulation of the Federal Deposit Insurance Corporation and the various provisions of mutual holding company regulations of the Office of Thrift Supervision as in effect at the time of submission of the Application to the Director; and (d) such other factors or information that the Director reasonably determines relevant to the reorganization.

III. FINDINGS OF FACT

Evidence was submitted to the Division in support of the Applications, which included various documents attached as exhibits to the Applications, including one original and two duplicate originals each of the agreement to form for Coastway Bancorp, MHC and Coastway Interim Bank, bylaws for each entity and the articles of merger between Coastway Community Bank and Coastway Interim Bank, all under corporate seal.

Specifically, pertinent financial information was provided along with information on the background of Coastway Community Bank, the benefits of the proposed transactions to the communities served by Coastway Community Bank, and evidence of the safety and soundness of Coastway Community Bank following the proposed transaction. Approval of the Applications will not negatively impact the convenience and advantage of the communities served by Coastway Community Bank. Based upon the documentary evidence filed with the Division, the Director hereby makes the following findings of fact:

1. On March 30, 2012 the Division duly received from the MHC Subscribers and the Interim Bank Subscribers, and Coastway Community Bank the Applications with supplemental information received by the Division dated April 23, 2012, May 14, 2012, May 21, 2012, June 1, 2012, June 4, 2012 and June 7, 2012.

2. Included with the Charter Applications, the Division received an original and duplicate originals of the Subscribers' Agreement to Form pursuant to R.I. Gen. Laws §§19-2-1 and 19-2-14.1, duly executed by the Subscribers, together with an original and duplicate originals of the Certificate of President and Directors of the proposed financial institutions, duly executed by the President and the majority of the Directors who were elected at the first meeting of the MHC Subscribers and the Interim Bank Subscribers respectively.

3. As part of the Merger Application, the Division received a proposed form of the

Articles of Merger pursuant to R.I. Gen. Laws §19-2-13, duly executed by the President and Secretary of each institution participating in the merger.

4. A Notice of Application Filed was published by Applicant during three consecutive weeks, specifically on April 3, 2012, April 10, 2012 and April 17, 2012 in The Providence Journal.

5. The public inspection and comment period for the Applications extended from April 3, 2012 through May 4, 2012 during which time the Applications were available for public inspection and comment in the office of the Division. No letters of comment or objection were received by the Division in connection with the Applications during the comment period, therefore no public hearing was held.

6. The proposed financial institution's Agreement to Form states that Bancorp shall be formed to engage in the business of a mutual holding company, with all powers, rights, and privileges and subject to all the duties, restrictions, and liabilities applicable to mutual holding companies set forth in Title 19 of the General Laws of the State of Rhode Island. Additionally, the Charter of Bancorp provides that it shall at all times own, directly or indirectly through one or more intermediate holding companies, the majority of the voting shares of capital stock of Coastway Community Bank. The MHC Subscribers also filed proposed bylaws.

7. The proposed financial institution's Agreement to Form states that Coastway Interim Bank shall be formed for the purpose of engaging in the business of a financial institution, with all powers, rights, and privileges and subject to all the duties, restrictions and liabilities applicable to financial institutions set forth in Title 19 of the General Laws of the State of Rhode Island. The Articles of Organization of Coastway Interim Bank provide for a capitalization of three million dollars (\$3,000,000), consisting of three million shares of \$1.00 par value per share to be paid in cash. The Interim Bank Subscribers also filed proposed bylaws.

8. The Plan also includes the formation of a middle tier limited liability company proposed to own 100% of the common stock of Coastway Interim Bank. The MHC Subscribers also filed a proposed form of Articles of Organization for Coastway Bancorp, LLC. Coastway Bancorp, LLC will not have bylaws and pursuant to R.I. Gen. Laws §7-16-5, Coastway Bancorp, LLC has been formed "subject to the conditions and provisions stated in its Articles of Organization" and as a single member limited liability company intends to adopt an operating agreement which is permitted, but not required, by the Rhode Island Limited Liability Company Act. The operating agreement for

Coastway Bancorp, LLC has been filed with the Department.

9. Applicants have provided evidence that at the time of approval of the Plan, Coastway Community Bank will maintain the same branch locations, the same customers and accounts, the same deposit insurance, the same regulatory status, the same policies and procedures, the same trustees, the same officers and employees, the same financial statements, the same fidelity bond coverage, the same subsidiaries, the same CRA policy and will be engaged in the same banking activities as Coastway Community Bank immediately prior to the approval of the Plan.

10. The Plan and materials provided to the Division in support thereof, contained a complete description of all significant terms.

11. The Applications contained a copy of FDIC Interagency Bank Merger Application (the "FDIC Merger Application").

12. The Applications contained a copy of the Application to form a holding company filed with the Federal Reserve Bank of Boston (the "FRB").

13. The merger will not substantially affect the nature of the banking services available or the customers currently serviced and the merger is expected to have no significant adverse effect on the state's employment level, the state's economy or the state's tax base.

14. Coastway Community Bank, which received a "Satisfactory" CRA Performance Evaluation Rating when it was last examined by the FDIC for CRA on July 22, 2010 has demonstrated its intent to comply with CRA and non-discrimination laws and regulations and to address the communities' credit needs.

15. Information was provided by Applicants that the Board of Directors of Coastway Community Bank unanimously voted to approve the Plan on December 22, 2011.

16. Information was provided by Applicants that pursuant to a vote of the Board of Directors of Coastway Community Bank, a meeting of the eligible Depositors of Coastway Community Bank (the "Eligible Depositors") was held on April 30, 2012 to consider the Plan. Of the 2,114 Eligible Depositors present in person or by proxy at said meeting, 1,994, or approximately 94% of the Eligible Depositors present in person or by proxy at said meeting, voted to approve the Plan.

17. Applicants have provided all disclosure materials and forms of proxy statements provided to the Eligible Depositors and the Director considers those materials fair and adequate with

respect to the Plan.

18. Applicants submitted documentary evidence of a budget for the implementation of the Plan and the expenses of the Plan are reasonable for the proposed transaction.

19. Based upon the documentary evidence filed and presented with the Applications, the Director has determined that approval of the Plan is in the best interest of Coastway Community Bank with respect to its ability to remain financially strong and competitive.

20. Information was provided by the Applicants with respect to the fairness of the merger to the owners of institutions involved in the merger. The Plan and associated Charter Applications confer upon existing and future depositors of Coastway Community Bank the same rights in Bancorp, including any liquidation rights in Bancorp pursuant to R.I. Gen. Laws §19-2-14.1, as were conferred upon depositors of Coastway Community Bank as in effect immediately prior to the adoption of the Plan.

IV. CONCLUSIONS OF LAW

Based upon the evidence presented, including documentary evidence filed with the Division, the Director hereby makes the following conclusions of law.

1. R.I. Gen. Laws §§19-2-7, 19-2-13 and 19-2-14.1 authorize the Director to issue the Certificates with respect to the formation of the Rhode Island financial institutions contemplated by the Charter Applications.

2. The Director has jurisdiction over the Applications in accordance with, and with the general effect provided for in R.I. Gen. Laws §§19-2-7, 19-2-13, and 19-2-14.1.

3. The Notice of Applications Filed satisfies the requirements of R.I. Gen. Laws §19-1-3 with respect to the publication of notice for the Applications.

4. The proposed financial institution, Coastway Bancorp, MHC was formed for the purpose of carrying on the business of a mutual holding company and is required to own, directly or indirectly, through one or more intermediate stock holding companies, a majority of the voting shares of capital stock of Coastway Community Bank.

5. The proposed financial institution Coastway Interim Bank was formed for the purpose of effectuating the Plan.

6. The Applications satisfy the standards in R.I. Gen. Laws §19-2-7 regarding the public convenience and advantage.

7. The proposed transactions are in the public interest; will promote the safety and soundness of Coastway Community Bank; will have no adverse impact on Coastway Community Bank's ability to promote the needs and convenience of communities it serves; and will have no adverse effect on the economy and on the citizens of the State; all consistent with the requirements of Rhode Island law and the standards for approving the Applications.

8. The Applications comply with the spirit and intent of R.I. Gen. Laws §19-9-4 regarding credit needs of local communities.

9. The documentary evidence filed with and presented by the Applications, including supplemental information provided by the Applicants, satisfies all other statutory requirements of Title 19 of the R.I. General Laws applicable to the reorganization into a mutual holding company form of organization, including the formation and merger of financial institutions.

10. Approval of the Charter Applications will promote the public convenience and advantage and will not adversely affect the financial condition of Coastway Community Bank.

11. Approval of the Plan is fair to the depositors of Coastway Community Bank.

12. Approval of the Merger Application will promote the public convenience and advantage, is fair to the owners of each financial institution, and will not adversely affect the financial condition of the financial institutions.

V. DECISION AND ORDER

Upon review and consideration of the documentary evidence in the record presented in this matter, it is hereby ORDERED:

1. That the application of the MHC Subscribers for approval to form Coastway Bancorp, MHC, a mutual holding company financial institution, and for the issuance of a Certificate in connection therewith is hereby approved in accordance with, and with the general effect provided for in, R.I. Gen. Laws Chapters 19-1 and 19-2 subject to the following conditions and restrictions:

a. Coastway Bancorp, MHC must at all times own, directly or indirectly through one or more intermediate holding companies, a majority of the voting shares of capital stock of Coastway Community Bank.

b. Coastway Bancorp, MHC may engage in any activity pursuant to R.I. Gen. Laws §19-2-14.1(e) and as provided in its Charter.

c. Coastway Bancorp, MHC must demonstrate to the Division that its Agreement to

Form, in triplicate, has been filed with the Office of the Rhode Island Secretary of State.

2. That the application of the Interim Bank Subscribers for approval to form Coastway Interim Bank, a stock financial institution, and for the issuance of a Certificate in connection therewith is hereby approved in accordance with, and with general effect provided for in R.I. Gen. Laws Chapters 19-1 and 19-2 subject to the following conditions and restrictions:

a. Applicant must demonstrate that the capital stock of Coastway Interim Bank has been paid in cash, in accordance with RIGL §19-2-9, as verified by the Division by filing:

- i. A list of stockholders, with the name, residence, and post office address of each and the number of shares held by each, which list shall be verified under oath by two (2) of the principal officers of the financial institution.
- ii. The oath of each stockholder acquiring such shares that it is the owner of its respective shares of stock and that the par value of its shares of capital stock has been paid in cash and that the shares of stock are free of encumbrances, not hypothecated or in anyway pledged as security for any loan or debt. Each stockholder shall identify the source of funds used to purchase their respective shares of stock.
- iii. A resolution of the Board of Directors, certified by the corporate secretary, which states that prior to issuance of any shares of stock, said stock was paid for in cash by the shareholder for its par value.
- iv. Certification from an FDIC insured depository financial institution that the initial capitalization funds are on deposit in an account in the name of the proposed financial institution along with a copy of the transaction record such as deposit slips and/or credit advices relating to such deposits. The certification shall also state that the deposited funds are not subject to any claim or subject to any restrictions or encumbrances and shall be signed under witness by an officer of the FDIC insured depository financial institution.

b. Applicant must demonstrate, to the satisfaction of the Division, that Coastway Interim Bank has duly made payments to the Treasurer of the State of Rhode Island pursuant to RIGL §19-2-7 by filing a certificate of the General Treasurer that the incorporators have paid into the treasury a sum equal to .1% of the amount of the par value of its capital stock, which certificate shall also be filed with the Office of the Rhode Island Secretary of State.

c. Coastway Interim Bank must demonstrate to the Division that its Agreement to Form, in triplicate, has been filed with the Office of the Rhode Island Secretary of State.

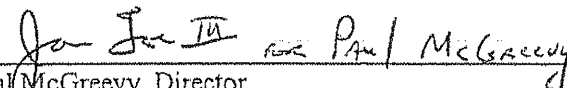
d. Coastway Community Bank must demonstrate to the Division that its deposits continue to be insured by the FDIC and such confirmation shall be a condition precedent to effectuating the implementation of the Plan and this Decision and Order.

2. That the application of Coastway Community Bank for approval to merge with and into Coastway Interim Bank and assume the name Coastway Community Bank pursuant to R.I. Gen. Laws §§19-1-3, 19-2-13 and 19-2-14.1 is hereby approved subject to Coastway Community Bank filing with the Division written evidence that the original and duplicate originals of the Articles of Merger have been filed with the State of Rhode Island Office of the Secretary of State.

3. This Decision and Order is conditioned upon Applicants providing the Division with evidence of compliance with the bonding requirements contained in R.I. Gen. Laws §19-2-19 and implementing Banking Regulation 98-2.

4. This Decision and Order is conditioned upon Applicants obtaining all necessary approvals and/or non-objections from federal banking regulatory agencies with jurisdiction over the Applications.

ENTERED AS AN ADMINISTRATIVE ORDER NUMBER 12-14 OF THE
DIRECTOR OF THE DEPARTMENT OF BUSINESS REGULATION AS OF THIS 4th DAY OF
September, 2012.


Paul McGreevy, Director
Rhode Island Department of Business Regulation