

MAINE BUREAU OF FINANCIAL INSTITUTIONS
ORDER APPROVING APPLICATION OF DOWN EAST CREDIT UNION,
BAILEYVILLE, MAINE TO MERGE WITH BOWDOINHAM FEDERAL CREDIT
UNION, BOWDOINHAM, MAINE UNDER THE CHARTER OF AND WITH
THE TITLE OF DOWN EAST CREDIT UNION

Down East Credit Union, Baileyville, Maine ("Down East CU") applied to the Superintendent of the Maine Bureau of Financial Institutions ("the Superintendent"), pursuant to 9-B M.R.S.A. § 872, to merge with **Bowdoinham Federal Credit Union**, Bowdoinham, Maine ("BFCU") under the charter and with the title of Down East Credit Union.

The application was accepted for processing on May 4, 2007. Public notice, as required by Title 9-B M.R.S.A. §252(2)(B), was provided by publication, posting on the Bureau's website and e-mail to interested parties affording them an opportunity to either submit written comments or request a hearing. No comments were received during the public comment period which ended June 9, 2007.

A Principal Bank Examiner of the Maine Bureau of Financial Institutions conducted an investigation of this transaction. All evidence and pertinent material that were considered by the Examiner were also considered by the Superintendent in reaching his decision.

Down East CU is a community-chartered credit union whose field of membership consists of persons who live, work, worship or attend school in Washington, Hancock, Penobscot, Waldo, Lincoln or Kennebec Counties, Maine. At March 31, 2007, Down East CU had total assets of \$56 million and 11,115 members. BFCU is a community-chartered credit union whose field of membership consists of persons who live, work, worship or attend school in Lincoln or Sagadahoc Counties or the municipalities of Brunswick, Freeport or Harpswell. As of the same date, BFCU had total assets of \$20 million and 3,734 members. In addition to its main offices, Down East CU operates offices in Calais, Machias, Bangor, Belfast and Unity; BFCU has a branch in Richmond. To facilitate this merger, Down East CU has separately filed a bylaw amendment notice to expand its field of membership to include the field of membership of BFCU not currently in its field of membership (i.e., Sagadahoc County and Brunswick, Freeport and Harpswell) and to also add Knox County. By separate action, the Bureau is simultaneously approving a bylaw amendment to expand the field of membership.

Lincoln County is the only area that is within the field of membership of both Down East CU and BFCU. However, neither credit union has an office within the County. According to information available to the Bureau, Lincoln

County is within the field of membership of six community-chartered credit unions, of which only one operates a branch office in Lincoln County. There are nine banks and thrifts operating 19 branches and holding deposits of \$945 million in Lincoln County. The Bureau concludes that consummation of the transaction should not have a significantly adverse effect on competition in the Lincoln County market.

In recent years, BFCU has operated with weak and declining earnings, a declining net worth-to-asset ratio, and high and increasing loan delinquency. Nearly all its key earnings, capital and loan quality ratios compare unfavorably to its peer. Down East CU has the managerial and financial resources to absorb BFCU without adversely affecting its overall condition. The merger should contribute to the long-term strength of Down East CU and members of both credit unions should benefit from increased efficiencies produced by consolidation of operations and economies of scale. Therefore, the application of Down East Credit Union to merge with Bowdoinham Federal Credit Union is approved.

The applicant has requested a partial waiver of the thirty-day waiting period so that the transaction may be consummated on July 31, 2007, citing operational, financial, management and accounting difficulties that will result from further delay of the longstanding planned consummation. The Superintendent has determined that these factors constitute extraordinary or unusual conditions and, therefore, the Superintendent agrees to grant the waiver so that the transaction may be consummated on or after July 31, 2007. The transaction shall be completed within one year of the effective date of this Order, unless a written extension is granted by the Superintendent.

Any person aggrieved by this Order shall be entitled to a judicial review of the Order in accordance with the Maine Administrative Procedure Act, Title 5, Chapter 375, subchapter VII.

By order of the Superintendent, effective July 31, 2007.

/s/ Lloyd P. LaFountain III
Superintendent
Gardiner, Maine
July 17, 2007