



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

Division of Supervision and Consumer Protection

September 15, 2003

VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Beverly Co-operative Bank
254 Cabot Street
Beverly, Massachusetts 01915

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 Beverly Co-operative Bank, Beverly, 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 Beverly Co-operative Bank in conjunction with the conversion transaction, including considerations of deposit insurance and the proposed merger. 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), a limited waiver of certain provisions of the FDIC's regulations pertaining to mutual-to-stock conversions, specifically, the depositor voting requirement imposed by 12 C.F.R. Section 333.4(c)(2). The FDIC acknowledges the Bank's extraordinary efforts to inform depositors about the special meeting and about the purpose of the special meeting, and appreciates the Bank's dilemma in trying to satisfy the laws and rules of both the Commonwealth of Massachusetts and the FDIC. For these reasons, the FDIC has granted the limited waiver pursuant to 12 C.F.R. Section 303.162(a) (2).

Please advise the Boston Area Office in writing 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/

John M. Lane
Deputy Director

Enclosure

cc: Richard A. Schaberg
Thacher Proffitt & Wood
1700 Pennsylvania Avenue, NW
Suite 800
Washington, DC 20006

FEDERAL DEPOSIT INSURANCE CORPORATION

Beverly Co-operative Bank
Beverly, Essex 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), an application has been filed on behalf of Beverly Co-operative Bank, Beverly, Massachusetts, (Mutual Institution), currently a state-chartered mutually-owned Bank Insurance Fund member with total resources of \$151,052,000 and total deposits of \$127,797,000 as of June 30, 2003, for the FDIC's consent to merge with Beverly Interim Stock Co-operative Bank, Beverly, Massachusetts, a proposed new state-chartered stock co-operative bank, (Resultant Bank). In addition, applications for federal deposit insurance for Beverly De Novo Mutual Co-operative Bank and Beverly Interim Stock Co-operative Bank have been filed.

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

- Beverly Co-operative Bank to organize a new co-operative bank under Massachusetts law to be known as Beverly De Novo Mutual Co-operative Bank.
- Beverly De Novo Mutual Co-operative Bank to amend and restate its mutual co-operative bank charter as the charter of a mutual holding company to be known as Beverly Financial, MHC.
- Beverly Financial, MHC to simultaneously organize a Massachusetts chartered stock co-operative bank as a subsidiary to be known as Beverly Interim Stock Co-operative Bank.
- Beverly Co-operative Bank will immediately thereafter merge with Beverly Interim Stock Co-operative Bank, with Beverly Interim Stock Co-operative Bank to be the legally surviving entity under the name of Beverly Cooperative Bank.

Upon consummation of the reorganization, the deposits of the Resultant Bank will continue to be insured under the Bank Insurance Fund. On the effective date of the reorganization, the Resultant Bank will be a stock bank and the wholly-owned subsidiary of Beverly Financial, MHC. Application for the establishment of Beverly Financial, MHC has been filed with the Board of Governors of the Federal Reserve System. 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 Institution. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Institution. Beverly Cooperative Bank's principal office will continue to be located at 254 Cabot Street, Beverly, 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 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 the: 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 all reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Director of the Office of Thrift Supervision, 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 Beverly Financial, MHC, no shares of the stock of Beverly Cooperative Bank shall be sold, transferred or otherwise disposed of, to any person (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 Beverly Cooperative Bank by Beverly Financial, MHC to any person (including any Employee Stock Ownership Plan), or a conversion of Beverly Financial, MHC to stock form, Beverly Cooperative 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 stock be issued to persons other than Beverly Financial, MHC, any dividends waived by Beverly Financial, MHC must be retained by Beverly Financial, MHC or Beverly Cooperative 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 Beverly Financial, 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 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 co-operative bank have been fully approved by the appropriate Commonwealth of Massachusetts officials, and its holding company, Beverly Financial, MHC, is granted approval by the Board of Governors of the Federal Reserve System to become the holding company for Beverly Cooperative Bank;
6. 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 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 15th day of September, 2003.

/S/

John M. Lane
Deputy Director