



Federal Deposit Insurance Corporation

550 17th Street NW, Washington, D.C. 20429-9990

Division of Supervision and Consumer Protection

VIA FACSIMILE AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

February 10, 2006

Board of Directors
Butler Bank, A Co-operative Bank
10 George Street
Lowell, Massachusetts 01852

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization (notice) with the organization of two interim institutions and a merger to facilitate a conversion from mutual to stock form, filed on behalf of Butler Bank, A Co-operative Bank, (Bank) was 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 the representations made, the FDIC conditionally poses no objection to the proposed conversion transaction.

As part of the notice, the Bank requested, in accordance with 12 C.F.R. Section 303.161(a)(2), a partial waiver of the FDIC's regulations at 12 C.F.R. Section 333.4(c)(2) that require the proposed conversion to be approved by a vote of at least a majority of the bank's depositors. Under Massachusetts law, depositors of a mutual co-operative bank are not permitted to vote by proxy, which you state is the basis for your request that the FDIC permit the reorganization to be approved by a majority of depositors voting in person at a special meeting of depositors scheduled for that purpose. We have reviewed the Bank's request and condition our approval of the notice, and related merger and deposit insurance applications, on the bank's efforts to facilitate depositor participation and the result of the depositors' vote at the upcoming special meeting of depositors. Upon receipt of this information, the FDIC will act on the waiver request.

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, 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.

Once available, please provide the Boston Area Office the information necessary for us to act on the waiver request. Subsequently, notify 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 stating the reason for the request of a specific extension of the limit should be submitted to the Boston Area Office.

Sincerely,

/S/

John M. Lane
Deputy Director

Enclosure

cc: Mr. Ned Quint, Esq.
Luse Gorman Pomerenk & Schick, P.C.
5335 Wisconsin Avenue, N.W., Suite 400
Washington, D.C. 20015-2035

FEDERAL DEPOSIT INSURANCE CORPORATION

Butler Bank, A Co-operative Bank
Lowell, Middlesex County, Massachusetts

Applications 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 Butler Bank, A Co-operative Bank, Lowell, Massachusetts, ("Mutual Institution"), currently a state-chartered mutually-owned Bank Insurance Fund member with total resources of \$157,229,000 and total deposits of \$132,471,000 as of December 31, 2005, for the FDIC's consent to merge with Butler Bank (Stock Bank), Lowell, Massachusetts, a proposed new state-chartered stock co-operative bank, which will be the resulting bank. In addition, applications have been filed for Federal deposit insurance for Stock Bank and a de novo state-chartered mutual co-operative bank, which is to be subsequently reorganized into a mutual holding company.

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

- the Mutual Institution to establish a de novo Massachusetts-chartered mutual co-operative bank, to be known as Butler Bank, A Co-operative Bank (In Formation) ("De Novo");
- the De Novo to reorganize into a Massachusetts-chartered mutual holding company to be known as Butler Bancorp, MHC ("MHC");
- the MHC to establish a new Massachusetts-chartered stock co-operative bank as a wholly-owned subsidiary of the MHC to be known as Butler Bank ("Stock Bank");
- the MHC to establish a Delaware stock holding company as a separate wholly-owned subsidiary to be known as Butler Bancorp, Inc. ("Stock Holding Company");
- the Mutual Institution to immediately merge with and into the Stock Bank, with the Stock Bank as the surviving entity under the name of Butler Bank which will be a Massachusetts stock co-operative bank ("Resultant Bank"); and
- the MHC will contribute all the shares of common stock of the Stock Bank to the Stock Holding Company, which will result in the MHC owning 100 percent of the common stock of the Stock Holding Company, which will own 100 percent of the common stock of the Resultant Bank.

At the conclusion of the reorganization, the deposits of the Mutual Institution will continue to be insured under the Bank Insurance Fund. 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 10 George Street, Lowell, 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 applications, the FDIC has taken into consideration the financial and managerial resources and 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, 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 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 Butler Bancorp, Inc., no shares of the stock of Butler 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 Butler Bancorp, Inc. by Butler Bancorp, MHC to any person (including any Employee Stock Ownership Plan), or a conversion of Butler Bancorp, MHC to stock form, Butler 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 the stock of Butler Bank or Butler Bancorp, Inc. be issued to persons other than Butler Bancorp, MHC, any dividends waived by Butler Bancorp, MHC, must be retained by Butler Bancorp, Inc. or Butler Bank and segregated, earmarked, or otherwise identified on the books and records of Butler Bancorp, Inc. or Butler Bank. 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 Butler Bancorp, 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 Butler Bank has the authority to conduct banking business, and that its establishment and operation as a stock co-operative bank has been fully approved by appropriate Commonwealth of Massachusetts officials, and that Butler Bancorp, MHC and Butler Bancorp, Inc. have been granted approval by the Board of Governors of the Federal Reserve System to become holding companies for Butler Bank.
6. That the proposed transaction may not be consummated unless and until the FDIC has had the opportunity to review the results of the special meeting of the depositors called to vote on the Bank's Plan of Reorganization, as well as the bank's efforts to facilitate depositor participation, and acted favorably on the Mutual Institution's request for a partial waiver of the FDIC's requirement for a depositor vote on the reorganization.
7. That the transaction shall not be consummated within less than fifteen days after the date of this Order, or later than six months after the date of this Order, unless such period is extended for good cause by the FDIC; and
8. 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.

Pursuant to the delegated authority of the Board of Directors.

Dated at Washington, D.C., this 10th day of February, 2006.

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John M. Lane
Deputy Director
Division of Supervision and Consumer Protection