



FDIC

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

Division of Supervision

February 19, 1999

Board of Directors
Marlborough Co-operative Bank
175 Main Street
PO Box K
Marlborough, Massachusetts 01752

Members of the Board:

The Notice to effect a mutual holding company reorganization with the organization of an interim institutions and a merger to facilitate a conversion from mutual form to stock form filed on behalf of Marlborough Co-operative Bank, Marlborough, Massachusetts 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/

James L. Sexton
Director

cc: Mr. Joel P. Arndt, Esq.
Arndt & Associates
1825 I Street, NW
Washington, D.C. 20006

FEDERAL DEPOSIT INSURANCE CORPORATION

**RE: Marlborough Co-operative Bank
Marlborough, Middlesex County, Massachusetts**

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 Marlborough Co-operative Bank, Marlborough, Massachusetts, ("Mutual"), a mutual-owned, Bank Insurance Fund ("BIF") member, with total resources of \$67,859,000 and total deposits of \$59,460,000 as of September 30, 1998, for the FDIC's consent to merge with Marlborough Interim Co-operative Bank, Marlborough, Massachusetts, a proposed Massachusetts-chartered, BIF member, co-operative bank. Also, applications for federal deposit insurance for Marlborough Interim Co-operative Bank, and Marlborough MHC Co-operative Bank, Marlborough, Massachusetts have been filed.

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

1. Mutual will cause a new co-operative bank to be chartered under Massachusetts law, to be known as Marlborough MHC Co-operative Bank ("MHC Bank"),
2. MHC Bank will reorganize as a mutual holding company, to be known as Marlborough Bancorp ("Bancorp").
3. Bancorp will simultaneously form a Massachusetts-chartered subsidiary co-operative bank in the stock form of organization, to be known as Marlborough Interim Co-operative Bank ("Interim"), and
4. Mutual will merge with Interim, with Interim as the legally surviving entity under the name "Marlborough Co-operative Bank".

By virtue of the merger, Mutual will transfer substantially all of its assets and liabilities to Interim, which will be a wholly-owned subsidiary of Bancorp. 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 Mutual. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by Mutual. The resultant bank's principal office will be at 175 Main Street, Marlborough, 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") 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. That 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.
2. Unless prior notice is provided to and non-objection is received from the FDIC, no shares of the stock of Marlborough Co-operative Bank shall be sold, transferred or otherwise disposed of, to any persons (including any Employee Stock Ownership Plan) other than Marlborough Bancorp.
3. That, prior to a sale, transfer or other disposition of any shares of Marlborough Co-operative Bank by Marlborough Bancorp to any person (including any Employee Stock Ownership Plan), or a conversion of Marlborough Bancorp to stock form, Marlborough Co-operative 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 be issued to persons other than the Bancorp, any dividends waived by the Bancorp must be retained by Marlborough Bancorp or Marlborough Co-operative 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 Bancorp 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. 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.
6. 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.

Dated at Washington, D.C., this 19th day of February, 1999.

/s/

James L. Sexton
Director