

December 18, 1998

Board of Directors
Massachusetts Co-operative Bank
1442 Dorchester Avenue
Boston, Massachusetts 02122

Members of the Board:

The Board of Directors of the Federal Deposit Insurance Corporation (the Board) has today approved the request filed on behalf of Massachusetts Co-operative Bank (the Bank) for a limited waiver of the depositor voting requirements imposed by 12 C.F.R. Section 333.4(d)(2) with regard to the Bank's conversion from mutual to stock form of ownership. This waiver is granted pursuant to 12 C.F.R. Section 303.162(a)(2).

The FDIC's regulations at 12 C.F.R. Section 333.4(d)(2) require that the following depositor voting procedures be implemented:

The proposed conversion shall be approved by a vote of at least a majority of the bank's depositors and, as reasonably determined by the bank's directors or trustees, other stakeholders of the bank who are entitled to vote on the conversion, unless the applicable state law requires a higher percentage, in which case the higher percentage shall be used. Voting may be in person or by proxy.

Massachusetts law requires approval of mutual-to-stock conversion plans by more than two-thirds of the depositors present at a special meeting called to vote on a plan. Massachusetts law prohibits voting by proxy for co-operative banks.

The attendance and results of the vote held at the November 12, 1998 special meeting of depositors were considered in reaching this decision. The special meeting was attended by 250 eligible depositors out of a total of 4,686 eligible depositors, or 5.3 percent of eligible depositors. All 250 eligible depositors present voted on the plan of conversion, with 238 or 95.2 percent of those depositors voting in favor of the plan of conversion.

The 238 depositors who voted in favor of the conversion clearly do not represent a majority of the Bank's depositors, as required by the FDIC's Rules and Regulations, but the Board understands that it was difficult, if not impossible, for the Bank to obtain votes from a majority of depositors without the use of proxies, which are prohibited under Massachusetts law. In the face of this difficult challenge, the Bank made extraordinary efforts to attract depositors to the special meeting to vote in person, including:

- Displayed seven prominent posters announcing the time and place of the meeting in the lobby of its main office and four posters in its branch office.
- Provided depositors with 24 days written notice of the meeting, instead of the seven day minimum required by Massachusetts law, and provided two follow-up reminders through the mail.
- Advertised in five local newspapers from October 29 through November 12, 1998.
- Conducted 43 radio advertisements during the eight-day period preceding the meeting.
- Distributed reminder statements to every customer transacting business in the bank's lobbies throughout the entire solicitation period.
- Distributed reminder notices in the October 1998 monthly statement to all checking account customers.
- Required all bank personnel to wear lapel stickers advertising the meeting.
- Published several legal notices in the local papers regarding the meeting.
- Placed approximately 2,200 telephone calls to depositors informing them of the special meeting and the importance of attending.
- Provided individuals who spoke Spanish, Vietnamese, and Creole to make phone calls in order to reach the entire depositor base.
- Scheduled the meeting during the evening for the convenience of working depositors.
- Offered to provide transportation, at no cost, to and from the meeting for all depositors.

Despite these extraordinary efforts, the Bank attracted only a small proportion of its depositors to the special meeting. The Board recognizes that the 250 depositors who participated in the special meeting represent a

great improvement over the numbers of participants at previous depositor meetings of the Bank. Over the preceding five years, annual meetings had been attended by only 15 depositors, all of whom were insiders of the Bank. The Board also recognizes that any further efforts are not likely to attract significantly higher numbers of depositors to another special meeting.

The Board has provided this explanation of the approval of the Bank's waiver request to emphasize the special circumstances of this case. Despite great effort, the Bank was unable to meet the FDIC's requirement of majority approval by depositors of its plan of conversion because Massachusetts law prohibits the use of proxies. Because of this, the FDIC accepts that it is a practical impossibility for the Bank to obtain majority approval through in-person voting only. The Board 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 Board has approved the Bank's waiver request.

Following receipt of documentation evidencing satisfaction of the remaining conditions imposed in our October 13, 1998 letter providing notice of intent of nonobjection, and provided further there has been no significant alteration to the terms of the conversion transaction (by action of other regulators or otherwise), the FDIC is prepared to issue a letter of nonobjection to the proposed conversion transaction.

Sincerely,

Mark S. Schmidt
Associate Director

cc: Mr. Lawrence M.F. Spaccasi, Esq.
Muldoon, Murphy & Faucette
5101 Wisconsin Avenue, N. W.
Washington, D.C. 20016