CERTIFIED MAIL RETURN RECEIPT REQUESTED

Board of Directors
Mechanics’ Co-operative Bank
308 Bay Street
Taunton, Massachusetts 02780

Dear Members of the Board:

The notice of intent to effect a mutual holding company reorganization with the organization of an interim institution and a merger to facilitate a conversion from a mutual to stock form filed on behalf of Mechanics’ Cooperative 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 poses no objection to the proposed conversion transaction.

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.

As part of the notice, the Bank requested, in accordance with 12 C.F.R. Section 303.161(a)(2), waiver of certain provisions of the FDIC’s regulations pertaining to mutual-to-stock conversions, specifically, the depositor vote requirement of 12 C.F.R. Section 333.4(c)(2). We have reviewed the Bank’s request and have found that a majority of the Bank’s depositors present during the Annual Meeting voted in favor of the proposed conversion. Therefore, the Bank’s request for a waiver is granted.
Please 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 requesting a specific extension of the limitation, and the reasons for the extension, should be submitted to the Boston Area Office.

Sincerely,

/IS/

Christopher J. Spoth
Senior Deputy Director

Enclosure

cc: Matthew D. Hanaghan
Nutter McClennen & Fish LLP
Seaport West
155 Seaport Boulevard
Boston, Massachusetts 02210-2604
Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance (FDI) Act, an application has been filed on behalf of Mechanics' Cooperative Bank, Taunton, Massachusetts (Mutual Institution), currently a state-chartered, mutually-owned Deposit Insurance Fund (DIF) member with total resources of $375,798,000 and total deposits of $318,094,000 as of December 31, 2010, for the FDIC's consent to merge with Mechanics Cooperative Interim Subsidiary Bank, Taunton, Massachusetts, a proposed new interim, state-chartered stock cooperative bank. In addition, applications have been filed for Federal deposit insurance pursuant to section 5 of the FDI Act for an interim Massachusetts-chartered mutual cooperative bank (a de novo mutual cooperative bank to be subsequently organized into a mutual holding company) and Mechanics Cooperative Interim Subsidiary Bank.

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

- Mutual Institution to organize a new de novo interim Massachusetts-chartered mutual cooperative bank, and subsequently reorganize into a Massachusetts mutual holding company under Massachusetts law to be known as Mechanics Bancorp, MHC.

- Mechanics Bancorp, MHC will establish a new, wholly-owned Massachusetts-chartered stock cooperative bank to be known as Mechanics Cooperative Interim Subsidiary Bank (Subsidiary Bank).

- Mechanics Bancorp, MHC will immediately thereafter establish a Massachusetts-chartered stock corporation to be known as Mechanics Bancorp, Inc.

- Mutual Institution will merge into Subsidiary Bank, with Subsidiary Bank as the legally surviving entity under the name of Mechanics Cooperative Bank (Resultant Bank).

- Mechanics Bancorp, MHC will immediately thereafter contribute 100% of the shares of the Mechanics Cooperative Bank to Mechanics Bancorp, Inc.

Upon consummation of the reorganization, the deposits of the Resultant Bank will continue to be insured under the DIF. On the effective date of the reorganization, Mechanics Cooperative Bank will be a stock bank that is wholly-owned by Mechanics Bancorp, Inc., which will be wholly-owned by Mechanics Bancorp, MHC. Applications for the establishment of Mechanics Bancorp, MHC and Mechanics Bancorp, Inc. have been approved by the Board of Governors of the Federal Reserve System. Also, the Commonwealth of Massachusetts has granted Mechanics
Cooperative Bank the authority to conduct a banking business and approved the establishment and operation of a stock savings bank. Following consummation of the merger, Mechanics Cooperative 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 will not alter the competitive structure of banking in the market served by the Mutual Institution. Mechanics Cooperative Bank’s main office will continue to be located at 308 Bay Street, Taunton, 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. Mechanics Cooperative Bank 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, the future prospects of the proponent banks and the Resultant Bank, the convenience and needs of the community to be served, and the competitive effect of the proposed transaction. The FDIC has also taken into consideration the effectiveness of the insured depository institutions involved in the proposed merger transaction in combating money-laundering activities.

In addition, the FDIC has fully considered all available facts and information relevant to the factors of Section 6 of the FDI Act relating to the applications for Federal deposit insurance for the interim Massachusetts-chartered mutual cooperative bank and Mechanics Cooperative Interim Subsidiary Bank.

Having found favorably on all statutory factors, it is the FDIC's judgment that the applications for Consent to Merge and for Federal deposit insurance should be and are hereby approved, subject to the following conditions, some of which are continuing in nature:

1. That, except for the proposed transfer of stock to Mechanics Bancorp, MHC and the contribution of that stock by Mechanics Bancorp, MHC to Mechanics Bancorp, Inc., no shares of the stock of Mechanics 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 appropriate FDIC Regional Director;

2. That, prior to a sale, transfer or other disposition of any shares of Mechanics Bancorp, Inc. by Mechanics Bancorp, MHC, to any person (including any Employee Stock Ownership Plan) or a conversion of Mechanics Bancorp, MHC, to stock form, Mechanics 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 sale, transfer, disposition or conversion;

3. That, should any shares of stock of Mechanics Cooperative Bank or Mechanics Bancorp, Inc. be issued to persons other than Mechanics Bancorp, MHC, any dividends waived by
Mechanics Bancorp, MHC must be retained by Mechanics Bancorp, Inc. or Mechanics 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 Mechanics 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 transaction shall not be consummated later than six months after the date of this Order, unless such period is extended for good cause by the FDIC; and

6. 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 20th day of July, 2011.

/S/ Christopher J. Spoth
Senior Deputy Director
Division of Supervision and Consumer Protection