

FEDERAL DEPOSIT INSURANCE CORPORATION

IN RE: Medford Co-Operative Bank Medford, Middlesex County, Massachusetts

Request for Limited Waiver of Federal Deposit Insurance Corporation's
Depositor Voting Requirements in 12 C.F.R. Section 333.4(d)(2)

STATEMENT

Pursuant to the regulations of the Federal Deposit Insurance Corporation (FDIC) at 12 C.F.R. Section 333.4(a), Medford Co-Operative Bank, Medford, Massachusetts (Medford), has filed an application with the FDIC for a limited waiver of the FDIC's depositor voting requirements for mutual-to-stock conversions. The Board of Directors (Board) has fully considered all available facts related to the application, considers the facts in this case to present a unique situation, and has concluded the application should be granted for the reasons discussed below.

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.

Medford called a special meeting of the depositors to vote on a plan of conversion. The meeting was held on October 28, 1997. The special meeting was attended by 845 eligible depositors out of a total of 15,157 eligible depositors. Of the 845 eligible depositors, 844 voted on the plan of conversion, with 721 or 85.3 percent of those depositors voting in favor of the plan of conversion. The FDIC has determined that there existed an acceptable vote in favor of the plan by depositors who are not insiders of the bank and do not have a potential conflict of interest.

The 721 depositors who voted in favor of the conversion clearly do not represent a majority of Medford's depositors, as required by the FDIC's Rules and Regulations, but the FDIC understands that it was difficult, if not impossible, for Medford 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, Medford made extraordinary efforts to attract depositors to the special

meeting so depositors could vote in person.

Medford provided its depositors with 17 days' written notice of the special meeting, instead of the seven days required by Massachusetts law, via first class mail and provided details about the plan of conversion, along with the Notice and Information Statement. Medford prominently displayed in the lobbies of all offices posters announcing the special meeting, and advertised the special meeting through newspaper advertisements in two local newspapers, as well as newspapers in the contiguous towns of Woburn, Winchester, Wakefield, Stoneham, Somerville, Saugus, Melrose, Maiden and Arlington. Announcements were made several times a day on a local radio station, as well as the local cable television channel. During the 14 days prior to the special meeting, Medford distributed reminder statements to all customers conducting business in its lobby and at its drive-up window. Medford's staff placed approximately 3,500 telephone calls to depositors to inform them of the meeting. Finally, the Bank attempted to schedule the meeting at a convenient time and location. Despite its valiant efforts, the Bank attracted only a small proportion of its depositors to the special meeting.

The FDIC recognizes that the 845 depositors who participated in the special meeting represent a great improvement over the numbers of participants at previous depositor meetings of Medford, which were typically attended by only 15 to 18 depositors. The FDIC also recognizes that any further efforts are not likely to attract significantly higher numbers of depositors to another special meeting.

The FDIC has undertaken this explanation of the Board's approval of Medford's waiver request to emphasize the special circumstances of this case. Despite great effort, Medford 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 Medford to obtain majority approval through in-person voting only. The FDIC acknowledges Medford's extraordinary efforts to inform depositors about the special meeting and about the purpose of the special meeting, and appreciates Medford'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 Medford's waiver request.

Based upon careful evaluation of all available facts and information, the Acting Associate Director, acting under delegated authority, has concluded that approval of the application is appropriate.

Dated at Washington, D. C., this 5th day of November, 1997.

ACTING ASSOCIATE DIRECTOR
DIVISION OF SUPERVISION