



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

Division of Supervision

February 11, 2000

Board of Trustees
Westborough Savings Bank
100 East Main Street
Westborough, Massachusetts 01581

Members of the Board:

The Notice to effect a mutual holding company reorganization with the organization of an interim institution and a merger to facilitate a conversion from mutual form to stock form filed on behalf of the Westborough Savings Bank, Westborough, 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/

Michael J. Zarborski
Deputy Director

cc: Kara Bua
Thacher, Proffitt & Wood
1700 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

FEDERAL DEPOSIT INSURANCE CORPORATION

RE: Westborough Savings Bank
Westborough, Massachusetts
Applications for Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18(c) and other provisions of the Federal Deposit Insurance Act (FDI Act), an application has been filed on behalf of the Westborough Savings Bank, Westborough, Worcester County, Massachusetts, (Bank), currently a mutually-owned, Bank Insurance Fund member, state-chartered institution with total resources of \$171,845,000 and total deposits of \$147,329,000 as of June 30, 1999, for the FDIC's consent to merge with the Westborough Interim Savings Bank II, Westborough, Massachusetts, a proposed, interim, Massachusetts-chartered stock savings bank.

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

1. The Bank will organize Westborough Bancorp as a mutual savings bank (Mutual Bank);
2. The Mutual Bank will form two wholly-owned subsidiaries, one of which will be Westborough Financial Services, Inc. (Stock Holding Company) and the other of which will be the Westborough Interim Savings Bank II (Interim);
3. The Bank will convert from mutual form to stock form to become the Westborough Bank (Stock Bank);
4. The Mutual Bank will exchange its charter for a Massachusetts mutual holding company charter and thereby become Westborough Bancorp, MHC (MHC);
5. Interim will merge into the Stock Bank, with the Stock Bank as the surviving entity, and the depositors of the Stock Bank will receive interests in the MHC that are identical to the interests formerly held in the Bank; and
6. The MHC will contribute all of the outstanding shares of the Stock Bank to the Stock Holding Company.
7. The Stock Holding Company intends to offer for sale 35 percent of its common stock on a priority basis to qualifying depositors and to tax-qualified employee benefit plans.

Upon consummation of the reorganization, the deposits of the Bank will continue to be insured under the Bank Insurance Fund. On the effective date of the reorganization, the Westborough Bank will be the wholly-owned subsidiary of Westborough Financial Services, Inc. The Westborough Bancorp, MHC, a newly organized, Massachusetts-chartered mutual holding company, will retain a majority interest in the Stock Holding Company, and a minority interest will be sold to the public. Applications for the establishment of Westborough Bancorp, MHC have been filed with the Federal Reserve Bank of Boston. The resultant bank will operate with the title of the Westborough Bank, Westborough, Massachusetts. 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 the Bank. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Bank. Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act. The principal office will be at 100 E. Main Street, Westborough, Massachusetts.

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 the proposed transaction may not be consummated unless and until the FDIC issues a non-objection letter to the Notice filed on behalf of the Bank pursuant to Section 303.163(d) of the FDIC's Rules and Regulations concerning the mutual-to-stock conversion portion of this transaction;
2. That the proposed transaction may not be consummated unless and until the applicant has received all appropriate Federal and State regulatory approvals;
3. That, prior to a sale, transfer or other disposition of any shares of the Stock Holding Company by the MHC to any person (including any Employee Stock Ownership Plan), or a conversion of the MHC to stock form, MHC 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 MHC, any dividends waived by the MHC must be retained by the Stock Holding Company or the Stock 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 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;
5. Any 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;
6. 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;
7. 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.

By Order of the Deputy Director of the Division of Supervision pursuant to the delegated authority of the Board of Directors.

Dated at Washington, D.C., this _____ day of _____, 1999.

/s/

Michael J. Zamorski
Deputy Director