

## IMPORTANT LEGAL NOTICE – PROPOSED BYLAW CHANGE

Dear RCB Customer,

As President of Reading Co-operative Bank, a mutual depositor-owned Bank, it is my responsibility to ensure that this community asset created in 1886 be preserved and protected as was intended by the community that created the Bank.

In 1877 legislation authorizing the charter of a Co-operative Bank was approved by the state legislature; the act was celebrated by the Boston Herald as the “Emancipation from Landlords” for middle class citizens of Massachusetts. Prior to the creation of co-operative banks, there was “almost no chance for the workingman to own a home as, ‘he is born in another man’s house and he dies under a landlord’s roof’.”

In 1886, Reading Co-operative Bank became the 36<sup>th</sup> Co-operative Bank in Massachusetts, chartered by leaders of the Reading community. At its height, the Co-operative ranks swelled to 229 banks in communities statewide.

The term Co-operative aptly describes our organizational structure. Each bank was founded by local depositors co-mingling their funds to provide homeownership opportunities to middle-class families, creating the communities that exist today. Depositors are the Bank’s shareholders, contributing the founding capital of the Bank. Successive years of accumulated income has funded the Bank’s growth and ability to offer an evolving product mix to its individuals and businesses in the community.

Over the years more than 100 Co-operative Banks have been lost due to poor management, economic adversity or conversion to public form and ultimate sale. When a depositor owned community bank converts from private ownership to public form a community asset is lost. In private form, the Bank’s stakeholders are the community, customers and employees. In public form, a bank’s primary responsibility is to provide an adequate return to its stockholders. The converted bank’s focus adjusts from long-term economic vitality and viability to quarterly outcomes.

In recent years, we have seen a spate of Bank conversions under the guise of raising capital to grow. These transactions ultimately result in the sale of the local bank and local asset to a regional bank while significantly enriching the senior leadership that took the bank public. The community loses its local bank, jobs are lost and the community philanthropy ceases.

It is this back-drop that motivated our By-Law changes. This Bank is committed to maintaining our Co-operative form of ownership; in plain language, the following protections are proposed for vote at our Annual meeting, December 2, 2014.

1. A Supermajority of Board members is required to approve any Stock Conversion
2. No Officer, Director, or Employee of the Bank can own Stock of the Company for 5 years after any conversion
3. No Officer, Director or Employee of the Bank can own Stock of the Company for 5 years after any subsequent conversion if they participated in approving the modification of the Bank’s By-laws intended to revoke any of the protections proposed.

As a depositor of Reading Co-operative Bank, you are welcome to participate in this extraordinary vote which will preserve your community bank for future generations. Polls are open from 3-4PM, December 2, 2014 at 180 Haven Street, Reading, MA 01867.

A copy of the proposed language is available upon request by emailing the Clerk of the Board at [psperandio@readingcoop.com](mailto:psperandio@readingcoop.com), calling 781-670-1537 and is available at our branch locations.

It is a pleasure serving you; it is our honor to treat you like the owner you are.

Respectfully yours,



Julieann Thurlow  
President & CEO