

OFFICE OF **THRIFT** SUPERVISION

**Order Approving Mutual Holding Company Reorganization  
and Holding Company Acquisition**

**Order No.: 98-25**

**Date: March 18, 1998**

**Gaston** Federal Savings and Loan Association, **Gastonia**, North Carolina (the "Savings Association"), has filed notice (the "Notice") of its intent to reorganize into a mutual holding company to be known as **Gaston** Federal Holdings, M.H.C. (the "Mutual Holding Company"), pursuant to section **10(o)** of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. **§1467a(o)**, and 12 C.F.R. **§ 575.3**. **Gaston** Federal Bancorp, Inc. (the "Stock Holding Company") seeks approval of the Office of Thrift Supervision ("OTS"), pursuant to 12 U.S.C. **§1467a(e)** and 12 C.F.R. **§ 574.3**, to acquire the Savings Association (the "Application").

The OTS has considered the Notice and the transactions described therein and the Application under the factors set forth in 12 U.S.C. **§§1467a(e)** and **1467a(o)**, and 12 C.F.R. **§§ 574.7** and **575.4**, under the Community Reinvestment Act, 12 U.S.C. **§§ 2901, et seq.**, and under the OTS regulations thereunder at 12 C.F.R. Part 563e. In addition, the OTS has considered a digest by the OTS Southeast Regional Office, an analysis by Corporate Activities, **and** a legal opinion issued by the Business Transactions Division (collectively, the "**Staff Memoranda**"). For the reasons set forth in the **Staff** Memoranda, the OTS has determined that the reorganization and acquisition would be in compliance with all of the applicable standards and criteria, with the exception of 12 C.F.R. **§§ 575.6(a)** and **575.6(b)**, provided the conditions set forth below are satisfied. Pursuant to 12 C.F.R. **§ 575.1(b)**, the OTS hereby waives the applicability of 12 C.F.R. **§§ 575.6(a)** and **575.6(b)**.

Accordingly, the Notice and the Application, and the component steps of the reorganization described therein are hereby approved, provided that the following conditions are complied with in a manner satisfactory to the Southeast Regional Director, or his designee ("Regional Director"):

1. The Mutual Holding Company and the Stock Holding Company shall receive all required regulatory approvals prior to consummation of the reorganization and acquisition with copies of all such approvals supplied to the Regional Director,
2. The reorganization and acquisition shall be consummated within 120 calendar days **after** the date of the approval order;
3. On the business day prior to consummation of the reorganization, the Savings Association shall submit to the Regional Director a certification stating that the reorganization has been approved by the majority of the total votes eligible to be cast at the special meeting of members of the Savings Association called to vote on the transaction;

4. On the business day prior to the date of consummation of the reorganization and acquisition, the chief financial officers of the Mutual Holding Company, the Stock Holding Company and the Savings Association shall certify in writing to the Regional Director that no material adverse events or material adverse changes have occurred with respect to the **financial** condition or operations of the Mutual Holding Company, the Stock Holding Company or the Savings Association, respectively, since the date of the financial statements submitted with the Notice and Application;
5. Prior to consummation of the proposed transaction, the **Stock Holding** Company shall submit a **final** tax opinion and an accounting opinion **from** its independent auditor **confirming** that the reorganization was consummated in accordance with generally accepted accounting principles;
6. Prior to consummation of the proposed transaction, Eugene R. Matthews must agree in writing that if the FBI fingerprint review discloses negative information that would cause the Regional Director to object to his service as a director, Mr. Matthews will resign **from** the board of directors of the Savings Association;
7. Upon completion of the organization of the interim federal savings associations, the board of directors of the interim federal savings associations, the Mutual Holding Company, the Stock Holding Company, and the Savings Association shall ratify the Agreement of Merger and Amended Plan of Reorganization;
8. The Savings Association shall obtain the written approval of the Regional **Director** prior to execution of the employment contract for Kim S. Price;
9. The amount of net conversion proceeds retain by the Stock Holding Company following completion of the stock conversion shall not exceed the lesser of **50%** of the net conversion proceeds or the amount permitted pursuant to 12 C.F.R Section 563.134;
10. No later than 5 calendar days from the date of consummation of the reorganization and acquisition, the Mutual Holding Company, the Stock Holding Company and the Savings Association shall **file** with the Regional Director, a certification by legal counsel stating the effective date of the reorganization and acquisition, the exact number of shares of stock of the Savings Association acquired by the Stock Holding Company, the exact number of shares of stock of the Stock Holding Company acquired by the Mutual Holding Company, the interim Federal savings associations did not open for **business;** **and** that the reorganization and acquisition has been consummated in accordance with all applicable laws and regulations, the Notice and Application, the Agreement of Merger and Amended Plan of Reorganization, all representations made by the Savings Association and its counsel **in** connection with the **OTS's** review of the proposed transaction, and the Order;

11. The Stock **Holding** Company **shall** be subject to the provisions of the Mutual Holding Company ("**MHC**") Regulations pertaining to minority stock issuances as **if it** were a former mutual savings association that reorganized into a mutual holding company structure. For the purposes of 12 C.F.R. § 575.1 l(e), the Stock Holding Company shall be deemed to be a subsidiary savings association;

12. The Stock Holding Company shall be subject to the same restrictions (including, but not limited to, the activities limitations) that the Mutual Holding Company is subject to under section **10(o)(5)** of the HOLA and 12 C.F.R. §§ 575.10, 575.11 and 575.12, as **well** as any other pertinent statutory and regulatory provisions;

13. The Stock Holding Company must hold all of the issued and outstanding common stock of the Savings Association, and the Savings Association may not issue any other class of equity security;

14. The Stock Holding Company and the Savings Association must obtain approval from the OTS prior to issuing any securities;

15. The Stock Holding Company shall be subject to the provisions of 12 C.F.R. Part 552 pertaining to charters and bylaws as if the Stock Holding Company were a Federal stock savings association;

16. The Stock Holding Company shall cease any activity, reverse any action, or amend any provision of its charter or bylaws, to which the OTS objects as being contrary to the MHC Regulations in effect at this time or as subsequently amended; and

17. If the Mutual Holding Company undertakes a mutual-to-stock conversion, OTS policies regarding purchases of stock in the conversion will apply to shareholders of the Stock Holding Company.

In addition, the OTS hereby approves the Stock Holding Company's application for a Federal charter.

Any time period specified herein may be extended by the Regional Director, for good cause, for up to **120** calendar days.

By Order of the Director of the Office of **Thrift** Supervision, or her designee, effective **March** 18, 1998.

  
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**John E. Ryan**  
**Acting Executive Director, Supervision**