

OFFICE OF THRIFT SUPERVISION

Order Approving Mutual Holding Company Reorganization
Holding Company and Related Application

Order No.: 98-61

Date: June 8, 1998

Baltimore County Savings Bank, F.S.B., Baltimore, Maryland (the "Savings Association"), has filed notice (the "Notice") of its intent to reorganize into a mutual holding company to be known as Baltimore County Savings Bank, 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. In addition, BCSB Bankcorp, Inc., Baltimore, Maryland (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 Notice and the Application together seek OTS approval of the Savings Association's reorganization into a mutual holding company structure, along with all of the constituent elements of such a reorganization.

The OTS has considered the Notice and Application under the factors set forth in 12 U.S.C. §§ 1467a(e) and 1467a(o) and the transactions described therein, and 12 C.F.R. §§ 574.7 and 575.4, under the Community Reinvestment Act, 12 U.S.C. §§ 2901, et seq., and the OTS regulations thereunder at 12 C.F.R. Part 563e, and other applicable statutes and regulations. 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. Based on the foregoing statutes, regulations, and materials, 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 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 since the date of the financial statements submitted with the Notice and Application;
5. Upon completion of the organization of the interim federal savings banks, the board of directors of the interim federal savings banks, the Mutual Holding Company, the Stock Holding Company, and the Savings Association shall ratify the Agreement of Merger and Amended Plan of Reorganization;

6. 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 Resulting 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 Resulting 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, that 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, and the approval order;

7. 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;

8. 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. § 575.11(e), the Stock Holding Company shall be deemed to be a subsidiary savings association;

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

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

11. 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;

12. 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;

13. 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;

14. The Resulting Savings Association's Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council ("FFIEC") including the May 5, 1997 FFIEC Year 2000 Project Management Awareness statement, the December 17, 1997 FFIEC Safety and Soundness Guidelines Concerning the Year 2000 Business Risk, the March 17, 1998 FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness, the March 17, 1998 FFIEC Guidance Concerning the Year 2000 Impact on Customers, the April 10, 1998 Guidance Concerning Testing for Year 2000 Readiness, the May 13, 1998 Guidance Concerning Contingency Planning in Connection with Year 2000 Readiness, the May 13, 1998 Guidance on Year 2000 Customer Awareness Programs, and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements;

15. No later than June 15, 1998, the Resulting Savings Association shall submit to the Regional Director a comprehensive written Year 2000 Action Plan (Plan) that addresses all concerns expressed in both the October 14, 1997 and the May 12, 1998 OTS examination reports, as well as details the Resulting Savings Association's planned progression through each phase of the Year 2000 preparation required by the guidance referenced in Condition 14 above, including but not limited to, establishment of specific steps to be taken and deadlines for completion of each phase, identification of specific individuals responsible for each step, provision of a method by which the Board of Directors (Board), management and the OTS can reasonably measure progress and compliance with the Plan, and establishment of a formalized contingency plan. Thereafter, the Resulting Savings Association shall immediately make all modifications to the Plan that are requested by the Regional Director and shall, thereafter, strictly comply with the Plan as modified;

16. Not later than June 15, 1998, the Resulting Savings Association shall provide a copy of the Board resolution adopting the Plan. This same resolution should also appoint a Board committee (the Committee) which shall be responsible for overseeing the implementation of the Plan; and

17. The Resulting Savings Association's Year 2000 Project Management Program and the Plan referenced in Condition 15 above shall be discussed at each monthly Board meeting and each meeting shall include, at a minimum, presentations by the Committee and management that give the Board detailed progress updates, reports on compliance with guidance and Plan deadlines, and corrective action plans for any deviation from the approved Plan. The minutes of each Board meeting shall thoroughly document the content of these discussions and, within ten days after each Board meeting, a copy of said Board minutes, with any written materials provided to the Board, shall be transmitted to the Regional Director.

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 June 8, 1998.



Diana L. Garmus
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Director,
Corporate Activities