

OFFICE OF THRIFT SUPERVISION

**APPROVAL OF AN APPLICATION FOR CONVERSION TO
FEDERAL MUTUAL SAVINGS BANK CHARTER AND RELATED FILINGS**

ORDER NO.: 98-100

DATE: September 14, 1998

Beacon Federal Credit Union ("the Credit Union") seeks approval of the Office of Thrift Supervision (the "OTS") pursuant to 12 C.F.R. §§ 543.8 and 543.9 for permission to convert directly from a federally chartered credit union to a federal mutual savings bank (the "Savings Bank").

The OTS has considered the Application under the factors set forth in 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.2(g)(1) and 543.8(a). In addition, the Director has considered a digest from the Northeast Regional Office, an analysis prepared by Corporate Activities and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the Director or her designee finds that the Application satisfies the applicable approval standards, provided that the conditions set forth below are satisfied.

1. The Credit Union must obtain all required regulatory approvals prior to consummation, and will act to satisfy all requirements and conditions imposed by the OTS, and comply with all applicable laws, rules and regulations;
2. The proposed transaction must be consummated no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Northeast Regional Director, or his designee ("Regional Director");
3. On the business day prior to the date of consummation of the proposed transaction, the Chief Financial Officer of the Credit Union must certify in writing to the OTS Northeast Regional Office that no material adverse changes have occurred with respect to the financial condition or operation of the Credit Union since the date of the financial statements submitted with the Applications;
4. The Savings Bank must advise the Northeast Regional Office, in writing, within five (5) calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications and this Order;
5. The Savings Bank must operate within the parameters of the submitted business plan. Any proposed major deviations or material changes from the submitted plan must receive the prior written approval of the Regional Director. The request for approval must be submitted a minimum of 30 days before the proposed change is anticipated. In the event of a proposed contractual change involving service providers, a revised plan must be submitted a minimum of 15 days prior to entering into the contract;

6. Any changes that the Savings Bank initiates to its CRA plan within the three year period following approval of the application must be subject to the approval of the Regional Director;
7. The Savings Bank is subject to an annual audit by an independent accountant, pursuant to 12 C.F.R. § 562.4, for the three (3) fiscal years following consummation of the proposed transaction;
8. The Savings Bank must comply with the asset investment limitations contained within Section 5(c)(2)(D) of the Home Owners' Loan Act at the earliest possible date without material loss to the Savings Bank, but no later than three years from the date of the transaction, unless such period is extended for good cause by the Regional Director;
9. Within one year of the Credit Union's conversion to a thrift charter, management must submit, to the satisfaction of the Northeast Regional Office, a revised business plan that demonstrates how the Savings Bank will meet the consumer lending restrictions within three years of the conversion;
10. Prior to converting to the thrift charter, the Credit Union must attain a "Satisfactory" on its year 2000 examination; and
11. The Savings Bank'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.

QTL Waiver

In connection with the proposed transaction, the Savings Bank has applied to the OTS, pursuant to 12 U.S.C. § 1467a(m)(2)(A) for a limited exception from the minimum actual thrift investment percentage requirement contained in 12 U.S.C. § 1467a(m)(1).

After considering the merits of the request, the OTS has determined that extraordinary circumstances exist within the meaning of § 1467a(m)(2)(A). As such, the OTS hereby grants a three-year exception to the requirements of § 1467a(m)(1).

Operating Subsidiary Notice

The Credit Union has applied under 12 U.S.C. § 1828(m) and 12 C.F.R. § 559.11 for permission for the Savings Bank to retain control of a wholly owned subsidiary, Beacon Comprehensive Services Corporation ("BCSC"), upon consummation of the conversion. Control of BCSC may be retained by the Savings Bank provided the following conditions are met.

1. The Regional Director or his designee must provide prior written clearance to any material deviation from any of the activities, facts or representations described in the Notice;
2. The Savings Bank must not provide, nor must BCSC, an affiliate, or any third party accept, the customer account information of the Savings Bank that includes account balances or maturity dates, without the prior written clearance of the Regional Director or his designee;
3. The Savings Bank and BCSC must meet the requirements described in 12 C.F.R. § 545.74(a)(4). The first annual certification is due no later than one year from the effective date of the subject securities brokerage program. Written notice of the effective date of the program must be provided to the Regional Director; and
4. The Savings Bank must submit a reasoned legal opinion from counsel that the securities brokerage services offered by BCSC qualify as pre-approved under § 545.74.

By order of the Director of the Office of Thrift Supervision, or her designee, effective

Sept. 14th, 1998.



Richard M. Riccobono
Deputy Director