

## OFFICE OF THRIFT SUPERVISION

### APPROVAL OF HOLDING COMPANY APPLICATION AND RELATED APPLICATIONS

**ORDER NO.:** 98-49

**DATE:** May 13, 1998

AF Bankshares, Inc., West Jefferson, North Carolina (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 AF Bank (the "Savings Bank"), a subsidiary of AsheCo, M.H.C. (the "Mutual Holding Company"), in a multi-step transaction in which the Stock Holding Company will become a subsidiary holding company of the Mutual Holding Company. In connection with the reorganization, the Mutual Holding Company seeks approval under 12 U.S.C. § 1467a(o) and 12 C.F.R. § 575.14 to establish the Stock Holding Company. In addition, the Savings Bank seeks OTS approval under 12 C.F.R. § 552.2-2 to form an interim Federal savings bank ("Interim"), and seeks OTS approval under 12 U.S.C. § 1828(c) and 12 C.F.R. §§ 552.13 and 563.22 for the merger of the Savings Bank and the Interim. (Collectively, the foregoing are referred to herein as the "Applications".)

The OTS has considered the Applications under the factors set forth in 12 U.S.C. §§ 1467a(e), 1467a(o), and 1828(c), and 12 C.F.R. §§ 552.2-2, 552.13, 563.22, 563.134, 574.7 and 575.14, 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 proposed transaction would be in compliance with all of the applicable standards and criteria, provided the conditions set forth below are satisfied. Accordingly, the Applications 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 proposed acquisition shall be consummated within 120 calendar days after the date of the approval order;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Mutual Holding Company, the Stock Holding Company, and the Savings Bank 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 and the Savings Bank, respectively, since the date of the financial statements submitted with the Application;

3. Upon completion of the organization of the interim federal savings bank, the board of directors of the interim federal savings bank, the Stock Holding Company and the Savings Bank shall ratify the Agreement of Merger and Amended Plan of Reorganization;
4. No later than 5 calendar days from the date of consummation of the acquisition, the Stock Holding Company shall file with the Regional Director, a certification by legal counsel stating the effective date of the acquisition, the exact number of shares of stock of the Savings Bank 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 bank did not open for business, and that the acquisition has been consummated in accordance with all applicable laws and regulations, the Applications, the Agreement of Merger and Amended Plan of Reorganization, and the approval order; and
5. 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 and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements.

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 May 13, 1998.

  
John E. Ryan  
Acting Executive Director, Supervision