July 1, 2011

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Re: Application by Valley Central Savings Bank, Reading, Ohio (Savings Bank) to be Treated as a Savings Association Under § 10 of the Home Owners’ Loan Act

Notice of Mutual Holding Company Reorganization
Form MHC-1 filed by the Savings Bank

Savings and Loan Holding Company Application
by Valley Central Bancorp, Inc., Reading, Ohio (Applicant), OTS No. H-4774

Dear Messrs. Garabedian and Weissman:

The Savings Bank, an Ohio-chartered mutual savings bank, has submitted an election to be treated as a “savings association” for purposes of § 10 of the Home Owners’ Loan Act (HOLA) pursuant to § 10(l) of the HOLA.1 The Savings Bank has also filed a notice (Notice) with the Office of Thrift Supervision (OTS) of its intent to reorganize into a federal mutual holding company to be known as Valley Central Bancorp, MHC, Reading, Ohio (Mutual Holding Company), pursuant to 12 U.S.C. § 1467a(o), and 12 C.F.R. § 575.3. In addition, the Applicant seeks OTS approval, pursuant to 12 U.S.C. §§ 1467a(e) and 1467a(o) and 12 C.F.R. §§ 574.3 and 575.14, to acquire the Savings Bank. The Savings Bank also seeks OTS approval to make capital distributions under 12 C.F.R. § 563.143. The various filings together seek OTS approval of the Savings Bank’s reorganization into a mutual holding company structure, along with all of the constituent elements of the reorganization.

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The Transaction

The Savings Bank has submitted an election to be treated as a savings association for purposes of section 10 of the HOLA, pursuant to section 10(l), and proposes, upon consummation of the election, to reorganize into a three-tier mutual holding company structure in a multi-step transaction described in detail in the Notice. Upon completion of the reorganization, the Savings Bank will be a wholly owned subsidiary of the Applicant, a federally chartered subsidiary holding company, and the Applicant will be a wholly owned subsidiary of the Mutual Holding Company.

Section 10(l) Election by State Savings Bank to be Treated as a Savings Association

Section 10(l) of the HOLA provides, in pertinent part, that upon application, a savings bank, as defined in § 3(g) of the Federal Deposit Insurance Act (FDIA), shall be deemed to be a savings association for purposes of § 10 of the HOLA, if the OTS determines that the savings bank is a qualified thrift lender (QTL), as defined in § 10(m) of the HOLA.

The Savings Bank is, and will remain, a "savings bank," as defined under Ohio laws relating to savings banks. Therefore, the Savings Bank is and will remain a savings bank as defined in § 3(g) of the FDIA. As of March 31, 2011, the Savings Bank's ratio of qualified thrift investments to portfolio assets was 76.75 percent, and accordingly, the Savings Bank meets the QTL test. The application states that the Savings Bank expects to remain in compliance with the QTL requirements after the reorganization. Accordingly, OTS concludes that the Savings Bank satisfies the standard set forth in section 10(l) of the HOLA.

Mutual Holding Company Reorganization

Section 10(o) of the HOLA and the OTS Mutual Holding Company Regulations (MHC Regulations) require a savings association that proposes to reorganize into a mutual holding company structure to file prior notice of the reorganization with OTS. The HOLA and the MHC Regulations provide that OTS may disapprove a proposed mutual holding company reorganization under certain circumstances.

Based on the Savings Bank's examination ratings, OTS's evaluation of the Savings Bank's overall condition, and the proposed capitalization of the Mutual Holding Company and the Applicant, we conclude that the Notice meets the criteria set forth at 12 C.F.R. §§ 575.4(a)(1), (2), and (3). There will be no minority stock issuance in connection with the proposed transaction, so the approval criterion at 12 C.F.R. § 575.4(a)(4) is not applicable. The Savings Bank has provided the information required by OTS, and, with the waivers discussed below, the proposed transaction, if carried out in conformity with the description contained in the

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2 12 U.S.C. § 1813(g).
3 12 U.S.C. § 1467a(m).
Notice, will not violate any provision of law. Accordingly, the Notice satisfies the applicable criteria for approval, subject to OTS's grant of the requested waivers.

Approval of the reorganization as structured requires that OTS waive 12 C.F.R. §§ 575.6(a) and 575.6(b). OTS has routinely waived these two regulatory provisions, pursuant to 12 C.F.R. § 575.1(b), to streamline the application process in reorganizations structured as proposed by the Savings Bank. OTS concludes that there is good cause to waive the two provisions in connection with the proposed reorganization here for the same reasons that the provisions have previously been waived.

Establishment of the Applicant as a Subsidiary Holding Company

The formation of the Applicant is consistent with the MHC Regulations. The Applicant will have a federal charter, as required by 12 C.F.R. § 575.14. The Applicant's proposed federal charter is consistent with 12 C.F.R. § 575.14(c). The Applicant proposes to hold all of the common stock of the Savings Bank, as required under 12 C.F.R. § 575.14(a). The Mutual Holding Company will hold more than 50 percent of the stock of the Applicant, as required by 12 C.F.R. § 575.14(b).

Formation of Interim Associations

The Savings Bank must receive OTS approval under 12 C.F.R. § 552.2-2 to form two interim federal savings associations. The establishment of, and transactions involving, the two interim federal savings associations are consistent with previous transactions OTS has approved and are consistent with 12 C.F.R. § 552.2-2.

Holding Company Applications

In the proposed reorganization, the Savings Bank would acquire two interim federal savings associations, and, subsequently, the Applicant would acquire the Savings Bank. Accordingly, the transaction requires OTS approval under § 10(e) of the HOLA, and the OTS regulations thereunder (Control Regulations).

Section 10(e)(2) and the Control Regulations provide that in reviewing the proposed acquisition of two savings associations by a company, such as the Savings Bank, OTS must consider the managerial and financial resources and future prospects of the company and associations involved, the effect of the acquisition on the associations, the insurance risk to the Deposit Insurance Fund (DIF), and the convenience and needs of the community to be served.6 Section 10(e)(1)(B) of the HOLA provides that OTS must approve a holding company application proposing the acquisition of one savings association by a company other than a savings and loan holding company, such as the Applicant, unless OTS finds the financial and managerial resources and future prospects of the company and association involved to be such

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that the acquisition would be detrimental to the savings association or the insurance risk of the DIF.\(^7\) In both cases, OTS must consider the impact of any acquisition on competition.\(^8\) Also, 12 C.F.R. § 563e.29 requires that OTS take into account assessments under the Community Reinvestment Act (CRA) when approving holding company acquisitions.

As for managerial resources, OTS has evaluated the overall condition of the Savings Bank, and concludes that the Savings Bank's managerial resources are consistent with approval. The board of directors of the Applicant will consist of the present directors of the Savings Bank, and the executive officers of the Applicant will consist of the executive officers of the Savings Bank. The interim savings associations will be shell entities that never open for business. Accordingly, OTS concludes that the managerial resources of the Applicant, the Savings Bank and the interim associations are consistent with approval.

As for financial resources, OTS has reviewed the Savings Bank's financial resources. As of March 31, 2011, the Savings Bank was "well capitalized." The Savings Bank will capitalize the Applicant with $50,000. The only activity of the Applicant will be ownership of the stock of the Savings Bank, and the interim associations will be shell entities that never open for business. Accordingly, we conclude that the financial resources of the Applicant, the Savings Bank, and the two interim associations are consistent with approval.

After considering the financial and managerial resources of the Applicant, the Savings Bank and the two interim associations, we conclude that the future prospects of the Applicant, the Savings Bank and the two interim associations, and risks to the DIF, are consistent with approval.

The proposed acquisitions will not cause the Savings Bank to become affiliated with any other operating depository institution. Accordingly, the transactions are unobjectionable on competitive grounds.

As for the CRA, and convenience and needs of the community, the Savings Bank currently has a "Satisfactory" CRA rating. The Savings Bank does not propose to reduce its services. The Applicant, as a newly formed entity, has no CRA experience. OTS has received no comments objecting to the proposed transaction. Accordingly, we conclude that approval of the holding company acquisitions is consistent with the CRA and with the convenience and needs standard.

**Capital Distribution Notice**

The Savings Bank has requested OTS approval, pursuant to 12 C.F.R. § 563.143(a)(2), to make capital distributions. The Savings Bank proposes to make capital distributions of $50,000 each to the Mutual Holding Company and the Applicant. The Savings Bank will remain well

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\(^7\) 12 U.S.C. § 1467a(e)(1)(B).

\(^8\) 12 U.S.C. § 1467a(e)(2).
capitalized after the distributions and the distributions will not materially reduce the Savings Bank's capital. Moreover, the proposed distributions will not be unsafe or unsound and do not violate any law, agreement with OTS, or condition of approval. Accordingly, we conclude that the Savings Bank's proposed capital distributions are consistent with approval.

Conclusion

Based on the foregoing analysis, the Notice, the section 10(l) election, and the accompanying holding company applications, applications to form interim associations, applications for federal charters for the Mutual Holding Company and the Applicant, and other component steps of the mutual holding company reorganization are hereby approved pursuant to delegated authority, provided that the following conditions are complied with in a manner satisfactory to the Central Regional Director, or his designee (Regional Director): 9

1. The Savings Bank, the Mutual Holding Company, and the Applicant must receive all required regulatory approvals prior to consummation of the reorganization and acquisitions with copies of all such approvals supplied to the Regional Director;

2. The reorganization and acquisition must be consummated within 120 calendar days after the date of this Approval Letter;

3. No later than the business day prior to consummation of the reorganization and acquisition, the Savings Bank must 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 Bank 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 Applicant, and the Savings Bank must 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 Applicant, or the Savings Bank, respectively, since the date of the financial statements submitted with the Notice and related applications. If additional information having a material adverse bearing on any feature of the Notice or related applications is brought to the attention of the Mutual Holding Company, the Applicant, the Savings Bank, or OTS since the date of the financial statements submitted with the Notice or related applications, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;

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9 Following the Transfer Date, see Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 311, 124 Stat. 1520-21 (2010), all submissions, requests, communications, consents or other documents relating to this letter must be directed to the, the Comptroller of the Currency, the Federal Deposit Insurance Corporation (FDIC) or to the Federal Reserve System (Board of Governors), as appropriate, or to the individual, division, or office designated by the Comptroller of the Currency, the FDIC or the Board of Governors.
5. Upon completion of the organization of the interim federal savings associations, the boards of directors of the interim federal savings associations, the Mutual Holding Company, the Applicant, and the Savings Bank must ratify the Plan of Reorganization; and

6. No later than five calendar days after the date of consummation of the reorganization and acquisition, the Mutual Holding Company, the Applicant, and the Savings Bank must 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 Bank acquired by the Applicant, the exact number of shares of the Applicant acquired by the Mutual Holding Company, that the interim federal savings associations did not open for business, and that the reorganization was consummated in accordance with all applicable laws and regulations, the Notice, the related applications, the Plan of Reorganization, and this Approval Letter.

In addition, pursuant to 12 C.F.R. § 575.1(b), OTS hereby waives the applicability of 12 C.F.R. §§ 575.6(a) and 575.6(b).

The Regional Director may, for good cause, extend any time period specified herein for up to 120 calendar days.

Very truly yours,

[Signature]

Donald W. Dwyer
Director, Applications
Corporate & International Activities

[Signature]

Kevin A. Corcoran
Deputy Chief Counsel for
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