

OFFICE OF THRIFT SUPERVISION

APPROVAL OF AN APPLICATION FOR CONVERSION TO A MUTUAL FEDERAL SAVINGS ASSOCIATION CHARTER AND SERVICE CORPORATION NOTICE

Order No.: 2000-84

Date: September 25, 2000

Atlantic Coast Federal Credit Union, Waycross, Georgia (Credit Union), seeks approval (application) of the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.8 and 543.9 for permission to convert from a federally chartered, mutual credit union to a federally chartered, mutual savings association to be known as Atlantic Coast Federal (Savings Bank). The Savings Bank will be a member of the Savings Association Insurance Fund. In addition, the Credit Union has filed a notice (notice), pursuant to 12 U.S.C. § 1828(m) and 12 C.F.R. § 559.11, for the Savings Bank to retain the Credit Union's investment in a first-tier service corporation, First Community Financial Services, Inc. (First Community) and two second-tier service corporations, CU24 and Members Insurance Service, LLC (Service Corporations).

OTS has considered the application and the notice under the factors set forth in 12 U.S.C. §§ 1464(e) and 1828(m) and 12 C.F.R. §§ 543.2(g)(1), 543.8, 543.9, 556.5 and 12 C.F.R. Part 559, and under the Community Reinvestment Act, 12 U.S.C. § 2901 et seq., and the OTS regulation thereunder, 12 C.F.R. Part 563e. In addition, OTS has considered a digest from the Southeast Regional Office, a memorandum from the Office of Examination and Supervision and a legal opinion from the Business Transactions Division (collectively, the Staff Memoranda). For the reasons set forth in the Staff Memoranda, OTS finds that the application and the notice satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Southeast Regional Director, or his designee (Regional Director). Accordingly, the application and the notice are hereby approved, subject to the following conditions:

1. The Credit Union and the Savings Bank must receive all required regulatory and member approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Southeast Regional Office;
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 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 Southeast 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 application. In

addition, should additional information having an adverse bearing on any feature of the application be brought to the attention of the Credit Union or OTS since the date of the financial statements submitted with the application, 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;

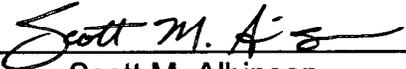
4. The Savings Bank must certify to the Southeast Regional Office, in writing, within five (5) calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction and the institution's insurance of accounts; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the application, the notice, and this Order;
5. The Savings Bank must operate within the parameters of its business plan. The Savings Bank must furnish the Southeast Regional Office, on a quarterly basis, within 30 days of the end of each calendar quarter, a variance report detailing the institution's compliance with the business plan and an explanation of any deviations. The Savings Bank must submit any proposed major deviations or material changes from the business plan for the prior, written non-objection of the Regional Director. The proposed change must be submitted to the Southeast Regional Office, with a copy to the FDIC Regional Office, a minimum of 60 calendar days before the proposed change is implemented;
6. Prior to consummation of the transaction, the Credit Union must submit, to the Southeast Regional Office for the Regional Director's nonobjection, the methods the Savings Bank will use for providing PINS and passwords to its Internet customers and the process the Savings Bank will use for authenticating new customers;
7. Within 90 calendar days after the transaction is consummated the Savings Bank must certify to the Regional Director that it: (a) has implemented an asset classification policy establishing procedures for classifying assets in accordance with the Uniform Retail Credit Classification and Account Management Policy revised by the FFIEC on February 10, 1999; (b) has revised its loan policy to include procedures to track exceptions to internal loan policies, procedures to monitor supervisory loan to value limits and procedures to report any exceptions to internal loan policies to the board of directors on a regular basis; (c) has revised its procedures for booking real estate owned to provide for carrying such assets at the lower of book or fair value, and charging off or providing specific reserves for otherwise unreserved losses; (d) maintains its accounting records in accordance with GAAP; (e) has implemented TB-13a and incorporated provisions of TB-13a in its Asset Liability Management Policy;
8. Should the Regional Director determine, upon the completion of the background

investigations of the four senior officers and directors of the Credit Union for whom the investigations have not been completed by the date of this Order, that an individual is unfit to serve as a senior officer or director of the Savings Bank, such person or persons shall immediately resign from his or her position with the Savings Bank and, if such a person does not voluntarily resign, the Savings Bank shall terminate said person or persons, if and when directed to do so by the Regional Director;

9. The Savings Bank must withdraw its capital account with Georgia Central Credit Union and the Savings Bank's deposit with the National Credit Union Insurance Fund as soon as practicable and no later than three years after the consummation of the transaction. In addition, the Savings Bank must comply with the asset investment limitations contained in Section 5(c)(2)(D) of the Home Owners' Loan Act within two years;
10. The Savings Bank shall submit independent audit reports to the Regional Director for the Savings Bank's first three fiscal years after consummation of the transaction;
11. The contracts and agreements between First Community and the companies that provide services to First Community must, within 90 days of the consummation of the transaction, be revised, as applicable, to reference OTS rules and regulations;
12. Prior to the effective date of the transaction, the Savings Bank must submit, to the Southeast Regional Office for the Regional Director's nonobjection, the policies and procedures the Savings Bank will employ to ensure that appropriate oversight and controls are in place with respect to its relationship with the shared service facility.

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

By order of the Director of the Office of Thrift Supervision, or her designee, effective September 25, 2000.



Scott M. Albinson
Managing Director
Office of Supervision