

OFFICE OF THRIFT SUPERVISION

Approval of Voluntary Supervisory Conversion, Holding Company, and Bank Merger Act Applications

Order No.: 2007-51
Date: October 25, 2007
Docket Nos.: H-3282, 18090 and 00114

Hicksville Building, Loan and Savings Bank, Hicksville, Ohio (Savings Bank) seeks the Office of Thrift Supervision's (OTS) approval to convert from an Ohio-chartered mutual savings bank to a federally chartered stock savings bank in a voluntary supervisory conversion, pursuant to section 5(o)(2) of the Home Owners' Loan Act (HOLA), and the voluntary supervisory conversion provisions of the OTS Mutual-to-Stock Conversion Regulations (Conversion Regulations), 12 C.F.R. Part 563b, Subpart B. In addition, First Place Financial Corp., Warren, Ohio (Holding Company) seeks OTS approval to acquire the Savings Bank, pursuant to section 10(e) of the HOLA and 12 C.F.R. § 574.3, in connection with the Savings Bank's voluntary supervisory conversion. Finally, the Savings Bank seeks OTS approval to acquire First Place Bank, Warren, Ohio (Association), pursuant to section 18(c) of the Federal Deposit Insurance Act (Bank Merger Act or BMA) and 12 C.F.R. § 563.22(a).

The Parties

The Savings Bank is a Deposit Insurance Fund (DIF)-insured, Ohio-chartered mutual savings bank. As of June 30, 2007, the Savings Bank, with a tangible capital ratio of 0.69 percent, was critically undercapitalized within the meaning of section 38 of the Federal Deposit Insurance Act (FDIA) and the Federal Deposit Insurance Corporation's (FDIC) Prompt Corrective Action Regulations.¹ The Savings Bank had total assets of approximately \$54.2 million as of June 30, 2007.

The Holding Company is a Delaware corporation that holds all of the common stock of the Association. The Association is a DIF-insured federal stock savings bank, which had assets of approximately \$3.2 billion as of June 30, 2007. The Association is well capitalized, with core, tangible, and total risk based capital ratios of 7.30 percent, 7.30 percent and 10.42 percent, respectively.

The Proposed Transactions

The Savings Bank proposes to convert from an Ohio-chartered mutual savings bank to a federal stock savings association, pursuant to section 5(o)(2)(C) of the HOLA, and OTS's Conversion Regulations.² In the voluntary supervisory conversion, the Holding Company will acquire all of the Savings Bank's common stock for

¹ 12 U.S.C. § 1831o and 12 C.F.R. § 325.103(b)(5) (2007).

² 12 U.S.C. § 1464(o)(2)(C); 12 C.F.R. Part 563b, Subpart B (2007).

approximately \$4.0 million in cash. Upon consummation of the voluntary supervisory conversion, the Savings Bank will have, at a minimum, core, tangible, and total risk-based capital ratios of 5.80 percent, 5.80 percent, and 10.28 percent, respectively. Accordingly, upon consummation of the transaction, the Savings Bank will be well capitalized. The Savings Bank will establish a liquidation account based on its regulatory capital immediately prior to the voluntary supervisory conversion. Within 45 calendar days of the completion of the voluntary supervisory conversion and recapitalization of the Savings Bank, the Association will merge with and into the Savings Bank, with the Savings Bank surviving. The Savings Bank will amend its charter and rename itself First Place Bank, and change its home office to Warren, Ohio, the current home office of the Association.

Voluntary Supervisory Conversion

Pursuant to 12 C.F.R. § 563b.630, a state-chartered savings bank is eligible to convert to a federal stock savings bank in a voluntary supervisory conversion if the FDIC certifies under section 5(o)(2)(C) of the HOLA that severe financial conditions threaten the savings bank's stability and that the voluntary supervisory conversion is likely to improve the savings bank's financial condition, and OTS concurs with this certification.³

The FDIC, pursuant to section 5(o)(2) of the HOLA, in a letter dated September 12, 2007, concluded that severe financial conditions exist that threaten the stability of the Savings Bank and that conversion of the Savings Bank to a federal stock savings bank is likely to improve the Savings Bank's condition,⁴ and the Director of OTS concurred with the FDIC's conclusion.

As of June 30, 2007, the Savings Bank, with a tangible capital ratio of 0.69 percent, was critically undercapitalized within the meaning of section 38 of the FDIA and the FDIC's Prompt Corrective Action Regulations. The proposed transaction will improve the Savings Bank's financial condition. Upon consummation of the transaction, including the Holding Company's infusion of approximately \$4 million into the Savings Bank, the Savings Bank will be well capitalized.

The structure of the proposed transaction, in which the Holding Company will acquire all of the Savings Bank's common stock in the voluntary supervisory conversion, is consistent with the Conversion Regulations. Section 563b.605(c) provides that a converting institution may sell its shares directly to an acquiror, who may be, among other things, a depository institution holding company. In addition, the Savings Bank's establishment of a liquidation account is consistent with 12 C.F.R. § 563b.610, which provides that, although members of an institution undertaking a voluntary supervisory

³ 12 C.F.R. § 563b.630(a). This standard is consistent with section 5(o)(2) of the HOLA.

⁴ Before making this determination, the FDIC, as required by section 5(o)(2)(E) of the HOLA, consulted with the relevant state bank supervisor, the Ohio Department of Financial Institutions (ODFI). By letter dated September 10, 2007, the ODFI indicated that it did not object to the voluntary supervisory conversion under section 5(o)(2) of the HOLA.

conversion do not have the right to approve or participate in the conversion, they may have interests in a liquidation account, if one is established.

Accordingly, the proposed voluntary supervisory conversion of the Savings Bank meets the applicable statutory and regulatory standards for approval.

Holding Company Application

Section 10(e)(2) of the HOLA and the OTS Acquisition of Control Regulations (Control Regulations) provide that in reviewing the proposed acquisition of a savings association by a savings and loan holding company, 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 DIF, and the convenience and needs of the community to be served.⁵ Also, OTS must consider the impact of any acquisition on competition.⁶ In addition, 12 C.F.R. § 563e.29 requires that OTS take into account assessments under the Community Reinvestment Act (CRA) when considering holding company acquisitions.

OTS, as the Holding Company's regulator, is familiar with the management of the Holding Company and the Association, and has reviewed the information submitted by the Holding Company with respect to the proposed management of the Savings Bank upon consummation of the transaction. OTS concludes that the managerial resources of the Holding Company, the Association, and the Savings Bank are consistent with approval.

With respect to financial resources, the Holding Company has capital of \$326.2 million. The Association is well capitalized and will remain well capitalized upon consummation of the proposed transaction. The Holding Company will infuse capital into the Savings Bank to cause the Savings Bank to be well capitalized upon consummation of the voluntary supervisory conversion. Accordingly, OTS concludes that the financial resources of the Holding Company, the Association, and the Savings Bank are consistent with approval.

With respect to future prospects, the proposed acquisition will have little impact on the Holding Company and the Association, due to the relative sizes of the Association and the Savings Bank. The proposed acquisition will greatly improve the future prospects of the Savings Bank, because the Savings Bank is critically undercapitalized, and the proposed transaction will recapitalize the Savings Bank. To help ensure the financial resources and future prospects of the Savings Bank are consistent with approval, OTS is imposing condition four requiring the submission of a final accounting opinion to the Central Regional Director, or his designee (Regional Director). Accordingly, OTS

⁵ 12 U.S.C. § 1467a(e)(2); 12 C.F.R. § 574.7 (2007).

⁶ Id.

concludes that the future prospects of the Holding Company, the Association, and the Savings Bank, and the risks to the DIF, are consistent with approval.

With respect to competitive considerations, the Savings Bank has only \$54.2 million of assets. Moreover, the Savings Bank, as a critically undercapitalized institution, is not a viable competitor. The Savings Bank's sole office is in Defiance County, Ohio, and the Association does not have any branches in Defiance County. In addition, as required by section 10(e)(2) of the HOLA, OTS has requested the views of the Department of Justice (DOJ) regarding the competitive factors regarding the proposed transaction. The DOJ has advised OTS that the proposed acquisition will have no significant effect on competition. Based on the foregoing, OTS concludes that the competitive effects of the acquisition are consistent with approval.

With respect to the convenience and needs of the community, the Savings Bank's sole office will continue to operate, and provide services to the Savings Bank's customers. Accordingly, OTS concludes that this approval criterion has been satisfied.

With respect to the CRA, the Association received a "Satisfactory" CRA rating in its most recent examination. Accordingly, in our opinion, there is an adequate legal basis to conclude that this approval criterion has been satisfied.

Public Comment Provisions

The Control Regulations generally require that a holding company that proposes to acquire a savings association publish notice of the acquisition, and that there be a public comment period regarding the transaction.⁷ However, 12 C.F.R. § 574.6(g) provides that these requirements may be waived in a transaction approved by OTS for supervisory reasons. Accordingly, OTS hereby waives 12 C.F.R. §§ 574.6(d) and 574.6(e) in connection with the proposed acquisition.

In addition, the parties have requested that OTS waive the publication requirement of 12 C.F.R. § 563b.180. OTS Regulations, at 12 C.F.R. § 500.30(a), provide that OTS may, for good cause and to the extent permitted by statute, waive its regulations. The publication requirement at 12 C.F.R. § 563b.180 is not required under any statute. Moreover, the transaction needs to be completed expeditiously because the Savings Bank is critically undercapitalized. Accordingly, OTS hereby grants the requested waiver.

Bank Merger Act Application

In evaluating a BMA application, OTS is required to consider the effect of the transaction on the capital of the resulting association; the financial and managerial resources of the constituent institutions; the future prospects of the constituent

⁷ 12 C.F.R. §§ 574.6(d) and 574.6(e) (2007).

institutions; the effect of the transaction on competition; the convenience and needs of the community; conformance to applicable law, regulation, and supervisory policy; and factors relating to fairness of and disclosure concerning the transaction.⁸ Also, the BMA requires the responsible agency to take into consideration, in its evaluation of the BMA application, the effectiveness of any insured depository institution in combating money-laundering activities.⁹ Under 12 C.F.R. § 563e.29, OTS must consider the constituent institutions' record of performance under the CRA.

With respect to capital, both the Savings Bank and the Association will be well capitalized at the time of the proposed merger, and the resulting institution will remain well capitalized after the merger. Accordingly, we conclude that this approval standard is satisfied.

With respect to the financial and managerial resources of the constituent institutions, the current senior executive officers and directors of the Association will continue to manage the resulting institution after the proposed merger. OTS is familiar with these managers and the financial resources of the Association and the Savings Bank. The resulting institution is projected to be profitable and well capitalized after the merger. We conclude that the financial and managerial resources of the constituent institutions are consistent with approval.

For the reasons discussed above, OTS finds the standard regarding the effect of the merger on competition to be satisfied.

With respect to future prospects, OTS has reviewed the projections for the resulting institution and finds it is projected to be profitable and well capitalized after the merger. We conclude that the future prospects of the Association and the Savings Bank are consistent with approval.

With respect to the convenience and needs of the community, the resulting institution will continue the current operations of both the Savings Bank and the Association. Further, the BMA application indicates that there are no anticipated significant changes in, or discontinuation of, any services or products as a result of the merger, and all of the currently existing offices of the Association and the Savings Bank will remain in operation. Accordingly, we conclude that the convenience and needs of the community criteria are consistent with approval.

With respect to the conformance with law and anti-money laundering statutes and regulations, OTS is familiar with the Association's compliance with the Bank Secrecy Act (BSA) and its efforts to combat money laundering and we conclude that Association meets this standard. OTS has reviewed the FDIC and ODFI's examination of the Savings Bank's BSA compliance and its efforts to combat money laundering and OTS concludes

⁸ 12 U.S.C. § 1828(c)(5)(B); 12 C.F.R. § 563.22(d) (2007).

⁹ 12 U.S.C. § 1828(c)(11).

that the Savings Bank also meets this standard for approval. In addition, we conclude that the Savings Bank and the Association have complied with applicable laws and regulations relating to the merger. In addition, there is no basis to object to the merger resulting from fairness or disclosure issues. Appropriate publication has occurred, and disclosure materials were filed with the appropriate regulators.

With respect to the Association's and the Savings Bank's performance under the CRA, both institutions were rated "Satisfactory" at their most recent examinations, and the Savings Bank's amended CRA Plan expands the resulting institution's CRA assessment area to include both the Association's and the Savings Bank's prior CRA assessment areas. OTS has received no comments objecting to the merger on CRA grounds. We conclude that approval of the BMA application is consistent with the CRA.

Conclusion

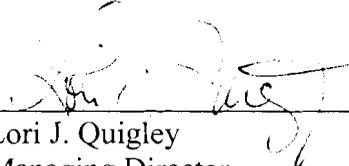
Based on the applications and the foregoing analysis, OTS concludes that the applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Regional Director. Accordingly, the applications are hereby approved, subject to the following conditions:

1. The proposed supervisory conversion and holding company acquisition must be consummated within 120 calendar days from the date of this Order, and the proposed merger of the Association into the Savings Bank must be consummated no earlier than 15 days after the date of this Order and no later than 120 calendar days from the date of this Order;
2. On the business day prior to the date of consummation of the proposed supervisory conversion and holding company transactions, the chief financial officers of the Holding Company, the Association and the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Holding Company, the Association, and the Savings Bank, respectively, as disclosed in the applications. If additional information having a material adverse bearing on any feature of the applications is brought to the attention of the Holding Company, the Association, the Savings Bank, or OTS since the date of the financial statements submitted with the applications, the transactions must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to the consummation of the transactions;
3. The Holding Company must, within 5 calendar days after the effective date of each of the proposed transactions: (a) advise the Regional Director in writing of the effective date of the proposed transaction; and (b) advise the Regional Director in writing that the transaction was consummated in accordance with all applicable laws and regulations, the applications and this Order;

4. No later than 7 calendar days after the date of consummation of the proposed acquisition of the Savings Bank by the Holding Company, Holding Company must submit a final accounting of the recapitalization of the Savings Bank to the Regional Director, and
5. No later than 30 calendar days after the date of consummation of the merger of the Association into the Savings Bank, the Savings Bank must advise each accountholder whose withdrawable accounts in the resulting savings association would increase above \$100,000 as a result of the merger, or whose uninsured balance would increase as a result of the merger, of the effect of the transaction on deposit insurance coverage. The resulting institution must submit a representative copy of the notice to the Regional Director.

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

By order of the Director of the Office of Thrift Supervision, or his designee, effective October 25, 2007.



Lori J. Quigley
Managing Director
Examinations and Supervision - Operations