

OFFICE OF THRIFT SUPERVISION
APPROVAL OF APPLICATION FOR CONVERSION

Order No.: 96-44
Date: May 14, 1996

Ocean Federal Savings Bank, Brick, New Jersey (the "Association"), filed on March 22, 1996, as amended on May 8, 1996 and May 13, 1996, with the Office of Thrift Supervision ("OTS"), an application (the "Application") for approval to convert from a federally chartered mutual savings association to a federally chartered stock savings association pursuant to Section 5(i) of the Home Owners' Loan Act of 1933 (the "HOLA"), and 12 C.F.R. Part 563b. In connection with its conversion to a stock association, the Association has formed a holding company, Ocean Financial Corporation, Brick, New Jersey (the "Corporation"), which will acquire all of the Association's capital stock to be issued upon conversion. The Association also has submitted a proposed charter and bylaws for approval pursuant to 12 C.F.R. Part 563b.

In addition, the Association has requested the waiver of certain provisions of the OTS Conversion Regulations, under 12 C.F.R. Part 563b, for the proposed contribution by the Corporation of 8.0% of the shares to be issued in the conversion, between 431,297 (at the minimum) and 583,519 (at the maximum), to the Ocean Federal Foundation (the "Foundation"), a private foundation that is being established in connection with the conversion. In order to allow the proposed contribution by the Corporation to the Foundation, the Association has requested that the OTS waive the following provisions: § 563b.3(c)(1) (a converting association shall issue and sell its stock at a total price equal to the estimated pro forma market value of such stock); § 563b.3(c)(6) (any shares not sold to subscribers shall be sold in a public offering); § 563b.3(c)(7) (the total shares subscribed for or purchased by any group shall be subject to a limit of the total offering of shares, which is 1.0 percent under the Plan), and § 563b.3(c)(10) (all shares sold in the conversion shall be sold at a uniform price).

For the reasons set forth in the Corporate Activities digest, dated May 14, 1996, and in the legal opinion from the Business Transactions Division, dated May 14, 1996, the Application is hereby approved, the proposals by the Association's board of directors to amend the Association's charter and bylaws to read as set forth in the Application are hereby declared approved, and 12 C.F.R. § 563b.3(c)(1), (c)(6), (c)(7), and (c)(10) are hereby waived to the extent necessary to

allow the proposed contribution to the Foundation by the Corporation of 8.0% of the shares to be issued in the conversion, provided that the following requirements are fulfilled:

(1) The Corporation's capital stock to be sold in connection with the conversion of the Association shall be sold in compliance with the restrictions contained in 12 C.F.R. § 563.76;

(2) Promptly after the completion of the sale of all the shares of capital stock to be sold in connection with the conversion, the Association shall submit: (a) a certification by the Association's chief executive officer stating that all the shares proposed to be sold have been sold, the price at which they were sold, and the date of completion of the offering; (b) seven executed copies of the proposed amendments to the Association's charter, the appropriate form of bylaws as prescribed by 12 C.F.R. § 552.5 and a certification by the Association's secretary that the copies are in conformity with the proposal of the board of directors adopted by the Association's members; and (c) a statement by the Association's independent appraiser that, to the best of his/her knowledge and judgment, nothing of a material nature has occurred (taking into account all of the relevant factors including those which would be involved in a change in the maximum subscription price) which would cause him/her to conclude that the sale price was not compatible with his/her estimate of the Corporation's and the Association's total pro forma market value at the time of sale;

(3) That the following general principles of conversion contained in 12 C.F.R. Part 563b shall apply to the Corporation subsequent to the conversion as if the Corporation were the converting association: 563b.3(i), 563b.3(c)(9), 563b.3(c)(17), 563b.3(c)(18), 563b.3(c)(19), and 563b.3(g);

(4) For a period of one year following the completion of the conversion, neither the Corporation nor the Association shall, without prior written consent of the Director, Corporate Activities, or her designee, take any action with a view toward a transaction which would require stockholder approval under 12 C.F.R. § 552.13(h);

(5) The establishment and funding of the Foundation with 8.0 percent of the Corporation's stock to be issued in the conversion is subject to the approval of a majority of the total outstanding votes of the Association's members eligible to be cast at the special meeting to be held to consider the proposed conversion;

(6) In connection with the establishment of the Foundation, including the instruments creating the Foundation and the gift instrument for the proposed contribution to the Foundation by the Corporation, the Association and the Corporation are directed to implement the following requirements:

(a) The Foundation shall be subject to examination by the OTS, at the Foundation's own expense;

(b) The Foundation shall comply with all supervisory directives imposed by the OTS;

(c) The Foundation shall provide annual reports to the OTS describing grants made and grant recipients;

(d) The Foundation shall operate in accordance with written policies adopted by its board of directors, including a conflict of interest policy; and

(e) unless required by another condition herein, the Foundation shall not engage in self-dealing and shall comply with all laws necessary to maintain its tax-exempt status under the Internal Revenue Code;

(7) In connection with the establishment of the Foundation, the Association and the Corporation are directed to implement the following requirements:

(a) Directors, officers, employees and/or affiliates of the Corporation or the Association together shall comprise less than 25% of the membership of the board of the Foundation;

(b) The Corporation's stock certificate, contributed to the Foundation under the gift instrument, and any other stock certificate issued by the Corporation to the Foundation shall bear the following legend: "The shares of the Corporation represented by this stock certificate shall be considered, by the board of directors of the Corporation, as voted in the ratio as all other shares voted on each and every proposal considered by the stockholders of the Corporation, for so long as the Corporation's stock is held by the Foundation",

(c) the Ocean Federal Foundation Gift Instrument shall be conditioned to provide that the shares of the Corporation for so long as such shares are held by the Foundation shall be considered by the Corporation to be voted in the same ratio as all other shares voted on each and every proposal considered by the stockholders of the Corporation,

(d) the Corporation is directed to consider the shares of the Corporation contributed to the Foundation under the Ocean Federal Foundation Gift Instrument for so long as such shares are held by the Foundation as voted in the same ratio as all other shares voted on each and every proposal considered by the stockholders of the Corporation, and

(e) the certificate of incorporation of the Foundation shall be amended to provide that the directors of the Foundation shall vote the shares of the Corporation in the same ratio as all other shares voted on each and every proposal considered by the stockholders of the Corporation.

The Office of Thrift Supervision will waive one or more of the conditions (7)(b)-(e) above, upon submission of:

(i) an opinion satisfactory to OTS from tax counsel that compliance with any of the conditions (7)(b)-(e) would cause the Foundation to (1) lose its tax-exempt status or otherwise have a material and adverse tax consequence on the Foundation or (2) be subject to an excise tax under § 4941 of the Internal Revenue Code of 1986, and based on tax counsel's opinion, OTS shall deem any such conditions so waived to be void and of no effect ab initio, provided that such determination of voidness shall not affect shareholder actions already taken; or

(ii) an opinion satisfactory to OTS from Delaware counsel that compliance with one or more of the conditions (7)(b)-(e), respectively, would cause a violation of Delaware state statute or common law, provided, however, that OTS reserves the right to withhold waiver of one or more of the conditions (7)(b)-(e), respectively, if OTS reasonably determines that federal law pre-empts the application of Delaware state statute or common law.

The proxy soliciting material included under Items 3 and 4 of the Application, and the stock offering materials included under Item 3 and Exhibit 2(b) of the Application are hereby approved, provided that the following requirements are fulfilled:

(1) The Corporation's capital stock to be sold in connection with the conversion of the Association shall be sold in compliance with the restrictions contained in 12 C.F.R. § 563.76;

(2) Any additional proxy soliciting or stock offering material not authorized for use by this letter are filed with and cleared by the Chief Counsel, or her designee prior to use;

(3) Within ten days after the date of this approval, unless extended by the Chief Counsel, or her designee, the Association shall submit to its members the plan of conversion, together with the proxy solicitation materials identified as Items 3 and 4 of the Application; and

(4) The Corporation's capital stock to be sold in connection with the conversion shall be sold for not less than \$107,824,060 nor more than \$145,879,620 and approximately 50% of the net proceeds received by the Corporation from the sale of such capital stock shall be contributed to the Association in exchange for all of the capital stock to be issued by the Association in connection with the conversion.

By the Order of the Acting Director of the Office of Thrift Supervision, or his designee, effective May 14, 1996.


John F. Downey
Executive Director, Supervision