OFFICE OF THRIFT SUPERVISION

Approval of An Application for Conversion to a
Mutual Federal Savings Association Charter
And Service Corporation Notice

Order No.: 2001-27
Date: April 20, 2001
Re: OTS No. 17495

AGE Federal Credit Union, Albany, 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 HeritageBank of the South (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, AGE Financial Services, Inc. (Service Corporation). The Credit Union has also requested, pursuant to 12 C.F.R. Part 555, that the Savings Bank be permitted to retain the transactional website currently in operation.

OTS has considered the Application and the Notice under the standards 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 regulations thereunder, 12 C.F.R. Part 563c. In addition, OTS has considered the digest prepared by the OTS Southeast Regional Office, an analysis by Examination Policy, and a legal opinion by 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 conditions set forth below are complied with in a manner satisfactory to the Southeast Regional Director, or his designee (Regional Director). Accordingly, the Application and 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 Regional Director;

2. The proposed transaction must be consummated within 120 calendar days from the date of this Order;

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 Regional Director that no material adverse events or material adverse changes have occurred
with respect to the financial condition or operation of the Credit Union as disclosed in the Application. If additional information having an adverse bearing on any feature of the Application is 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 advise the Regional Director in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Application, the Notice, and this Order;

5. Within 5 calendar days after the effective date of the proposed transaction, the Savings Bank must submit a written certification to the Regional Director confirming that the issues identified in the OTS eligibility examination have been addressed;

6. The Savings Bank must operate within the parameters of its business plan. The Savings Bank must furnish to the Regional Director, on a quarterly basis, within 30 calendar days of the end of each calendar quarter, a variance report detailing the Savings Bank’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 plan for the prior, written non-objection of the Regional Director. The request for change must be submitted no later than 60 calendar days prior to the desired implementation date with a copy to the FDIC Regional Office;

7. The Savings Bank must submit independent audit reports to the Regional Director for the first three fiscal years following consummation of the transaction. These reports must comply with the audit rules set forth in 12 C.F.R. § 562.4;

8. The agreements between the Service Corporation and companies that provide services to the Service Corporation must, within 60 days following consummation of the transaction, be revised, as applicable, to reference OTS rules and regulations; and

9. The Savings Bank must withdraw the Credit Union’s capital account with the Georgia Central Credit Union (GCCU) as soon as practicable but no later than 5 years after the consummation of the transaction. The Savings Bank must also withdraw the Credit Union’s deposit with the National Credit Union Share Insurance Fund as soon as possible after consummation of the transaction.

Any time period set forth herein may be extended for up to 120 calendar days, for good cause, by the Regional Director.
By order of the Director of the Office of Thrift Supervision, or her designee, effective

[Signature]
Scott M. Albinson
Managing Director
Office of Supervision