

OFFICE OF THRIFT SUPERVISION

Approval of an Application to Acquire a Bank Through Merger And Related Applications

Order No.: 2001-83

Date: December 13, 2001

OTS Docket Nos.: 02449 / H3026 / H3027

Gaston Federal Bank, Gastonia, North Carolina (Savings Bank), has applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1828(c) and 12 C.F.R. §§ 552.13 and 563.22(a) for permission to acquire Citizens Bank, Salisbury, North Carolina (Bank). Gaston Bancorp (Holding Company), the first-tier holding company of Savings Bank, will also acquire Innes Street Financial Corporation, the holding company of the Bank (Bank Holding Company). In addition, the Savings Bank has applied to OTS to make a capital distribution under 12 C.F.R. Section 563.143 in connection with the proposed acquisition. (The foregoing are collectively referred to as the Applications.)

OTS has considered the Applications under the factors set forth in 12 U.S.C. §§ 1467a(o) and 1828(c) and 12 C.F.R. §§ 552.13, 563.22, 563.146, and 575.10(a), and other applicable statutes and regulations. OTS also has considered the Applications under the Community Reinvestment Act, 12 U.S.C. § 2901 *et seq.*, and OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, OTS has considered a digest from the OTS Southeast Regional Office, an analysis prepared by Examination Policy, 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 Applications 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 Applications are hereby approved, subject to the following conditions:

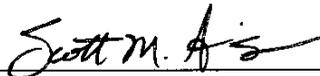
1. The Savings Bank, the Bank, and the Bank Holding Company must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Director;
2. The proposed transaction must be consummated no earlier than fifteen (15) calendar days and no later than one hundred and twenty (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 officers of the Savings Bank, the Holding Company, Gaston MHC (MHC), the Bank, and the Bank Holding Company 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 Savings Bank, the Holding Company, the MHC, the Bank, and the Bank Holding Company 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 Savings

Bank, the Holding Company, the MHC, the Bank, the Bank Holding Company, or OTS since the date of the financial statements submitted with the 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 the 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; (b) of the amount of the capital distribution paid by the Savings Bank; and (c) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications, any commitments made by the MHC, the Holding Company and the Savings Bank, and this Order;
5. During the three years following the transaction, the Savings Bank must submit any proposed major deviations or material changes from its business plan for the prior, written non-objection of the Regional Director. The request for change must be submitted a minimum of 30 calendar days before the proposed change is implemented. Further, the OTS may impose conditions on the Savings Bank as part of any OTS review of the amended business plan;
6. The Savings Bank must be "well capitalized" as defined by 12 C.F.R. § 565.4(b)(1) by March 31, 2002;
7. The Savings Bank must provide the Regional Office with a statement of financial condition, including capital ratios, within 5 days of consummating the transaction; and
8. The Savings Bank must advise each accountholder whose withdrawable accounts in the resulting institution would increase above \$100,000 as a result of the proposed transaction of the effect of the transaction on insurance coverage no later than 30 calendar days after the consummation date and must submit evidence of such notification to the Regional Director.

Any time period specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee,
effective December 13, 2001.



Scott M. Albinson
Managing Director
Office of Supervision