OFFICE OF THRIFT SUPERVISION

Approval of a Mutual Holding Company’s Notice of Disposition of Stock in a Subsidiary Holding Company and Savings Bank
Under 12 C.F.R. § 575.10(b)

Order No.: 2008-16
Date: May 30, 2008
Docket Nos.: H-4026, H-4027, 04281

Summit Federal Bankshares, MHC, Summit, New Jersey (Summit MHC), a federal mutual holding company, filed with the Office of Thrift Supervision (OTS) a notice under 12 C.F.R. § 575.10(b)(1) (Notice), for Summit MHC’s proposed disposition of the stock of its subsidiary holding company, Summit Federal Bankshares, Inc., Summit, New Jersey (Summit Mid-Tier), and its subsidiary federal savings bank, Summit Federal Savings Bank, Summit, New Jersey (Savings Bank), in connection with the proposed merger of Summit MHC into Investors Bancorp, MHC, Short Hills, New Jersey (Investors MHC).

Background

The Savings Bank is a Deposit Insurance Fund (DIF)-insured, federally chartered savings bank, headquartered in Summit, New Jersey. Summit MHC is a federally-chartered mutual holding company. Summit Mid-Tier is a federally-chartered subsidiary holding company. Summit MHC owns all the stock of Summit Mid-Tier, which owns all the stock of the Savings Bank.

Investors MHC is a New Jersey-chartered mutual holding company, which owns approximately 58.43 percent of the common stock of Investors Bancorp, Inc (Investors Mid-Tier), a Delaware-chartered stock company. Minority shareholders own the remaining 41.57 percent of the common stock of Investors Mid-Tier. Investors Mid-Tier owns all of the stock of Investors Savings Bank, Short Hills, New Jersey (Bank), a DIF-insured, New Jersey-chartered savings bank. Investors MHC and Investors Mid-Tier are bank holding companies regulated by the Board of Governors of the Federal Reserve System and the New Jersey Department of Banking and Insurance.

In the proposed transaction, Summit MHC will merge into Investors MHC, Summit Mid-Tier will merge into Investors Mid-Tier, and the Savings Bank will merge into the Bank. Investors MHC, Investors Mid-Tier and the Bank will be the surviving entities in the three mergers.

To reflect the value of Summit MHC that is transferred on behalf of the Summit MHC members to Investors MHC, Investors Mid-Tier will issue a number of shares of its common stock to Investors MHC at the consummation of the merger equal to the

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1 Notification of the merger of the Savings Bank into the Bank was provided pursuant to 12 C.F.R. § 563.22(h)(1).
appraised pro forma market valuation of Summit MHC and its subsidiaries (Appraised Valuation). The Notice includes an Appraised Valuation, which was obtained from an independent appraiser.

Summit MHC depositors and borrowers currently have voting rights as members of Summit MHC. Because Investors MHC does not have members and the depositors and borrowers of the Bank do not have any voting rights, except for depositors in the event of a conversion of Investors MHC from mutual to stock form, Summit MHC members are being provided with the right to vote to approve or disapprove the proposed transaction. The Notice includes the proxy materials for Summit MHC members to vote on the proposed transaction.

Discussion

Section 575.10(b)(1) of OTS’ Mutual Holding Company Regulations (MHC Regulations) requires a mutual holding company to “provide written notice to the OTS” at least 30 days prior to disposing of the stock it holds in a subsidiary mutual holding company or a subsidiary savings association that reorganized into the mutual holding company structure.\(^2\)

Summit MHC directly owns all of the stock of a subsidiary holding company, Summit Mid-Tier, and indirectly owns all of the stock of the Savings Bank, a savings association that was in mutual form before it reorganized into the mutual holding company structure. After the proposed transaction, Summit MHC will no longer own or hold the stock of a savings association because Summit MHC will not survive the merger into Investors MHC, and because the Savings Bank will be merged into the Bank and will not survive the merger. Therefore, Summit MHC is disposing of the stock of Summit Mid-Tier and the Savings Bank within the scope of the regulation, and must obtain OTS’ prior approval of the proposed transaction under § 575.10(b).

OTS has reviewed the Notice and has concluded that the proposed transaction will not be detrimental to the interests of depositors for three reasons. First, the regulatory requirements applicable to Investors MHC and its subsidiaries are similar to those applicable to federal mutual holding companies and their subsidiaries. Currently, the interests of Summit MHC’s members are protected under a detailed system of statutory and regulatory requirements (§ 10(o) of the HOLA, and 12 C.F.R. Parts 575 and 563b, respectively). If the proposed transaction is consummated, Investors MHC and its subsidiaries will continue to be governed by a similar statutory and regulatory structure.

Second, the proxy materials pertaining to the vote of the members of Summit MHC on the transaction include disclosure regarding the effects of the proposed transaction and the change in the rights of the Summit MHC members.

Third, to reflect the value of Summit MHC and its subsidiaries that is transferred on behalf of the Summit MHC members to Investors MHC, Investors Mid-Tier will issue a number of shares of its common stock to Investors MHC at the consummation of the merger equal to the Appraised Valuation.

Therefore, OTS concludes that the proposed transaction will not be adverse to the interests of the members of Summit MHC and that their interests will be adequately protected, because: (a) of the presence of a system of mutual holding company statutes and regulations relating to Investors MHC and its subsidiaries that is comparable to the mutual holding company statutes and regulations pertaining to Summit MHC and its subsidiaries; (b) the Summit MHC members have the right to vote to approve or disapprove the proposed transaction; and (c) the proposed transaction provides for the issuance of stock by Investors Mid-Tier to Investors MHC, at the consummation of the proposed transaction, based on the Appraised Valuation.

Conclusion

Based on the foregoing, OTS concludes that the Notice satisfies the applicable approval criteria. Accordingly, the Notice is hereby approved, pursuant to delegated authority, subject to the following conditions.

1. The proposed transaction must be consummated in accordance with the Notice, all applicable laws and regulations, and this order no more than 120 calendar days after the date of this order;

2. Prior to the date of consummation of the proposed transaction, Summit MHC, Summit Mid-Tier, the Savings Bank, Investors MHC, Investors Mid-Tier, and the Bank, must receive all required regulatory and shareholder or member approvals and submit satisfactory evidence of those approvals to the OTS Northeast Regional Director, or his designee (Regional Director);

3. No later than five calendar days after the date of consummation of the proposed transaction, Investors MHC (as the successor to Summit MHC) must file with the Regional Director a legal certification by its legal counsel stating: (i) the effective date of the transaction; (ii) the amount and percentage of shares issued by Investors Mid-Tier to Investors MHC at the consummation of the proposed transaction based on the Appraised Valuation of Summit MHC; and (iii) that the proposed transaction has been consummated in accordance with the provisions of all applicable laws and regulations, the Notice, counsel’s representations provided in connection with the OTS review of the Notice, and this order.

The Regional Director may, for good cause, extend any time period specified herein for up to 120 calendar days.
By order of the Director of the Office of Thrift Supervision, or his designee, effective May 30, 2008.

Lori J. Quigley
Managing Director
Examinations and Supervision - Operations