

Press Releases

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OTS 00-75 - OTS Approves Multi-Step Application, Including Unique Stock Acquisition

Office of Thrift Supervision

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For further information

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OTS Approves Multi-Step Application, Including Unique Stock Acquisition

WASHINGTON, D.C., Sept. 8, 2000 - The Office of Thrift Supervision (OTS) has approved a multiple-step charter transaction that includes a precedent-setting feature in which a newly created Wisconsin-based mutual holding company will set up a subsidiary stock holding company that will issue stock to acquire another Wisconsin thrift.

Mutual Savings Bank, a \$1.7 billion asset institution based in Brown Deer near Milwaukee, is the central player in the unusual transaction. Currently a state-chartered mutual, the thrift will convert to a federal thrift charter. Simultaneously, it will form a mutual holding company that will create a subsidiary stock holding company to acquire First Northern Savings Bank, a \$905 million asset state-chartered thrift based in Green Bay. First Northern also will convert to a federal charter, and the two converted thrifts will operate as separate entities.

Traditionally, acquisitions involving OTS-regulated thrift institutions have been cash transactions. Mutual Savings' plan is the first time OTS has authorized an institution under a mutual holding company structure to issue stock to shareholders of a target acquisition. OTS officials said this aspect of the multi-faceted transaction demonstrates the versatility of the mutual holding company concept and is comparable to stock-based mergers and acquisitions in other segments of the business world.

The newly created Mutual Savings Bancorp holding company will retain more than 50 percent of the stock in the stock holding company. In turn, the stock holding company will offer approximately 24 percent of its stock to shareholders of First Northern, with each share of First Northern converting to a right to receive \$15 cash, or 1.5 share of the stock holding company's common stock, or a combination of both. The stock holding company also will offer approximately 26 percent of its stock in a subscription offering, beginning with "eligible accountholders," at \$10 per share.

OTS issued two orders covering the transaction. One authorizes issuance of stock in the new stock holding company and the other approving the charter conversions, creation of the mutual holding company and acquisition of First Northern.

With respect to the stock offerings, Mutual Savings must certify to OTS the exact number of shares acquired in the stock holding company by entities other than the mutual holding company.

It also is to submit a statement from its independent appraiser that there is no reason to believe the value of the stock sold is incompatible with the market value of the stock holding company and Mutual Savings at the time of the stock sale. Further, the thrift must submit a plan for divesting stock it has in two insurance companies that hold policies for its pension plan and deferred compensation plan. The direct investment is not authorized under statute.

Approval Order (Order Approving Minority Stock Issuance) - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2000-75a.pdf>

Approval Order (Order Approving Conversion; Mutual Holding Company Reorganization; and Acquisition of Federal Savings Bank and Related Applications) - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2000-75b.pdf>

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The Office of Thrift Supervision (OTS), an office of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.