

OFFICE OF THRIFT SUPERVISION

Notice of Intent by Mutual Holding Company  
to Waive Dividend from Subsidiary Savings Association

Order No. 95-130

Date: June 23, 1995

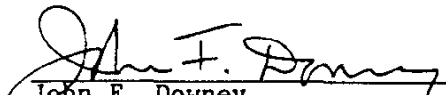
Jefferson Bancshares, M.H.C., Morristown, Tennessee (the "MHC"), has filed with the Office of Thrift Supervision ("OTS"), pursuant to Section 10(o) of the Home Owners' Loan Act and 12 C.F.R. Section 575.11(d), a notice (the "Notice") of the MHC's intent to waive its right to receive two special cash dividends declared by its subsidiary savings association, Jefferson Federal Savings and Loan Association of Morristown, Morristown, Tennessee (the "Savings Association"), at the end of its current and fiscal years (June 30, 1995 and June 30, 1996, respectively). In addition, the MHC requests waiver of its right to receive cash dividends to be paid for the fiscal year period ending June 30, 1996.

The OTS has considered the written analyses and recommendations of the Central Regional Office, the Chief Counsel's Office and Corporate Activities and has determined that the waiver of the dividends by the MHC is not detrimental to the safe and sound operation of the Savings Association, provided that the conditions set forth below are satisfied. Accordingly, the OTS does not object to the waiver of the dividends by the MHC as proposed in the Notice subject to the following conditions:

1. For as long as the Savings Association is controlled by the MHC, the dollar amount of dividends waived by the MHC must be considered as a restriction on the retained earnings of the Savings Association. Such restriction, if material, must be disclosed in the public financial statements of the Savings Association as a note to the financial statements. The amount of any dividend waived by the MHC shall be available for declaration as a dividend solely to the MHC. In accordance with Statement of Financial Accounting Standards No. 5, where the Savings Association determines that the payment of such dividends to the MHC is probable, an appropriate dollar amount shall be recorded as a liability; and
2. The amount of any waived dividend must be considered as having been paid by the Savings Association (and the Savings Association's capital ratios adjusted accordingly) in evaluating any proposed dividend under 12 C.F.R. §§ 563.134 and 565.6(a)(1), or any successor regulations.

The OTS's non-objection with respect to the MHC's waiver of dividends for the fiscal year period ending June 30, 1996 may be rescinded prior to such date by the Central Regional Director if, based on subsequent developments, the proposed waivers are determined to be detrimental to the safe and sound operation of the Savings Association.

By Order of the Director of the Office of Thrift Supervision, or  
his designee, effective June 23, 1995.

  
John F. Downey  
Director of Supervision