



**Federal Deposit Insurance Corporation**

550 17th Street NW, Washington, DC 20429

Division of Supervision

February 19, 2002

**VIA FACSIMILE AND BY CERTIFIED RETURN RECEIPT REQUESTED**

Board of Directors  
Metuchen Savings Bank  
429 Main Street  
Metuchen, New Jersey 08840

Board of Directors:

The notice of intent to effect a mutual holding company reorganization with the organization of an interim institution and a merger to facilitate a conversion from mutual to stock form filed on behalf of Metuchen Savings Bank, Metuchen, New Jersey has been reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R. Sections 303.163 and 333.4. Based on the information provided and the representations made, the FDIC poses no objection to the proposed conversion transaction.

Please notify our New York Regional Office in writing when the proposed transaction has been consummated. If an extension of the time limitation included in the Order is required, a letter requesting a specific extension of the limitation including reasons therefore should be submitted to the New York Regional Office.

Sincerely,

/S/

Michael J. Zamorski  
Director

cc: Samuel J. Malizia  
Daniel H. Burd  
Malizia, Spidi & Fisch  
1301 K Street, NW  
Suite 700E  
Washington, DC 20005

FEDERAL DEPOSIT INSURANCE CORPORATION

Metuchen Savings bank  
Metuchen, Middlesex County, New Jersey

Application for Consent to Merge

ORDER AND BASIS FOR CORPORATION APPROVAL

Pursuant to Section 18 (c) and other provisions of the Federal Deposit Insurance Act ("FDI Act"), an application has been filed on behalf of the Metuchen Savings Bank, Metuchen, New Jersey, ("Mutual Institution") currently a state-chartered mutual owned Savings Association Insurance Fund ("SAIF") member with total resources of \$186,110,000 and total deposits of \$141,767,000 as of June 30, 2001, for the FDIC's consent to merge with Metuchen Interim Savings Bank ("Interim Bank"), Metuchen, New Jersey, a proposed new interim state-chartered stock savings bank.

The transaction is the result of the Mutual Institution's Plan of Reorganization which includes the formation by the Mutual Institution of a federally-chartered mutual holding company, Metuchen, MHC, Metuchen, New Jersey ("MHC"), which will be capitalized with up to \$200,000. MHC will organize and wholly own a stock holding company, Metuchen Bancorp, Inc., Metuchen, New Jersey ("Stock Holding Company"), which will be capitalized with \$100,000. MHC will also organize and own Interim Bank, as a subsidiary of the Stock Holding Company. An application for establishment of MHC and the Stock Holding Company, as bank holding companies has been filed with the Office of Thrift Supervision ("OTS"). The Mutual Institution will exchange its charter for a New Jersey stock savings bank charter and will become a wholly-owned subsidiary of MHC after a merger with Interim. MHC will then transfer 100% of the stock of the merged bank into Stock Holding Company, which will in turn be a wholly-owned subsidiary of MHC via MHC ownership of the Stock Holding Company. The resultant bank will operate with the title of Metuchen Savings Bank, Metuchen, New Jersey. Following consummation of the merger, the resultant bank will operate the same banking business with the same management at the same location now being served by the Mutual Institution. The proposed transaction, per se, will not alter the competitive structure of banking in the market served by the Mutual Institution. The resultant bank's office will be at 429 Main Street, Metuchen, New Jersey. Notice of the proposed transaction, in a form approved by the FDIC, has been published pursuant to the FDI Act.

A review of available information, including the Community Reinvestment Act ("CRA") Statement of Mutual Institution discloses no inconsistencies with the purposes of the CRA. The resultant institution is expected to continue to meet the credit needs of its entire community, consistent with safe and sound operation of the institution.

In connection with the application, the FDIC has taken into consideration the financial and managerial resources and future prospects of the proponent banks and the resultant bank, and the convenience and needs of the community to be served. Having found favorably on these statutory factors and having considered other relevant information, including all reports on the competitive factors furnished by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the OTS, or the Attorney General of the United States, it is the FDIC's judgement that the application should be and is hereby approved, subject to the following conditions:

1. That the transaction may not be consummated unless the Plan of Reorganization receives prior approval by an affirmative vote of at least a majority of the total votes eligible to be cast by the Mutual Institution's depositors;
2. That the Metuchen Savings Bank shall not issue any shares of its stock to any persons other than Metuchen Bancorp, Inc., without prior written notification to and non-objection from the FDIC;
3. That, prior to the sale, transfer or other disposition of any shares of Metuchen Bancorp, Inc. by MHC to any person (including any Employee Stock Ownership Plan), or a conversion of the mutual holding company to stock form, the Metuchen Savings Bank will provide written notification to the FDIC and provide the FDIC with copies of all documents filed with state and federal banking and/or securities regulators in connection with such sale, transfer, disposition or conversion;
4. That should any shares of the stock of the Metuchen Savings Bank or Metuchen Bancorp, Inc. be issued to persons other than the MHC, any dividends waived by MHC must be retained by the Stock Holding Company or the savings bank and segregated, earmarked, or otherwise identified on the books and records of the Stock Holding Company or the savings bank; such amounts must be taken into account in any valuation of the institution and factored into the calculation used in establishing a fair and reasonable basis for exchanging shares in any subsequent conversion of MHC to stock form; such amounts shall not be available for payment to or the value thereof transferred to minority shareholders, by any means, including through dividend payments or at liquidation;
5. That the proposed transaction may not be consummated unless and until the resultant bank has the authority to conduct banking business, and that its establishment and operation as a stock savings bank have been fully approved by appropriate State of New Jersey officials and its holding companies, Metuchen, MHC and Metuchen Bancorp, Inc. are granted approval to become bank holding companies by the OTS.
6. That the transaction shall not be consummated less than fifteen days after the date of this Order or later than six months after the date of this Order, unless such period is extended for good cause by the FDIC; and
7. That until the proposed transaction is consummated, the FDIC shall have the right to alter, suspend, or withdraw its approval should any interim development be deemed to warrant such action.

Pursuant to delegated authority.

Dated at Washington, D.C., this 14<sup>th</sup> day of December, 2001

/S/

Michael J. Zamorski  
Director