



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

Board of Directors  
Sharon Savings Bank  
9 Chester Pike  
Darby, Pennsylvania 19023

October 14, 2003

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 a mutual to stock form filed on behalf of Sharon Savings Bank, Darby, Pennsylvania, was reviewed by the Federal Deposit Insurance Corporation (FDIC) pursuant to the FDIC's regulations at 12 C.F.R Sections 303.160 – 303.163 and other pertinent FDIC regulations. Based on the information presented and the representations made, the FDIC poses no objection to the proposed conversion transaction.

Enclosed is our Order and Basis for Corporation Approval ("Order") for the applications filed on behalf of Sharon Savings Bank in conjunction with the conversion transaction. Our approval is subject to the conditions stated in the Order, some of which must be met on an ongoing basis.

Please notify the New York Regional Office in writing when the proposed transaction has been consummated. If an extension of time limit 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/**

John M. Lane  
Deputy Director

Enclosure: Order and Basis for Corporation Approval

cc: Jeremy T. Rosenblum, Esquire  
Ballard Spahr Andrews & Ingersoll, LLP  
1735 Market Street, 51<sup>st</sup> Floor  
Philadelphia, Pennsylvania 19103-7599

## **FEDERAL DEPOSIT INSURANCE CORPORATION**

Sharon Savings Bank  
Darby, Delaware County, Pennsylvania

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 Sharon Savings Bank, Darby, Pennsylvania (Mutual Institution), currently a Pennsylvania-chartered mutual savings bank and Savings Association Insurance Fund (SAIF) member with total resources of \$180,172,000 and total deposits of \$166,024,000 as of June 30, 2003, for the FDIC's consent to merge with Sharon Interim Two (In Organization) (Interim Two), Darby, Pennsylvania, a proposed new interim federally-chartered stock savings bank.

The transaction is to effect the Mutual Institution's plan of reorganization, which, solely to facilitate such undertaking, provides for:

- Mutual Institution will organize an interim federal stock savings bank, Sharon Interim One (Interim One), as a wholly-owned subsidiary;
- Interim One will organize a federal stock corporation, Sharon Bancorp, Inc., as a wholly-owned, federally-chartered stock subsidiary and capitalize it with \$50,000;
- Sharon Bancorp, Inc. will organize an interim federal stock savings bank, Interim Two, as a wholly-owned subsidiary;
- Interim One will cancel the outstanding shares of its stock and exchange its charter for a federal mutual holding company charter under the name Sharon Mutual Holding Company, which will be capitalized with \$50,000;
- The Mutual Institution will convert to stock form and exchange its articles of incorporation and bylaws for those of a Pennsylvania-chartered stock savings bank (the Stock Bank); and
- Interim Two will merge with and into the Stock Bank, with the Stock Bank as the surviving entity (the Resultant Bank) and a wholly-owned subsidiary of the Sharon Bancorp, Inc., which will in turn be a wholly-owned subsidiary of Sharon Mutual Holding Company.

The Resultant Bank will continue to operate with the title of Sharon Savings Bank, Darby, Pennsylvania, and its deposits will continue to be insured under the SAIF. Applications for the establishment of Sharon Mutual Holding Company, for Sharon Bancorp, Inc. to acquire Sharon Savings Bank subsequent to its conversion to a stock savings bank, and for Sharon Savings Bank

to be deemed a "savings association" for purposes of section 10(1) of the Home Owners' Loan Act, as amended, await approval by the Office of Thrift Supervision (OTS). Following consummation of the merger, the Resultant Bank will operate the same banking business, with the same management, and at the same locations as Mutual Institution. The proposed transaction will not alter the competitive structure of banking in the market served by Mutual Institution. The Resultant Bank's main office will be at 9 Chester Pike, Darby, Pennsylvania.

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 the 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 all statutory factors and having considered other relevant information, including 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 judgment 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 from Mutual Savings Bank to Mutual Holding Company receives prior approval by an affirmative vote of at least a majority of the total votes eligible to be cast by Mutual Institution's depositors;
2. That, except for the proposed transfer of stock to Sharon Bancorp, Inc., no shares of the stock of Sharon Savings Bank shall be sold, transferred or otherwise disposed of, to any person (including any Employee Stock Ownership Plan) unless prior notice is provided to, and non-objection is received from the FDIC;
3. That, prior to the sale, transfer, or other disposition of any shares of Sharon Bancorp, Inc. by Sharon Mutual Holding Company to any person (including any Employee Stock Ownership Plan), or a conversion of the mutual holding company to stock form, Sharon 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 Sharon Savings Bank or Sharon Bancorp, Inc. be issued to persons other than Sharon Mutual Holding Company, any dividends waived by Sharon Mutual Holding Company must be retained by Sharon Bancorp, Inc. or Sharon Savings Bank and segregated, earmarked, or otherwise identified on the books and records of Sharon Bancorp, Inc. or Sharon 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 Sharon Mutual Holding Company 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 any change in proposed management, including the board of directors, will render this approval null and void unless such proposal is approved by the FDIC prior to the consummation of the proposed transaction.
6. That the proposed transaction may not be consummated unless and until the Sharon Savings 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 Commonwealth of Pennsylvania officials, and its holding companies, Sharon Mutual Holding Company and Sharon Bancorp, Inc., are granted approval by the OTS to become holding companies for Sharon Savings Bank;
7. That the transaction shall not be consummated within 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
8. 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 October, 2003

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By: \_\_\_\_\_

John M. Lane  
Deputy Director  
Division of Supervision and Consumer Protection